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PUBLIC MANAGEMENT EFFICIENCY AND REGIONAL ECONOMIC DEVELOPMENT IN UZBEKISTAN

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Abstract. This article examines the relationship between the efficiency of public administration and regional economic development in Uzbekistan in the context of the reforms launched in 2017 and the Uzbekistan-2030 strategy. Drawing on official normative documents, OECD governance reviews and recent econometric panel evidence for 14 administrative units over 2017-2024, the study shows that regulatory quality, infrastructure provision and the investment climate are the main channels through which public management influences regional growth. Difference-in-differences estimates indicate that regions with higher reform intensity achieved approximately 23.4% higher gross regional product (GRP) growth and 41.2% higher foreign direct investment (FDI) attraction than low-reform regions (Regulatory Reforms and Regional Economic Development in Uzbekistan, 2024). At the same time, persistent territorial disparities, the limited fiscal autonomy of local governments and the still centralized structure of public administration constrain the diffusion of these gains (OECD, 2024; Asian Development Bank, n.d.). The article concludes with recommendations on fiscal decentralization, results-based management, digitalization of public services and spatially targeted investment policy.

Keywords: public management efficiency, regional economic development, gross regional product, fiscal decentralization, Uzbekistan-2030, regulatory reform, local governance.

Annotatsiya. Ushbu maqolada 2017-yilda boshlangan islohotlar va “O‘zbekiston-2030” strategiyasi kontekstida davlat boshqaruvi samaradorligi va O‘zbekistondagi mintaqaviy iqtisodiy rivojlanish o‘rtasidagi bog‘liqlik o‘rganiladi. Rasmiy me‘yoriy hujjatlar, OECD boshqaruv sharhlari va 2017–2024-yillar davomida 14 ta ma‘muriy birlik bo‘yicha o‘tkazilgan so‘nggi ekonometrik panel tadqiqotlariga tayangan holda, tadqiqot shuni ko‘rsatadiki, tartibga solish sifati, infratuzilma bilan ta‘minlanganlik va investitsion muhit davlat boshqaruvi mintaqaviy o‘shishga ta‘sir ko‘rsatadigan asosiy kanallar hisoblanadi. “Farqdagi farq” (difference-in-differences) usuli bo‘yicha hisob-kitoblar shuni ko‘rsatadiki, islohotlar intensivligi yuqori bo‘lgan



hududlar islohotlar darajasi past bo'lgan hududlarga nisbatan yalpi hududiy mahsulot (YaHM) o'sishida taxminan 23,4% va to'g'ridan-to'g'ri xorijiy investitsiyalar (TXI) jalb qilishda 41,2% yuqori ko'rsatkichga erishgan (Regulatory Reforms and Regional Economic Development in Uzbekistan, 2024). Shu bilan birga, davom etayotgan hududiy nomutanosibliklar, mahalliy hokimiyat organlarining cheklangan fiskal avtonomiyasi va davlat boshqaruvining hanuz markazlashgan tuzilishi ushbu yutuqlarning tarqalishini cheklab qo'ymoqda (OECD, 2024; Asian Development Bank, n.d.). Maqola xulosasida fiskal markazsizlashtirish, natijalarga asoslangan boshqaruv, davlat xizmatlarini raqamlashtirish va hududiy yo'naltirilgan investitsion siyosat bo'yicha tavsiyalar berilgan.

Kalit so'zlar: davlat boshqaruvi samaradorligi, mintaqaviy iqtisodiy rivojlanish, yalpi hududiy mahsulot, fiskal markazsizlashtirish, O'zbekiston-2030, tartibga solish islohoti, mahalliy boshqaruv.

Аннотация. В данной статье исследуется взаимосвязь между эффективностью государственного управления и региональным экономическим развитием в Узбекистане в контексте реформ, начатых в 2017 году, и стратегии «Узбекистан-2030». Опираясь на официальные нормативные документы, обзоры ОЭСР по вопросам управления и недавние эконометрические панельные данные по 14 административным единицам за 2017–2024 годы, исследование показывает, что качество регулирования, обеспечение инфраструктурой и инвестиционный климат являются основными каналами, через которые государственное управление влияет на региональный рост. Оценки с использованием метода разности разностей (difference-in-differences) показывают, что регионы с более высокой интенсивностью реформ достигли примерно на 23,4% более высокого роста валового регионального продукта (ВРП) и на 41,2% более высокого притока прямых иностранных инвестиций (ПИИ) по сравнению с регионами с низкой интенсивностью реформ (Regulatory Reforms and Regional Economic Development in Uzbekistan, 2024). В то же время сохраняющиеся территориальные диспропорции, ограниченная фискальная автономия местных органов власти и всё ещё централизованная структура государственного управления сдерживают распространение этих достижений (OECD, 2024; Asian Development Bank, n.d.). В заключении статьи предлагаются рекомендации по фискальной децентрализации, управлению по результатам, цифровизации государственных услуг и пространственно-ориентированной инвестиционной политике.

