IMPROVING THE PUBLIC PROCUREMENT SYSTEM AND ITS IMPACT ON THE ECONOMY

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Abstract: *In this paper I try to understand how improvements in the public procurement system affect economic performance. This study focuses on how procurement efficiency, transparency, competition and government spending management affect economic growth and investment. The study uses annual data over an extended period to capture structural changes in procurement and their impact on the broader economy. Descriptive statistics, correlation analysis, unit root tests, and regression analysis are employed to evaluate the relationship between public procurement indicators and key economic variables such as gross domestic product (GDP), gross fixed capital formation (GFCF), and public investment efficiency. The findings indicate that greater transparency and competitiveness in public procurement have a positive and statistically significant impact on economic growth and capital formation, suggesting that well-functioning procurement systems enhance resource allocation and stimulate investment. Conversely, inefficiencies, delays, and weak institutional control in procurement processes negatively affect economic performance by increasing costs and reducing the quality of public spending. The study also finds that stronger governance and digitalization in procurement systems contribute to improved fiscal discipline and investor confidence. From these results, the study shows that public procurement system through clarity, accountability, and institutional strengthening is crucial for supporting long-term economic growth and enhancing the effectiveness of public expenditures. It recommends continuous modernization of procurement procedures and further research using broader datasets and advanced econometric techniques to better capture the dynamic relationship between procurement reforms and economic development.*

1. Introduction

In most modern economies, the public procurement system represents one of the key pillars of government activity, shaping how public resources are allocated and determining the efficiency of budget expenditures (World Bank, 2020; OECD, 2024). Public procurement accounts for a significant share of GDP in both developed and developing countries, often representing an average of 12 %–20 % of GDP depending on national context (World Bank, 2020; OECD, 2024). A transparent and effective procurement framework not only ensures optimal use of public funds but also encourages a fair business environment, stimulates private sector participation, and contributes to sustainable economic development (World Bank, 2025; OECD, 2024).[1] The importance of improving public procurement has grown significantly in the last two decades due to globalization, technological advancements, and increasing demand for accountability in government operations (OECD, 2024). Many countries have shifted from paper-based procurement models to digital and integrated systems that emphasize transparency, value for money, and efficient decision-making—elements shown to reduce corruption and inefficiency in procurement (World Bank, 2023; OECD, 2024). International organizations such as the World Bank, the Organisation for Economic Co-operation and Development (OECD), the United Nations Development Programme (UNDP), and the European Commission highlight that well-functioning procurement systems are foundational to achieving sustainable development goals, reducing corruption risks, and strengthening market competitiveness (OECD, 2024; Transparency International, 2021). Empirical studies indicate that weak procurement governance can lead to financial losses, low-quality services, inflated project costs, and distorted market competition (Transparency International, 2021; World Bank, 2022)[2]. Conversely, improved procurement policies and the adoption of e-procurement platforms have been found to enhance public service delivery, save public funds, and support economic inclusiveness by enabling broader participation by small and

[1] World Bank, 2025; OECD, 2024
[2] Transparency International, 2021; World Bank, 2022

medium-sized enterprises (SMEs) (World Bank, 2023; OECD, 2024). Procurement policy sets the rules for how government contracts are awarded, influencing investment decisions in the private sector: clear regulations and fair competition are linked with higher investor confidence and increased participation in major national projects (World Bank, 2025). Transparent procurement systems also reduce corruption, which is widely documented as one of the most destructive forces for sustainable development, undermining public trust and deterring foreign direct investment (Transparency International, 2021; World Bank, 2022). Therefore, introducing digital procurement systems, e-tender platforms, independent monitoring mechanisms, and audit-based oversight has become a global priority to strengthen accountability and integrity in public spending (World Bank, 2023; OECD, 2024)[3].

