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ENSURING THE INDUSTRIAL MANAGEMENT MECHANISM: THEORETICAL FOUNDATIONS, STRUCTURAL ELEMENTS, AND DIRECTIONS FOR IMPROVEMENT IN THE REPUBLIC OF UZBEKISTAN

Xusanova Malohat Mingnorovna

Acting Associate Professor

Termez State University of Engineering and Agrotechnologies

ORCID: 0009-0000-6042-8584

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Abstract: Effective industrial development depends not only on individual enterprise management practices but on the broader mechanism that ensures coordinated, resourced, and monitored governance of the industrial sector as a whole. This article develops a conceptual model of the "mechanism for ensuring industrial management" — defined as the interconnected set of legal-regulatory, organizational-institutional, economic-financial, informational-analytical, and motivational subsystems through which state and enterprise-level industrial governance is designed, resourced, coordinated, and evaluated. Drawing on institutional-economics and public-administration literature together with an analysis of Uzbekistan's industrial-policy framework — including the Uzbekistan–2030 Strategy, the mandate of the Ministry of Investment, Industry and Trade, the network of special economic and industrial zones, and sectoral cluster initiatives — the study identifies the extent to which each subsystem of the mechanism is currently functioning and where structural weaknesses persist, particularly in inter-agency coordination, financing continuity for small and medium-sized manufacturers, and monitoring-to-decision feedback loops. The article proposes a set of institutional and procedural improvements, including a unified industrial-policy coordination body, performance-conditioned financing instruments, cluster-based governance structures, and a digital monitoring platform linking enterprise-level indicators to policy review cycles. The findings are intended to support the design of a more coherent and self-correcting mechanism for industrial management in Uzbekistan and in comparable transition economies.

Keywords: industrial management mechanism; organizational-economic mechanism; industrial policy; institutional coordination; special economic zones; Uzbekistan.

Introduction

The effectiveness of industrial development in any economy depends not merely on the sum of individual enterprise decisions but on the presence of a coherent mechanism that connects strategic goal-setting, legal regulation, resource allocation, institutional coordination, and performance monitoring into a functioning whole. In the economic-management literature originating from institutional and public-administration research, this connective structure is commonly referred to as the "mechanism for ensuring management" (obespechivayushchiy mekhanizm) — the set of organizational, legal, economic, and informational instruments through which a management system is made operable and self-correcting, as distinct from the management decisions themselves (North, 1990; Williamson, 1985).

For the Republic of Uzbekistan, the question of ensuring the industrial-management mechanism has acquired particular urgency in the context of the Uzbekistan–2030 Strategy, which sets explicit targets for raising the share of industry in GDP, expanding high-value-added and high-technology output, and creating industrial employment at scale (Presidential Decree No. PF-158, 2023). Achieving such targets requires more than sectoral investment; it requires that the underlying mechanism connecting the Ministry of Investment, Industry and Trade, regional authorities, special economic zones, financial institutions, and enterprises itself functions coherently, with clear division of responsibility, adequate and continuous financing channels, and monitoring systems capable of feeding back into policy adjustment.

This article pursues three objectives: to define and structure the concept of the industrial-management-ensuring mechanism into its constituent subsystems; to assess the current functioning of each subsystem in Uzbekistan against available evidence; and to propose concrete institutional improvements consistent with the country's ongoing reform trajectory. The analysis is intended to complement enterprise-level management studies by focusing on the systemic, cross-enterprise infrastructure without which even well-managed individual enterprises cannot achieve sectoral-scale industrial development.

Literature Review and Theoretical Framework

The concept of an "ensuring mechanism" draws on several complementary theoretical traditions. New institutional economics emphasizes that economic outcomes depend on the rules, enforcement mechanisms, and organizational forms that structure transactions and reduce uncertainty (North, 1990; Williamson, 1985); applied to industrial management, this suggests that the quality of coordinating institutions — rather than isolated policy instruments — determines whether industrial-policy goals are actually achieved. The public-administration literature on policy coherence further stresses that fragmented institutional mandates, overlapping agency responsibilities, and weak monitoring-to-policy feedback loops are recurrent causes of implementation gaps between announced strategy and realized outcome (Peters, 1998).

