



# LEGAL AND INSTITUTIONAL MECHANISMS FOR ENHANCING THE COMPETITIVENESS OF AGRO-INDUSTRIAL PRODUCTION IN REGIONS

**Sarvinoz F. Rakhmonova**

Doctoral Researcher at the Scientific Research Center "Scientific Foundations and Problems of Development of the Economy of Uzbekistan" under Tashkent State University of Economics  
Email: sarvinoz.rahmonova1990@gmail.com  
ORCID: 0009-0003-1040-8085

Article history:	Abstract:
<b>Received:</b> 14 <sup>th</sup> March 2026 <b>Accepted:</b> 11 <sup>th</sup> April 2026	In the context of intensifying competition in the global economy, the efficiency and competitiveness of agro-industrial production are emerging as strategic factors for ensuring sustainable economic growth. Particularly for countries reliant on agriculture, the development of the agro-industrial complex plays a decisive role not only in ensuring food security but also in increasing export potential, generating employment, and reducing regional economic disparities.
<b>Keywords:</b> Agro-industrial production, economic growth	

## INTRODUCTION

In the context of intensifying competition in the global economy, the efficiency and competitiveness of agro-industrial production are emerging as strategic factors for ensuring sustainable economic growth. Particularly for countries reliant on agriculture, the development of the agro-industrial complex plays a decisive role not only in ensuring food security but also in increasing export potential, generating employment, and reducing regional economic disparities.

In recent years, global trends have demonstrated that competitiveness in the agro-industrial sector is no longer driven solely by traditional resources such as land, water, and labor. Instead, it is increasingly shaped by the quality of the institutional environment, the effectiveness of legal mechanisms, and targeted instruments of state policy. This process is explained through both classical economic theories and modern approaches, including the concept of cluster development. From this perspective, institutional factors—namely the legal framework, market institutions, financial mechanisms, and governance systems—occupy a central role in enhancing agro-industrial competitiveness.

In Uzbekistan, large-scale reforms aimed at modernizing the agricultural sector and diversifying agro-industrial production have been actively implemented. In particular, measures such as the introduction of cluster systems, support for farming enterprises, promotion of export-oriented production, and improvement of subsidy and preferential lending mechanisms have been undertaken. However, practical experience shows that existing legal and institutional mechanisms do not always produce uniform results at the regional level, leading to disparities in competitiveness across regions.

The relevance of the research lies in the fact that enhancing the competitiveness of agro-industrial production is not only associated with increasing the volume of economic resources, but is also directly linked to improving the legal and institutional environment that ensures their efficient utilization. In particular, at the regional level, the underdevelopment of institutional infrastructure, challenges in the practical implementation of regulatory and legal documents, and disparities in the quality of human capital necessitate systemic solutions in this field.



Based on the above, the main objective of this study is to conduct a comprehensive analysis of legal and institutional mechanisms aimed at enhancing the competitiveness of agro-industrial production in regions, as well as to develop scientifically grounded proposals and recommendations for their improvement.

The objectives of the research are as follows:

- to analyze the theoretical and methodological foundations of the concept of competitiveness in the agro-industrial sector;
- to evaluate the content and effectiveness of legal regulation mechanisms;
- to examine the impact of the institutional environment and infrastructure on competitiveness;
- to analyze the effectiveness of state policy instruments, including subsidies, preferential lending, and the cluster approach;
- to identify existing problems at the regional level and develop practical recommendations for their resolution.

## LITERATURE REVIEW

Enhancing competitiveness in the agro-industrial sector is not only an economic objective but also a crucial strategic task for ensuring national food security, expanding export potential, and promoting regional socio-economic development. Academic literature supports this perspective and highlights the significant role of legal and institutional mechanisms in shaping competitiveness.

The concept of clusters in international economics was first systematically analyzed by Michael Porter. According to his theory, clusters are geographically concentrated networks of interconnected companies, institutions, and infrastructure that foster competition, facilitate

innovation, and promote the diffusion of new technologies<sup>1</sup>.