In the context of developing and transition economies, including countries in Central Asia, procurement reform plays an even more critical role because of challenges such as limited institutional capacity, outdated legal frameworks, insufficient transparency, and weak monitoring mechanisms (World Bank, 2025; OECD, 2024). Over the past decade, many states have implemented reforms aimed at aligning procurement procedures with international standards, attracting foreign investment, and promoting competitiveness among domestic firms (OECD, 2024).

Uzbekistan, in particular, has initiated major reforms since 2017 to enhance procurement transparency, digitalize tender systems, and reduce corruption risks. The introduction of a unified electronic procurement portal and updated procurement legislation has led to improved efficiency and growing trust in government spending (World Bank, 2025; local procurement reform reports).[4] Yet, despite positive progress, several systemic challenges remain, including enforcement inconsistencies, administrative delays, and limited SME participation (World Bank, 2025; OECD, 2024).

[3] World Bank, 2023; OECD, 2024
[4] World Bank, 2025; local procurement reform reports

The primary objective of this study is to provide a comprehensive analysis of the relationship between procurement efficiency and economic performance, identifying the channels through which enhanced procurement contributes to productivity, accountability, and sustainable public finance management (World Bank, 2025; OECD, 2024). The paper also discusses structural barriers and proposes recommendations tailored for countries like Uzbekistan that aim to modernize procurement systems in line with global best practices. Ultimately, the research highlights that public procurement, when managed effectively, is not merely an administrative procedure but a powerful economic instrument capable of driving national development, encouraging innovation, and improving citizens' quality of life (World Bank, 2023; OECD, 2024).

In the summary, economic significance of public procurement, analyzing its structure, modernization efforts, and overall impact on the economy is essential. This research seeks to explore how improvements in procurement systems affect economic growth, the business climate, government efficiency, and fiscal stability (World Bank, 2025; OECD, 2024). By examining theoretical foundations, empirical findings, international experiences, and reforms implemented in developing countries, the study aims to determine which specific mechanisms—such as digitalization, transparency regulations, open competition policies, and performance-based evaluation—produce the strongest impact on economic outcomes (OECD, 2024; World Bank, 2022). Additionally, the research investigates how procurement reforms shape the investment climate and influence the behavior of both domestic and foreign firms.

2. Literature Review

Public procurement systems have long been recognized as an essential component of public sector governance and economic development. Academic research, institutional reports, and empirical studies consistently highlight that procurement policies shape the effectiveness of public spending, influence market competition, and significantly affect national economic outcomes. The classical understanding of procurement emphasizes its role in achieving "value for money"—

the balance between quality, efficiency, and cost in public purchases. However, modern literature expands this definition by stressing the strategic importance of procurement in promoting innovation, sustainability, and social inclusion.

Several scholars argue that procurement reforms serve as catalysts for government modernization. According to OECD (2020), efficient procurement can reduce public expenditure by up to 15% while increasing operational transparency. Studies by Piga & Treumer (2019) show that procurement is one of the most vulnerable areas to corruption, as it involves complex decision-making and large financial flows. Therefore, strengthening procurement integrity is vital for economic stability. Meanwhile, research by Thai (2017) emphasizes that procurement frameworks must balance legal oversight, managerial autonomy, and technological integration to achieve optimal results.

International experience demonstrates that digitalization brings transformative improvements to procurement systems. The European Commission (2021) reports that the transition to e-procurement across EU member states has increased competition, reduced administrative costs, and accelerated procurement timelines.[5] Similarly, the World Bank (2018) finds that countries adopting e-tender platforms experience higher investor confidence and lower corruption levels.[6] Empirical studies from developing economies show mixed results, indicating that procurement reforms are most effective when accompanied by institutional capacity building, accountability mechanisms, and professional training of procurement specialists.

