



# **ANALYSIS OF PUBLIC AND CORPORATE PROCUREMENT PRACTICES IN UZBEKISTAN**

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## **Abstract**

*Public and corporate procurement practices in Uzbekistan is being developed now. Conducting procurement process online has started developing in the last 5 years. This paper shows the process of public and corporate procurement and analyzes each way of procurement. In addition it shows number and amount of public procurement contracts for 2015-2018 by ministries and agencies. According to the findings, the largest share of over-the-counter public procurement contracts concluded by corporate entities in 2018 falls on Tashkent city and Tashkent region. Further, according to the findings, the socio-economic development of the public sector in our country is of great importance.*

*Keywords: Procurement, E-commerce, Public procurement, Uzbekistan*

## **INTRODUCTION**

Public procurement in the country is implemented and regulated by the Law adopted in 2018 on “Public Procurement”. According to the Law on “Public Procurement”, the public contractor means budget customers, government agencies, budget organizations and budget recipients, as well as state-owned funds. The procurement process for the aforementioned entities involves the following steps:

### **1. Public Procurement Planning;**

Public procurement planning is carried out by the state customer. Systematization and planning of public procurement and also to ensure the interaction between budget and investment planning. All processes related to planning and implementing procurement for public needs and also control create a system of public procurement.

Budget customers, first of all, plan for future purchases to place their purchases at [www.xarid.uz](http://www.xarid.uz), this schedule gives information on the season (year or quarter), product category, name of the order, quantity, unit of measure, sales month, commodity information and sources of financing. On the basis of this information, the lot is opened and the lot is moderated, and after the lot has been moderated, the purchase announcement will be posted. Participation in these purchases is possible only through the EDS (electronic digital signature). After the purchase, the announcement of the result of the purchase will be posted. The types of purchases that budget organizations can make are:

1. E-commerce;
2. Auction (starting price reduction);
3. Bidding;
4. Tender;
5. Purchases by a single supplier.

The results of public procurement will be added to the "Add Results" section of [www.xarid.uz](http://www.xarid.uz). Results of over-the-counter purchases (tenders, tenders, other purchases) must be posted to the system within 3 days after contract conclusion. Public procurement is made to financially support the public infrastructure. Public infrastructure can be divided into two major components:

- economic infrastructure (transport, domestic services, primary infrastructure for daily professional activities);
- social infrastructure (schools, hospitals, libraries, or, in other words, primary infrastructure for the daily life of society). The need for public procurement in the social sphere arises from the public interest.

## **2. Procurement procedures;**

Procurement procedures are implemented through e-commerce, auction, bidding, tender and public procurement with a single supplier. The table 1 below provides information on the types and features of public procurement as set out in the Law on "Public Procurement".

**E-commerce** is a platform on the special information portal for public procurement of consumer goods and other goods (works, services), where special requirements are not applied. The following public purchases can be made in the e-commerce.

- 250 minimum wages for one contract as well as goods that do not exceed 25 minimum salaries for budget customers, but do not exceed 2500 minimum salaries for a single government customer per year;

- works, services in the amount not exceeding 25 (twenty five) minimum salaries for one state contractor.

Table 1. Types and features of procurement

Type of purchase	The subject of the purchase	Budgetcustomer	Corporate customer
<b>E-commerce</b>	merchandise	<i>up to 25 times the minimum wage</i>	<i>up to 250 times the minimum wage</i>
	work, service	<i>up to 25 times the minimum wage</i>	<i>up to 25 times the minimum wage</i>
<b>Auction</b>	merchandise	<i>up to 2500 times the minimum wage</i>	<i>up to 5000 times the minimum wage</i>
<b>Bidding</b>	merchandise	<i>2500 to 6,000 times the minimum wage</i>	<i>5000 to 25000 times the minimum wage</i>
	work, service	<i>25 to 6,000 times the minimum wage</i>	<i>between 25 to 25000 times the minimum wage</i>
<b>Tender</b>	merchandise, work, service	<i>over 6,000 times the minimum wage</i>	<i>over 25000 times the minimum wage</i>

Source: Law on "Public Procurement"

The auction to reduce the starting price is a competitive method of public procurement, with its pricing being the only criterion for selecting a bidder, while this provision does not eliminate the requirement to supply goods in accordance with established quality standards. The winner of the auction is the bidder who offered the lowest price for the goods on the terms stated in the announcement. The cost of the goods should not be less than five thousand times the minimum wage per contract, and public procurement at auction for budget customers should not exceed two thousand and five hundred minimum wages per contract. Also, the criteria for bidding, the announcement of the auction and its sale will be carried out under the Law on "Public Procurement".