The cluster approach has been widely recognized in numerous independent studies as an effective instrument for enhancing agro-industrial competitiveness. This is primarily due to its ability to ensure efficient resource allocation, integrate supply chains, and maximize the utilization of market opportunities.

International studies reveal several important trends in analyzing competitiveness within the agro-industrial sector. R. Mannai et al. (2023) examine agro-industrial competitiveness through the interrelated dimensions of economic, social, and environmental factors. According to their findings, the key elements shaping competitiveness include technological development, the effectiveness of state policy, and the quality of education<sup>2</sup>. This perspective is fully applicable to the context of Uzbekistan, where government support mechanisms and legal guarantees play a decisive role in ensuring the successful functioning of agro-industrial clusters<sup>3</sup>.

In Uzbekistan, the cluster system is also being formed and developed within a legal and institutional framework. In particular, the Presidential Decree "On the Strategy for the Development of Agriculture of the Republic of Uzbekistan for 2020–2030" (No. PF-5853) identifies the modernization of the agro-industrial sector, improvement of market mechanisms, development of the investment climate, and implementation of cluster mechanisms as priority areas<sup>4</sup>. Such legal instruments serve as a fundamental basis for enhancing interregional competitiveness and provide significant advantages in integrating structural, customs, investment, and export components within agro-industrial clusters.

---

<sup>1</sup> Porter, M. 1998. clusters and the New Economics of competition. Harvard Business Review. URL: <https://hbr.org/1998/11/clusters-and-the-new-economics-of-competition>;

<sup>2</sup> Rodríguez-Mañay, L., et al. (Year). Competitiveness in the Agricultural Sector: A Systematic Literature Review.— A comprehensive systematic review examining the determinants, measurement approaches, and theoretical frameworks of agro-industrial competitiveness.

<sup>3</sup> Toshboyev, A., et al. "The Role of Clusters" — agro-cluster mechanisms in Uzbekistan.

<sup>4</sup> Decree of the President of the Republic of Uzbekistan. On the Approval of the Strategy for the Development of Agriculture of the Republic of Uzbekistan for 2020–2030 (No. PF-5853, October 23, 2019). Available at: <https://president.uz/uz/lists/view/2970>



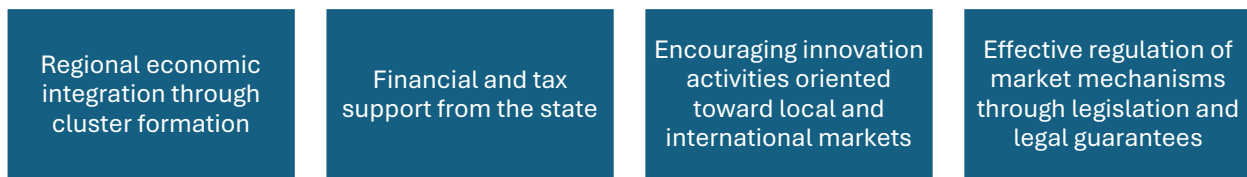
According to the research of G. Ismoilova, agro-industrial clusters play a strategic role in increasing value added along the production chain—from primary production to the export of finished products—and in strengthening integration with farmers. Clusters contribute to sustainable economic growth in agriculture by enhancing processing efficiency, introducing modern technologies, and expanding export potential. The role of clusters within the production chain has been examined in detail in her work<sup>5</sup>.

At the same time, within Uzbekistan's agro-industrial legal environment, alongside programs and

regulatory documents, a number of measures are being implemented to enhance competitiveness. These include the transformation of agricultural products into cluster-based systems, the provision of financial incentives, and the simplification of import and export procedures.

In conclusion, both international and domestic literature confirm that enhancing competitiveness in the agro-industrial sector is closely linked to the effective application of legal and institutional mechanisms.

