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Article

Organizational and Legal Foundations of Local Authorities' Role in Territorial Economic Development in Uzbekistan: A Functional–Legal Review

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Abstract: This article systematizes the organizational and legal basis for how local state authorities in Uzbekistan manage territorial economic development. Based on a functional–legal review of constitutional norms, framework laws, and key presidential and governmental acts, it groups legally assigned powers into ten governance domains covering the full development cycle. The study finds that the framework increasingly emphasizes strategic planning, program budgeting, land and infrastructure readiness, business climate improvement, and investment/export support, while effectiveness depends on coordination, accountability, and measurable indicators. It concludes that strengthening results-based management, clarifying responsibilities, and improving monitoring and audit procedures can enhance the sustainability and predictability of territorial economic policy.

Keywords: Local State Authorities, Territorial Economic Development, Legal Framework, Strategic Planning, Results-Based Management, Accountability, Monitoring and Audit.

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1. Introduction

Territorial economic development in Uzbekistan increasingly relies on local state authorities as the primary level of public governance that transforms national priorities into concrete regional and district outcomes. In practice, local administrations simultaneously act as planners (defining development priorities), coordinators (aligning sectoral agencies and private actors), financiers (through local budgets and targeted funds), and controllers (ensuring accountability for implementation). Because these roles affect investment decisions, business conditions, and the delivery of public services, a clear organizational and legal basis is essential for predictable and effective policy.

The national legal system establishes local authorities' responsibilities through the Constitution and a set of framework and sectoral laws that specify competence in budgeting, land relations, construction and infrastructure, entrepreneurship support, export promotion, investment attraction, environmental management, and the development of technology-based business activity. Over the last decade, presidential decrees and governmental resolutions have strengthened programmatic governance instruments: strategic planning standards, project preparation rules, electronic allocation procedures for land and other assets, and more demanding monitoring and reporting requirements. The stated purpose of these reforms is to improve the coherence of territorial programmes, reduce administrative and transaction costs for businesses, and increase the efficiency of public spending in regions.

However, the practical challenge is that responsibilities are dispersed across numerous normative acts and are often described in sector-specific language. For policy design and evaluation, it is not enough to list powers; it is necessary to understand how legal mandates form a connected system that covers the entire territorial development cycle (planning → resource mobilization → implementation → oversight). Without such systematization, gaps may arise—for example, when strategies are not linked to budgets, land is allocated without infrastructure readiness, or investment projects lack coordinated "full-cycle" administrative support.

The purpose of this article is to systematize the legal foundations of local authorities' role in territorial economic development and to present an integrated functional classification of powers. The paper addresses the following research question: which governance domains are legally assigned to local authorities, and how do these domains connect to results-oriented territorial development management? The contribution of the article is an IMRaD-structured synthesis that can be used as a compact reference for research, teaching, and policy drafting.

2. Methodology

The study applies a qualitative functional–legal review. First, official normative legal acts that define the competence of local state authorities were identified and reviewed, including constitutional provisions, framework laws on local state authorities and public finance, and sectoral legislation on land, investment, entrepreneurship, environmental protection, and science and technology. Second, major presidential and governmental acts that institutionalize strategic planning, programme implementation, and oversight mechanisms were analyzed to capture recent governance reforms (for example, acts on strategic planning standards, land transparency measures, and the strengthening of representative oversight).

Analytically, legal provisions were coded into governance functions and then aggregated into domains that correspond to stages of territorial economic development management. The domains were derived inductively from the content of the reviewed acts and include: (1) strategic planning, (2) infrastructure development, (3) land allocation and economic circulation of land, (4) local budget formation and execution, (5) support for entrepreneurship and capacity building, (6) export development, (7) investment attraction, (8) environmental sustainability, (9) startup and innovation ecosystem development, and (10) monitoring and oversight. The resulting classification is presented as a system model (Figure 1).

