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ADVANCING STRATEGIC MANAGEMENT OF REGIONAL ECONOMIC DEVELOPMENT IN UZBEKISTAN THROUGH A TWO-LOOP GOVERNANCE MODEL: BALANCING AUTHORITY, RESOURCES, AND ACCOUNTABILITY

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Abstract. Regional economic development requires governance arrangements that combine national strategic coherence with sufficient territorial flexibility. This paper develops a two-loop governance model for Uzbekistan in which the upper loop defines national goals, strategic parameters, minimum standards, fiscal boundaries, and performance indicators, while the lower loop adapts projects to regional conditions, mobilizes local stakeholders, implements interventions, evaluates results, and returns evidence to subsequent decisions. The study uses institutional and functional analysis, comparative synthesis of multi-level governance practices, and conceptual modelling. The proposed model is built around a balancing principle: every assigned responsibility should be supported by adequate authority and resources and should be linked to transparent accountability. The analysis shows that one-way hierarchical planning creates risks of unfunded mandates, formalistic reporting, weak local ownership, and poor adaptation to territorial differences. By contrast, a two-loop system transforms monitoring into a learning mechanism and links central steering with place-based implementation. The model is especially relevant to Uzbekistan's emerging strategic planning framework based on the "goal–action–result" logic. Practical recommendations include an authority–resource–accountability matrix, territorially differentiated project portfolios, digital feedback mechanisms, and periodic revision of strategic parameters based on implementation evidence.

Keywords: regional economic development; strategic management; two-loop governance; multi-level governance; local public authorities; authority; resources; accountability; Uzbekistan.

The role of subnational governments in economic development has expanded substantially. Across OECD countries, subnational authorities account for approximately 40 percent of total public expenditure and 55 percent of total public investment, which demonstrates their importance for infrastructure, public services, innovation, and territorial competitiveness [5]. At the same time, the effectiveness of regional policy depends not only on the volume of delegated functions, but also on the quality of coordination among national, regional, and local levels of government. Multi-level governance is therefore increasingly understood as a system in which policy design, implementation, financing, monitoring, and performance measurement must be connected across levels [4].

Uzbekistan is moving toward a more unified strategic planning architecture. The recent reform framework introduces a hierarchy of strategic documents and applies a "goal–action–result" principle to their development, implementation, monitoring, and evaluation [8]. This creates an institutional opportunity to strengthen the role of regional and local public authorities. However, a persistent management problem remains: national goals are often transferred downward as tasks, while local information, implementation constraints, and evidence do not always return upward in a form that changes subsequent decisions. The result may be a gap between strategic ambition and territorial implementation.

This paper addresses that problem by proposing a two-loop governance model for the strategic management of regional economic development in Uzbekistan. Its central argument is that effective territorial policy requires two interconnected processes. The first is a national strategic steering loop that protects policy coherence and equity. The second is a territorial adaptation and delivery loop that

converts broad objectives into context-sensitive projects. The two loops are joined by systematic feedback and by a balancing rule linking authority, resources, and accountability.

The purpose of the study is to formulate an operational model that improves the interaction between republican and territorial governance actors in the management of regional economic development. The research draws on the fourth scientific novelty of the author's doctoral study, which proposes a two-loop approach based on the balance of authority, resources, and accountability and on the return of implementation results to subsequent strategic decisions [2].

The methodology combines four methods: institutional analysis of the distribution of functions among governance levels; functional decomposition of the strategic management cycle; comparative synthesis of international approaches to place-based and multi-level governance; and conceptual modelling. The model is assessed against five criteria: strategic coherence, territorial adaptability, resource alignment, accountability, and organizational learning. The analysis is qualitative and methodological; it does not claim causal estimation of economic outcomes. Its contribution lies in specifying how the proposed governance architecture can be organized and measured in practice.