**Table 1. Legal and institutional mechanisms applied to enhance competitiveness in the agro-industrial sector of Uzbekistan**



In conclusion, it can be stated that the integration of Porter's theory, international experience, and Uzbekistan's legal and institutional mechanisms is of strategic importance in enhancing agro-industrial competitiveness. These mechanisms contribute not only to economic growth but also to regional innovative development.

## RESEARCH METHODOLOGY

The present study aims to analyze the effectiveness of legal and institutional mechanisms in enhancing competitiveness in the agro-industrial sector. In the course of the research, both international and national literature were examined, including the cluster theory of Michael Porter, as well as studies on the role of legal and institutional mechanisms in shaping competitiveness in the agro-industrial sector. In addition, state policy documents related to the development of agriculture and agro-clusters in

Uzbekistan, including Presidential Decree No. PF-5853, were analyzed.

Furthermore, the study investigates the mechanisms through which agro-industrial clusters increase value added along the production chain—from primary production to the export of finished products. Legal and institutional measures, financial incentives, and the investment environment were evaluated in terms of their effectiveness in supporting cluster activities.

Using a comparative approach, the agro-industrial sector of Uzbekistan was analyzed in relation to international experience, including studies by Mannai et al., and the effectiveness of cluster mechanisms and state policy instruments was assessed accordingly.

Furthermore, based on the integration of Porter's theory, international experience, and Uzbekistan's legal and institutional mechanisms, strategic directions for enhancing agro-industrial

<sup>5</sup> Economics and Innovative Technologies (Iqtisodiyot va innovatsion texnologiyalar): Scientific Electronic Journal. Issue 4/2022 (July–August), No. 00060, pp. 69–83.



competitiveness were identified. The research findings indicate that legal and institutional mechanisms play a crucial role in the development of agro-industrial clusters and contribute significantly to regional economic and innovative development.

## **ANALYSIS AND RESULTS**

Since the early years of independence, priority has been given in Uzbekistan to reforms aimed at supporting agriculture, ensuring its sustainability, and enhancing its competitiveness. The country's favorable natural and climatic conditions create strong opportunities for agricultural production, and Uzbekistan has gained recognition in global markets for its high-quality fruit and vegetable products.

At the same time, agriculture remains one of the leading sectors of the national economy. According to data from the State Statistics Committee of Uzbekistan, in 2023 approximately 3.5–3.7 million people were employed in agriculture, forestry, and fisheries, accounting for about 26–27% of total employment in the economy<sup>6</sup>. This highlights the sector's significant social importance in ensuring employment for the population.

During the early years of independence, in order to develop regional agro-industrial production, adapt it to the requirements of a market economy, and ensure the effective functioning of state farms, collective farms, enterprises, and other structures within the agro-industrial complex under market conditions, the Higher School of Management of the Agro-Industrial Complex was transformed into the Republican Agribusiness Institute under the Ministry of Agriculture of the Republic of Uzbekistan<sup>7</sup>. This transformation represented one of the initial steps aimed at providing the agro-industrial sector with highly qualified personnel and enhancing its competitiveness during the transition to a market economy.

In addition, in accordance with the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated January 21, 1992, No. 21, "On Providing Financial Support to State Agricultural Enterprises and Improving Their Management Forms," 360 loss-making state farms in the agricultural sector were reorganized into collective farms, cooperatives, and other non-state forms of farming as a result of the economic crisis caused by the collapse of the former Soviet Union and the transition to a market economy. Moreover, more than 1 billion soums of debt owed by these entities to banks and suppliers were fully written off.

In particular, in accordance with the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated January 7, 1993, No. 13, "On Measures to Further Deepen Economic Reforms in Agriculture," a total of 505 state farms were transformed into non-state collective forms of ownership within that year alone. Among them, 180 were reorganized into collective farms, 268 into cooperative farms, and 57 into lease-based farms and other types of enterprises<sup>8</sup>.

Subsequently, the Presidential Decree of the Republic of Uzbekistan dated May 17, 1995, No. PF-1157, "On Associations of the Republic of Karakalpakstan and Regions Ensuring the Sale of Cotton Fiber, Grain, Wool, and Karakul Skins Retained at the Disposal of Farms," provided agribusiness entities with greater independence in marketing their agricultural products<sup>9</sup>.

