

Article

Improving Oversight of Direct Contracts in The Public Procurement System

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Abstract: This article examines the economic and institutional nature of direct contracting in the public procurement system, the current state of oversight, the principal risks, and directions for improving digital control mechanisms. Although direct contracting may enable rapid procurement in emergencies, from a single supplier, in cases of technical exclusivity, or in other exceptional circumstances established by law, limited competitive pressure may increase the risks of artificial price inflation, conflicts of interest, related-party links, procurement splitting, repeated contracts, and non-disclosure of information. A dynamic and econometric analysis was conducted using the procurement activities of Uzbekcoal JSC for 2021-2025 as an example. Panel regression results indicate that the average value per transaction under direct procurement is significantly higher than under other procurement methods after controlling for the time trend and the number of transactions. The article proposes a Digital Justification Passport, a two-stage digital filter, a Direct Contract Risk Score, graph-based affiliation analysis, repeated-contract and split-purchase detectors, and an integrated model linking contract performance to oversight.

Keywords: Public Procurement, Direct Contract, Single Supplier, Competition, Financial Control, Risk Analysis, Affiliation, Conflict of Interest, Price Monitoring, Digital Oversight, Econometric Analysis, Artificial Intelligence, Public Oversight

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1. Introduction

Competition, openness, and economy in public procurement are among the principal institutional conditions for the efficient use of budgetary resources. In practice, however, not every procurement can be conducted through a fully competitive procedure. Emergencies, natural monopolies, exclusive intellectual property rights, technical compatibility, a single supplier, or the time-critical nature of supply may require a public procuring entity to enter into a direct contract.

In this sense, direct procurement is not inherently a negative economic phenomenon. The problem arises when this method ceases to function as a legal exception and is used extensively even where alternative market offers are available. While price and quality pressure among bidders in competitive procurement works in favor of the public procuring entity, such market discipline naturally weakens under a direct contract. As a result, the procuring entity's discretion and the subjective judgment of responsible officials become more significant.

Article 71 of the Law of the Republic of Uzbekistan "On Public Procurement" specifies the circumstances in which direct contracts may be used. These include goods entered in the Register of Single Suppliers, procurement based on decisions of the President and the Cabinet of Ministers, emergencies, exclusive intellectual property rights, state-regulated

tariffs, services related to technical compatibility, and other special cases. The Law requires information on a concluded direct contract to be posted on the Special Information Portal within five working days; if the information is not posted, payment under such a contract may not be made [1], [2].

The purpose of this study is to systematize the economic and corruption risks associated with the use of direct contracts in public procurement, assess the current legal and institutional reforms in Uzbekistan, identify effective oversight mechanisms based on international experience, and econometrically assess the financial concentration of direct procurement using aggregate empirical data.

Literature Review

The issues of direct contracting and the choice of procurement method have been studied in the economic literature from the perspectives of competition, bureaucratic discretion, corruption risks, information transparency, and electronic monitoring.

In the national literature, U.Yu. O'roqov systematizes the organizational and economic features of competitive and non-competitive procurement methods, the responsibilities of public procuring entities, procurement planning, contracting, and oversight [3]. Based on this approach, the economic appropriateness of a direct contract should be assessed not only by the existence of a legal basis for its use, but also in conjunction with the availability of alternative market supply, consistency of the price with market conditions, and contract performance.

Expert studies by the National Research University Higher School of Economics in Russia treat non-competitive procurement as a distinct segment and distinguish between "direct" procurement and cases in which only one participant remains following a competitive procedure. An expert report for 2020 noted that direct procurement under Federal Law No. 44-FZ accounted for 17.29% of total procurement value, while single-source procurement by state-controlled corporate entities under Federal Law No. 223-FZ accounted for 56.61% [4]. These figures show that direct procurement may be particularly concentrated in the corporate sector and should therefore be monitored as a separate risk indicator.

