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## THE ECONOMIC CONTENT OF THE ORGANIZATION OF PUBLIC PROCUREMENT AND ITS ROLE IN THE ECONOMY

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### ABSTRACT

*The article discusses the role of public procurement in the national economy in the context of the pandemic, the wider introduction of modern forms and methods of procurement, the prevention of corruption and a number of similar measures. Further development of public procurement plays an important role in the efficient use of budget funds. Because today public procurement is an important factor in the socio-economic development of the country, the timely provision of recipients of funds from state bodies, the state budget and state trust funds with necessary and affordable goods and services. This saves both time and finance for public procurement participants.*

**KEYWORDS:** *Government procurement, government customer, government procurement entities, government procurement contract, special information portal, procurement procedures, electronic government procurement, procurement announcement.*

### INTRODUCTION

Along with the development of modern sectors of the economy, in recent years, reforms have begun in the budget and tax system, in particular, the establishment and strengthening of strict control over the targeted use of budget funds, ensuring the openness and transparency of this process have become one of the important issues. In particular, the President expressed the following views on the prevention of various illegal actions when using budget funds, the effective use of budget funds: "It is necessary to further improve the system of effective use of budget funds, any program or project financed from the budget should have qualitative and quantitative indicators oriented towards results<sup>1</sup>".

Further development of public procurement plays an important role in the efficient use of budget funds. Because today public procurement is an important factor in the socio-economic development of the country, the timely provision of recipients of funds from state bodies, the state budget and state trust funds with necessary and affordable goods and services. This saves both time and finance for public procurement participants.

### **LITERATURE ANALYSIS**

A number of our foreign and domestic scientists have conducted their own research in the field of public procurement and their development. In particular, in some foreign literature the term "state order" is used instead of the term "public procurement". According to L.M. Davletshina, V.S. Gladkov and a number of other young scientists, the current interpretation of the state order does not reflect its essence, confuses the concepts of "state order" and "state procurement" and thereby negatively affects the order of practice<sup>2</sup>.

According to the German scientist T.V. Freiberg, "state order" is a form of organizing financing from the budget, which has its own characteristics, principles, classification and stages of development.

A.F. Nozdrachev noted that the state order is one of the main instruments affecting the economic and social development of the state in market conditions, as well as a market instrument that regulates legislation<sup>3</sup>.

According to Professor T. Malikov, Ph.D., one of our local scientists, the state, as a legislative and regulatory body, bears full responsibility for regulating the financial system<sup>4</sup>.

Economist U.Burkhanov defines public procurement as the purchase of goods, works and services for public needs, that is, public procurement of goods (works, services) for public needs is partially or fully purchased at the expense of public funds<sup>5</sup>.

As a result of his research, N. Zosimov explained several advantages of using e-commerce in public procurement. First, participation in public procurement provides access to a large market for goods and services. Each participant can sign a contract offering their business opportunities, and at the same time have a certain portion of the funds allocated for public procurement from the state budget. Secondly, e-commerce is carried out online and does not require additional costs (travel costs, time and money). Third, public procurement contracts for the supply of goods, works and services are long-term and do not pose a risk to reliability<sup>6</sup>.

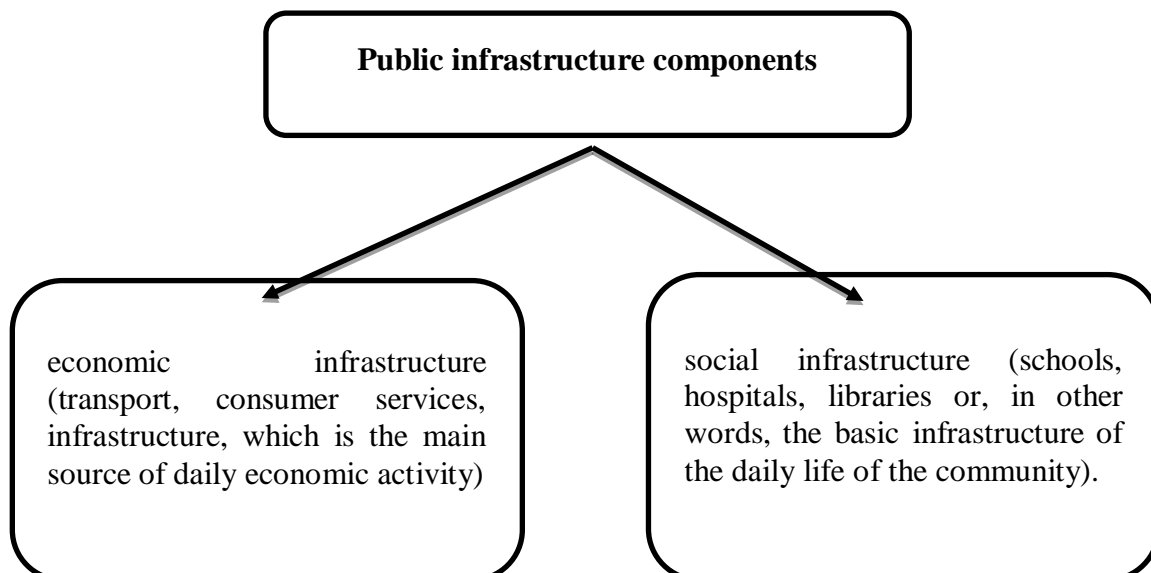
Also, the Law of the Republic of Uzbekistan "On Public Procurement" dated April 9, 2018 defines public procurement as follows: "Public procurement is the receipt of goods (works, services) by government customers on a paid basis."