Ключевые слова: эффективность государственного управления, региональное экономическое развитие, валовой региональный продукт, фискальная децентрализация, Узбекистан-2030, регуляторная реформа, местное самоуправление.

INTRODUCTION

Since 2017 Uzbekistan has carried out a broad program of economic and administrative transformation aimed at liberalizing the economy, attracting investment and reducing poverty. These reforms have been accompanied by sustained growth that has consistently outpaced the Central Asian average, while extreme poverty fell from



8% in 2016 to less than 1% in 2023 (OECD, 2024). The strategic framework of the Uzbekistan-2030 strategy and the accompanying regional programs set ambitious targets, including annual GRP growth of 6-7% for the regions, based on their natural, demographic, infrastructure and specialization potential (Presidential Decree, n.d.-a) . At the same time, the public administration remains centralized and hierarchical, and policymakers themselves have identified the reform of this concentrated governance system as a necessary step for addressing regional disparities, transparency gaps and uneven public service delivery (OECD, 2024) . The dominance of Tashkent relative to the rest of the country, the low level of decentralization and the weak financial and managerial capacity of subnational governments are repeatedly cited as structural obstacles to balanced territorial development (Asian Development Bank, n.d.).

The purpose of this article is to analyze how the efficiency of public management affects the pace and balance of regional economic development in Uzbekistan, and to formulate evidence-based recommendations. The study is based on official normative documents, international governance assessments and recent econometric evidence on regional growth dynamics.

LITERATURE REVIEW

The theoretical foundation of the study rests on two bodies of literature: the theory of public administration and the theory of regional development. Within the first, the efficiency of public management is treated as a function of the institutional environment, the quality of regulatory decisions, the qualifications of managerial personnel and the feedback received from the population. In the Uzbek context, research has shown that the ways to improve the efficiency of public administration depend directly on the qualifications of management staff and on feedback from the local population (Asadullina, 2019). A related line of work argues that market mechanisms are only one of many instruments for achieving socio-economic goals, and that the state must clearly define the boundaries within which market relations are introduced, where activity is regulated, and where the state itself produces goods and services (Rasulov & Voronin, 2021).

Within the regional development literature, a system approach to managing the socio-economic development of regions is regarded as essential for the competitiveness of the national economy, with long-term planning, strategic planning and programme-target planning identified as the main management tools (Mustafakulov, 2020). Empirical work on individual regions, such as Karakalpakstan and Surkhandarya, confirms that the effectiveness of state development programmes depends on the quality of their design, monitoring and implementation (Kalmuratov, 2023; Qosimov, 2019).

A particularly relevant finding is that the quality of public administration is the most influential factor in the intensive economic growth of Uzbekistan, ahead of other structural determinants (Sharipov, 2026). This result justifies the focus of the present study on management efficiency as the key lever of regional development.

METHODOLOGY

The study combines three groups of methods. First, an institutional and legal analysis of the normative framework of public administration reform, including the



Concept of Administrative Reform, the Uzbekistan-2030 strategy and the presidential decree of 14 July 2025 on increasing the efficiency, proactivity and results-orientation of the public administration system (Presidential Decree PF-111, 2025).

Second, a comparative analysis of regional development outcomes based on OECD governance assessments and international reviews of Uzbekistan's public sector (OECD, 2024).

Third, an econometric synthesis of recent panel evidence covering 14 first-level administrative units over 2017-2024. This evidence includes fixed-effects and GMM panel regressions of GRP per capita on FDI, industrial share, infrastructure, education and regulatory quality; unconditional and conditional beta-convergence analysis; and difference-in-differences estimation of the impact of post-2017 regulatory reforms (Regulatory Reforms and Regional Economic Development in Uzbekistan, 2024).

RESULTS AND ANALYSIS

4.1 The reform of public administration in Uzbekistan. Public administration reform remains a key priority, oriented towards a more efficient, effective, accountable and citizen-centred public sector. The reform agenda includes the modernization and reorganization of public administration, the strengthening of local governance, digitalization and the reinforcement of accountability and effective policy implementation (OECD, 2024).