To complement the functional mapping, a fiscal distribution table (Table 1) was reconstructed from the document's evidence base to demonstrate how local budgets are formed through assigned and shared taxes and fees. This table is used descriptively to illustrate the legal logic of revenue assignment rather than to estimate fiscal capacity. Because the focus is on organizational and legal foundations, the analysis does not quantify socioeconomic outcomes. Instead, it identifies the instruments that the law provides to local authorities (planning procedures, financing mechanisms, coordination formats, and accountability tools) and discusses implementation conditions under which these instruments can produce results.

Figure 1. Main directions of local authorities' activities in territorial economic development.

3. Results

The reviewed legal acts position local state authorities as comprehensive governance actors whose responsibilities cover the full cycle of territorial development. Figure 1 summarizes the main directions that are repeatedly enshrined across the Constitution, framework laws, and sectoral legal acts. The classification is not a purely theoretical grouping: it reflects how territorial programmes are expected to be designed, funded, implemented, and controlled. Below, each domain is presented as a set of (i) legally assigned responsibilities and (ii) typical organizational instruments for implementation.

Strategic planning and programme implementation

Local authorities are legally responsible for preparing and implementing territorial socio-economic development strategies and programmes. Recent regulation strengthens unified methodological requirements for strategy formulation, clarifies procedures for adoption by representative bodies, and connects strategies with financing and monitoring instruments. At the operational level, this domain includes conducting baseline diagnostics, prioritizing "growth points" in sectors, formulating measurable goals and indicators, and converting strategic priorities into project portfolios and annual action plans. Strategic documents are also expected to align with national priorities and sectoral programmes, which requires structured coordination with territorial units of ministries and agencies. The effectiveness of this domain largely depends on whether strategies are (a) linked to budget allocations and interbudgetary transfers, (b) supported by clear implementation schedules, and (c) accompanied by reporting formats that allow councils and the public to assess progress.

In practice, the strategic domain often becomes the institutional "entry point" for other domains: land allocation and infrastructure projects should be justified by strategic priorities, entrepreneurship support measures should respond to identified local constraints, and export and investment initiatives should be targeted to priority clusters. Therefore, legal requirements for strategic planning are meaningful only when they are enforced through programme budgeting and oversight mechanisms.

Infrastructure development and public services

Infrastructure powers constitute a combined set of organizational, legal, and financial obligations to develop communal and production infrastructure and to ensure reliable public services. Local authorities implement a "planning–financing–implementation–control" chain for construction and modernization projects, including procurement and contractor selection procedures, coordination with sectoral agencies, and control over compliance with technical standards. Territorial planning and urban development instruments are central because they determine how land use, engineering networks, transport corridors, and investment projects are spatially aligned and sequenced.

From a governance standpoint, infrastructure is a domain where the legal framework demands both technical compliance and financial discipline. Budget rules, procurement procedures, and reporting requirements create safeguards against cost overruns and delays. At the same time, infrastructure development is frequently implemented via mixed financing sources, including local budgets, targeted state programmes, and public–private partnership formats. The local authority's role is therefore to organize project preparation (technical specifications, permits, land readiness), ensure coordinated implementation, and monitor performance and quality of delivered assets.

Land allocation and ensuring land readiness for investment

Local authorities play a decisive role in integrating land into economic circulation by preparing land plots for investment projects, organizing transparent allocation procedures, and coordinating the formalization of land rights. Regulation aimed at transparency, equality, and protection of land rights strengthens procedural requirements and reduces the discretion that can create uncertainty for investors. Organizationally, this domain includes the preparation of land documentation, zoning and permissible use determination, infrastructure connection planning, and the organization of competitive allocation mechanisms such as electronic auctions and tenders.

Land governance also intersects with industrial policy tools. Rules on small industrial zones allow local authorities to concentrate infrastructure and services to reduce entry barriers for SMEs, while public–private partnership legislation and related governmental acts expand opportunities to attract private investment into infrastructure and service delivery. When these instruments function coherently, they reduce transaction costs, shorten the time to project launch, and improve investor confidence. When they function poorly, land becomes a bottleneck that blocks investments regardless of other incentives.

