

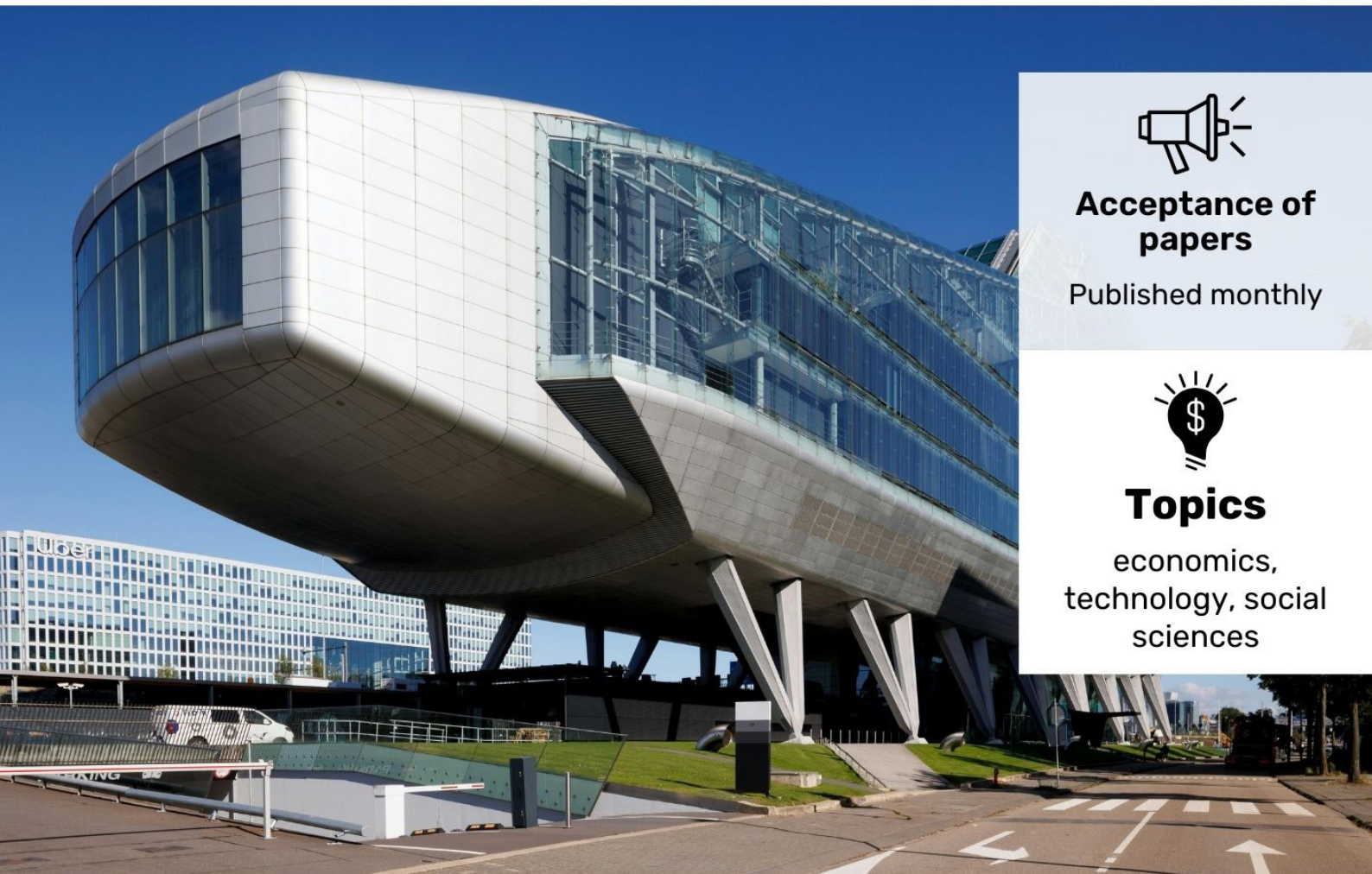
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CONTACTS

Phone: **97-748-70-03**

Website: <https://ist-journal.uz>

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WAYS TO SAVE BUDGET FUNDS THROUGH EFFECTIVE ORGANIZATION OF PUBLIC PROCUREMENT



Rakhmatullayev Jaloliddin Mukhiddinovich

Tashkent State University of Economics,
Budget control and treasury, 4th year student
Email: rjaloliddin@icloud.com

Abstract: This article examines the issue of saving budget funds through the effective organization of public procurement. Measures such as the introduction of electronic platforms in the public procurement system of the Republic of Uzbekistan, improvement of the legislative framework, and encouragement of local suppliers are analyzed. The results of the study show that during 2019–2023, the share of electronic procurement increased, and the risk of corruption significantly decreased. Also, the increase in the share of local suppliers had a positive impact on the national economy. The article provides practical recommendations for increasing the transparency and economic efficiency of public procurement.