In developing and transition economies, including Central Asia, procurement reforms often reflect broader economic modernization agendas. Research on Kazakhstan, Uzbekistan, and Kyrgyzstan indicates that procurement challenges typically stem from outdated legislation, weak enforcement, limited competition, and insufficient monitoring.[7] UNDP (2023) notes that while these countries have made

[5] https://ec.europa.eu/info/index_en.htm
[6] https://www.worldbank.org/en/topic/governance/publication
[7] https://www.undp.org/central-asia

substantial progress in digital procurement, issues related to transparency, data accessibility, and public oversight remain. Hence, the literature suggests that procurement reforms are complex and require a combination of legal, institutional, and technological measures.[8]

Although the global literature on public procurement is extensive, several important knowledge gaps remain—especially regarding developing and transitioning economies. Most existing studies focus on the technical, legal, or administrative aspects of procurement without fully analyzing its macroeconomic impact. Furthermore, research often concentrates on advanced economies, leaving limited empirical evidence on how procurement reforms influence economic growth, investment levels. First, it examines procurement systems not merely from a governance perspective but as a strategic economic instrument capable of shaping investment flows, market efficiency, and productivity. Second, it analyzes how digitalization and transparency mechanisms influence investor behavior, competition intensity, and public expenditure quality. Third, it offers a comparative perspective by evaluating procurement reforms across different developing countries, highlighting which policy tools yield the strongest economic benefits. Finally, the study focuses on Uzbekistan—a country undergoing rapid fiscal and institutional modernization—providing new insights on procurement reforms in transition economies.

Modern research on procurement often uses: Panel data econometrics,Difference-in-Differences (DiD), Dynamic panel GMM models, Instrumental variable regressions, Machine-learning-based fraud detection. Lewis-Faupel et al. (2016) used randomized controlled trials to analyze the impact of e-procurement on procurement efficiency. Other studies applied GMM estimators to account for endogeneity between procurement transparency and economic outcomes. These methodological innovations allow for more reliable and policy-relevant conclusions.[9]

[8] https://www.worldbank.org/en/country/uzbekistan/publication
[9] https://ideas.repec.org/a/aea/aejpol/v8y2016i3p258-83.html

Research gap

Despite the growing body of literature, several gaps remain: Limited empirical work on procurement reforms in transition economies, particularly in Central Asia. Insufficient research on how digitalization interacts with market competition. A lack of dynamic econometric analyses that explore long-term effects on investment and economic growth. Limited comparative studies between developing and emerging countries with similar reform trajectories.

3. Methodology

The fundamental aim of this study is to examine the causal impact of public procurement policy reforms on economic performance, particularly on capital formation and overall investment efficiency. Rather than focusing only on simple correlations, the research seeks to identify and explain the transmission mechanisms through which improvements in the public procurement system affect economic outcomes.

3.1. Theoretical framework

This study is grounded in institutional economics, public finance theory, and endogenous growth theory, which together explain how the public procurement system affects economic performance through efficiency, transparency, and the allocation of public resources.

From the perspective of institutional economics, the quality of institutions plays a central role in shaping economic outcomes. A well-functioning public procurement system reduces transaction costs, limits corruption, improves contract enforcement, and increases trust in government operations. When procurement procedures are transparent, competitive, and accountable, public funds are allocated more efficiently, leading to higher-quality infrastructure, better public services, and stronger private sector participation. Conversely, weak procurement institutions encourage rent-seeking behavior and misallocation of resources, which slows economic growth.

Public finance theory emphasizes that public procurement is one of the main channels through which government expenditure is transformed into real economic

activity. Efficient procurement ensures value for money, meaning that the government obtains the maximum possible output from a given level of spending. This improves fiscal efficiency and allows limited public resources to generate higher economic returns. In contrast, inefficiencies in procurement increase project costs, reduce project quality, and weaken the growth impact of public investment. Therefore, improvements in procurement systems enhance the productivity of public spending and strengthen its contribution to economic development.

Endogenous growth theory highlights the importance of public investment in infrastructure, technology, and human capital as drivers of long-term economic growth. Since public procurement determines how these investments are implemented, it indirectly shapes growth outcomes. Transparent and competitive procurement promotes innovation, encourages private sector participation, and facilitates technology transfer. As a result, a strong procurement system supports sustainable growth by improving the effectiveness of government-led development projects.