**The bidding is** the type of purchase to which the bidder will be awarded as the best type of procurement. Public Procurement Information will be communicated by a public contractor to a special information portal by unlimited number of individuals by placing tender announcement and tender documents. Bidding criteria, procurement commission, tender announcement and bidding will be implemented in accordance with the Law on "Public Procurement".

**Tender is** the method of identifying executors through competitive procedures for public procurement in two stages. That is, the participant who submits the best bid for the terms of the contract will be the winner according to the results of the procurement procedure. Public procurement information will be announced by the public customer to an unlimited number of persons by posting a tender announcement and tender documents on a special information portal. The tender commission is determined by the tender criteria based on the published criteria for evaluating the best proposals for the contract.

#### **4. Making and implementation of the contract**

Documents on public procurement of goods (works, services) should contain indicators that allow determining the goods (works, services) to be met by the state customer. That is, the maximum and minimum values of such indices, as well as those which cannot be changed. If necessary, the state customer will provide warranty period and quality of the goods (works, services), warranty of goods (works, services), volume of warranty, costs of using the goods, obligatory for installation and adjustment, as well as specifies the requirements for users and service providers.

#### **5. Monitoring of public procurement.**

Monitoring in the field of public procurement consists of a system of observations of public procurement legislation and the implementation of the goals, principles and limitations of procurement, as well as a system of continuous monitoring through collection, summarizing, systematizing and evaluating public procurement information. Public procurement control is a system of measures aimed at preventing, detecting and suppressing violations of legislation in this area.

The main form of control over the observance by public authorities of the legislation on public procurement is the checks carried out by comparison and analysis of statistical and other information in the manner prescribed by law. Monitoring and control in the field of public procurement is carried out by the relevant authorized state bodies. Conducting inspections and requesting reporting forms not provided by the legislation during the organization and implementation of public procurement is not allowed. State control over procurement procedures, public control, effectiveness of public procurement on project activities and description of control types such as performance analysis.

The table 2 below shows the number and amount of public procurement conducted by government agencies, ministries and agencies operating in the country.

Table 2 below shows that the largest share of budget funds is directed to institutions of the Ministry of Public Education, which is one of the largest social facilities, During the period of 2015-2018, these agencies implemented a total of 872776 contracts worth 772.3 billion soum. That is to say, in 2015, there were 17,626 contracts worth 191.2 billion. During the reporting period, the volume of purchase of goods in the amount of 900 mln.or 0.99% less, ie 190.3 billion soum under the contract 207418. soum worth of goods were made, in 2017, these institutions received \$ 234.3 billion in 30,1658 contracts. These expenditures, which were purchased at the amount of 44 billion soum, amounted to 44 billion soum compared to 2016. or 23.1%, in 2018 this figure amounted to 156.5 billion sums on 186871 contracts. This is 77.8 billion soum compared to 2017. or 66.7%.

In addition, in 2015-2018, the Ministry of Healthcare directed 333.1 billion sums on 16,4783 contracts. In the system of the Ministry of Higher and Secondary Special Education, 57915 contracts worth 203.2 billion soum, the Ministry of Physical Culture and Sports, 18677 contracts worth 186.1 billion soum, in the institutions of the Ministry of Agriculture and the Ministry of Water Resources, 125 billionsoum were issued under 22,939 contracts, in the institutions of the Ministry of Labor and Social Protection of the Republic of Uzbekistan, there were issued 28 billion soum, to other govt. ministries and agencies for 85,850 contracts for the amount of 456,5 billion soum worth of public procurement was done.

The above-mentioned ministries have done overall procurement worth 1 trillion 234 billion soum in 2015-2018. This is due to the fact that the above-mentioned organizations have made a number of financial transactions on public procurement and effective use of public finances and budgetary funds in this relationship reveals the effectiveness of the country's economy, especially the public sector, the role and importance of public procurement.