F. Szucs econometrically examined bureaucratic discretion and favoritism in public procurement using a change in a legal threshold in Hungary. The author identified sharp discontinuities in the distribution of contract values around the threshold for procedures allowing greater discretion, as well as signs of manipulating procurement values to avoid auctions [5]. This finding supports the importance of automatically monitoring procurement splitting and artificial value adjustment around thresholds that permit direct procurement.

M. Fazekas and G. Kocsis developed a system of objective risk indicators for detecting high-level corruption in public procurement. They propose a composite corruption risk indicator combining single-bidder situations with several tender-related red flags [6]. This approach suggests that a direct contract should not be treated in isolation as a "violation", but should be assessed together with price deviations, supplier concentration, recurrence, affiliation, and contract amendments.

A. Salazar et al. proposed the VigIA model, which uses machine-learning algorithms and risk indices to allocate public procurement oversight resources more efficiently [7]. The central idea is to identify contracts with a high probability of risk in advance on the basis of data, rather than inspecting all procurements with the same intensity.

OECD studies published in 2025 identify public procurement as an area with high integrity risks and emphasize that risks arise not only at the tender stage but throughout the entire cycle, from planning to contract completion. Integrity breaches may directly lead to budget losses, higher costs, and lower quality, and indirectly to distorted competition and restricted market access [8].

The World Bank system of fraud and corruption red flags in procurement identifies unjustified sole-source or direct contracting, procurement splitting, single-source

procurement above established thresholds, only one evaluated bidder, and inadequate justification as high-risk indicators [9].

The literature therefore indicates that the scientific problem is not the absolute reduction of direct contracts, but the algorithmic distinction between genuinely necessary and economically justified direct procurement and opportunistic cases or cases that unjustifiably restrict competition.

2. Materials and Method

The study employs legal and regulatory analysis, systemic and comparative analysis, dynamic and structural analysis, economic and statistical methods, regression analysis, and risk modeling.

The regulatory framework examined includes the version of Law No. O'RQ-684 "On Public Procurement" effective from 1 March 2025, the amendments introduced by Law No. O'RQ-1005, and Presidential Decree No. PF-259 of 26 December 2025 [1]-[3], [10]-[12]. For international comparison, the U.S. Federal Acquisition Regulation (FAR), Directive 2014/24/EU of the European Union, and the risk-control approaches of the OECD and the World Bank were selected.

To assess the national context, the study uses data on the total volume of public procurement in 2024, the structure of competitive and direct procurement, and information on violations and undisclosed contracts reported at a parliamentary hearing [13-14].

For the econometric analysis, aggregate statistics by procurement method for Uzbekcoal JSC for 2021-2025 were used [15]. The dataset covers 9,573 procurements with a total value of UZS 2,225.8 billion. During the same period, 318 direct procurements had a total value of UZS 393.6 billion.

The first model estimates the time trend in the value share of direct procurement:

$$DS_t = \alpha + \beta \cdot \text{TREND}_t + \varepsilon_t$$

where DS_t is the share of direct procurement in total procurement value in year t , and TREND_t is a time trend beginning in 2021. Because the model contains only five annual observations, the result is interpreted solely as an exploratory trend.

The second model was estimated using 35 positive method-year observations across procurement methods and years:

$$\ln(AV_{it}) = \alpha + \beta_1 \text{DIRECT}_i + \beta_2 \text{TREND}_t + \beta_3 \ln(N_{it}) + \varepsilon_{it}$$

where AV_{it} is the average value per transaction for procurement method i in year t (UZS million); DIRECT_i equals 1 for the direct procurement method and 0 for other methods; and N_{it} is the number of transactions under the respective method. HC1 robust standard errors were applied to reduce the effect of heteroskedasticity. Because the model relies on aggregate method-year data rather than contract-level data, the coefficients are interpreted as statistical associations with financial concentration rather than causal effects.