The most recent stage of the reform is marked by the presidential decree of 14 July 2025, which established a Management Efficiency Agency on the basis of the Agency for Civil Service Development. The decree tasks the government with removing bureaucratic barriers, abolishing duplicative control functions, ensuring transparency in decision-making, expanding the economic, administrative and financial powers of local organizations in the comprehensive development of territories, and introducing modern digital tools, including artificial intelligence, into the work of state bodies (Presidential Decree PF-111, 2025).

4.2 Regional development and territorial disparities. Despite national progress, the benefits of growth have been distributed unevenly across territories. Regions that received substantial investment and possess better infrastructure and human capital, such as Tashkent and Samarkand, grew faster, while regions such as Karakalpakstan lagged due to institutional and human capital constraints (Regional Economic Growth Through Investment Policy, 2024).

The structural reasons for this imbalance are well documented. The dominant role of Tashkent relative to other regions tends to undermine social cohesion and growth potential; the low level of decentralization weakens the ability of regional and local governments to act proactively; and the dependence of local governments on central transfers is embedded in the fiscal relations between local and central authorities. Local governments in Uzbekistan have little autonomy in deciding their policies, and city administrations have little independence in financial matters (Asian Development Bank, n.d.).

To address this, the state has introduced a unified rating system for the socio-economic development of territories, which evaluates balanced economic growth, the



effectiveness of economic reforms, job creation, access to social services and the competitiveness of regional economies (Presidential Decree, n.d.-b).

4.3 Econometric evidence on the management-development link. Recent panel evidence quantifies the channels through which public management affects regional growth. The estimated elasticities of GRP per capita are 0.312 for FDI, 0.215 for infrastructure, 0.189 for regulatory quality, 0.142 for the industrial share and 0.104 for education (Regulatory Reforms and Regional Economic Development in Uzbekistan, 2024) . In other words, a 10% increase in FDI per capita is associated with approximately a 3.1% increase in GRP per capita, and improvements in the regulatory and institutional environment have a robust positive effect on regional output (Regulatory Reforms and Regional Economic Development in Uzbekistan, 2024).