Table 2. Number and amount of public procurement contracts  
for 2015-2018 by ministries and agencies

№	Name of ministries and agencies	Completed contracts									
		2015		2016		2017		2018		Total for 2014-2017	
		Quantity	Amount (billion soums)	Quantity	Amount (billion soums)	Quantity	Amount (billion soums)	Quantity	Amount (billion soums)	Quantity	Amount (billion soums)
1	Ministry of Labor and Social Protection	4082	9,6	5498	12,9	1333	3,2	894	2,3	11807	28
2	Ministry of Health	33817	70,1	39409	82,6	56709	108,1	34848	72,3	164783	333,1
3	Ministry of Agriculture	6133	29,9	6391	32,6	5984	34,4	4431	28,1	22939	125
4	Ministry of Water Resources										
5	Ministry of Public Education	176829	191,2	207418	190,3	301658	234,3	186871	156,5	872776	772,3
6	Ministry of Higher and Secondary Special Education	14926	49,6	14316	45,1	16246	59,8	12427	48,7	57915	203,2
7	Ministry of Physical Culture and Sports	3940	131,7	5062	17,2	6153	23	3522	14,2	18677	186,1
8	Other Ministries and Institutions	22566	107,8	22942	116,4	24175	133,2	16167	99,1	85850	456,5
<b>TOTAL</b>		262293	589,9	301036	497,1	412258	596,0	259160	421,2	1234747,0	2104,2

Source: www.mf.uz

It should be noted that the transactions made in 2015-2018 amounted to 1 trillion 234 billion soums for the supply of goods (works and services) to meet the needs of budgetary institutions soums, the minimum amount of transactions was 28 billion soums under 11,807 contracts by the Ministry of Labor and Social Protection and the highest level is accounted for the institutions of the Ministry of Public Education with 872776 contracts worth 772,3 billion soums.