In addition, the conceptual risk-score model for oversight is specified as follows:

$$\text{DCRS} = w_1 \text{PD} + w_2 \text{RC} + w_3 \text{AF} + w_4 \text{SP} + w_5 \text{PR} + w_6 \text{CP}$$

where PD is the deviation of the contract price from the reference market price; RC is the concentration of repeated contracts with the same supplier; AF is an affiliation or conflict-of-interest indicator; SP is a procurement-splitting indicator; PR is the share and growth rate of direct procurement; and CP represents contract performance, including delays, amendments, penalties, and quality complaints. The weights may be determined in subsequent empirical calibration using AHP, logit/probit models, or machine-learning methods.

3. Results

Legal Evolution of Oversight of Direct Contracts in Uzbekistan

Current legislation retains direct contracts as an exceptional mechanism while strengthening requirements for information disclosure and economic justification. The cases specified in Article 71 include genuine "single-source" situations such as natural monopoly, exclusive rights, and technical compatibility, as well as emergency needs and procurement related to special state functions [1].

An important preventive mechanism in the Law is the requirement to post information on a concluded contract on the Special Information Portal within five working days and to withhold payment if this requirement is not met. This creates a "disclosure - payment" link and increases the cost of concealing direct procurement outside the registry [1].

In 2024, the total volume of public procurement in Uzbekistan amounted to UZS 248.6 trillion. A subsequent official review reported that UZS 133.4 trillion of this amount was attributable to competitive procurement and UZS 115.2 trillion to direct procurement, giving direct procurement in the narrow classification a share of 46.3% [14]. It was also officially reported that competitive procurement generated savings of UZS 13.9 trillion during the year [15].

Other statistics presented at a parliamentary hearing in April 2025 indicated that the share of direct "transactions" increased from 37.6% in 2020 to 42% in 2022 and 58% in 2024 [13]. This indicator is not identical to the UZS 115.2 trillion narrow direct-procurement measure for 2024, most likely because of differences in classification and coverage. Accordingly, the article does not mechanically combine them into a single time series, but treats them as two separate official indicators.

At the parliamentary hearing, it was reported that Chamber of Accounts audits had identified UZS 5.4 trillion in violations of public procurement and other legislative requirements, while information on contracts worth UZS 3.6 trillion had not been posted on the Special Information Portal. It was also reported that, in 2024, 6,241 direct contracts worth UZS 2.7 trillion were formalized in violation of public procurement legislation, and that 405 direct contracts of 61 public procuring entities involved non-compliance, conflicts of interest, or related-party links [13].

These data show that the subject of oversight cannot be limited to the binary question of whether a direct contract exists. Oversight should simultaneously cover the legal basis, price, supplier relationships, recurrence, information disclosure, and contract performance.

Table 1. Selected Risk Indicators Related to Direct Contracts in Public Procurement in 2024

Indicator	Amount	Analytical significance
Total public procurement	UZS 248.6 trillion	Overall scale of the market subject to oversight
Direct procurement (narrow classification)	UZS 115.2 trillion (46.3%)	Substantial financial weight of the non-competitive segment
Competitive procurement	UZS 133.4 trillion	Segment in which price competition is formed
Savings from competitive procurement	UZS 13.9 trillion	Indication of the financial effect of competition
Direct contracts formalized with legal violations	6,241 contracts / UZS 2.7 trillion	Need for ex ante oversight and automated filtering
Contract information not posted on the portal	UZS 3.6 trillion	Risk related to disclosure discipline
Direct contracts involving conflicts of interest / affiliation	61 procuring entities / 405 contracts	Need for graph analytics and ownership-link oversight

Source: parliamentary hearing materials published through the National News Agency of Uzbekistan and official public procurement statistics [13]-[14], [16].

Dynamics of Direct Procurement: The Case of Uzbekcoal JSC

During 2021-2025, Uzbekcoal JSC carried out a total of 9,573 procurements with an aggregate value of UZS 2,225.8 billion. During the same period, 318 direct procurements were worth UZS 393.6 billion, accounting for 3.32% of the number of transactions but 17.68% of total procurement value. This indicates that direct contracts are concentrated in a relatively small number of high-value transactions [15].