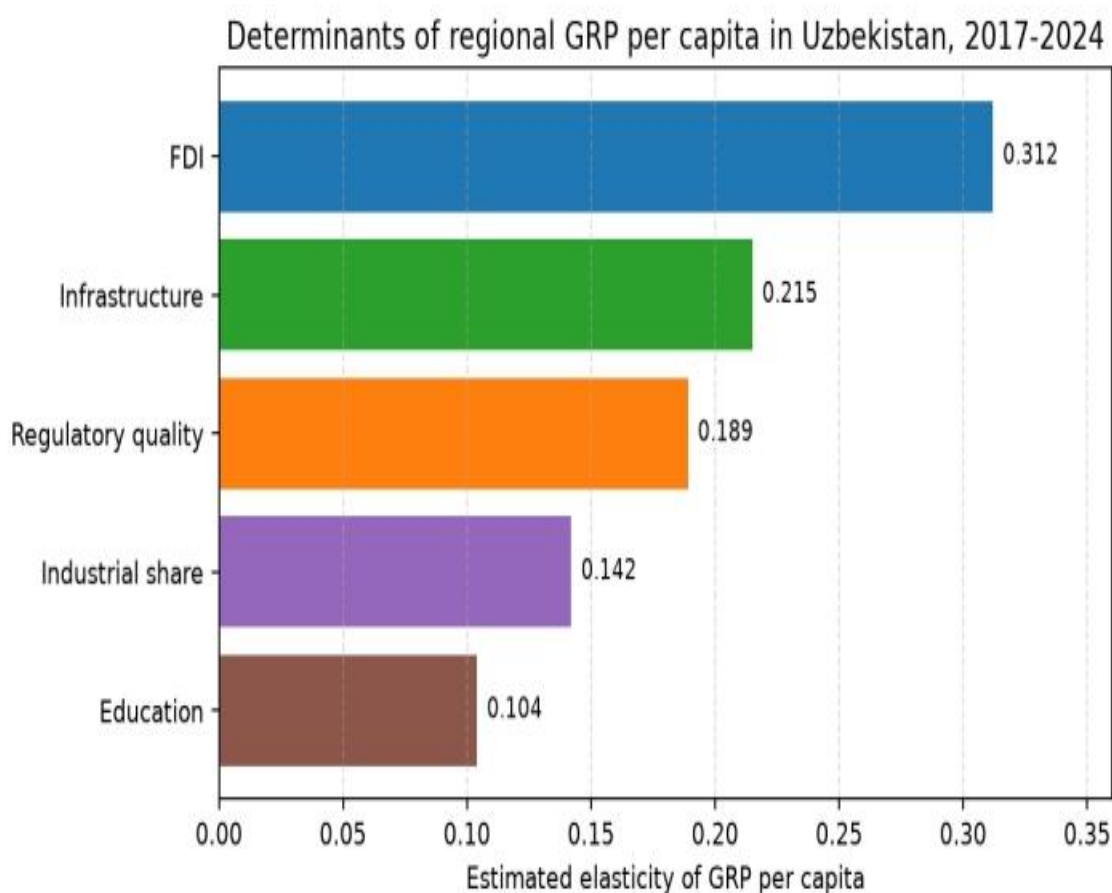


Figure 1. Estimated elasticities of GRP per capita by determinant (2017-2024)

The correlation analysis reinforces this picture: FDI shows the strongest positive correlation with GRP per capita ($r^* = 0.847$, $p^* < 0.01$), the regulatory quality index correlates significantly with FDI ($r^* = 0.756$, $p^* < 0.01$), and infrastructure correlates strongly with both FDI ($r^* = 0.712$) and GRP per capita ($r^* = 0.658$) (Regulatory



Reforms and Regional Economic Development in Uzbekistan, 2024).

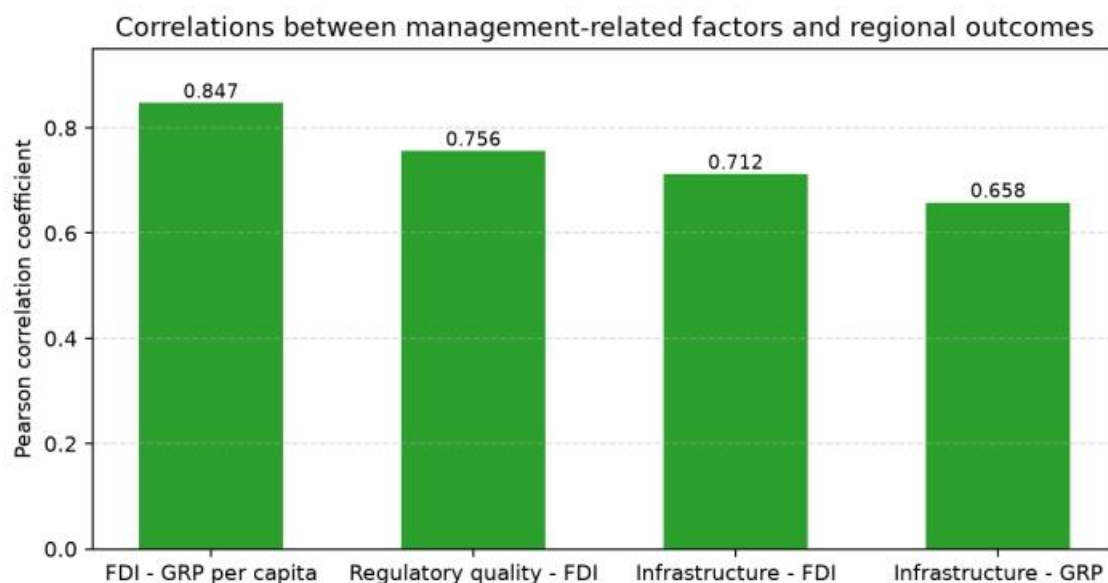


Figure 2. Correlations between management-related factors and regional outcomes

The difference-in-differences analysis provides causal evidence of the reform effect: administrative units with higher reform intensity experienced approximately 23.4% higher growth in per capita output and 41.2% higher FDI growth compared with low-reform units after 2017 (Regulatory Reforms and Regional Economic Development in Uzbekistan, 2024).

