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Development of the Government Procurement Institution (Toward the Formation of a New Model for the Contract Procurement System)

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Abstract. The paper considers institutional changes in the sphere of procurement of goods, works and services for public purposes. The goal of the paper is to develop a new conceptual approach to the formation of an institutional model for the contract procurement system. It is shown that basic concepts of the current model of contract system remain outside the framework of the universally binding and formally defined categories in conditions of legal regulation instability. We formulate the task of systematizing the set of concepts and definitions in order to separate and differentiate individual segments of the procurement market. In order to implement this task we analyze fundamental definitions contained in legislative acts of international organizations and countries, review key approaches and principles, and highlight specific national features of procurement regulations. We draw attention to the fact that the greatest volume of purchases is observed in the public sector. In the process of our research we use a method of normalized weighted average indicators to calculate an integral index that characterizes the

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scale of the public sector and also to obtain expert assessment of the extent of procurement control. Judging by the results of the study, the scope of procurement control correlates to a large extent with the size of the public sector. Our research helps lay out the principles of institutional reform of the contract procurement system. We propose a conceptual approach to the strategy for development of the government procurement institution taking into consideration international experience and structural specifics of the Russian economy and its public sector. The novelty of the proposed approach lies in the fact that it discloses the concept of government procurement as a substantive framework of the contract system; it corresponds to modern trends in the development of legal capacity of public legal entities and public companies. The article proposes a corresponding framework for the thesaurus of the contract system. The proposed regulation of a set of concepts and terms acts as a methodological framework for allocating and distinguishing individual segments in the market for procurement of goods, works and services. The new model of contract system will require optimization of legal regulation of contract relations based on restructuring and differentiating the regulatory framework, taking into account strategic goals and objectives of a relevant segment of the government procurement sector.

Key words: institutional reform, public procurement, contract procurement system, government procurement, public sector, new thesaurus, procurement market segmentation.

Introduction. The system of procurement of goods, works and services for public purposes is one of the key areas of institutional change that has been going on for the past twenty years in Russia. At present, a new institutional model for public procurement and procurement by the enterprises of the public sector is being formed in context of a new strategy for socio-economic development of the country [10; 18].

The government is one of the largest consumers of goods, works and services in the Russian economy. Total government purchases (the aggregate demand of the authorities at different levels) accounted for 6.5 trillion rubles in 2016 [7, p. 3]. In turn, the volume of purchases of natural monopolies and enterprises of the public sector (companies with state participation, unitary enterprises, state-financed and autonomous institutions) in comparison with 2015 increased by 10% and amounted to 25.7 trillion rubles [8, p. 2]. From the point of view of its scope, public procurement is a powerful financial tool in the hands of the state; this tool can and should be involved in implementing a new strategy for economic development.

The present work is based on a conceptual premise that the development of contract procurement system as an institution of state management and a mechanism of economic management should be considered a strategic goal. New scale and level of the tasks to be solved allows us to speak about a new ideology of development of the contract system of procurement. In order to implement this strategic goal, we should first define the essence and role of the new institution of procurement, its interaction with other economic sectors, the scope of tasks, powers to regulate certain areas, which requires revision, systematization and regulation of definitions and terms of the contract procurement system used in modern legislation. In our view, regulating the set of concepts and terms is a necessary methodological foundation for selecting and delineating separate segments on the markets for procurement of goods, works and

services and a foundation for development of a differentiated approach to the legislative regulation of relevant activities.

Currently, Federal Law 44-FZ "On the contract system in procurement of goods, works, services for state and municipal needs" dated April 5, 2013 (hereinafter: Federal Law 44-FZ) serves as an institutional framework of public procurement. The law includes a set of rules and regulations governing public procurement as a single cycle consisting of the following key stages: forecasting the supply of goods, works and services for state and municipal needs; developing the plans for meeting state (municipal) needs; placing orders for the supply of goods, works and services and conclusion of contracts; execution and monitoring of government contracts. In turn, procurement made by state enterprises and natural monopolies (regulated procurement) is regulated by Federal Law 223-FZ "On the procurement of goods, works, services by separate types of legal entities" dated July 18, 2011 (hereinafter: Law 223-FZ) and also included in the framework of the contract system.