Local budget formation, revenue assignment, and expenditure responsibility

The financial capacity of local authorities is expressed through the formation and execution of local budgets, the assignment of revenue sources, and the financing of territorial programmes. The legal framework establishes revenue-sharing rules between republican and local budgets and defines procedures for budget planning, approval by councils, reporting, and audit. Expenditure competence is linked to the provision of public services and infrastructure, which makes programme budgeting and financial discipline essential.

Table 1 reproduces the distribution logic for selected taxes and fees within the 2026 budget framework and illustrates two main principles: (i) a set of local taxes and fees is fully credited to local budgets, creating direct incentives to manage the local tax base; and (ii) shared taxes are allocated by fixed proportions, which supports fiscal equalization and macro-fiscal stability. In practice, the key management challenge is to ensure that strategic priorities are reflected in budget programmes, that procurement and expenditure are compliant and efficient, and that budget execution is reported transparently to oversight bodies and external auditors.

Table 1. Distribution of taxes and fees between republican and local budgets (based on the 2026 state budget rules).

№	Name of Tax or Fee	Type of Tax	Distribution of Revenue (Republic/Local)	Notes on Revenue Level
1	Land tax for individuals	Local tax	100% local budget	Fully credited to local budget
2	Land tax for legal entities	Local tax	100% local budget	Fully credited to local budget

3	Property tax for individuals	Local tax	100% local budget	Fully credited to local budget
4	Property tax for legal entities	Local tax	100% local budget	Fully credited to local budget
5	Personal income tax	Shared tax	85% local, 15% republic budget	Main source of local budgets' own revenue
6	Vehicle tax (by type of vehicle)	Shared tax	25% local, 75% republic budget	Norms depend on type of vehicle
7	Excise tax (on certain goods)	Shared tax	100% republic budget, in some cases norms are applied to local budget	Depends on product type
8	Fees for use of natural resources (sand, water, soil, etc.)	Shared tax	60% local, 40% republic budget	Depends on local resource potential
9	Tourism fee	Local fee	100% local budget	Used for local tourism development
10	Trade and advertising fees	Local fee	100% local budget	Fully credited to local budget

Note: *The table reproduces the revenue assignment logic in the source text; it is provided to illustrate the legal basis for forming local budget revenues.*

Support for entrepreneurship and capacity building

Local authorities are empowered to improve the business environment by reducing administrative barriers, coordinating services for entrepreneurs, and delivering advisory and organizational support, including one-stop arrangements for documentation and appeals. Institutional mechanisms often combine local administrations with specialized business support centres and financial institutions. The legal and organizational toolkit extends to supporting project "packaging," assisting in accessing credit, subsidies, and guarantees, and facilitating the use of land and premises for business activity.

Capacity building has been expanded through programmes that integrate mahalla-level structures and hokim assistants responsible for identifying household needs, promoting self-employment, and supporting micro-entrepreneurship. Training models implemented together with banks and partner organizations add a practical dimension, where education is linked to financing and follow-up support at the early stages of business operations. A key implementation condition in this domain is the availability of clear service standards, transparent selection criteria for support measures, and feedback mechanisms that track whether supported projects survive and scale.

Export development and market access facilitation

Export promotion is treated as a key function for enhancing territorial competitiveness and employment. Local authorities incorporate export measures into territorial programmes, monitor export structure and volumes, identify growth points in goods and services, and coordinate interagency support. Organisational tasks include maintaining exporter databases, preparing export roadmaps, supporting certification and standardization procedures, and helping firms address logistics and customs-tax issues.