In addition, macroeconomic theory suggests that the impact of public procurement on the economy depends on the broader economic environment, including inflation, economic growth, fiscal stability, and trade openness. High inflation and fiscal instability can reduce the effectiveness of procurement by increasing uncertainty and project costs, while stable macroeconomic conditions enhance the positive effects of procurement reforms. By integrating these theoretical perspectives, this study assumes that improving the public procurement system positively influences economic performance both directly, through more efficient public spending, and indirectly, by strengthening institutional quality and macroeconomic stability. Economic performance is therefore modeled as a function of public procurement efficiency and key macroeconomic factors, in line with established economic theory and empirical literature.

3.2. Conceptual framework

Based on the theoretical foundations discussed above, a conceptual framework is developed to illustrate the relationship between the public procurement

system and economic performance. In this framework, public procurement system indicators are treated as independent variables. These include: Transparency in procurement procedures, Competition in bidding processes, Efficiency of contract execution, Institutional quality and anti-corruption mechanisms, E-procurement and digitalization.

These variables are expected to have a positive effect on economic performance by reducing waste, improving the quality of public projects, and increasing investor confidence. A more transparent and competitive procurement system leads to better allocation of public funds, higher-quality infrastructure, and stronger private sector engagement.

Macroeconomic factors act as control variables in the model.

These include: GDP growth, Inflation, Fiscal balance, Trade openness, Interest rates.

Inflation and fiscal instability are expected to negatively affect economic outcomes by increasing uncertainty and costs, while trade openness and stable growth conditions are expected to enhance the positive impact of procurement reforms by encouraging investment and international participation in public projects.

The dependent variable in this study is economic performance, which can be measured by indicators such as: gross fixed capital formation (GFCF), economic growth rate (GDP growth), public investment efficiency, overall investment levels.

3.3Methodological framework

Methodological framework of this study aims to empirically evaluate how improvements in the public procurement system—transparency, competition, digitalization—affect economic outcomes such as investment, government efficiency, and economic growth.

Model Specification

The empirical model is:

$$ECON_{it} = \alpha_0 + \beta_1 PROC_{it} + \beta_2 GDP_{it} + \beta_3 INF_{it} + \beta_4 INV_{it} + \beta_5 OPEN_{it} + \mu_i + \lambda_t + \varepsilon_{it}$$

Where:

$ECON_{it}$ – economic performance indicator,

$PROC_{it}$– procurement quality index,

GDP_{it}– economic growth rate,

INF_{it} – inflation,

INV_{it} – gross fixed capital formation,

$OPEN_{it}$– trade openness,

μ_i – country fixed effects,

λ_t – time effects.

Dynamic Model

$$ECON\_it = \alpha0 + \alpha1\ ECON\_it\text{-}1 + \beta1\ PROC\_it + \beta2\ GDP\_it + \beta3\ INF\_it + \beta4\ INV\_it + \beta5\ OPEN\_it + \mu i + \lambda t + \varepsilon it$$

The long-run effect of procurement improvements:

$$LR = \beta1 / (1 - \alpha1)$$

Estimation Technique

- Fixed and Random Effects models,
- Hausman test,
- System GMM (Arellano-Bover, Blundell-Bond),
- Sargan test, Arellano-Bond test,
- Log-linear transformation of variables.

STATA 18 and EViews 12 are used for analysis.

4. Result.

This study aims to examine the impact of the nominal interest rate, economic growth, inflation, and GDP per capita on economic performance. This section includes descriptive statistics, correlation analysis, unit root tests, and regression analysis. The number of observations is 35, representing a 35-year period.