### **ANALYSIS AND RESULTS.**

Since the first days of independence, measures have been taken to improve the living standards of the population and the gradual development of the country's economy. As a result of reforms in the state system and management, a new legal system of cost management is being formed. This, in turn, will ensure the efficiency of public expenditures, the introduction of modern management mechanisms in them. The new economic situation in the international arena increases the importance of the tasks set by governments in spending with public funds. It is

known that the state incurs a number of expenses in the performance of its duties. These expenditures are primarily aimed at investing in various sectors to develop the country's economy, improve the living standards of the population, as well as to implement social tasks, and are aimed at specific goals, such as the management and defense of the country. Government spending is mainly financed from the state budget and other centralized government funds.

Public procurement has a special place as an important component of public spending. The purchase of goods and services plays an important role in world practice, it is a continuous process aimed at the efficient use of funds and investments. The Uzbek term “*xarid*” is used synonymously with the word “*sotib olish*”, which in the modern sense means receiving goods, performed work or service for certain payment. *Public procurement* is the purchase of goods and services for government needs, partially or wholly at government expense. More precisely, this is a systematic approach to public procurement management. Thus, all processes related to the planning, implementation and control of purchases for public needs create a *public procurement system*. Public procurement is carried out to provide material and financial support to public infrastructure. Public infrastructure can be roughly divided into two main components (Figure 1):



**Figure 1. Components of Public Infrastructure**

The need for public procurement in the social sphere stems from the public interest. As part of the ongoing changes in the public finance management reform, the radical reform of the organization of public procurement, the formation of a regulatory framework for them is an important tool for increasing the efficiency of public spending. An effective direction is the use of the following elements to improve the public procurement management system:

use of advanced foreign experience in public procurement management;

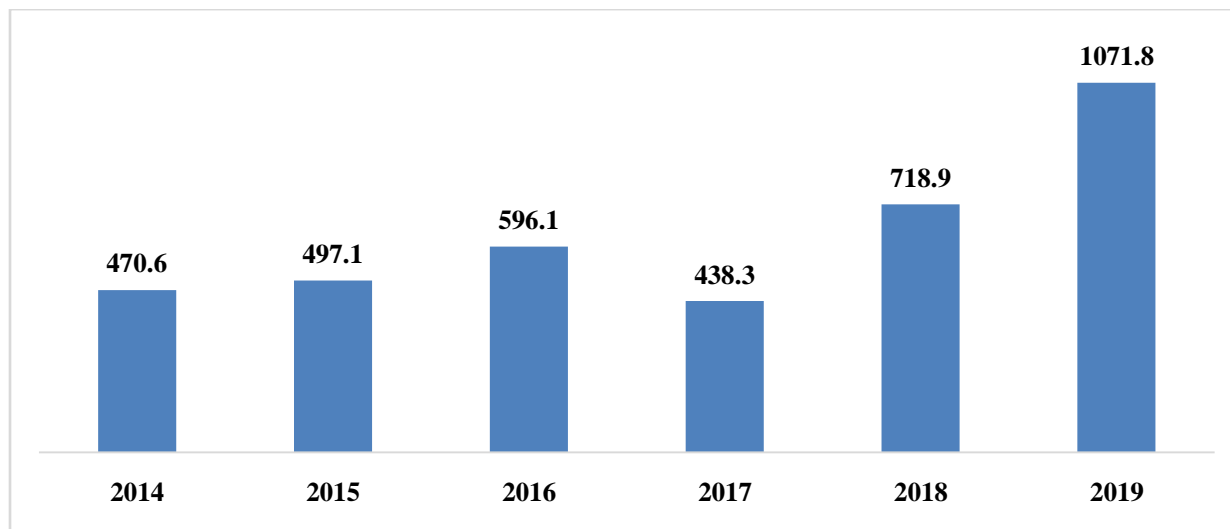
harmonization of public procurement policy with the goals of the state economic policy;

monitoring and evaluation of public procurement policy.

