

The Role of Legal Services in Ensuring the Execution of Obligations Arising from Contract Relations

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Abstract: This article analyzes the crucial role of institutional legal services in ensuring the execution and discipline of obligations arising from contractual relations within a market economy. Focusing on the legal framework of the Republic of Uzbekistan, the author explores the challenges faced in practice, such as the rising numbers of contractual disputes in economic courts, growing accounts receivable, and the superficial or late involvement of legal departments in the contract drafting phase. Through a comparative study of international corporate governance and legal risk management models—including the practices of Germany, England, the USA, France, Singapore, and Kazakhstan—the paper highlights the transition of legal services from mere technical advisers to strategic risk managers. The research proposes systemic reforms to enhance contractual discipline in Uzbekistan, including the mandatory legal expertise for high-value state contracts, the integration of artificial intelligence and unified electronic tracking platforms for legal monitoring, and the establishment of a national KPI rating system to assess legal service efficiency. Ultimately, the study concludes that modernizing the institutional independence and digital capabilities of legal services is vital for economic stability and enhancing the country's investment climate.

Keywords: Legal service, contractual relations, execution of obligations, legal risk assessment, Civil Code of Uzbekistan, economic courts, digital contract management, compliance control, accounts receivable, comparative legal analysis.

Introduction: In a market economy, the institution of contract is of great importance as the primary legal form of civil law relations.

The agreement is considered one of the most effective means of ensuring the stability of economic relations, fostering mutual trust between business entities, improving the investment climate, and the legal regulation of property relations.

Therefore, the timely and proper fulfillment of obligations arising from contractual relations occupies an important place in the state's economic policy.

In practice, non-fulfillment of contract terms, their incorrect construction, delays in fulfilling obligations, an increase in debts, and an increase in legal disputes are causing serious problems in various sectors of the economy.

These circumstances create the need to further

improve the activities of the legal service and strengthen its role in contractual relations.

The legal service is the main institutional mechanism for ensuring compliance with the law in state bodies, economic management bodies, local government authorities and legal entities, early detection of legal risks, legal expertise and protection of interests.

Of the President of the Republic of Uzbekistan "On measures to radically improve the activities of the legal service" Resolution No. PP-2733 dated January 19, 2017, defines the conduct of contractual, legal, and claim-based proceedings as one of the main areas of activity for the legal services of state bodies and organizations, ensuring the reliable protection of the property and other interests of state bodies and organizations.

One of the primary tasks of the legal service is to conduct legal expertise of contracts, ensure their

compliance with current legislation, balance the rights and obligations of the parties, and prevent potential legal disputes in the future.

In this sense, the legal service acts not only as a legal institution that eliminates offenses but also carries out their prevention.

The Constitution of the Republic of Uzbekistan guarantees the inviolability of private property, freedom of entrepreneurship, freedom of contract, and the protection of rights through the courts.

These provisions of the Constitution serve as the constitutional basis for the sustainable development of civil legal relations.

These guarantees established in the Constitution, along with ensuring the rights and interests of subjects participating in contractual relations, impose a great responsibility on the legal service.

One of the most frequently heard cases in the economic courts of our country is disputes arising from contractual relations.

Economic courts rely on the Civil Code, the Economic Procedural Code, the Law "On the Contractual and Legal Framework for the Activities of Economic Entities," and decisions of the Plenum of the Supreme Court when resolving disputes arising from contracts related to various relations.

The legal basis of contractual relations is primarily enshrined in the Civil Code of the Republic of Uzbekistan.

According to the Civil Code, a contract is an agreement between two or more persons on the creation, modification, or termination of civil rights and duties.

The Code establishes the principle of freedom of contract, granting the parties the right to independently determine any terms that do not contradict the legislation. However, this freedom is not absolute. The contract must comply with legislative requirements and the principles of fairness, rationality, and justice.

The Civil Code also defines general principles for the performance of obligations.

According to it, obligations must be properly fulfilled in accordance with the terms of the contract and the requirements of the legislation.

Unilateral non-performance of an obligation or its modification is not permitted, unless otherwise provided by contract or legislation. This norm serves as the primary legal guarantee of contractual discipline.

Institutions for securing the fulfillment of obligations are also enshrined in Article 259 of the Civil Code, and the fulfillment of an obligation may be secured by

penalties, pledge, seizure of the debtor's property, suretyship, guarantee, deposit, and other methods provided for by law or contract.

The objective of these legal mechanisms is to encourage the debtor to fulfill their obligations in a timely and high-quality manner and to protect the property interests of the creditor.

However, it is observed that these institutions are not fully and effectively used in practice.

In many contracts, measures to secure obligations are formally established or are not provided for at all.

This subsequently leads to complex court proceedings related to debt collection.

It is at this stage that the importance of the legal service in ensuring contractual discipline is manifested.