Table 2. Dynamics of Direct Procurement at Uzbekcoal JSC, 2021-2025

Year	Total procurement, UZS billion	Direct procurement, UZS billion	Value share, %	Number of direct contracts	Count share, %	Average direct procurement value, UZS million
2021	284.8	15.1	5.30	85	5.93	177.6
2022	251.1	6.4	2.55	43	2.75	148.8
2023	428.4	37.5	8.75	43	2.09	872.1
2024	494.9	133.2	26.91	78	3.49	1,707.7
2025	766.6	201.4	26.27	69	3.02	2,918.3
Total	2,225.8	393.6	17.68	318	3.32	1,237.6

Source: author's calculations based on Uzbekcoal JSC procurement statistics for 2021-2025 [15].

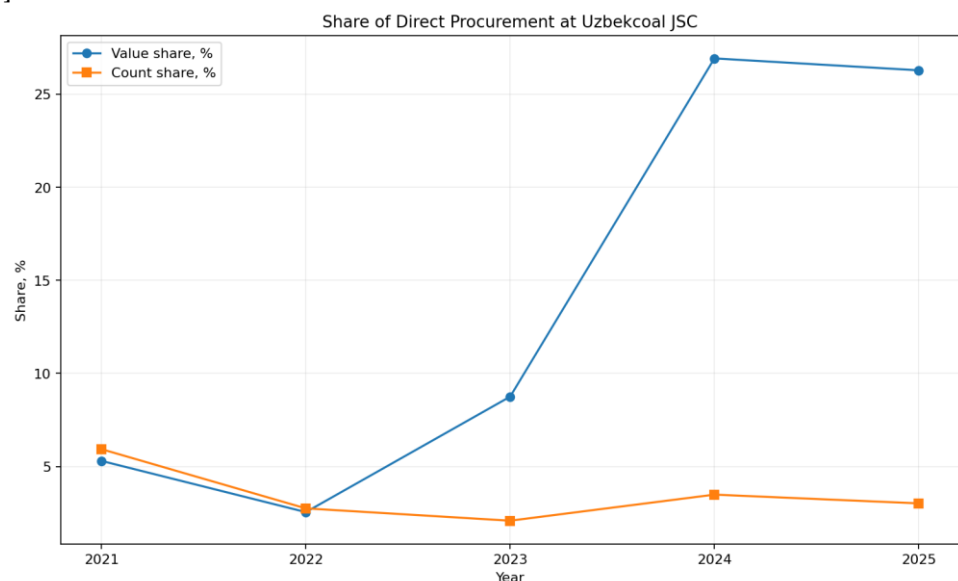


Figure 1. Dynamics of the Share of Direct Procurement at Uzbekcoal JSC

Source: author's calculations.

In 2021, direct procurement amounted to UZS 15.1 billion, or 5.30% of total procurement value; by 2024, it had increased to UZS 133.2 billion and 26.91%, and in 2025 it reached UZS 201.4 billion and 26.27%. The value of direct procurement increased 13.3-fold between 2021 and 2025.

Notably, the share of direct procurement by number remained below 6% in every year, while its value share exceeded 26% in 2024-2025. This indicates that oversight should be prioritized not by the number of transactions but primarily by financial value and risk.

Over the five-year period, the average value of a single direct procurement transaction was UZS 1,237.6 million, whereas the average value of procurement transactions excluding direct and single-supplier procurement was approximately UZS 198.4 million. Thus, on an aggregate basis, the average "ticket size" of a direct procurement transaction was 6.24 times higher than that of other procurement.