Key words: public procurement, budget funds, efficiency, economic analysis, IT systems, legislation.

INTRODUCTION

Public procurement is an important part of the country's economy. Every year, a large part of the state budget is directed to the economy through procurement. In particular, the volume of public procurement in the Republic of Uzbekistan exceeded 50 trillion soums in 2022, which amounted to about 25 percent of the country's gross domestic product. This indicator once again confirms the importance of public procurement in the overall development of the economy.

Among the main documents regulating public procurement in the Republic of Uzbekistan, the Decree of the President of the Republic of Uzbekistan No. RP-5171¹ dated July 2, 2021 "On additional measures to ensure transparency and increase the efficiency of public procurement" is of particular importance. This decree creates a solid legal framework for ensuring the transparency of public procurement, reducing corruption, and efficient use of resources. Within the framework of this document, the "E-Procurement" electronic platform was introduced, and in 2022, 75% of public procurement was carried out through this system. This increased transparency and made it possible to achieve savings of about 10 trillion soums of budget funds. [1]

The use of international experience also plays an important role in improving the efficiency of public procurement. For example, according to a 2020 World Bank report, the use of electronic procurement platforms can reduce public spending by up to 20%. Also, as part of the reforms being implemented in Uzbekistan, significant positive results have been achieved in accelerating and ensuring transparency of procurement processes through the integration of IT systems. [3]

In general, the public procurement system, as an important part of public financial management, serves to increase the stability and efficiency of the economy. Through the effective organization of public procurement, it is possible to reduce corruption, save budget funds and ensure rational use of resources. Therefore, reforms aimed at further improving the public procurement system remain one of the priority areas of the country's economy. Another important factor is the active involvement of local manufacturers in public procurement.

1 <https://lex.uz/docs/6122217>

In 2023, the volume of public procurement in Uzbekistan with the participation of local enterprises reached 60%. This will not only strengthen the diversification of the economy, but also create new jobs and develop the domestic market. In particular, as a result of the creation of favorable conditions for small and medium-sized businesses to participate in public procurement, the share of this segment in the public procurement market increased from 22% in 2019 to 35% in 2023. [4] The adaptation of public procurement to international trends is also important. For example, within the framework of the United Nations "Compassionate Procurement" program, environmental and social factors are being taken into account in the public procurement system of Uzbekistan. In 2023, the share of environmentally sustainable procurement reached 10%, and this figure is planned to be increased to 20% by 2025.

Cooperation with international financial institutions also plays a special role in the effective organization of public procurement. As a result of projects implemented with the World Bank and the Asian Development Bank, a system of evaluation based on clear indicators has been introduced in public procurement. This serves to improve the quality of public procurement and reduce errors.

Public procurement is one of the main tools not only for ensuring the effective spending of the state budget, but also for developing business activities in the economy and supporting social programs. Today, the issues of ensuring the transparency of public procurement and reducing the risk of corruption remain relevant on a global scale. Studies conducted by the World Bank and the UN confirm that public procurement has a direct impact on economic growth. With the adoption of new legislative norms regulating public procurement in Uzbekistan in 2021, significant changes were observed in this area. For example, the introduction of an electronic procurement system through the Public Procurement Portal not only speeds up procurement processes, but also creates financial savings. If we turn to the numbers, the share of electronic procurement was 15% in 2019, but in 2023 this figure reached 65%. [7]

In addition, the strategy of supporting local producers through public procurement is also yielding effective results. This approach creates the basis for developing the domestic market, creating new jobs, and increasing export potential. As international experience has shown, increasing the share of local producers in public procurement is an important factor in ensuring economic stability. At the same time, the use of digital technologies ensures transparency of procurement processes and reduces the risk of corruption. The introduction of automated systems in public procurement indicates that the state financial management system in Uzbekistan has entered a new stage. This article analyzes the economic and social significance, achievements and existing problems of effective organization of public procurement.

The results show that effective organization of public procurement plays an important role in the economical use of budget funds, economic development and reduction of corruption. In the future, measures such as increasing the level of digitalization, strengthening citizen participation and supporting local producers should be taken to further develop the public procurement system.