During the development of the draft contract, the legal service employee assesses legal risks, determines the most optimal methods for securing obligations, and ensures that all essential terms of the contract are formulated clearly and in a form that cannot be interpreted ambiguously.

It also monitors the execution of the contract during its execution, analyzes accounts receivable and accounts payable, and takes measures to resolve disputes before the court.

In recent years, large-scale reforms have been carried out in our country to develop the institution of legal services.

A number of regulatory legal acts have been adopted to strengthen the independence of legal services in state bodies and organizations, increase their status before the management, and ensure the mandatory nature of legal expertise.

These reforms serve to ensure legality in public administration, strengthen contractual discipline, and reduce corruption factors.

However, an analysis of law enforcement practice shows that the existing opportunities of the legal service are not being fully utilized.

In particular, in some organizations, the conclusion of the legal service remains advisory in nature. This may negatively affect the quality of legal expertise.

In some organizations, the legal service is involved in the process of preparing a contract on the eve of its signing. By this time, the economic conditions have already been agreed upon, and the legal service performs only the function of technical verification. In some cases, the legal service is limited to simply signing off on the draft contract.

Meanwhile, in developed countries, corporate lawyers

participate in negotiations from the very beginning, evaluate the legal consequences of business decisions, and develop the safest model for an agreement.

An analysis of law enforcement practice shows that the majority of disputes arising from contractual relations are related to improper fulfillment of obligations, violation of payment discipline, unclear definition of contract terms, and insufficient legal assessment of the rights and obligations of the parties.

The analysis of cases considered in economic courts shows that in most cases, the causes of disputes are the lack of a thorough legal examination of the draft contract, the lack of effective means of securing obligations in the contract, the absence of a mechanism for monitoring the fulfillment of obligations, and the lack of active participation of the legal service in the execution of the contract.

In reality, the task of the legal service is to assess the compliance of each clause of the contract with the law, analyze its economic and legal consequences, and eliminate risks that may arise in the future.

For example, the absence of a clear definition of force majeure circumstances in the contract, the ambiguous formulation of penalty sanctions, or the failure to specify the procedure for filing a claim will subsequently lead to different interpretations in court proceedings.

Another pressing problem encountered in practice is the constant increase in accounts receivable. In many organizations, legal services are sought after the emergence of debt.

However, in a developed corporate governance system, the legal service takes measures to prevent debt before it arises. In particular, it analyzes the debtor's financial condition, requires payment guarantees, and includes collateral in the contract, such as a bank guarantee, insurance, or pledge. Today, the development of the digital economy also imposes new requirements on contractual relations.

The widespread use of electronic contracts, electronic digital signatures, electronic invoices, and digital payment systems requires legal service employees to possess sufficient knowledge in the field of information technology.

In some organizations, the insufficient knowledge of legal service employees in the field of digital law creates certain difficulties in working with electronic contracts.

The internal control system also plays an important role in ensuring the execution of contracts. In practice, some organizations do not have a unified electronic register for monitoring the execution of contracts after

their signing, monitoring deadlines, and assessing the timely fulfillment of obligations. This leads to delays in the execution of contracts, the expiration of the statute of limitations, and economic losses.

Another important problem in practice is the lack of systematic monitoring of contract execution. Many organizations do not have a unified electronic system for monitoring the execution of a contract after its signing. As a result, there are instances where payment deadlines are missed, penalties are not accrued, the submission of claims is delayed, and the statute of limitations is missed. This causes serious damage to the organization's economic interests.

From this point of view, the task of the legal service should not be limited to providing a legal opinion, but should consist of conducting legal monitoring activities at all stages, from the conclusion of the contract to its full execution, and modern corporate governance standards require exactly such an approach.

The experience of foreign countries is of great importance in this field. In particular, in Germany, the corporate legal service is an integral part of company management.

In large companies, the legal, financial, and risk management departments work together on each major contract. Before concluding a contract, a legal audit is conducted, and potential legal risks are assessed for each clause of the contract. As a result, the number of legal disputes will significantly decrease.

In England, the concept of risk management is widely used in contract law. Corporate lawyers analyze the impact of each condition on economic risks during the drafting of the contract. In particular, the limitation of liability, compensation for damages, dispute resolution methods, and arbitration conditions will be subject to separate legal expertise. This will prevent lengthy legal proceedings in the future.

One of the main tasks of the legal service in the USA is "compliance management," that is, ensuring compliance with the law.

Companies have developed special compliance programs, and all contracts are evaluated based on the requirements of this program.

The compliance system also assesses corruption risks, conflicts of interest, and restrictions related to sanctions. This experience is also relevant for Uzbekistan.

An important feature of contract law in France is the widespread application of the principle of the parties acting in good faith. French courts, while applying the principle of freedom of contract, also pay great attention to the principle of fairness.