The effectiveness of the procurement mechanism for public needs largely depends on the level of qualifications, professional training and integrity of civil servants who make public procurement

decisions. In many countries, training and retraining of public procurement officers is the direct responsibility of the government. The Government of the Republic of Uzbekistan pays great attention to overcoming problems in the above areas and is actively working to improve the mechanisms of the public procurement process and its regulatory framework with the participation of other entities involved in public procurement. In particular, there is a need for a systematic approach to public procurement management and a strategy for using public procurement as a mechanism for influencing certain sectors of the economy.

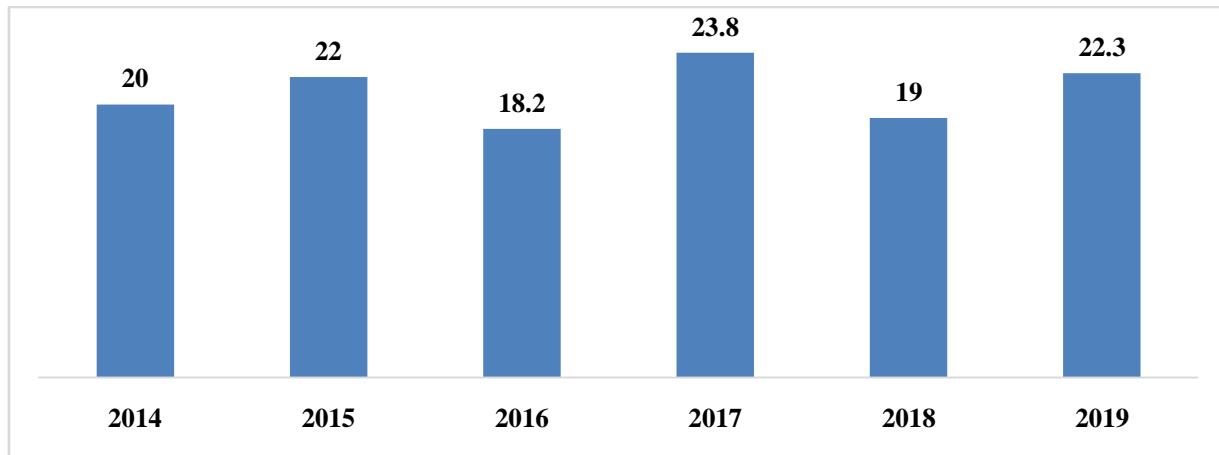
Due to the organization of state purchases, the volume of sales of small businesses increased and budget savings were achieved.



**Figure 2. Dynamics of the volume of electronic tenders for public procurement of budgetary customers in 2014-2018. (Billion soums)**

It can be seen from this figure that in 2014-2016 e-commerce in the field of public procurement had growth rates, that is, in 2016 it increased by 1.2 times compared to 2014. By 2017, it was 1.4 times lower than in 2016. However, in 2018 compared to 2017, we see that electronic sales of budget orders increased 1.6 times, and in 2019 - 1.4 times compared to 2018.

In the following figure, we can get information about the savings of budget clients as a result of electronic sales through government procurement (Figure 3).



**Figure 3. The amount of funds saved by budget customers through public procurement as a result of electronic auction sales, in percents.**

From the data in this figure, it can be seen that in 2014-2019 budget customers achieved an average of 21% budget savings. Based on the results of this analysis, we see how important is the role of public procurement in the efficient use of budget funds.

### CONCLUSION AND RECOMMENDATIONS

In conclusion, we note that the role of public procurement in the effective use of budgetary funds in our country is invaluable. Therefore, in our country, a number of measures are being taken to develop public procurement, to effectively organize their activities, but there are still a number of problems that need to be addressed, the main of which are:

Non-compliance with the terms of the contract by the supplier of goods and services;

The presence of corruption in budgetary organizations, despite the implementation of a number of measures to organize public procurement in order to eliminate corruption;

Lack of trading skills and irresponsibility of suppliers of goods, works and services participating in electronic bidding for goods, works and services in which they participate;

The cost of some goods and services is higher than market prices and of poor quality;

Lack of all the necessary goods and services for budget organizations in e-commerce;

Lack of experience of advanced foreign countries in the development of e-commerce, etc.

To overcome these problems, the following scientific proposals and practical recommendations have been developed:

To increase the responsibility of the customer and suppliers for non-compliance with the terms of the contract;

Regulation of suppliers of goods, works and services involved in electronic commerce in order to have complete information about their goods, works and services, if necessary, conduct seminars and trainings for them, improve their qualifications;

It is necessary to ensure that prices in e-commerce do not exceed market prices;  
expanding the range of goods and services offered in electronic commerce;  
widespread use of modern technologies in e-commerce, the use of advanced foreign experience,  
etc.

We are confident that the implementation of these scientific proposals and practical recommendations will make a positive contribution to improving public procurement in our country.

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