In the process of reforming, the architecture of the contract system in the sphere of public procurement was formed largely spontaneously. The composition and structure of the elements, their hierarchy and relations – such major parameters were introduced and regulated so as to deal with particular issues: import substitution, innovation, control of price hikes, increasing the procurement of small and medium enterprises, etc. In the end, basic concepts of the contract system remain outside the mandatory and formally defined categories [4, pp. 50-53]. In the current conditions of instability of legal regulation[1] it is not possible to develop and introduce in legal practice the general concepts, terms and definitions of the elements of the contract system. The development of fundamental elements of the contract system is uneven and unbalanced, and it has its own specifics in comparison with international practice.

It should be noted that upgrading the system of public procurement is quite a popular research topic in various scientific disciplines and publications. At the same time, a continuing reform going on for several years is often criticized by both theorists and practitioners [3; 16; 17]. The debate is centered around the problems of departmental authorities, expansion of the scope and scale of procurement, and their compatibility with the role of the public sector in the Russian economy. However, with regard to the experience of foreign countries, it is anti-corruption, procedural and informational aspects that are studied in most cases. In this regard, it is necessary to conduct a more profound comparative analysis of currently used institutional definitions and conceptual approaches to the organization and legal regulation of public procurement. The present article generalizes and analyzes international experience of national procurement systems for the aim of developing proposals for the formation of a new framework and content for the thesaurus of an institutional model of the contract system, and the implementation of a differentiated approach to legislative regulation of the relevant activities.

[1] Suffice it to say that since the adoption of Law 223-FZ in 2011 and Law 44-FZ in 2013, 35 federal laws were adopted that amended Law 44-FZ, and 16 federal laws that amended Law 223-FZ.

Review of international practices for the systematization of the conceptual framework of the contract procurement system

In order to clarify the terminology in the field of procurement, we have accumulated and systematized the information about the content of respective concepts in the documents of several countries and authoritative international organizations.

The UNCITRAL[2] Model Law on Public Procurement dated 2011 uses the term *public procurement*[3], which means the acquisition of goods, construction or services by governmental departments, agencies, organs or other units, or any subdivision or multiplicity thereof. The relevant regulations of the World Trade Organization[4] (WTO) use the term *government procurement*[5], which refers to the procurement made by the authorities and other bodies working in the interests of the authorities. The Organization for Economic Cooperation and Development (OECD) uses the term *public procurement* [28, p. 136], which refers to the acquisition of goods, works and services by governments and state-owned enterprises. In turn, a state-owned enterprise (SOE), according to OECD definition, is any legal entity (corporate structure), in which the state exercises the right of ownership, including joint stock companies, limited liability companies, limited liability partnerships [33].

The relevant Directive of the European Union (EU) [24] also uses the term *public procurement*, which refers to the procurement made by authorities of any level and legal persons and governed by public law. In turn, legal persons governed by public law are understood as legal persons that are established for specific purposes and in the general interest that do not have industrial or commercial purpose, and which at the same time are either financed mainly by public authorities (self-government) at any level, or are subject to management oversight of the authorities (self-government).

The relevant regulations of EU member states, which we have considered, also use the term *public procurement*, which is quite natural, as since January 1, 2016 onward, the standards of the European Directive under consideration are implemented in the national procurement systems of all these countries. A separate European Union Directive regulates the procurement by entities operating in the water, energy, transport and postal services sectors [25]. Comparable concepts and legal regimes are used in a number of national documents, as well. For example, in the UK the concept of *utilities procurement*[6] includes the procurement by contract structures, public enterprises and other entities, on condition that the purchased goods, works and services are designed to achieve the goals in one of the relevant fields[7].

[2] United Nations Commission on International Trade Law, UNCITRAL.

[3] Some authors translate *public procurement* as *obshchestvenniye zakupki* [9].

[4] The older and the newer versions of the agreement on government procurement – t*he Agreement on Government Procurement (GPA 1994) and the Revised Agreement on Government Procurement* 30 March 2012 (GPA/113).