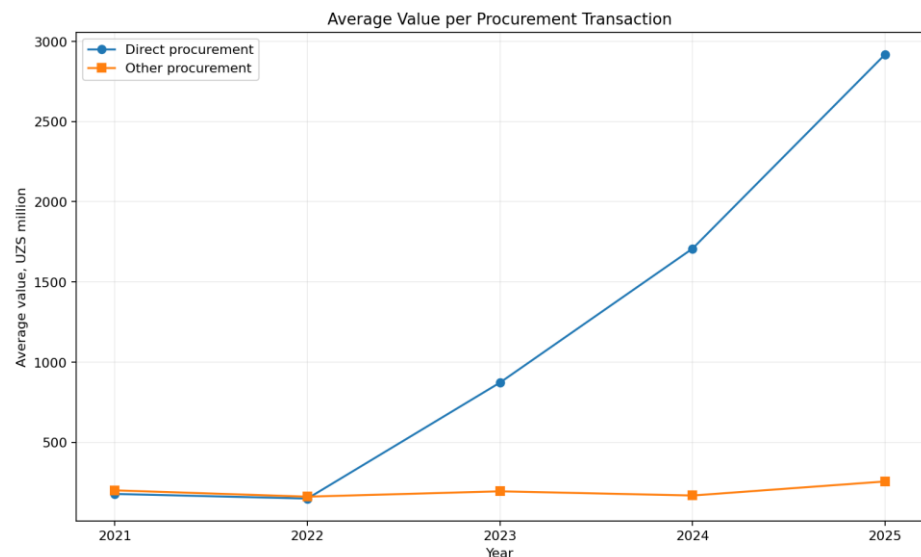


Figure 2. Dynamics of the Average Value of Direct and Other Procurement Transactions
Source: author's calculations.

Results of the Econometric Analysis

The first exploratory OLS model shows that the value share of direct procurement increased by an average annual trend of 6.63 percentage points over 2021-2025. The model produced $R^2=0.797$ and $p=0.042$ for the trend coefficient. However, because the number of observations is $N=5$, this statistical significance should be interpreted cautiously; the result is not causal and should be viewed as an exploratory signal of direction.

In the second method-year panel model, the logarithm of average value per procurement transaction was used as the dependent variable. The direct-procurement dummy coefficient was 2.140 (HC1 SE=0.476; $p<0.001$). The exponential transformation gives $\exp(2.140)=8.50$, indicating that after controlling for the time trend and the number of transactions under the method, the average value per transaction in direct-procurement method-year observations was approximately 8.5 times higher than under other methods. This finding does not demonstrate a violation, but it strengthens the economic case for directing oversight resources toward direct contracts with high financial significance.

Table 3. Results of the Econometric Models

Indicator	Model 1: DS_t	Model 2: $\ln(AV_{it})$
Constant	0.698	2.452***
TREND	6.630** (SE 1.933)	0.243 (SE 0.156)
DIRECT dummy	-	2.140*** (SE 0.476)
$\ln(\text{number of transactions})$	-	0.340*** (SE 0.124)
R^2	0.797	0.371
Observations	5	35
Standard errors	Conventional OLS	HC1 robust

Note: ** $p<0.05$; *** $p<0.01$. Model 1 is used only for exploratory purposes because of the small number of observations. Model 2 is based on aggregate method-year data and indicates statistical association rather than causal effect.

Scenario-Based Financial Effect of Shifting Procurement to Competition

Given that direct procurement under the narrow classification amounted to UZS 115.2 trillion in 2024, even a modest price reduction achieved through a market test or a "request for quotations" for the share where competition is feasible could generate a substantial

financial effect. The following calculation is not an empirical forecast, but a sensitivity scenario only.

Table 4. Illustrative Savings Scenario from Shifting Part of Direct Procurement to Competitive Methods

Share shifted to competitive procurement	2% price effect	5% price effect	10% price effect
10%	UZS 0.230 trillion	UZS 0.576 trillion	UZS 1.152 trillion
25%	UZS 0.576 trillion	UZS 1.440 trillion	UZS 2.880 trillion
50%	UZS 1.152 trillion	UZS 2.880 trillion	UZS 5.760 trillion

Note: the calculation is a scenario-based arithmetic estimate relative to the UZS 115.2 trillion base of direct procurement in 2024. It is neither a forecast nor a causal estimate.