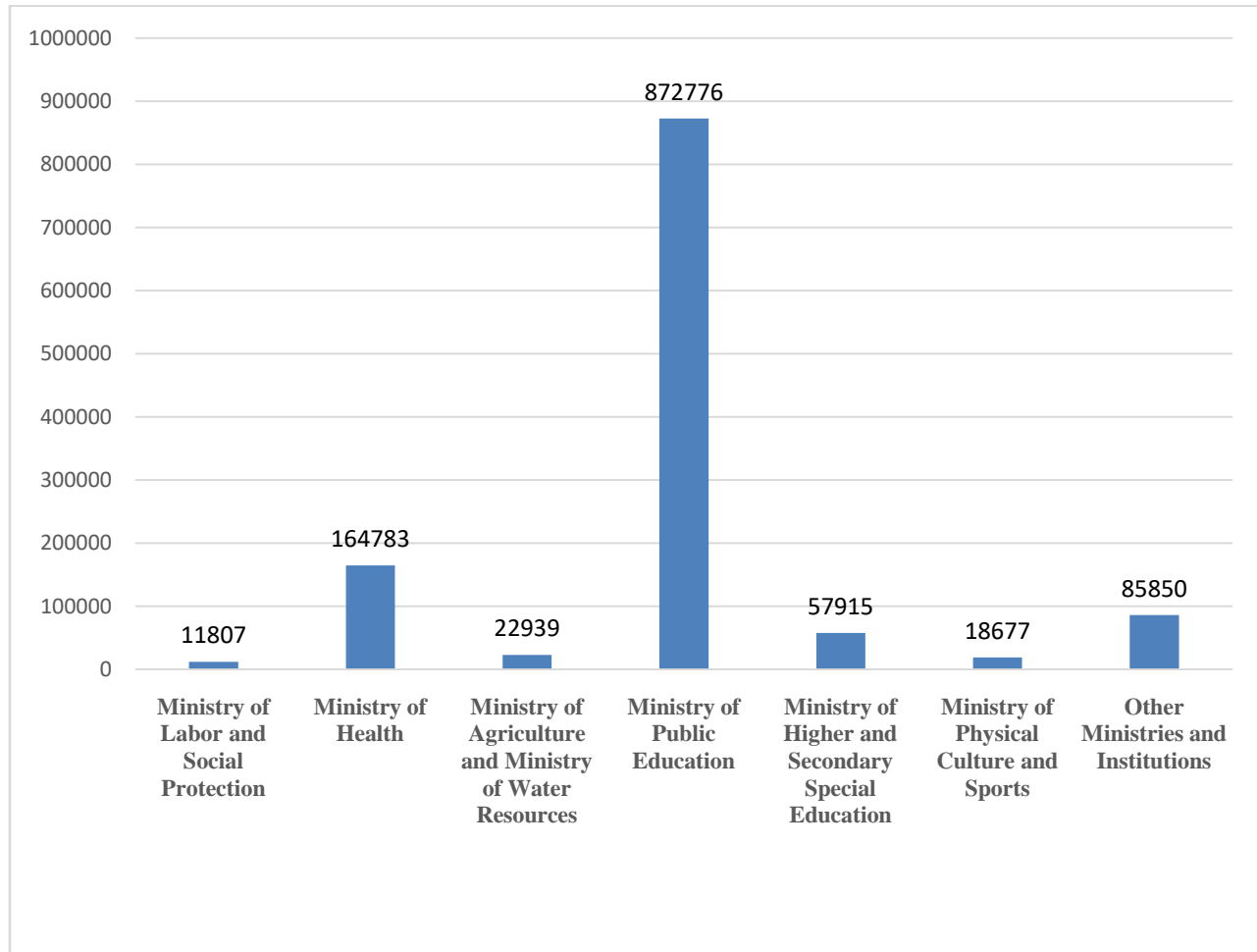


Figure 1. Number of public procurement transactions for 2015-2018 by ministries and agencies

Source: [www.uzex.uz](http://www.uzex.uz)

Managing public finance effectively, formation of public procurement system in line with the requirements of economic reforms in the country is one of the priorities in improving public procurement. Formation of the public procurement system in accordance with the requirements of economic reforms in the country is one of the priorities in improving public procurement.

Creating a transparent mechanism for ensuring open competition, free competition in the organization and implementation of public procurement, improvement of monitoring of prices, further increase of responsibility for complete fulfillment of the terms of state contracts, the scientific and methodological and practical study of a number of issues, including the objectivity of the procurement process, demonstrates the relevance of public procurement management reforms.

Table 3. Number of off-exchange public procurement contracts in 2018  
(in amount)

Regions	Direct contracts	Bid contracts	Tender contracts
Tashkent city	8008	1017	376
Samarkand	8017	492	322
Jizzakh	3764	959	1
The province of Tashkent	7310	232	18
Navoi	2092	119	8
Fergana	18729	552	1
Bukhara	7935	1113	77
Khorezm	8073	131	91
Andijan	14403	266	120
Syrdarya	3622	76	1
Kashkadarya	4868	93	0
Namangan	12074	118	60
Republic of Karakalpakstan	2464	1005	85
Surkhandarya	4603	162	265
<b>Total</b>	<b>105962</b>	<b>6335</b>	<b>1425</b>

Source: www.uzex.uz

According to the aforementioned table, the budget organizations conducted over-the-counter bidding on 113722 contracts in 2018, of which 10,5962 were concluded direct contracts, 6335 - based on results of tenders, 1425 - on the off-exchange bidding.

From the analysis we can see that the largest part of deals on OTC sales of budgetary organizations falls on Fergana, Andijan and Namangan regions, namely 18729 direct contracts were concluded in Ferghana region, 14,403 in Andijan region, and 12074 in Namangan region. It is worth noting that the limited availability of official procurement data for agricultural needs for government needs makes it difficult to implement a comprehensive approach to analyzing this area.