[5] Some authors translate *government procurement* as *pravitel'stvenniye zakupki* [12].

[6] The Utilities Contracts Regulations 2016. No. 274.

[7] In these countries infrastructure sectors include gas and heat supply, production and supply of electricity, water and sanitation, transportation, operation of ports and airports, postal services, extraction of oil and gas, exploration or mining of coal or other solid fuels.

The United States at the federal level use the term *federal procurement* regarded as the acquisition of goods or services (including construction) by federal executive authorities and federal corporations on the basis of contract, regardless of whether these goods and services are available or are to be created, developed, and tested [26].

China uses the term *government procurement* to define procurement activities carried out at the expense of budget funds by governmental departments, institutions and public organizations at all levels [35].

Thus, the analysis allows us to conclude that the documents of most leading international institutions (UN, OECD, EU) mainly use the term *public procurement*. However, the substantive content of *public procurement* in the documents of various international organizations is different. In OECD documents, this concept combines the purchases made by state authorities and the purchases made by state-owned enterprises. And in the documents of the European Union, the framework of the concept in addition to the purchases made by state authorities includes the purchases made by legal persons governed by public law, which is a broader concept in comparison with state-owned enterprises.

The principles and scope of procurement regulation

Our review of national and international legislation allows us with a certain degree of conditionality to systematize the information about the scope of procurement regulation in the countries under consideration. The maximum scope of procurement regulation is observed in EU directives and legal acts of the European countries that we have considered, and in which the subject of regulation includes the purchase made by the structures governed by public law. At the same time, in China, the scope of regulated procurement is smaller. Minimum coverage of procurement regulated by national (federal) legislation is observed in North America. For example, in Canada, it is only the procurement made by federal executive authorities and public corporations that is the subject of such regulation, and in the United States – the procurement effected by federal executive authorities and federal corporations.

In the EU, *utilities procurement* is a special subject of regulation; it can be translated into Russian as *procurement of utilities or infrastructure companies*. At the level of the European Union such purchases are governed by a special Directive, and in the UK, Ireland and Sweden – by special legal acts providing for more flexible rules compared to *public procurement*. In Poland and Finland the rules for *utilities procurement* are included in the general rules for *public procurement*, but there are certain exceptions provided for *utilities procurement*, making their regulation less strict. The summary of the survey results is presented in *Table 1*.

Public sector and the procurement regulation system

As we have noted previously, the largest volume of public procurement is observed in the public sector. Currently, in connection with the efforts to work out a strategy for development of the Russian economy for a long-term period there is a fierce debate about the extent and effectiveness of the public sector [1; 2; 19].

Table 1. National actors, the procurement of which is legally regulated by the government

Country (organization) and the subject of regulation	National (federal, central) authorities	Authorities of other levels	Spheres regulated by public law (nonprofit sector)	Public (government) enterprises (commercial sector)
UN (UNCITRAL) (public procurement)	Yes	Yes	Yes	Yes [i]
WTO (government procurement)	Yes	Yes	Yes[ii]	Yes [ii]
OECD (public procurement)	Yes	Yes	No	Yes
EU (public procurement)	Yes	Yes	Yes	Yes [iii]
UK (public procurement)	Yes	Yes	Yes	Yes [iii]
Ireland (public procurement)	Yes	Yes	Yes	Yes [iii]
Sweden (public procurement)	Yes	Yes	Yes	Yes [iii]
Finland (public procurement)	Yes	Yes	Yes[iv]	Yes [v]
Poland (public procurement)	Yes	Yes	Yes	Yes [v]
USA (federal procurement)	Yes	No	No	Yes
Canada (government procurement)	Yes	No	No	Yes
China (government procurement)	Yes	Yes	Yes	Yes
Israel (government procurement)	Yes	Yes	Yes[iv]	Yes
Australia (procurement)	Yes	Yes	Yes	Yes
Russia (government procurement)	Yes	Yes	Yes	Yes [iii vi]

Notes:
[i] State-owned enterprises and enterprises of infrastructure sectors are included in the sphere of regulated procurement taking into consideration the specifics of national law,
[ii] according to the list coordinated with each country,
[iii] and also the enterprises of infrastructural sectors (special rules),
[iv] and also some religious organizations (associations),
[v] and also the enterprises of infrastructural sectors (general rules *mutatis mutandis*),
[vi] special rules.