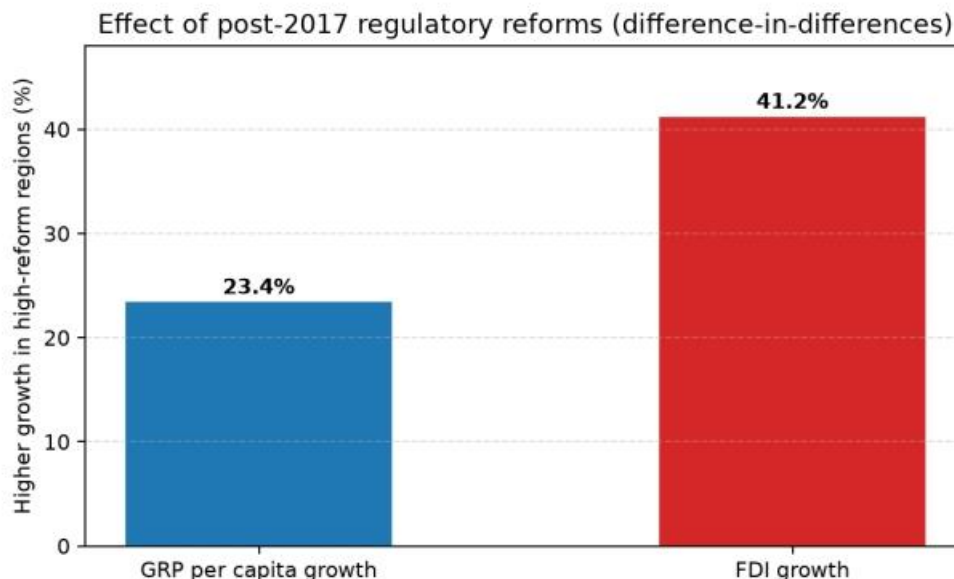


Figure 3. Effect of post-2017 regulatory reforms (difference-in-differences estimates)

Convergence analysis shows that unconditional beta-convergence among regions is statistically insignificant, meaning that disparities do not disappear by themselves. However, when structural factors are controlled for, conditional convergence proceeds at approximately 3.1% per year, with a half-life of 22.4 years (Regulatory Reforms and Regional Economic Development in Uzbekistan, 2024). This implies that lagging regions can catch up only if the underlying gaps in infrastructure, education and institutional quality are deliberately addressed.



4.4 Fiscal decentralization and local capacity. The econometric evidence points to the empowerment of local governments as a central policy lever. Subnational governments in Uzbekistan currently have limited revenue autonomy and depend heavily on central transfers. The recommended directions are: gradually increasing the share of taxes retained at the regional level; introducing formula-based equalization transfers that account for development needs; strengthening local capacity for project planning, implementation and monitoring; and promoting participatory budgeting to enhance citizen engagement and accountability (Regulatory Reforms and Regional Economic Development in Uzbekistan, 2024). International experience indicates that fiscal decentralization, when accompanied by capacity building, can significantly improve public service delivery and local economic development outcomes (Regulatory Reforms and Regional Economic Development in Uzbekistan, 2024). The 2025 decree follows this direction by expanding the economic, administrative and financial powers of local organizations and strengthening their role as owners of reforms in their territories (Presidential Decree PF-111, 2025; Presidential Decree, n.d.-a)

DISCUSSION

The results confirm that the efficiency of public management is not a purely administrative matter but a direct determinant of regional economic outcomes. The strong elasticity of regulatory quality and the causal DID estimates both indicate that institutional reform is a growth factor in its own right, not merely a background condition (Regulatory Reforms and Regional Economic Development in Uzbekistan, 2024). This is consistent with the finding that the quality of public administration is the most influential factor in intensive economic growth in Uzbekistan (Sharipov, 2026). At the same time, the analysis reveals a tension. The reform impulse has been strongest in the most developed regions, where free economic zones and regulatory pilot programs are concentrated, which risks widening rather than narrowing territorial gaps (Regulatory Reforms and Regional Economic Development in Uzbekistan, 2024). The absence of unconditional convergence means that without active state intervention, the periphery will continue to lag. The estimated fiscal cost of differentiated incentives for lagging regions, in the range of 150-200 million dollars annually, is modest relative to the potential gains from induced investment and tax revenues (Regulatory Reforms and Regional Economic Development in Uzbekistan, 2024).

A further challenge is the sequencing of decentralization. Expanding the powers of local bodies without a corresponding strengthening of their managerial and financial capacity may reproduce the weaknesses of the centralized system at a lower level. The experience of the reform so far suggests that capacity building and accountability mechanisms must accompany the transfer of functions (Regulatory Reforms and Regional Economic Development in Uzbekistan, 2024).

CONCLUSION AND RECOMMENDATIONS

The study demonstrates that public management efficiency is a decisive factor in regional economic development in Uzbekistan. Improvements in regulatory quality, infrastructure and the investment climate, driven by the post-2017 reforms, have



produced measurable gains: high-reform regions achieved roughly a quarter higher GRP growth and more than 40% higher FDI growth than their low-reform counterparts (Regulatory Reforms and Regional Economic Development in Uzbekistan, 2024). However, persistent territorial disparities and the limited autonomy of local governments remain the main constraints on balanced development.