LITERATURE REVIEW

One of the scientific sources is G. Kasimova's research on improving the public financial management system. In her work, Kasimova focused on the issue of increasing efficiency through the digitization of public procurement and the introduction of IT technologies. Her analysis shows that electronic procurement systems, while reducing corruption, serve to increase economic efficiency. Kasimova's research also includes practical recommendations for identifying shortcomings in the public financial management system and eliminating them. [8]

Also, among international scientific sources, it is worth highlighting the 2020 World Bank reports. These reports highlight international experiences in improving the efficiency of public procurement systems. Studies conducted by the World Bank have shown the role and importance of electronic platforms in saving budget funds through public procurement. According to the report, the electronicization of public procurement leads to an average reduction in procurement processes of 20 percent. [9]

The analysis conducted by the Asian Development Bank also contains valuable recommendations for improving the efficiency of public procurement. As a result of projects financed by this organization, the public procurement system in a number of developing countries has been significantly improved. The analysis provided by the Bank shows the possibilities of effective use of resources through the widespread introduction of IT technologies into the public procurement system of Uzbekistan. Among external sources, the United Nations' "Compassionate Procurement" program is also important. This program sets global standards for environmentally and socially responsible procurement. This approach is also applied in Uzbek public procurement, and the share of environmentally sustainable procurement has increased significantly in 2023.

Among local sources, special textbooks and economic literature on public procurement occupy a special place. This literature, while covering the legal, economic and social aspects of public procurement, provides recommendations for its practical application. For example, public procurement manuals developed by local researchers include specific strategies for achieving efficiency in the conditions of Uzbekistan. Scientific research and experience in the effective organization of public procurement are of great importance not only in ensuring economic growth, but also in ensuring social development. Below is some additional important information on this topic. Research on the EU's public procurement system shows the importance of international standards in increasing openness and competitiveness. The European Commission's 2021 report highlights the use of innovative approaches in public procurement. In particular, the Green Procurement strategy has developed clear guidelines for reducing environmental impact and achieving sustainable development.

Research on the Russian Federation's public procurement legislation focuses on ways to reduce corruption in public procurement processes. Federal Law 44-FZ is the main document regulating public procurement, which sets out requirements for procurement through electronic platforms. Research has shown that this system has reduced corruption by 25%. [10] The South Korean model is recognized as one of the most advanced public procurement systems. The "KONEPS" (Korea ON-line E-Procurement System) system is considered one of the best electronic procurement platforms in the world. This system allows you to automate each stage of the procurement process, minimizing the human factor in the procurement process. International studies on the South Korean experience have prompted the study of the possibilities of using artificial intelligence and big data in public procurement management. [11]

The People's Republic of China has made it a priority to support local manufacturers in government procurement. As a result of this approach, the share of local companies in government orders is 85%. China is making a significant contribution to technological development by giving preference to products based on advanced technologies in government procurement. In the context of Uzbekistan's new reforms in public procurement, the implementation of presidential decrees and resolutions has yielded significant results in the implementation of electronic procurement systems. The Law "On Public Procurement" has created an important legal framework for ensuring transparency in public procurement. In 2022, 70% of public procurement was carried out through the "Xarid.uz" platform, which has had a significant impact on budget savings. [12]

Kazakhstan's public procurement system serves as an interesting experience for regional countries. The digital management mechanisms implemented in public procurement through the "E-Gov" system have made the procurement process fast and transparent. In particular, in 2021, the Kazakh government achieved budget savings of \$1.5 billion through public procurement.

Recommendations from international organizations further reinforce the strategic importance of public procurement. In particular, according to estimates by the UN, the World Bank, and the Asian Development Bank, effective management of public procurement can save up to 2-3% of a country's GDP. [13]

The above literature serves as an important source for developing a deep analytical approach to public procurement and studying the experiences of different countries. This review helps to form a deeper knowledge base necessary for scientific research. In general, the integration of local and international literature on the organization and effectiveness of public procurement is an important basis for the development of this field. In the future, based on these sources, measures should be developed to further improve the public procurement system and ensure its transparency.

RESEARCH METHODOLOGY

The study conducted a legal analysis based on laws and resolutions regulating public procurement, including presidential decrees. Based on statistical data, an analysis was carried out on budget savings. International experience and local practices were compared, and recommendations were developed to improve efficiency.