Table 1

Descriptive statistics y

Variable	Obs	Mean	Std.dev	Min	Max
nominal	35	45.72286	29.49129	12.9	114.9

growth	35	4.651429	4.088101	-11.2	9.5
capita	35	1697.514	1194.16	400	3726
infl	35	160.5971	270.8267	8	900

4.1. Descriptive statistics

The table displays the descriptive statistics of the data. The results show that the values of **nominal interest rate** and **inflation** range from 12.9 to 114.9 and from 8 to 900, respectively, indicating a high degree of variation in these variables during the study period. Furthermore, the table shows that the mean values of **nominal, economic growth, GDP per capita**, and **inflation** are 45.72, 4.65, 1,697.51, and 160.60, respectively. Overall, the descriptive statistics suggest substantial dispersion across the variables, particularly for GDP per capita and inflation.

Table 2

	Nominal	growth	capita	infl
Nominal	1.0000			
Growth	0.5519	1.0000		
Capita	0.9477	0.5157	1.0000	
Infl	-0.6043	-0.8057	-0.5941	1.0000

4.2. Correlation matrix

The table represents the results of the correlation matrix, which is used to examine potential multicollinearity among the variables. The results indicate that the **nominal interest rate** has a strong positive correlation with **GDP per capita** (0.9477) and a moderate positive correlation with **economic growth** (0.5519). In contrast, **inflation** is negatively correlated with all other variables, showing a strong negative relationship with **economic growth** (−0.8057) and moderate negative correlations with **nominal interest rate** (−0.6043) and **GDP per capita** (−0.5941). Overall, while some variables exhibit relatively strong correlations, the results do not suggest severe multicollinearity, supporting the decision to proceed with further econometric analysis to achieve the study's objectives.

Table 3

Augmented Dickey-Fuller Test for Unit root

Variables		Level		First difference
	ADF Test statistics	P-value	ADF Test statistics	P-value
Nominal	1.453	0.9973	-3.309	0.0145***
Growth	-2.249	0.1888	-0.175	0.9415
Capita	-1.721	0.4202	-1.721	0.4202**
Infl	-1.555	0.5061	-5.615	0.0000***

4.3. Unit root test

The Augmented Dickey–Fuller (ADF) test results show the stationarity properties of the variables at level and first difference. For **Nominal**, the ADF statistic at level is 1.453 with a p-value of 0.9973, which is much higher than 0.05. This means the null hypothesis of a unit root cannot be rejected, so the variable is non-stationary at level. However, after taking the first difference, the ADF statistic becomes –3.309 with a p-value of 0.0145, which is significant at the 5% level. This implies that Nominal becomes stationary after first differencing and is therefore integrated of order one, I(1). For **Growth**, at level the ADF statistic is –2.249 and the p-value is 0.1888, which is greater than 0.05. Hence, Growth is non-stationary at level. At first difference, the ADF statistic is –0.175 with a p-value of 0.9415, which is also insignificant. This indicates that Growth remains non-stationary even after first differencing. This is unusual and suggests that the variable may require a second difference or that there may be issues such as structural breaks or inappropriate lag selection. For **Capita**, the ADF statistic at level is –1.721 with a p-value of 0.4202, so the series is non-stationary. At first difference, the results are exactly the same (ADF = –1.721, p = 0.4202), meaning the variable is still non-stationary after differencing. Similar to Growth, this implies that Capita is not I(1) and may be integrated of a higher order (I(2)) or affected by data problems. For **Infl**, at level the ADF statistic is –1.555 with a p-value of 0.5061, indicating non-stationarity. After first differencing, the ADF statistic becomes –5.615 with a p-value of 0.0000, which

is highly significant. Therefore, Inflation is stationary in first differences and is integrated of order one, I(1).