The developmental-state and industrial-policy literature adds a further dimension specific to catch-up industrialization: effective mechanisms combine selective state support with institutionalized performance discipline, embodied in dedicated coordinating agencies (such as Korea's Economic Planning Board in the 1960s–1980s) capable of monitoring firm-level performance against negotiated targets and adjusting support accordingly (Amsden, 1989; Chang, 2002). Regional and cluster-based approaches to industrial governance further emphasize the role of geographically concentrated support infrastructure — special economic zones, industrial parks, and sectoral clusters — as an organizational device for concentrating the ensuring mechanism's resources where they can generate the greatest spillover effects (Porter, 1998).

Synthesizing these strands, this article defines the mechanism for ensuring industrial management as comprising five interdependent subsystems: (1) a legal-regulatory subsystem establishing the rules governing industrial activity, ownership, and investment; (2) an organizational-institutional subsystem defining which bodies are responsible for which functions and how they coordinate; (3) an economic-financial subsystem providing and allocating the resources (credit, tax incentives, infrastructure) needed for industrial activity; (4) an informational-analytical subsystem generating the data and monitoring reports needed for evidence-based adjustment; and (5) a motivational subsystem aligning the incentives of officials, enterprise

managers, and workers with industrial-policy objectives. A well-functioning mechanism requires not only that each subsystem individually functions but that they are linked by feedback loops connecting monitoring data back into legal, institutional, and financial adjustment.

Materials and Methods

The study uses a qualitative institutional-analysis method combining conceptual modeling of the ensuring-mechanism framework with document analysis of Uzbekistan's industrial-policy architecture. Primary sources include the Uzbekistan–2030 Strategy and its predecessor, the Development Strategy of New Uzbekistan for 2022–2026; decrees establishing and restructuring the Ministry of Investment, Industry and Trade and the Investment Promotion Agency; legislation on special economic and industrial zones; and assessments published by the OECD and the Asian Development Bank on Uzbekistan's investment and industrial governance framework. Each of the five subsystems defined in Section 2 is evaluated against three criteria: the existence of a formally designated responsible institution or instrument; evidence of operational activity (project counts, financing volumes, utilization rates); and evidence of coordination or feedback with other subsystems. This method does not permit quantitative causal inference regarding the mechanism's contribution to industrial-output growth, and the findings should be read as a structural diagnostic rather than an econometric evaluation; nonetheless, the approach is well suited to identifying structural gaps that quantitative sectoral indicators alone would not reveal.

Results

Conceptual Model of the Industrial-Management-Ensuring Mechanism

Table 1 sets out the five subsystems of the proposed model together with their principal function and the type of evidence used to assess their operation.

Subsystem	Principal function	Assessment evidence
Legal-regulatory	Establishes rules for ownership, investment, licensing, and zone status	Laws, decrees, resolutions
Organizational-institutional	Assigns responsibility and coordinates across ministries, agencies, and regions	Institutional mandates, reported overlaps
Economic-financial	Allocates credit, tax incentives, land, and infrastructure to industrial activity	Financing volumes, incentive uptake, utilization rates
Informational-analytical	Generates data and monitoring reports for evidence-based adjustment	Digital monitoring platforms, reporting cycles
Motivational	Aligns incentives of officials, managers, and workers with industrial goals	Performance indicators, accountability instruments

Assessment of the Mechanism in the Republic of Uzbekistan

Legal-regulatory subsystem. Uzbekistan has built a comparatively dense legal-regulatory framework for industrial development over the past decade, anchored in the Uzbekistan–2030 Strategy (Presidential Decree No. PF-158, 2023) and its sectoral targets — raising the share of industrial-technological products in GDP from roughly a quarter to about a third, doubling processing-industry labour productivity, and expanding automotive production capacity substantially, including a growing share of electric vehicles. This framework is complemented by legislation on special economic and industrial zones, investment promotion, and public-private partnerships. The density of legal instruments is, however, itself identified in independent assessments as a coordination challenge: the OECD's investment-policy review of Uzbekistan notes that the sheer number of overlapping strategic documents and frequent institutional restructuring create ambiguity regarding which framework governs a given decision.