Recent measures emphasize simplifying procedures for agricultural exports and establishing more stable export chains. At the territorial level, this typically requires aligning producers, logistics providers, quality control bodies, and trade infrastructure (storage, packaging, laboratories). Local authorities also interact with national export support institutions and, where applicable, with foreign diplomatic networks to identify buyers and partners. The effectiveness of the export domain therefore depends on coordinated information flows, timely administrative decisions, and the ability to mobilize infrastructure and services around priority export products.

Investment attraction and improvement of the investment climate

Local authorities have a legally consolidated status as institutional actors responsible for creating favourable conditions for investors and coordinating investment projects. This domain includes preparing territorial investment proposals, ensuring land and infrastructure readiness, organizing interagency approvals, and providing information and administrative assistance throughout the project cycle—from initial inquiry to commissioning. The organisational role of local authorities is particularly important in reducing uncertainty for investors by offering predictable timelines, transparent procedures, and a single coordination window.

A complementary element is cooperation with diplomatic missions abroad, which promote territorial projects on foreign markets and help search for technology partners and financial sources. However, legal competence alone is insufficient: effective investment attraction depends on institutional capacity (qualified staff, standardized project documentation), unified project management standards, and KPI-based evaluation of responsible units. Where these elements are present, local authorities can shift from passive "permit issuance" to active investment facilitation and aftercare.

Environmental sustainability and territorial environmental services

Environmental governance at the territorial level combines strategic and operational responsibilities. Representative bodies approve territorial environmental programmes and exercise oversight, while executive authorities organize implementation and integrate environmental requirements into socio-economic development planning. This strategic integration is important because environmental restrictions and standards influence land use, construction, and industrial placement decisions.

Operationally, local authorities manage communal environmental services such as waste collection, transportation, sorting, processing/utilization, and sanitary cleaning. They also organize green areas and enforce restrictions on environmentally harmful practices. The legal framework thus requires local administrations to balance environmental standards with economic development objectives and to apply preventative measures—risk assessment, public consultation, and enforcement—to reduce negative impacts. Effective implementation often depends on contracting models with private operators, tariff and subsidy mechanisms, and public oversight arrangements that ensure service quality.

Startup and innovation ecosystem development

Legislation assigns local authorities responsibilities for creating conditions for startups and the commercialization of new developments. These responsibilities include participation in territorial innovation programmes, support for innovative projects, and facilitation of technology transfer. The domain is linked to policies on science and scientific activity, human capital development, and cooperation between education, research, and production, positioning local governance as a connector between demand (territorial needs) and supply (knowledge and technology).

Strategic priorities are reinforced through national innovation strategies, while recent acts expand local responsibilities for developing incubation and acceleration infrastructure, allocating premises and land, and coordinating support with venture funds and private investors. Local programmes may thus cover the full chain from idea generation to prototype development and market entry. Implementation effectiveness in this domain depends on whether local authorities can convene universities, firms, and financiers, and whether support measures are delivered through clear selection criteria and measurable milestones.

Monitoring, oversight, and results-based accountability

Monitoring and oversight provide the legal mechanisms that convert programme implementation data into managerial decisions and sanctions for non-performance. Constitutional principles and framework laws establish representative oversight over executive authorities, including report hearings, standing commissions, and enforcement of execution discipline. In addition, the budget system provides standardized procedures for reporting and external audit, including submission of execution reports and cooperation with external audit and evaluation institutions.

Recent governance reforms strengthen the control role of local councils and expand accountability of sectoral leaders for territorial indicators. Monitoring and oversight are not limited to finances; they also include assessment of programme effectiveness, compliance with decisions, and evaluation of governance performance. Overall, this domain aims to ensure transparency, targeted use of resources, and sustainability of territorial growth by linking planning, budgeting, and control instruments into a continuous feedback loop.

Across domains, two organizing logics are visible. The first is a life-cycle logic: legal mandates cover the full chain from problem diagnosis and strategic prioritization to project preparation, financing, implementation, and control. This implies that effectiveness depends less on the formal breadth of powers and more on whether a territory can maintain continuity between stages—for example, whether a strategy translates into budget programmes, whether land allocation is synchronized with infrastructure projects, and whether monitoring results lead to corrective managerial decisions.