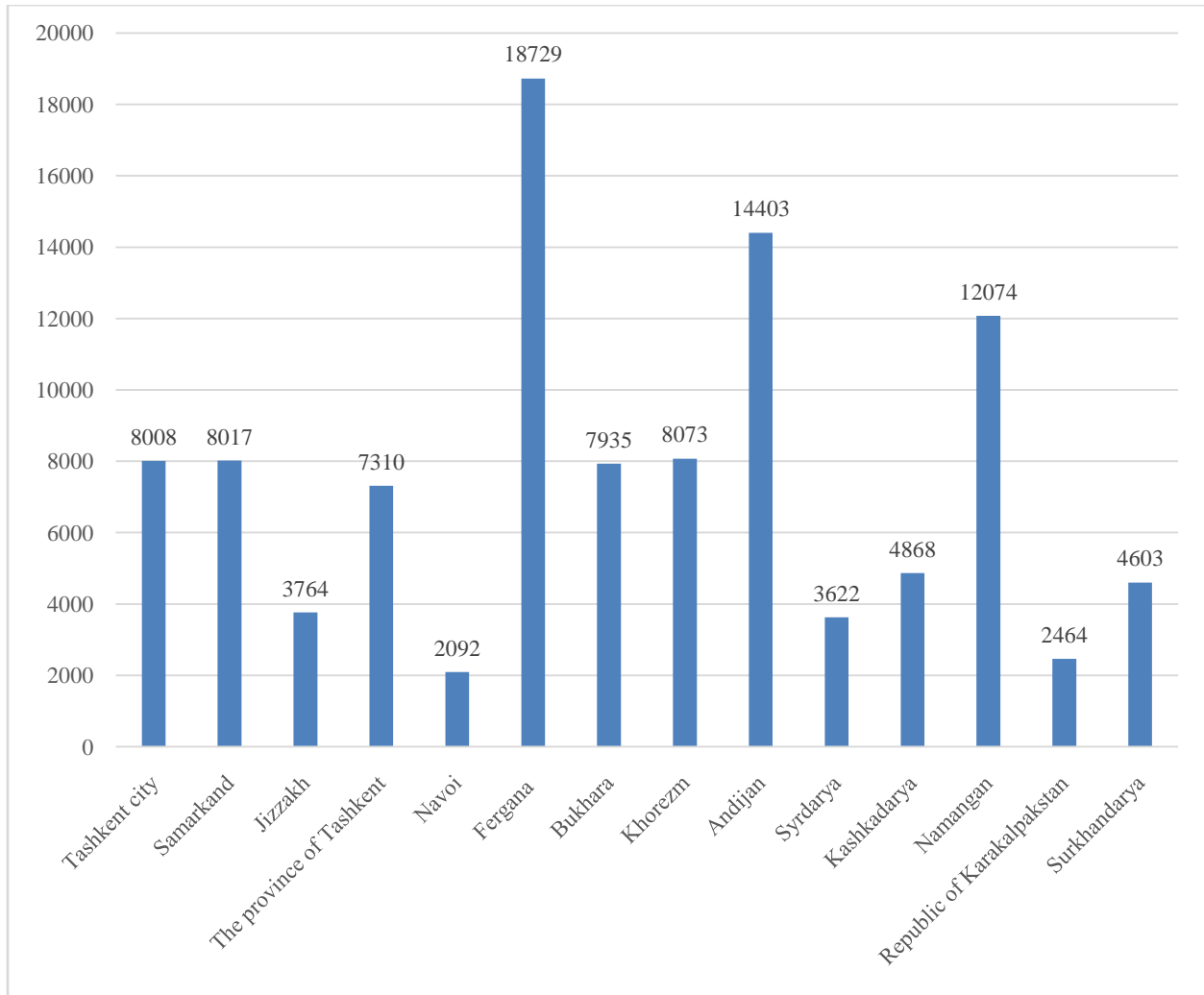


Figure 2. Number of direct contracts for public procurement in 2018 (in amount)

Source: www.uzex.uz

Documents prepared for tenders for construction, technical re-equipment, reconstruction, capital repairs of buildings and structures shall have a positive opinion of the National Project Management Agency under the President of the Republic of Uzbekistan as the basis for the development of technical part of the tender documents. Also, the Ministry of State Building of the Republic of Uzbekistan shall determine the feasibility and justification of application of tender and other competitive bidding documents, as well as techniques and methods of competitive bidding.

Documents submitted for the examination, the client submits a complete package of bidding documents for the examination and approval documents, as well as the full text of the announcement prepared for placing on the special public information portal.

Table 4. Over-the-counter corporate procurement contracts in 2018 (*in amount*)

<b>Regions</b>	<b>Direct contracts</b>	<b>Bidding trades</b>
Tashkent city	212	101
Samarkand	27	11
Jizzakh	20	2
The province of Tashkent	148	53
Navoi	6	108
Fergana	76	10
Bukhara	63	8
Khorezm	30	1
Andijan	6	0
Syrdarya	11	0
Kashkadarya	107	9
Namangan	26	0
Republic of Karakalpakstan	27	0
Surkhandarya	92	1
<b>Total</b>	<b>851</b>	<b>304</b>

Source: www.uzex.uz

According to Table 4 above, over 1,155 contracts were traded by corporate entities in 2018, of which 851 were direct contracts and 304 were concluded based on the results of the competition.

## CONCLUSION

According to the findings, the largest share of over-the-counter public procurement contracts concluded by corporate entities in 2018 falls on Tashkent city and Tashkent region. Also, the socio-economic development of the public sector in our country is of great importance. In order for this sector to function properly, it needs to provide the sector with timely goods and services. This is the purpose of public procurement. Procurement, which accounts for the bulk of budget expenditures, has a direct impact on the balanced development of the public sector. In order to maintain the optimal level of public procurement, it is important to ensure their effectiveness. Through the development of public procurement, new opportunities might be created to promote competition, improve the quality of products, and support the economy, including industry and small businesses. At present, one of the most urgent issues is to increase the weight of ongoing public procurement and research, to further enhance the practice of public procurement and, thus, to exploit opportunities for public-private partnerships.

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