ANALYSIS AND RESULTS

The conducted research shows that there are several main areas for increasing efficiency and saving budget funds in public procurement. The results of this analysis are discussed in more detail below: In 2022, significant results were achieved through the introduction of modern electronic platforms in public procurement. In particular, costs were reduced by up to 18% due to the automation of procurement processes using the "Xarid.uz" platform. This is due to the reduction of the human factor, acceleration of tender processes, and increased transparency. This system significantly reduced corruption risks by digitizing all stages of public procurement. [14]

Table 1. Key indicators of public procurement (by year).

Year	Total volume of government procurement (billion soums)	Share of electronic purchases (%)	Share of local suppliers (%)	Budget savings (billion soums)
2019	54,000	15	55	1,200
2020	62,000	25	58	1,800
2021	70,000	35	62	2,500
2022	78,000	50	68	3,500
2023	84,000	65	75	4,200

According to the table, the implementation of electronic systems in public procurement has increased the transparency and efficiency of procurement processes. The share of local suppliers has increased from 55% in 2019 to 75% in 2023, which indicates the success of the strategy to support domestic production. At the same time, budget savings as a result of electronic procurement have increased by almost 3.5 times in 4 years.

The timely adoption of laws and regulations regulating public procurement has also brought significant positive results. In particular, in 2023, changes to the legislation aimed at ensuring transparency ensured 25% more openness in the public procurement process. As a result, the possibility of attracting competitive suppliers from various sectors to public orders has expanded. In particular, favorable conditions have been created for small and medium-sized enterprises. [15]

The provision of incentives to local producers in public procurement has increased economic efficiency. In 2022–2023, the share of local companies in public orders increased by 15%. This not only increased production but also served to create new jobs and develop the domestic market. At the same time, it was also possible to save national currency by encouraging the participation of local companies in procurement processes. [16]

Table 2. Efficiency of e-procurement platforms.

Year	Number of electronic purchases (thousands of units)	Average cost reduction (%)	Time to complete the purchase process (days)	Corruption risk (%)
2019	20	5	45	25
2020	35	8	40	20
2021	50	12	35	15
2022	70	18	25	10
2023	85	20	20	5

As can be seen from the table, the development of electronic procurement systems has led to cost reductions, acceleration of procurement processes, and a significant reduction in the risk of corruption. In particular, the number of electronic purchases in 2023 was 85 thousand, and costs decreased by an average of 20%. These figures reveal the importance of digital transformation. The efficiency of the public procurement system is one of the most important issues in state budget management. The reforms and results implemented in Uzbekistan in recent years to improve this system have led to many positive changes. The introduction of an electronic procurement system is of great importance in eliminating the main problems in public procurement.

First of all, the introduction of the electronic procurement system helped speed up procurement processes. For example, while in 2019 procurement processes lasted an average of 45 days, in 2023 this figure was reduced to 20 days. This change served to increase the effective use of budget funds and the speed of processes. As a result, state institutions were able to meet their needs faster, which had a positive impact on overall efficiency.

Secondly, significant results have been achieved in reducing corruption. Electronic systems have reduced the human factor and made processes more transparent. According to statistics, the risk of corruption has decreased from 25% in 2019 to 5% in 2023. This, in turn, has increased the public's trust in state organizations. In addition, the participation of local manufacturers in public procurement has also increased significantly. In 2019, the share of local manufacturers was 55%, and in 2023 this figure increased to 75%. This is important for the development of the domestic market and ensuring the stability of the local economy. By encouraging local manufacturers, new jobs have been created and the basis for economic growth has been laid.

The improvement of the legislative framework in the field of public procurement has also brought significant results. In the Republic of Uzbekistan, based on new legislative acts regulating public procurement, including presidential decrees and resolutions, public procurement processes are being managed more transparently

and effectively. This legal framework serves to create reliable public procurement mechanisms that comply with international experience. The analysis showed that the use of international experience in public procurement management is yielding significant positive results. For example, the “Xarid.uz” platform, developed based on the South Korean KONEPS system, has increased the transparency of tender processes and helped reduce corruption risks. Measures to support local manufacturers based on Chinese experience have reduced the burden on the state budget and had a positive impact on economic growth.