The second logic is institutional complementarity between representative and executive bodies. Representative councils approve key programmes, budgets, and reports, while executive structures organize implementation and daily coordination. In domains with high public interest and high fiscal weight (budgets, land, infrastructure, environmental services), the legal framework strengthens oversight instruments—hearings, commissions, reporting, and external audit. The intent is to reduce discretion risks and to increase transparency.

In sum, the results indicate that Uzbekistan's legal framework is moving toward a model of results-based territorial governance, where local authorities are expected to act as coordinators of multi-actor development ecosystems. For this model to work, legal mandates must be supported by organizational capacity (skills, data systems, project management routines) and by clear performance measurement. The functional domains and their instruments, summarized in Figure 1 and illustrated by the fiscal assignment rules in Table 1, provide a compact checklist for assessing implementation readiness and identifying where institutional strengthening is most needed.

4. Discussion

The functional domains identified above demonstrate that the legal framework treats local state authorities not merely as administrative executors, but as system managers of territorial development. Three cross-cutting implications follow.

First, the framework increasingly links territorial planning with resource allocation and oversight. Strategic documents are expected to be operationalized through project portfolios and annual plans, while programme budgeting and audit procedures create a feedback loop that can correct implementation. In practice, this requires integrating planning units, financial departments, and sectoral agencies around shared indicators and synchronized reporting cycles. Where such integration is weak, strategies become declarative documents with limited influence on spending and implementation.

Second, many domains depend on interagency coordination and on reducing "interface costs" for businesses and investors. Land allocation, infrastructure readiness, exports, and investment attraction all involve multiple approvals and information flows. Therefore, legal powers should be complemented by organizational standards: clear service timelines, unified digital workflows, and KPI-based responsibility allocation across involved agencies. The legal trend toward electronic auctions and standardized strategic planning reflects this logic, but full effectiveness requires consistent enforcement at the territorial level.

Third, the expansion of responsibilities in entrepreneurship support, environmental services, and startup ecosystem development implies a shift toward more proactive and service-oriented local governance. This shift raises the importance of administrative capacity: legal competence, project management skills, public communication, and the ability to manage contractual relations with private operators. Without these capabilities, the formal existence of powers may not translate into improved territorial outcomes.

Limitations of this study should be noted. The analysis is based on the legal and organizational design of powers and does not measure socioeconomic impacts empirically. Future work can combine this functional–legal model with quantitative indicators (investment inflows, SME dynamics, export growth, service quality, environmental outcomes) to evaluate the effectiveness of decentralization and territorial governance reforms.

Overall, the legal architecture provides the necessary building blocks for results-based territorial economic management. The next step is to improve practical implementation through clearer division of responsibilities, standardized performance measurement, and stronger monitoring mechanisms that connect outputs and outcomes to accountability.

5. Conclusion

This article condensed and systematized the organizational and legal foundations of local authorities' role in territorial economic development in Uzbekistan. A functional classification of ten governance domains was derived from key normative sources and presented as an integrated system model supported by a fiscal distribution table. The analysis shows that current regulation increasingly promotes strategic and programmatic governance, strengthens the financial and procedural basis for infrastructure and land readiness, and expands local responsibility for business development, exports, investment attraction, environmental management, and startup ecosystems.

To transfer these legal powers into sustained territorial outcomes, implementation should prioritize (i) tighter linkage between strategies, budgets, and project portfolios; (ii) KPI-based interagency coordination standards for high-transaction domains (land, infrastructure, investment, exports); and (iii) robust monitoring and audit procedures that support learning and accountability at the local level. The functional model presented here can be used as a practical checklist for designing territorial programmes and for assessing gaps between legal mandates and implementation capacity.

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