Source: compiled with the use of the corresponding documents (see paginal footnotes).

When carrying out the study, the authors proceeded from a scientific position, according to which the role of the state in the economy should be reduced gradually, as market competencies are accumulated and mass culture develops [15]. When placing orders for innovative products [21, p. 15-21] and concluding contracts on performance of research and development, State-owned enterprises can serve as an important tool of industrial policy [14, pp. 259-273], "providing the formation of new industries, development of new technologies and methods of management. The experience of rapidly developing countries confirms these considerations" [15, p. 41].

At the same time, the very notion of the public sector and the issues concerning the choice of criteria for assessing the scale of the public sector remain controversial. There are at least three alternative concepts: the concept of functions, the concept of ownership, and the concept of control [32, pp. 4-7]. We can say that currently the definition given by the OECD is the most common and it to some extent takes into account all the three concepts, with an emphasis on the concept of control.

In accordance with OECD definition, the public sector includes enlarged government and public corporations, including quasi-corporations owned by public bodies [28, p. 208]. The composition of enlarged government includes all central, regional and local governments, nonprofit entities controlled by public authorities, and social insurance funds [28, p. 207].

In turn, the choice of methodology and criteria for assessing the scope of the public sector is determined by available assumptions, data and the necessary focus of the study [30]. And there is no single quantitative criterion sufficient to assess objectively the scope of the public sector [23, p. 6], and a variable list of possible criteria (indicators) is proposed [29, pp. 3-9].

Modern foreign literature distinguishes the following most common indicators to assess the extent of the public sector [22]:

– the proportion of public revenues in GDP;

– the proportion of public expenditure in GDP;

– the proportion of taxes in GDP;

– the proportion of people employed in the public sector in total employment.

When assessing the scope of the public sector, Russian researchers [11; 13] tend to rely on the system criteria suggested in a monograph of E.V. Balatsky and V.A. Konyshev [5, p. 45-48] and consisting of such criteria as:

– the share of the public sector in total employment;

– the share of the public sector in total volume of fixed assets;

– the share of the public sector in gross output;

– the share of the public sector in the total number of enterprises;

– the share of the public sector in total investment.

However, attempts to make international comparisons in the context of these criteria are inevitably associated with objective difficulties caused by a lack of complete and comparable data for all the countries under consideration. In this regard, based on the available data for estimating and mapping the extent of the public

Table 2. Estimates of the scale of the public sector

Country (association)	(1) Share of taxes in GDP (%) (2012–2014)	(2) Share of government revenue in GDP (%) (2012–2014)	(3) Share of expenditures of enlarged government on final consumption in GDP (%) (2012–2014)	(4) Share of SOE в in the volume of sales of the ten largest companies in the country (2016)
USA	10.5	18.3	15.2	0.0
Canada	11.8	17.1	20.9	0.0
China	10.0	12.6	13.4	93.0
Israel	22.8	31.9	22.5	20.0
Australia	21.9	24.3	17.9	0.0
EU	19.9	34.7	21.0	18.1
UK	25.2	34.9	20.2	0.0
Ireland	22.8	32.1	17.0	0.0
Sweden	26.2	31.9	26.1	7.5
Finland	20.6	39.1	24.6	46.0
Poland	15.6	30.9	18.0	89.4
Russia	13.6	27.5	19.0	64.9
Sources: for the indicators (1), (2), (3) – [6], for the indicator (4) – authors' calculations based on [27].				

sector from the point of view of its participation in the redistribution of national income, we used the following indicators in our work:

– the share of taxes in GDP (%);

– the share of government revenue in GDP (%);

– the share of expenditures of enlarged government on final consumption in GDP (%).

Due to the fact that for some of the countries under consideration the above indicators in their dynamics show large fluctuations, we calculated average values of the relevant indicators over the past three years in order to smooth the respective effect and achieve greater objectivity.