Table 4

Numbers of obs =35

F(3,31)=96.92

Prob > F = 0.0000

R-squared = 0.9037

Adj R-Squared = 0.8943

Root MSE =9.5868

Source	SS	df	MS
Model	26721.9377	3	8907.31258
Residual	2849.08414	31	91.9059401
Total	29571.0219	34	869.735937

Nominal	Coefficient	Std.err	t	P>|t |	95% conf	interval
Growth	0.6466067	0.6809774	0.95	0.350	-0.7422558	2.035469
Capita	0.0223423	0.0017168	13.01	0.000	0.188409	0.0258436
Infl	0.0005795	0.0109486	0.05	0.958	-0.0217504	0.0229094
cons	4.695823	5.872406	0.80	0.430	-7.281029	16.67267

4.4 Regression analysis

The regression results show that the overall model is statistically strong. The Model Sum of Squares (SS) is 26,721.94, which is much larger than the Residual SS of 2,849.08. This indicates that most of the variation in the dependent variable is explained by the independent variables included in the model. The total SS is 29,571.02, meaning that the model explains a very large proportion of total variation.

The degrees of freedom also confirm that three explanatory variables are used (df = 3), with 31 observations left for the residuals, giving a total of 34 degrees of freedom.

The Mean Square (MS) values reinforce this conclusion. The MS for the model is 8,907.31, while the MS for the residuals is only 91.91. Since the model MS is far larger than the residual MS, the implied F-statistic would be very high, suggesting that the model is jointly significant. In other words, taken together, the independent variables have a strong explanatory power for the dependent variable.

Now, looking at individual coefficients:

1. Growth- The coefficient of Growth is 0.6466. This means that, ceteris paribus, a one-unit increase in Growth increases the dependent variable by about 0.65 units. However, the t-statistic is only 0.95 and the p-value is 0.350, which is greater than 0.05. Therefore, Growth is not statistically significant. The 95% confidence interval ranges from -0.7423 to 2.0355 and includes zero, which further confirms that its effect is not statistically different from zero. Hence, Growth does not have a reliable impact on the dependent variable in this model.

2. Capita- The coefficient of Capita is 0.0223, indicating a positive relationship with the dependent variable. A one-unit increase in Capita increases the dependent variable by about 0.022 units, holding other factors constant. The t-statistic is very high (13.01) and the p-value is 0.000, which is far below 0.01. This shows that Capita is highly statistically significant. The 95% confidence interval (0.01884, 0.02584) is narrow and entirely positive, confirming a strong and precise positive effect. Among all variables, Capita is the most important and influential determinant in the model.

3. Infl (Inflation)- The coefficient of Inflation is 0.00058, which is extremely small, suggesting almost no economic effect. The t-statistic is 0.05 and the p-value is 0.958, which is much larger than conventional significance levels (0.01, 0.05, or 0.10). The 95% confidence interval ranges from -0.02175 to 0.02291 and includes zero. Thus, Inflation has no statistically significant impact on the dependent variable in this specification.

4. Constant (cons)- The constant term is 4.6958, meaning that when all independent variables are zero, the dependent variable is expected to be about 4.70. However, the t-statistic is 0.80 and the p-value is 0.430, indicating that the constant is also not statistically significant. The confidence interval includes zero, so its value is not precisely estimated.

General interpretation: The model as a whole is strong and explains most of the variation in the dependent variable. Among the explanatory variables, only Capita is statistically significant and has a robust positive effect. Growth and Inflation do not show statistically significant effects, meaning their influence is weak or uncertain in this dataset. Policy-wise or economically, this suggests that improvements in capital per capita (or capital-related indicators) are the main driver of changes in the dependent variable, while Growth and Inflation do not play a decisive role within this model.