The model responds to a core tension in regional policy. Uniform national rules are necessary to protect macroeconomic stability, national priorities, minimum service standards, and interregional equity. Yet place-neutral implementation may fail because regions differ in economic structure, infrastructure, human capital, institutional capacity, resource endowments, and investment opportunities. Contemporary place-based policy therefore requires integrated action, local adaptation, multi-level coordination, and feedback loops that support continuous improvement [6].

The upper loop performs strategic steering. It establishes long-term objectives, national indicators, minimum standards, fiscal limits, methodological requirements, and cross-regional priorities. Its task is not to prescribe every local action, but to define a clear strategic corridor within which regional authorities can act. The lower loop performs territorial adaptation and delivery. It diagnoses local constraints and growth points, engages businesses and communities, forms project portfolios, combines financial and organizational resources, implements projects, and evaluates results. Evidence from the lower loop then returns to the upper loop, where strategic parameters, funding arrangements, or implementation rules may be revised.

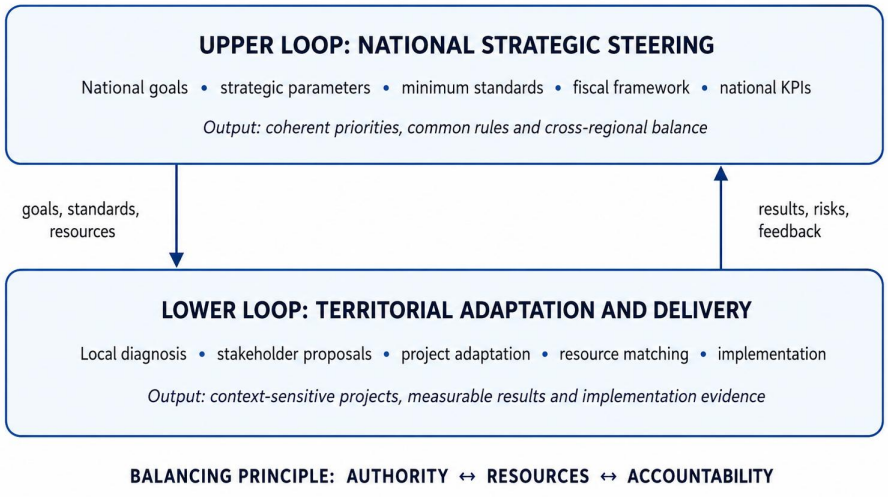


Figure 1. Two-loop governance model for regional economic development

The model differs from simple decentralization. It does not assume that all decisions should be transferred downward, nor does it preserve a purely command-based hierarchy. Instead, it distributes functions according to comparative advantage: the national level protects coherence, scale, and equity; the territorial level provides contextual knowledge, implementation capacity, and stakeholder

coordination. Feedback is the mechanism that turns these separate functions into a single learning system.

4. Structure and Instruments of the Proposed Model

Component	Main function	Key instruments	Expected output
Upper loop	National strategic steering	National goals; standards; fiscal framework; national KPIs; interregional equalization	Coherent priorities and common rules
Lower loop	Territorial adaptation and delivery	Regional diagnosis; stakeholder consultation; project portfolio; implementation; local monitoring	Context-sensitive projects and measurable outputs
Feedback loop	Learning and correction	Digital dashboards; evaluation reports; risk signals; audit findings; citizen and business feedback	Revision of projects, resources, or strategic parameters
Balancing layer	Alignment of implementation capacity	Authority–resource–accountability matrix; role assignment; financing coverage; disclosure	Implementable responsibilities and reduced institutional gaps

Table 1. Functional architecture of the two-loop governance model

The authority–resource–accountability balance is the model's central implementation condition. Authority means formal decision rights and the ability to coordinate relevant actors. Resources include finance, qualified staff, data, organizational tools, time, and access to sectoral institutions. Accountability includes measurable objectives, reporting obligations, audit, public transparency, and consequences for non-performance. Assigning responsibility without matching authority and resources produces an "accountable but incapable" local institution. Providing resources without clear authority creates delays and fragmented decisions. Expanding authority without accountability increases the risk of discretionary or poorly coordinated action.