5. DISCUSSION

5.1. Assessing Direct Contracts Without Conflating "Risk" with "Violation"

A high share or large value of direct contracts does not in itself constitute a violation. For example, in cases involving a natural monopoly, an exclusive intellectual property right, a certified sole supplier for aviation equipment, or the urgent elimination of an accident, artificially organizing competition may increase time and transaction costs. Therefore, the goal of effective oversight is not to "reduce direct procurement to zero", but to restrict the use of unjustified exceptions where competition is genuinely available.

Before automatically assigning each contract a binary label of "illegal/legal", an oversight model should assess its level of risk. High risk is a signal for in-depth review, not a final legal conclusion. This is an important methodological condition of risk-based oversight.

In particular, even where there is an emergency or a single-source basis, the consistency of the price with market conditions, contract volume, necessity of the technical specifications, and affiliation of the contractor should be examined separately. A legal basis should not exempt the price from oversight.

5.2. International Experience and Lessons for Uzbekistan

Under the U.S. Federal Acquisition Regulation, departures from full and open competition are permitted only on grounds established by law. For a sole-source contract, the contracting officer must prepare a written justification, certify its accuracy and completeness, and obtain approval from an official at the prescribed level. Certain sole-source justifications are also made publicly available after contract award. Even in cases of "unusual and compelling urgency", an agency is required to solicit offers from as many potential sources as circumstances permit [11].

Directive 2014/24/EU retains the negotiated procedure without prior publication as an exceptional mechanism. European Commission guidance treats direct award to a preselected operator as an exception only where, under technical and time constraints, only one undertaking can genuinely perform the contract. The Court of Justice of the European Union has likewise emphasized that the conditions for using a negotiated procedure without prior publication must be satisfied cumulatively [12].

Under the OECD approach, public procurement risks are managed at every stage of the procurement cycle: needs planning, market analysis, method selection, contract award, performance, and final results. Accordingly, oversight of direct contracts should rely not only on post-award audit, but also on a risk gate before selecting the procurement method and a feedback loop after contract performance [9], [13].

World Bank practice treats sole-source procurement above applicable limits, procurement splitting, a single bidder, inadequate justification, and unjustified movement from a competitive plan to direct procurement as procurement risk red flags [10].

Three principal lessons for Uzbekistan follow from this experience: first, every legal basis for direct procurement should be linked to digital and verifiable evidence; second,

high-value or repeated direct contracts should be subject to independent approval and a market test; and third, after contract award, information on price, performance, and supplier results should feed back into subsequent procurement decisions.

Table 5. International Experience and Oversight of Direct Contracts

System	Oversight mechanism	Proposal for Uzbekistan
U.S. FAR	Written justification, certification, approval, post-award disclosure	Digital Justification Passport + risk-based approval level
European Union	Procedure without prior publication - narrow exception; cumulative conditions	Automatic market test of whether there is a genuinely single source
OECD	Risk management across the entire procurement cycle	Integrated ex ante + real-time + ex post oversight
World Bank	Sole source, split purchase, single bid, inadequate justification red flags	Automated red-flag engine and risk rating
Russia - HSE monitoring	Separate measurement of direct and failed competitive procurements	Monitor the non-competitive sector by segments rather than as a single category

Scientific Novelty and Practical Proposals

1. Gradual abolition of separate lists of goods, works, and services procured through direct contracts

In our view, instead of maintaining extensive separate lists of goods, works, and services authorized for direct procurement by regulatory legal acts, procurement of these items should, wherever possible, be shifted to competitive procurement methods. Direct contracting should remain an exceptional mechanism, and its use should require the public procuring entity to substantiate an objective technological, economic, or legal necessity.