Organizational-institutional subsystem. The Ministry of Investment, Industry and Trade (MIIT) holds the central mandate for industrial-policy formulation, supported by the Investment Promotion Agency (UzIPA) for investor engagement. Independent review, however, finds that the division of responsibilities between MIIT and UzIPA remains unclear in practice, and that coordination between industrial-investment policy and adjacent domains such as digital-transformation policy — led separately by the Ministry of Digital Technologies — is limited and largely top-down rather than genuinely cross-institutional. Sectoral priority lists further diverge across documents: the investment-promotion agency, the 2030 Strategy, and the Foreign Investors Council working group each identify a different, only partially overlapping, set of priority industrial sectors, indicating that the organizational subsystem has not yet fully converged on a single coordinated priority framework.

Economic-financial subsystem. Uzbekistan has established twenty-four special economic zones offering simplified land allocation and tax incentives, alongside continued expansion of the automotive, chemical, and metal-processing sectors, and plans for eight research-and-production clusters spanning metal processing, engineering and electronics, transport and logistics, and agricultural productivity. Investment in fixed capital as a share of GDP rose substantially between 2017 and 2019 before moderating, and the state budget's share of fixed-capital investment also increased over the same period, indicating continued reliance on public financing alongside private capital mobilization. At the same time, utilization of allocated infrastructure remains uneven: several hundred hectares of land with ready-made infrastructure in special economic zones have reportedly remained unused, prompting a new outsourcing experiment directing zone land in Bukhara, Navoi, and Tashkent regions to foreign operating companies. This gap between allocated capacity and actual utilization is a clear indicator of an underperforming link between the economic-financial subsystem and the organizational subsystem responsible for zone management.

Informational-analytical subsystem. The Uzbekistan–2030 Strategy introduces a formal monitoring architecture built around one hundred measurable goals tracked annually through a digital platform using colour-coded performance categories, with a dedicated Development Strategy Centre responsible for tracking indicators and recommending corrective measures. This represents a significant advance over earlier strategy cycles, which lacked comparable systematic monitoring. Nonetheless, at the sectoral level, export performance monitoring has revealed persistent gaps between granted trade preferences and actual utilization — for example, only a small fraction of goods eligible for duty-free access to the European Union under the GSP+ scheme

were actually exported under that scheme in the most recent reporting year — indicating that monitoring data are not yet consistently translated into corrective action at the operational level.

Motivational subsystem. Recent government meetings on investment and industrial targets have been described as conducted "in a critical spirit," with explicit review of the performance of officials and agencies responsible for underperforming targets, and structural changes announced in response, including a reorganization of the phytosanitary and export-certification system. This indicates an emerging accountability practice at the senior-government level. However, systematic performance-based incentive structures linking the compensation or advancement of mid-level industrial-policy officials and zone administrators to measurable delivery outcomes are not yet clearly documented, suggesting that the motivational subsystem remains concentrated at the top of the institutional hierarchy rather than distributed throughout the implementation chain.

Summary Diagnostic

Across the five subsystems, the diagnostic points to an asymmetric pattern: the legal-regulatory and informational-analytical subsystems have advanced considerably, particularly with the 2030 Strategy's monitoring architecture, while the organizational-institutional and economic-financial subsystems display persistent coordination gaps — overlapping mandates, underutilized allocated resources, and uneven translation of preferential-access opportunities into realized outcomes. The motivational subsystem shows accountability concentrated at senior levels without clear evidence of systematic performance incentives reaching operational management. This pattern suggests that the principal constraint on Uzbekistan's industrial-management mechanism is less a shortage of strategic ambition or legal instruments than a shortfall in horizontal coordination and in the feedback loops that should connect monitoring data to institutional and financial adjustment.