On the basis of the analysis, the following recommendations are proposed:

1. Continue the institutional reform of public administration, including the full implementation of the 2025 decree on efficiency, proactivity and results-orientation, and the work of the Management Efficiency Agency (Presidential Decree PF-111, 2025).
2. Implement gradual fiscal decentralization: increase the share of taxes retained at the regional level and introduce formula-based equalization transfers (Regulatory Reforms and Regional Economic Development in Uzbekistan, 2024).
3. Adopt spatially targeted investment incentives for lagging regions, including extended tax holidays and higher investment subsidies for Karakalpakstan, Surkhandarya, Jizzakh and Namangan (Regulatory Reforms and Regional Economic Development in Uzbekistan, 2024).
4. Prioritize infrastructure investment in peripheral areas to address the connectivity deficit, since infrastructure shows the highest elasticity among structural factors (Regulatory Reforms and Regional Economic Development in Uzbekistan, 2024).
5. Strengthen results-based management and monitoring: use the territorial rating system and participatory budgeting to link local budgets to measurable development outcomes (Presidential Decree, n.d.-b; Regulatory Reforms and Regional Economic Development in Uzbekistan, 2024).
6. Deepen the digitalization of public services and administrative decision-making, including the use of modern analytical and artificial intelligence tools in state bodies (Presidential Decree PF-111, 2025).

The main limitation of this study is its reliance on published econometric evidence rather than original data collection; further research could extend the analysis with firm-level data and direct measurement of the quality of public services at the district level.



Appendix. Analyses and data tables

A.1 Key national governance and development indicators

Table 1. National indicators underlying the analysis

Indicator	Value	Period	Source
Extreme poverty rate	8% to <1%	2016 to 2023	[1]
Women's representation in parliament	16% to 33.3%	2019 to 2022	[1]
Annual GRP growth target for regions	6-7%	Uzbekistan-2030	[3]
Fiscal cost of differentiated incentives	USD 150-200 million / year	estimated	[4]

A.2 Determinants of regional GRP per capita

Table 2. Estimated elasticities of GRP per capita, panel regressions 2017-2024 [4]

Determinant	Elasticity	Interpretation
FDI (foreign direct investment per capita)	0.312	10% higher FDI is associated with ~3.1% higher GRP per capita
Infrastructure (roads, electricity, internet)	0.215	Highest elasticity among structural factors
Regulatory quality (permits, tax burden)	0.189	Institutional reform raises regional output
Industrial share of GRP	0.142	Structural composition effect
Education (higher education enrolment)	0.104	Human capital contribution

A.3 Correlation analysis

Table 3. Correlations between management-related factors and regional outcomes [4]

Pair of indicators	Pearson r	Significance
FDI - GRP per capita	0.847	$p < 0.01$
Regulatory quality - FDI	0.756	$p < 0.01$
Infrastructure - FDI	0.712	$p < 0.01$
Infrastructure - GRP per capita	0.658	$p < 0.01$

A.4 Convergence analysis

Table 4. Regional convergence results [4]

Specification	Beta coefficient	Significance	Implied speed	Half-life
Unconditional beta-convergence	-0.0124	$p > 0.10$ (insignificant)	none	n/a
Conditional beta-convergence	-0.0287	$p < 0.05$	3.1% per year	22.4 years

A.5 Difference-in-differences: effect of post-2017 regulatory reforms



Table 5. Causal impact of reform intensity [4]

Outcome	DID estimate	Effect for high-reform regions
GRP per capita growth	0.234 ($p < 0.01$)	23.4% higher than low-reform regions
FDI growth	not reported as coefficient	41.2% higher than low-reform regions

A.6 Summary of the evidence base. The econometric results are drawn from a balanced panel of 14 first-level administrative units of Uzbekistan over 2017-2024, using fixed-effects and GMM panel regressions, beta-convergence analysis and difference-in-differences estimation. The dependent variable is GRP per capita in constant prices (base year 2020); independent variables include FDI per capita, industrial share of GRP, an infrastructure index (road density, electricity access, internet penetration), higher education enrolment and a regulatory quality index (registration time, number of permits, tax administration burden) (Regulatory Reforms and Regional Economic Development in Uzbekistan, 2024) .

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