If one of the parties has exercised the right in bad faith, the court may invalidate certain terms of the contract, even if it is formally correct. This experience will serve to improve the culture of contracts.

In Singapore, a fully digital electronic contract management system has been implemented. All state contracts are concluded, executed, and monitored through a special electronic platform.

Contractual deadlines, fulfillment of obligations, and financial risks are automatically analyzed using artificial intelligence elements. This makes it possible to reduce errors related to the human factor.

In the Republic of Kazakhstan, the independence of the legal service in state organizations has been strengthened, and certain categories of contracts are not allowed to be signed without a positive conclusion from the legal service. A mandatory system for the regular professional development of legal service employees has also been established.

An analysis of foreign experience shows that the legal service has emerged as an important institution that not only provides legal advice but also participates in the strategic management of the organization. It is advisable to gradually implement this approach in Uzbekistan.

In particular, it is necessary to involve the legal service at an early stage in the organization's business decision-making process, conduct legal audits of contracts, create an electronic monitoring system, develop standard contract templates, and implement an international certification system for legal service employees.

It is also advisable to introduce a special rating system for assessing the state of contractual discipline in state organizations. In this case, accounts receivable, the number of court cases, the level of contract execution, and the quality of legal expertise can be determined as the main criteria. This will allow for an objective assessment of the effectiveness of the legal service's activities.

An analysis of current legislation shows that although the legal service's powers for conducting legal expertise of contracts, assessing legal risks, and monitoring contract execution have been established, specific mechanisms ensuring their practical implementation do not work sufficiently in all cases.

In this regard, it is advisable to more precisely formulate the norm in legislation regarding the inadmissibility of concluding contracts of significant financial value without a positive legal opinion from a legal service.

This procedure serves to ensure the effective use of

public funds, reduce corruption risks, and prevent legal risks.

It is also important to digitalize the legal service's function of monitoring the execution of contracts. To this end, it is advisable to create a unified platform for monitoring electronic contracts at the national level. This system can be used to automatically monitor contract terms, payments, delivery times, warranty obligations, statute of limitations, and other important indicators.

The system automatically sends a notification to the legal service in the event of a potential breach of contract terms, thereby increasing the effectiveness of legal prevention.

In order to improve the legal quality of contracts, the development of standard contract structures for state bodies, large economic management bodies, and companies is also relevant.

Such standard contracts must clearly state conditions regarding methods of securing obligations, liability measures, force majeure circumstances, the procedure for resolving disputes through negotiations, and mediation and arbitration.

Today, the institution of pre-trial dispute resolution is widely used in many developed countries. In Uzbekistan, the number of appeals to economic courts can be reduced by strengthening the participation of the legal service in negotiations, mediation and claims.

This not only saves state budget expenditures but also strengthens the atmosphere of trustful cooperation between business entities.

Improving the professional qualifications of legal service employees is also an important task.

In particular, it is advisable to introduce a system of regular professional development in international private law, international commercial arbitration, digital law, compliance, corporate governance, and legal risk management. This allows for the wide application of modern legal approaches in contractual relations.

In addition, one of the promising areas is to expand the possibilities of using artificial intelligence technologies in the activities of the legal service. For example, the use of artificial intelligence technologies to automatically identify legal risks in the text of a contract, analyze its compliance with the law, indicate repeated errors, and prepare legal conclusions significantly increases the efficiency of the legal service.

Based on the above, the following scientific proposals can be made:

- introduction of restrictions on the signing of contracts

in state organizations without the legal expertise of the legal service;

- implementation of a unified electronic contract monitoring information system for the state and corporate sectors;
- mandatory legal audit of organizations with high accounts receivable;
- development of a national KPI system for assessing the effectiveness of the legal service;
- implementation of international certification programs for legal service employees;
- regulatory strengthening of the institution of legal risk assessment in contracts;
- strengthening cooperation between the legal service and compliance control and internal audit services;
- creating a unified electronic database of economic court practice and expanding its use as a practical guide for legal services;
- establishing a mandatory procedure for quarterly legal monitoring of contractual discipline in organizations with state participation.

CONCLUSION

In conclusion, legal services are of decisive importance in ensuring the fulfillment of obligations arising from contractual relations.

Its activities should not be limited to the formalization of legal documents, but should develop as a comprehensive institution aimed at managing legal risks, ensuring contractual discipline, preventing disputes, ensuring the economic security of the organization, and increasing the efficiency of corporate governance.

By further improving national legislation, introducing advanced foreign experience into the national legal system, widely using digital technologies, and strengthening the institutional independence of the legal service, it is possible to bring contractual discipline to a new level.

This, in turn, contributes to the stability of economic relations, the reliable protection of the rights of business entities, and the further enhancement of the country's investment attractiveness.

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