The proposed model can be introduced through a six-stage strategic management cycle:

Stage 1 – Strategic framing. National institutions define development goals, mandatory standards, fiscal constraints, common indicators, and the boundaries of regional discretion.

Stage 2 – Territorial diagnosis. Regional and district authorities assess economic structure, infrastructure gaps, labour and skills, business constraints, investment potential, and institutional capacity using disaggregated data.

Stage 3 – Project adaptation and prioritization. National measures are translated into territorially differentiated project portfolios through consultations with businesses, investors, mahalla representatives, civil society, and sector experts.

Stage 4 – Resource and responsibility matching. Each project receives a documented assignment of decision authority, financing sources, implementing actors, deadlines, performance indicators, and reporting obligations.

Stage 5 – Implementation and digital monitoring. Progress is tracked through the strategic planning platform using the "goal–action–result" chain, with early-warning signals for delays, financing gaps, and coordination failures.

Stage 6 – Feedback and revision. Monitoring evidence, audit findings, stakeholder feedback, and territorial outcomes are used to revise project design, redistribute resources, adjust indicators, or amend higher-level strategic parameters.

For management purposes, the model should be monitored through a concise set of indicators. Authority indicators may include approval time, the share of decisions resolved at the territorial level, and the number of overlapping mandates. Resource indicators may include financing coverage, availability of qualified staff, access to reliable data, and the ratio of planned to secured resources. Accountability indicators may include completeness and timeliness of reporting, the proportion of audit recommendations implemented, public disclosure, and stakeholder satisfaction. Feedback quality can be measured by the share of monitoring findings that lead to documented changes in projects or strategic parameters.

The model offers four advantages. First, it strengthens vertical coordination without eliminating local initiative. Second, it improves the territorial relevance of national programmes by allowing adaptation to local economic conditions. Third, it links fiscal and organizational resources to clearly assigned responsibility, reducing the risk of unfunded mandates. Fourth, it transforms monitoring from a reporting exercise into a mechanism of policy learning. These features are consistent with international evidence showing that effective place-based policy requires strategic planning, adequate subnational capacity, transparent funding, multi-level coordination, stakeholder engagement, and continuous evaluation [6].

Several risks should nevertheless be managed. The upper loop may become over-centralized and restrict meaningful local adaptation. The lower loop may become fragmented or vulnerable to local capture. Performance indicators may encourage formal compliance rather than substantive results, while a digital platform may become only a repository of reports. These risks can be reduced through minimum national standards combined with transparent areas of local discretion, fiscal equalization, independent evaluation, public disclosure, capacity-building, and periodic review of the distribution of functions.

The scientific novelty of the proposed approach lies in combining strategic central steering and territorial adaptation within a single closed management cycle. The model treats the balance of authority, resources, and accountability not as a general principle, but as a practical design rule for every programme, project, and indicator. It also makes feedback an obligatory element of governance: implementation results must influence subsequent decisions rather than remain in ex-post reports.

Regional economic development in Uzbekistan cannot be managed effectively through either complete centralization or uncoordinated decentralization. A two-loop governance model provides a middle path. The upper loop ensures national coherence, equity, and strategic discipline, while the lower loop provides territorial knowledge, adaptation, delivery, and stakeholder coordination. Their interaction is sustained by feedback and by the alignment of authority, resources, and accountability.

The practical implication is that every regional development task should be accompanied by four documents or modules: a strategic parameter sheet, a territorial adaptation note, an authority–resource–accountability matrix, and a feedback protocol. Embedding these instruments in Uzbekistan's strategic planning and digital monitoring system would make regional programmes more implementable, transparent, and responsive. Future research should test the model empirically across regions by examining whether stronger alignment and feedback are associated with higher project completion, budget efficiency, private investment, employment creation, and citizen satisfaction.

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