To evaluate the scope of the public sector from the point of view of its participation in the formation of national income, and given the absence of reliable statistical data, we applied the approach used by OECD experts and based on estimating the proportion of state-owned enterprises (SOEs) in various indicators of the ten largest companies in the country, in this case – in the volume of sales [31, pp. 21-22]. And SOE included the enterprises in which the government share exceeds 10% [34, p. 10]. Of course, this indicator cannot be considered sufficient to assess the extent of the public sector, but it indirectly reflects the significance of the latter in the national economy. The relevant data are presented in *Table 2*.

To obtain an integral indicator of the scale of the public sector (in this paper it is conventionally called the indicator of the scale of the public sector) we used the method of normalized weighted average indicators [20]. To this end, each of the four indicators characterizing the scale of the public sector

in each country was normalized to the corresponding average value in the sample. Then, based on the assumption about the equal importance of each of the four indicators, we calculated the corresponding integral indicator for each country:

$IPS_i = 0.25T_i + 0.25I_i + 0.25C_i + 0.25S_i$,

where:

IPS_i – index of the scale of the public sector in the i-th country;

T_i – normalized indicator of the share of taxes in the GDP of the i-th country;

I_i – normalized indicator of the share of state revenues in the GDP of the i-th country;

C_i – normalized indicator of the share of expenditures of enlarged government on final consumption in the GDP of the i-th country;

S_i – normalized indicator of the share of SOEs in the sales of the ten largest companies in the i-th country.

Similarly, in order to obtain an expert assessment of the extent of procurement based on the data from Tab. 1, we introduced the index of procurement regulation, defined as a scoring in which every point is assigned for the presence of norms concerning the regulation of procurement of the relevant subjects in the national framework:

– central government;
– authorities of other levels;
– structures of the nonprofit sector governed by public law;
– SOE or their analogues;
– enterprises in the infrastructure sectors.

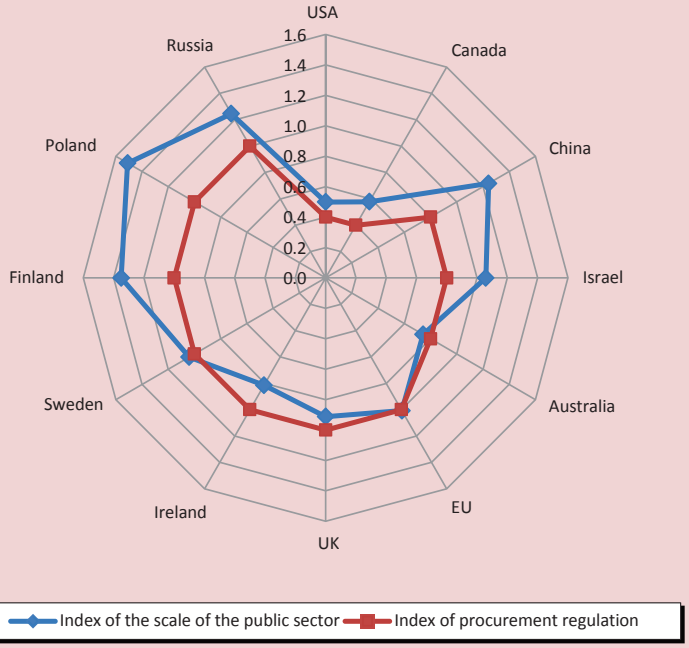
For convenience of graphical representation, the final score was normalized by the maximum score. The results of comparison of the index of the scale of the public sector and the index of procurement regulation are presented in *Tab. 3* and in the *Figure*.

According to the diagram, the sample under consideration shows a definite relationship between the scale of the state sector and the extent of procurement regulation – the bigger the public sector, the wider is the list of subjects, the procurement of which are regulated by law.

Table 3. The index of the scale of the public sector and the index of procurement regulation

Country	Index of the scale of the public sector	Index of procurement regulation
USA	0.5	0.4
Canada	0.6	0.4
China	1.2	0.8
Israel	1.1	0.8
Australia	0.7	0.8
EU	1.0	1.0
UK	0.9	1.0
Ireland	0.8	1.0
Sweden	1.0	1.0
Finland	1.3	1.0
Poland	1.5	1.0
Russia	1.2	1.0
Source: authors' calculations based on data from Tables 1–2.		