Discussion: Directions for Strengthening the Mechanism

Establishing a single industrial-policy coordination body

The overlapping mandates identified between MIIT and UzIPA, and the limited coordination with digital-transformation policy, suggest the value of a designated inter-agency coordination body — with clear convening authority rather than an additional layer of parallel reporting — tasked specifically with reconciling the divergent sectoral-priority lists currently maintained by different agencies into a single, jointly owned priority framework.

Linking zone-level incentives to utilization performance

The documented gap between allocated special-economic-zone land and its actual utilization indicates that financial and land incentives are currently allocated on the basis of designation rather than performance. Conditioning continued preferential status, or the allocation of newly serviced land, on realized investment and employment milestones — consistent with the performance-discipline principle identified in the East Asian developmental-state experience — would strengthen the link between the economic-financial subsystem and actual industrial output.

Closing the preference-utilization gap through enterprise-level technical support

The underutilization of duty-free export preferences such as GSP+ suggests that the informational-analytical subsystem is generating relevant data (which goods and markets are eligible) without a corresponding operational mechanism to convert that data into enterprise action. A dedicated technical-assistance function — helping exporters navigate certification, phytosanitary, and standards requirements — would close this gap and should be explicitly linked to the digital monitoring platform so that utilization rates, not only eligibility, are tracked and reported.

Extending performance accountability to the operational level

While senior-level review meetings demonstrate accountability at the top of the institutional hierarchy, extending analogous, though less publicly dramatic, performance review cycles to regional zone administrators and mid-level industrial-policy officials — with defined indicators, review intervals, and consequences — would help distribute the motivational subsystem throughout the implementation chain rather than leaving it concentrated at the highest level of government.

Cluster-based governance as an organizational integration device

The planned research-and-production clusters in metal processing, engineering and electronics, transport and logistics, and agricultural productivity offer a natural organizational vehicle for integrating the legal, financial, informational, and motivational subsystems at a manageable scale before nationwide rollout, following the logic of geographically concentrated industrial governance documented in the cluster literature (Porter, 1998). Each cluster's governance structure could serve as a pilot for the inter-agency coordination mechanism proposed in Section 5.1.

Diversifying financing continuity for small and medium-sized manufacturers

The rise and subsequent moderation of fixed-capital investment as a share of GDP, together with the continued weight of the state budget in total investment, indicates that financing continuity for industrial development remains sensitive to public-budget cycles. Developing dedicated, longer-horizon credit lines for small and medium-sized manufacturing enterprises — distinct from the large-enterprise privatization and IPO financing track — would reduce this sensitivity and broaden the base of enterprises benefiting from the ensuring mechanism.

Conclusion

The mechanism for ensuring industrial management — comprising legal-regulatory, organizational-institutional, economic-financial, informational-analytical, and motivational subsystems — provides a structural framework for diagnosing why ambitious industrial-policy targets do not always translate into proportionate outcomes. Applied to the Republic of Uzbekistan, the diagnostic developed in this article indicates that the legal and monitoring components of the mechanism have advanced substantially under the Uzbekistan–2030 Strategy, while horizontal coordination among implementing institutions, the translation of allocated financial and preferential resources into realized utilization, and the extension of performance accountability to operational levels remain the principal areas requiring strengthening.

The improvement directions proposed — a single coordination body reconciling overlapping mandates, performance-conditioned zone incentives, enterprise-level technical support to close preference-utilization gaps, extended operational-level accountability, cluster-based governance pilots, and diversified financing for small and medium-sized manufacturers — are designed to close specific, evidenced gaps rather than to prescribe a wholesale institutional redesign. Future research should track the evolution of these coordination and utilization indicators as the 2030 Strategy's monitoring platform matures, and should examine, through case studies of individual special economic zones or industrial clusters, how the proposed governance mechanisms perform in practice.

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