2. Introduction of the principle of explicitly identifying the contractor in regulatory legal acts authorizing direct contracts

Where the nature of procurement objectively requires a specific sole contractor, a draft regulatory legal act granting the right to conclude a direct contract should clearly identify that contractor and the grounds for its selection.

If a specific contractor is not identified in the regulatory legal act and several potential suppliers are present in the market, the procurement should be conducted not through a direct contract, but at least through a "request for quotations" or another competitive method.

This mechanism would prevent a legal exception from becoming a general privilege that automatically restricts competition in a particular goods or services market.

3. Comprehensive ex ante review of regulatory legal acts authorizing direct procurement

Every draft regulatory legal act providing the right to conclude a direct contract should, before adoption, undergo:

- A regulatory impact assessment;
- An assessment of its impact on the competitive environment;
- An anti-corruption review;
- An economic assessment of its impact on the public procurement market.

4. Introduction of an "ex ante transparency" mechanism for regulatory legal acts authorizing direct procurement

In our view, before a new draft regulatory legal act authorizing a direct contract is developed, its main parameters should be published on the Special Information Portal for at least three working days, while the relevant procurement documentation and economic

justification should be made available for public consultation for at least two working days.

During the consultation, potential suppliers, business entities, experts, and other stakeholders should be given the opportunity to:

- a. Indicate the availability of an alternative market offer;
- b. Provide price information;
- c. Identify the possibility of technical substitution;
- d. Express an opinion on the risk of restricting competition.

5. Introduction of a "Digital Justification Passport for Direct Contracts"

A single electronic passport should be generated on the Special Information Portal for each direct contract.

It should include:

- a. The legal basis for direct procurement;
- b. Evidence of urgency or technological exclusivity;
- c. Information on alternative suppliers;
- d. The reference market price;
- e. Previous procurements of the same subject matter;
- f. The contractor's contract history;
- g. An affiliation and conflict-of-interest check;
- h. The contract value and performance period;
- i. Electronic confirmation by the responsible official;
- j. All recorded within a single electronic document.

The passport would subsequently function as an automated digital audit trail for internal audit, financial control, and external audit.

6. Automation of the "Alternative Supplier Test"

Before a direct contract is concluded, an automated Alternative Supplier Test should be conducted by integrating the Special Information Portal for public procurement with new.cooperation.uz, the register of manufacturers, tax and customs databases, licensing systems, and other relevant information sources.

If the system identifies at least two genuine and independent economic entities capable of supplying the procurement subject, the direct procurement should automatically be classified as a high-risk operation, except in emergencies or other exceptions explicitly established by law.

7. Introduction of a comprehensive Direct Contract Risk Score - DCRS

An automated Direct Contract Risk Score should be calculated for each direct contract.

Its conceptual specification is:

$$DCRS = w1P + w2S + w3A + w4F + w5C + w6E + w7J$$

where:

- P - price deviation;
- S - repeated contracts with the same supplier;
- A - affiliation risk;
- F - indicators of procurement splitting;
- C - supplier concentration;
- E - performance of previous contracts;
- J - risk level of the legal basis.

The DCRS may be assessed on a 0-100 scale, for example:

- 0-29 - low risk;
- 30-59 - medium risk;
- 60-79 - high risk;
- 80-100 - critical risk.

However, these thresholds should be empirically calibrated using a large volume of contract-level data from actual procurement practice.

8. Remote detection of conflicts of interest and affiliation through graph analytics.

It is advisable to integrate the Special Information Portal with e-anticor.uz and databases containing information on founders, managers, ultimate beneficial owners of legal entities, and other relevant parties. Our research indicates that integrating the remote conflict-of-interest detection system available through e-anticor.uz with the Special Information Portal may have a positive effect on the ex ante identification of hidden affiliation and conflict-of-interest risks in direct contracts.

9. Establishment of a "Public Procurement Oversight" page on the Special Information Portal

In our view, a separate digital "Public Procurement Oversight" page should be created on the Special Information Portal.

