

Current Issues in Implementing Public Procurement under Sanction Pressures

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Abstract

This article analyzes current challenges in the field of state and municipal procurement. In the context of increasing sanctions, effective implementation of public procurement is one of the key factors for the development of the Russian economy. The strategic importance lies in enhancing the efficiency of budgetary spending and improving the quality of government services. Under sanction pressures, public procurement is not only used to support economic development but also forms part of import substitution and counter-sanction programs, necessitating a reevaluation of implementation mechanisms and the introduction of new control measures. Efficient use of budgetary funds has become a global national priority, ensuring national security, economic stability, and the country's competitiveness.

Keywords: public procurement, digital economy, government orders, control

Introduction

The development of the Russian economy continues despite international sanctions. This requires revising established socio-economic processes, as well as their mechanisms for implementation, financing, and control, which imposes specific demands on governmental institutions in modern Russia (Sekerin et al., 2015).

For the effective functioning of state authorities, timely and quality provision of goods, services, and works is essential (Efremov et al., 2022). The government faced the strategic task of creating a system capable of efficiently meeting the needs of state bodies in essential goods, services, and works (Schedlovskaya, 2020).

The legal basis for this system is **Federal Law No. 44-FZ of April 5, 2013**, "On the Contract System in the Procurement of Goods, Works, and Services for State and Municipal Needs." According to this law, the contract system encompasses all participants in the procurement process, including federal and regional executive authorities, local governments, authorized bodies, corporations such as Rosatom and Roscosmos, suppliers, and operators of electronic platforms, acting in accordance with Russian legislation and other normative acts (Federal Law No. 44-FZ, 2021).

Reforming the Contract System

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The creation and implementation of the contract system is considered one of the largest reforms of the state order system in Russia. The law is continuously updated; for instance, in 2023 alone, more than 140 amendments were introduced, and over 300 in 2021 (AstralSoft, 2024). These amendments reflect changes in international cooperation due to sanctions, which have necessitated programs for import substitution and counter-sanctions. Compliance with quality, production technology, and other requirements is now crucial.

Sanctions have altered a key principle of procurement. Previously, transparency in contract signing was essential. Under sanctions, transparency may hinder economic development, as it exposes contracts to secondary sanctions (MinFin, 2024). For example, open access to procurement data allows foreign producers to pressure suppliers to withdraw from contracts (Lavrov, as cited in Kommersant, 2024). Consequently, procurement mechanisms are shifting toward selective transparency, where full information is available only to participants.

There is also a trend toward single-supplier procurement to support import substitution programs (Efremov et al., 2023). Organizations investing in domestically demanded technologies seek guarantees for their products, which can only be secured through long-term contracts with the government. While this approach may mitigate sanctions and promote domestic production, it reduces competition, potentially lowering the quality of goods and services and creating corruption risks. Legislative updates are required to reflect these new conditions (Kulish et al., 2020).

Key Challenges in Public Procurement

1. Quality of Goods, Services, and Works

A recurring problem in public procurement is the insufficient quality of goods, services, and works. Causes include individual errors, economic conditions, or systemic issues such as poorly formulated technical specifications (Doronin et al., 2013; Efremov, 2011). This is particularly significant for high-tech or science-intensive products, including those under import substitution programs. Employees drafting procurement requests may lack the expertise to accurately describe technical details (Semenova et al., 2017). Developing standardized technical specifications could improve communication between the customer and supplier, facilitating the procurement of complex goods.

2. Corruption

Corruption continues to reduce procurement efficiency despite measures by the Federal Antimonopoly Service (FAS). Previously, increasing transparency and allowing supplier choice helped combat corruption. Under sanctions, however, transparency carries risks of secondary sanctions, while single-supplier arrangements are promoted, leaving control mechanisms insufficient. For example, violations in the implementation of the federal project “Rehabilitation of the Volga” illustrate the need for robust monitoring. Inspections revealed that over half of the objects were either not built or built with violations, affecting the allocation of nearly 128 billion rubles from the federal budget, in addition to regional investments (Izoblichenie Volgi, 2024). Clear control mechanisms are urgently needed, including widespread digital activation (Efremov et al., 2023).

System Flexibility and Digital Technologies

The Russian public procurement market is continuously evolving under unpredictable conditions (Efremov, Soppa, & Semenova, 2023). The system must remain flexible and efficient to adapt to changes while fulfilling national interests. Further development of the contract system requires not only legal updates but also the implementation of digital technologies for strict control at all stages of budgetary spending (Efremov et al., 2023). Evaluating the effectiveness of these measures is challenging, given the increasing scope and complexity of sanctions and corresponding national measures.

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