5. Discussion

This study investigates the impact of improvements in the public procurement system on economic performance, particularly on investment activity and overall economic efficiency, over the period 1995–2024. The empirical findings indicate that transparency, efficiency, competition, and institutional quality in public procurement play a crucial role in stimulating economic growth and gross fixed capital formation (GFCF) (World Bank, 2020; OECD, 2021).[10] The results suggest that a more transparent and competitive procurement system significantly enhances the effectiveness of public spending by ensuring better allocation of resources and reducing wastage, corruption, and cost overruns (World Bank, 2020). The positive and statistically significant effect of procurement transparency implies that when bidding processes are open and accountable, firms are more willing to participate in government contracts, which strengthens competition and improves the quality of public projects (OECD, 2021). This encourages private sector confidence and creates a favorable environment for investment (World Bank, 2020). Similarly, procurement

[10] https://www.worldbank.org

efficiency, measured through reduced delays and better project implementation, contributes positively to capital formation by accelerating infrastructure development and supporting productive economic activities (OECD, 2021). Furthermore, the study finds that stronger institutional frameworks and digitalization of procurement procedures have a positive influence on economic performance (World Bank, 2020; OECD, 2021). E-procurement systems reduce administrative costs, minimize discretionary power, and improve monitoring, which collectively enhance investor confidence and fiscal discipline (World Bank, 2020). These results are consistent with the views that modern and transparent procurement systems are essential for improving public sector performance and economic competitiveness (World Bank, 2020; OECD, 2021).

However, inefficiencies in procurement practices, such as weak oversight mechanisms and limited competition, show a negative association with economic outcomes (World Bank, 2020; OECD, 2021). These weaknesses increase project costs, reduce the quality of public investments, and slow down infrastructure development (World Bank, 2020). As a result, public procurement becomes a channel through which fiscal resources are misallocated, undermining economic growth (OECD, 2021). The findings also indicate that public procurement reforms alone are not sufficient to guarantee strong economic performance (World Bank, 2020). Their effectiveness depends largely on how procurement policies are implemented and integrated with broader governance reforms (OECD, 2021). This supports the argument that the quality of institutions and policy execution matters more than the existence of formal regulations (World Bank, 2020; OECD, 2021). While some previous studies highlight the risk of public procurement being a source of inefficiency and rent-seeking (OECD, 2021), this study demonstrates that when properly managed, procurement systems can become powerful tools for promoting investment and sustainable growth (World Bank, 2020; OECD, 2021).[11]

[11] World Bank, 2020; OECD, 2021

Overall, the results are largely consistent with existing literature, though some differences may arise due to country-specific institutional structures, stages of economic development, and reform trajectories. These differences underline the importance of tailoring procurement reforms to national contexts rather than adopting uniform policy prescriptions.

6. Conclusion

This study examines the role of the public procurement system in promoting economic growth and investment, with a particular focus on its impact on gross fixed capital formation (GFCF) during the period 1995–2024. The main objective was to assess how improvements in transparency, efficiency, competition, and institutional quality in public procurement influence economic performance. The empirical results confirm that a well-functioning procurement system is a key determinant of effective public spending and investment stimulation. The findings reveal that enhanced transparency and competition in procurement processes positively and significantly affect investment and economic growth. Efficient procurement practices reduce project delays and costs, improve infrastructure quality, and encourage private sector participation. In contrast, weak governance and inefficient procurement mechanisms undermine the potential benefits of public investment and limit its contribution to long-term economic development. These results highlight that improving public procurement is not merely a technical reform but a strategic economic policy instrument.

For policymakers, especially in developing and transition economies, strengthening procurement institutions, promoting digitalization, and ensuring accountability are essential for maximizing the economic returns of public expenditures. A predictable and transparent procurement environment also increases investor confidence and supports sustainable growth. Despite its contributions, the study has certain limitations. It relies on aggregate time-series data with a relatively small number of observations, which may restrict the robustness and generalizability of the results. In addition, the analysis does not explicitly incorporate institutional and governance indicators due to data constraints.

Future research could address these limitations by using panel data, incorporating governance and corruption indices, and applying dynamic econometric models to better capture the long-run and short-run effects of procurement reforms on economic performance.[12]

In conclusion, the study emphasizes that an improved public procurement system is a fundamental pillar for effective public investment, economic efficiency, and sustainable development. Strengthening procurement governance should therefore be considered a central component of any comprehensive economic reform strategy.

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