Comparison of the scale of the public sector and the extent of procurement regulation (with selected EU countries)



Source: authors' calculations based on data in Tables 1 and 2.

Summarizing the comparative analysis of the experience of national contract systems, we can make the following conclusions.

1. At the international level there are no unified approaches to the definition of institutional concepts and the system of procurement (with the exception of the EU, where national definitions and regulations, with minor changes, are harmonized with European directives).

2. The scale of procurement quite strongly correlates with the size of the public sector and with the volumes of purchases of various public sector entities. On the whole, the scale of procurement regulations corresponds to the role of the public sector in the Russian economy.

3. A necessary condition for reforming the contract procurement system in our country consists in developing a new outline and content of the contract system thesaurus, an appropriate differentiated approach to legal regulation taking into account international experience and the structural specifics of the Russian economy and its public sector.

Proposals to form a new outline and content for the thesaurus of the public procurement institution

As follows from the results of our analysis, the formation and regulation of the public procurement institution is connected with specific features of socio-economic development in each country. It should be noted that Western countries do not use the concept of *procurement for public and municipal needs*, the concept that is quite common for Russia. Instead, they use the term *public*

procurement and the procurement that satisfies *public needs*. The concepts of *government needs* and *government procurement* used in the Russian economy primarily refer to the subject of procurement – the state in a broad sense (including all state and municipal bodies and public sector enterprises), which determines conditions, procedural and legal aspects of procurement.

However, at present, the term *public procurement* is actively used in Russian economic and expert literature. At the same time, the concept of *public procurement* does not have a regulation and a clear legal definition. As a result, it includes state and municipal purchasing, as well as the procurement at the expense of budget funds in general. In some cases, the term *public procurement* is used as a synonym of the term *state procurement*. In our opinion, it is extremely relevant to introduce and regulate the term *public procurement*, since various aspects of public law are being currently developed and, therefore, the use of the term *public* as applied to business entities in the legislative regulation of economic activities. For example, Federal Law 224-FZ "On public-private partnership, municipal-private partnership in the Russian Federation and amendments to certain legislative acts of the Russian Federation" dated July 13, 2015 introduces the concept of public partner as the subject of implementation of PPP projects.

That is, the subjects of emerging economic relations are public legal entities. In the procurement of goods, works and services for public needs public entities act through the relevant executive authorities within the framework of the established competence. Thus, considering the authorized executive bodies of public legal entities as subjects of procurement (public and municipal customers), we can conclude that state and municipal purchases can be combined in one concept of *public procurement*.

We should also consider the procurement of enterprises of the public sector (regulated procurement). In this case, customers are state corporations and companies, natural monopolies, state and municipal unitary enterprises, autonomous institutions, business entities with more than fifty percent participation of the Russian Federation, a subject of the Russian Federation or a municipal formation in their capital. As we noted earlier, the implementation of such procurement is regulated by Federal Law 223-FZ "On the procurement of goods, works, services by separate types of legal entities" dated July 18, 2011. It is necessary to mention that the group of economic entities falling under action of this law in accordance with the definition of the Civil Code of the Russian Federation may be public companies. A public company means a joint-stock company, the shares and securities of which, convertible into its shares, are publicly placed (via open subscription) or publicly traded on the conditions established by laws on securities. In this case, the term *public* means *open* companies; at the same time, the purposes of procurement activity of these subjects of the contract system allow us to include this category of procurement in the *outline of the concept of public procurement*. The proposed approach is consistent with the world procurement practice.

So, we propose to regard public procurement as state and municipal procurement, procurement of enterprises and organizations of the public sector, and procurement of public legal entities. Obviously, in the short term and due to specifics of the Russian legislation, the same procurement categories can fall under the "regulated" procurement and the procurement of public legal entities. However, in the long term, along with the development of public law, these categories of procurement can be delineated more clearly.