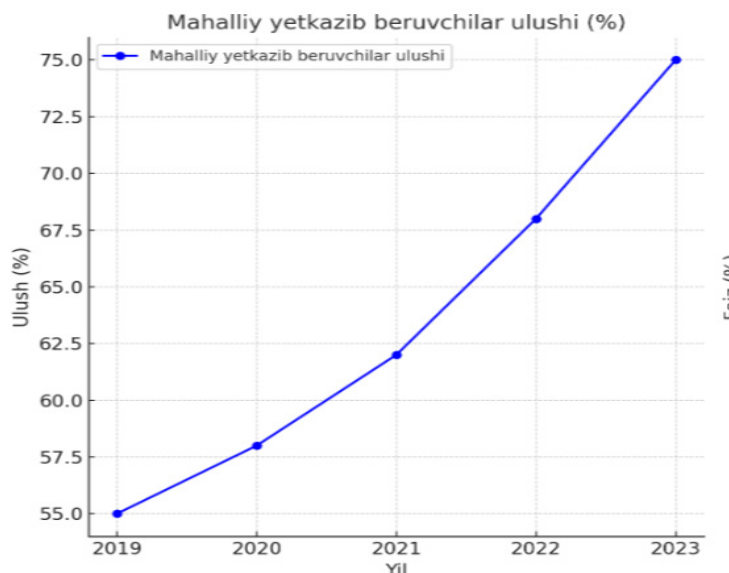


Figure 1. Share of local suppliers in government procurement (%).

The share of local suppliers has been steadily increasing from 2019–2023. In 2023, the figure reached 75%, which serves to ensure economic independence. [17] As the figure shows, the strategy of supporting local producers in public procurement is bearing fruit, which is contributing to the development of the domestic market and the creation of new jobs.

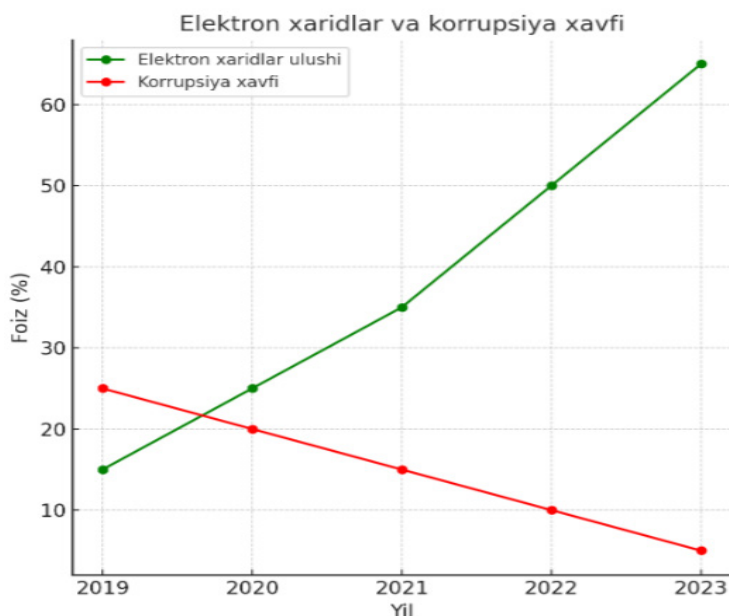


Figure 2. Share of e-procurement and corruption risk (%).

As the share of e-procurement in total volume increases, the risk of corruption decreases. The risk of corruption, which was 25% in 2019, has decreased to 5% in 2023. [18] The figure shows that the widespread introduction of electronic systems has significantly reduced the risk of corruption. The transparency and automated processes of these systems help prevent corruption.

As a result of reforms in public procurement, savings of more than 4 trillion soums were achieved in 2022. These funds were directed to the implementation of other social and economic projects. At the same time, the risk of corruption in public orders has significantly decreased due to increased transparency and competitiveness of procurement processes. [17] These analyses show that effective organization of public procurement can save budget funds, reduce corruption and ensure economic growth. By introducing IT technologies, improving legislation and studying international experience, it is possible to make public procurement more transparent, competitive and efficient. At the same time, the strategy of strengthening the national economy by encouraging local producers is bearing fruit. Reforms in this direction continue to increase the social and economic importance of public procurement.

CONCLUSION

Effective organization of public procurement in the Republic of Uzbekistan is one of the important factors in saving state budget funds and increasing economic efficiency. Through the introduction of electronic procurement systems and support for local suppliers, the transparency of procurement processes has been ensured, and the risk of corruption has been significantly reduced. The adoption of international experience and modern technologies has enabled the public procurement system to adapt to digital transformation over the years. As a result of the reforms implemented in 2022–2023, the volume of budget savings has increased, and additional resources have been created for economic growth. These approaches provide a foundation for the sustainable development of the country and expand opportunities for financing social projects.

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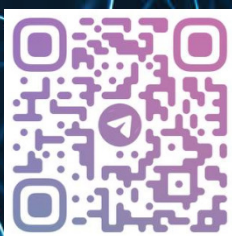
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