It should display:

- A unified classification of procurement risks;
- Automated detection of risks;
- Classification of risks into low, medium, high, and critical categories;
- Automatic notifications for red flags;
- Classification of public procuring entities by identified violations;
- Statistics on repeated violations;
- Inspection results;
- Risk-based monitoring results.

should be displayed.

Our research confirms the need to establish a unified classification of risks for the "Public Procurement Oversight" page, automatically identify and notify users of such risks, classify public procuring entities according to violations, and generate a digital KPI rating.

10. Introduction of a "Direct Contract Dashboard" and a public oversight mechanism

A separate open Direct Contract Dashboard should be created within the "Public Procurement Oversight" page for direct contracts.

It should display:

- The public procuring entity;
- The contractor;
- The legal basis for direct procurement;
- The contract value;
- The reference price;
- The price deviation;
- The dcrs risk category;
- The contract date;
- Contract performance status;
- Contract amendments;
- Penalties and fines.

should be displayed.

State secrets and other information protected by law may be excluded in accordance with the established procedure.

11. Linking the digital "Procurement KPI" rating to the quality of direct contracting

Assessing public procuring entities solely on the basis of the share of direct procurement in their total procurement is insufficient.

Artificially reducing the direct-procurement share could create incentives to formally shift emergency, exclusive, or economically justified direct procurement into competitive procedures even where this is not appropriate.

Accordingly, the digital "Procurement KPI" rating should include the following indicators:

- Completeness of the justification passport;
- Market-test results;

- Price deviation from the market;
- Procurements shifted to competitive methods;
- Timely disclosure of contracts;
- Split-purchase cases;
- Supplier concentration;
- Contract performance and quality;
- Recurrence of violations.

As a result, the assessment would move from the question:

"How much direct procurement is there?"

to the question:

"How justified, transparent, and effective is direct procurement?"

thereby shifting the focus toward a qualitative performance measure.

4. Conclusion

The results show that direct contracts constitute a necessary institutional exception in public procurement, but because competitive pressure is limited, they represent a highly sensitive segment from an oversight perspective. Effective policy should not seek to prohibit direct contracts absolutely, but should ensure clear economic and legal justification for necessary cases and automate the detection of unjustified direct procurement.

According to published data on public procurement in Uzbekistan in 2024, UZS 115.2 trillion of the total UZS 248.6 trillion procurement volume was classified as direct procurement. At a parliamentary hearing, it was reported that 6,241 direct contracts worth UZS 2.7 trillion had been formalized in violation of legal requirements, contract information worth UZS 3.6 trillion had not been reflected on the portal, and 405 contracts of 61 procuring entities involved conflicts of interest or affiliation-related circumstances. These figures demonstrate the high need for preventive digital oversight.

Analysis of Uzbekcoal JSC data for 2021-2025 shows that direct procurement accounted for 3.32% of the number of transactions while representing 17.68% of procurement value. Over the five-year period, the average value of one direct contract was approximately 6.24 times higher than the average value of other procurements. In the method-year regression, the direct dummy was also positively and statistically significantly associated with average transaction value. This confirms the need to prioritize oversight of direct contracts according to financial significance and risk rather than the number of contracts.

In our view, the next stage of reform should complement these legal mechanisms with digital algorithms operating at the contract level. The Digital Justification Passport for Direct Contracts, legal gate + economic gate, DCRS risk scoring, supplier-concentration and split-purchase detectors, graph analytics, a risk-based approval matrix, and a contract-performance feedback loop could form an integrated architecture for oversight of direct procurement.

Implementation of this approach would allow oversight bodies to move away from inspecting all contracts at the same intensity and instead direct resources toward high-risk operations with substantial financial significance; enable public procuring entities to digitally justify in advance their decision to use direct procurement; and allow the public to openly monitor the basis and performance of contracts. This would help reduce the risks of unjustified restrictions on competition, excessive prices, conflicts of interest, and procurement splitting, while improving the efficiency of public expenditure.

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