We should also mention the problem concerning the allocation of procurement categories that cover *the procurement of utilities and/or infrastructure entities*. The analysis of world practice shows that due to the specifics of its activity this category of procurement is a separate subject of regulation (*utilities procurement*). In particular, they include the procurement made by companies holding a monopoly position in a number of infrastructure sectors that are of strategic importance to the economy of the country. At the same time these companies can be subjects with the private form of ownership, which requires a special and more flexible regulation.

Thus, the category of public procurement is the basis of the contract system, which corresponds to modern trends in the development of legal capacity of public legal entities and public companies. The proposed regulation of the conceptual and terminological framework acts as a methodological basis for the allocation and differentiation of individual segments in the market of procurement of goods, works and services.

Basic principles of institutional reform of the contract procurement system

Summarizing all the above we can point out that *a differentiated approach* to legal regulation of procurement should become the basic principle of institutional reform in public procurement. It is proposed to divide the regulatory system of procurement into three separate segments: procurement effected by the state; procurement effected by state-owned enterprises; procurement effected by utilities and/or infrastructure entities. This will make it possible, on the one hand, to expand the boundaries of the contract system, and on the other hand – develop more segmented and "targeted" procurement regulation mechanisms.

The experience of contract systems in other countries and the analysis of specific features of the procurement system in Russia allows us to allocate the following most important principles and directions for institutional reform in public procurement:

- legislative regulation of general unified principles of public procurement for all entities in the system (openness, transparency, competition, efficiency, innovativeness, expertise, control and responsibility), ensuring the variability of procurement methods corresponding to specific features of business processes of companies in different segments;
- definition of key objectives and functions for each segment of public procurement in accordance with the need to address social issues;
- preparation of a special law on procurement effected by infrastructure companies (natural monopolies);

• modernization of the system of pricing in public procurement; introduction of regulatory models for contracts with flexible pricing that create opportunities for the market behavior of customers corresponding to rapidly changing market conditions;

• professionalization of customers, providing greater freedom to procuring entities (preparation of procurement specifications, selection of methods of procurement, criteria for evaluation of proposals) while strengthening personal responsibility for the adoption of important financial procurement decisions by the parties of the contract system (personal responsibility of managers, employees, contract services);

• promotion of technological, socially significant and environmental innovations, including the development of innovation on a turnkey basis according to customer specifications and the adaptation of initiative innovation proposed by innovation-active companies; introduction of the right to pilot innovative projects in procurement in the legislation;

• development of PPP principles in the system of public procurement by expanding the possibilities of using life cycle contracts, and long-term contracts with reputable suppliers.

Such a model of the procurement system will require optimization of legislative regulation through restructuring and differentiating the regulatory framework, developing regulatory mechanisms for procurement based on strategic goals and objectives of a relevant segment of public procurement. For example, for the segment of public procurement it is possible to allocate the following targeted measures and regulatory mechanisms in order to implement the directions of institutional reform.

1. Introduction of a system of categorical management of state and municipal procurement, providing differentiation of the mechanisms and methods of procurement depending on the category (type) of purchased products. This system should ensure professionalization of procurement and logistics activities. In particular, the procurement of the model and standard products (stationery, office equipment, etc.) should be centralized, among other things, with the help of specialized logistics centers and electronic commerce mechanisms.

2. Development of mechanisms of interaction with suppliers, which involves establishing long-term contractual relations on the basis of qualifications and business reputation of the suppliers in order to prevent unfair competition and reduce risks of failure (or low quality) in execution of contracts.

3. Formation of associations (consortia) with developers and potential suppliers for creating/introducing new innovative products to execute large government orders.

4. Abandonment of existing principle of a single normative model of state contract (on the basis of a firm fixed price of the contract) and the introduction of a regulated but flexible mechanism of contractual arrangements that enable customers to implement government procurement effectively.

Our conceptual approach to the development of the public procurement institution needs detailed elaboration, its implementation would require the adoption of

a set of legal, regulatory and methodological documentation and search for new solutions for organization of management and control. However, the program of reforms based on this approach will significantly improve the efficiency of public procurement, because it will take into consideration economic principles and the specifics and results of the final activities of relevant actors of the contract system.

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