The analysis indicates that during the early years of independence (1991–1995), reforms in the regional agro-industrial sector were primarily aimed at mitigating the economic crisis caused by the collapse of the former Soviet Union and adapting agribusiness entities to the principles of a market economy. During this period, state support played a crucial role in stabilizing the sector and enhancing its competitiveness.

<sup>6</sup> <https://stat.uz/uz/>

<sup>7</sup> Resolution of the Cabinet of Ministers under the President of the Republic of Uzbekistan. On the Transformation of the Republican Higher School for the Management of the Agro-Industrial Complex into the Republican Agribusiness Institute (No. 13, January 13, 1992). Available at: <https://nrm.uz/contentf?doc=457950>

<sup>8</sup> Resolution of the Cabinet of Ministers under the President of the Republic of Uzbekistan. On the Transformation of the Republican Higher School for the Management of the Agro-Industrial Complex into the Republican Agribusiness Institute (No. 13, January 13, 1992). Available at: <https://nrm.uz/contentf?doc=457950>

<sup>9</sup> <https://nrm.uz/contentf?doc=27953>



In subsequent stages, agrarian reforms were consistently continued, with institutional and market mechanisms being gradually improved and strengthened.

From 2017 to the present, it is appropriate to distinguish a fifth stage in the development of the regional agro-industrial sector and the enhancement of its competitiveness. The key priorities of this stage include the establishment of specialized agro-clusters across regions, increasing the efficiency of foreign investment projects, developing "smart agriculture" systems, transitioning the agricultural sector toward an innovation-driven model, and formulating as well as implementing long-term development strategies for agriculture.

Furthermore, at this stage, a number of institutional transformations were implemented in the agricultural sector based on relevant government resolutions and regulatory documents. In particular:

- the State Plant Quarantine Inspection was established<sup>10</sup>;
- the system of state governance in agriculture and water management was fundamentally reformed<sup>11</sup>, leading to the establishment of the Ministry of Agriculture and the Ministry of Water<sup>12</sup> Resources of the Republic of Uzbekistan on the basis of the former unified structure<sup>13</sup>;
- the Water Resources Development Fund was created under the Ministry of Water Resources;
- the State Support Fund for Agriculture was established under the Ministry of Finance of the Republic of Uzbekistan;
- the Agency for the Implementation of Projects in the Agro-Industrial Complex and Food Supply Sector was established;

<sup>10</sup> Decree of the President of the Republic of Uzbekistan. On the Establishment of the State Plant Quarantine Inspection under the Cabinet of Ministers of the Republic of Uzbekistan (No. PF-5174, August 30, 2017). Available at: <https://lex.uz/docs/3322443>

<sup>11</sup> Decree of the President of the Republic of Uzbekistan. On Measures to Fundamentally Improve the System of Public Administration in Agriculture and Water Management (No. PF-5418, April 17, 2018). Available at: <https://lex.uz/docs/3687601>

- the Agency for the Development of Viticulture and Winemaking was formed under the Ministry of Agriculture;

- the Inspectorate for Supervision of the Agro-Industrial Complex was established under the Cabinet of Ministers;

- the Agency for the Development of Horticulture and Greenhouse Farming was established under the Ministry of Agriculture;

- the Committee for the Development of Sericulture and Karakul Breeding was established;

- the National Center for Knowledge and Innovation in Agriculture, as well as the Fund for Supporting Knowledge and Innovation in Agriculture, were established under the Ministry of Agriculture.

- The above-mentioned institutional transformations create opportunities in the long term to promote the innovative development of regional agro-industrial sectors, enhance the effectiveness of ongoing reforms, ensure the sustainable development of agro-industrial production, and consistently increase the competitiveness of produced goods.

- At the same time, during this stage, key policy frameworks were implemented to support the long-term and sustainable development of regional agro-industrial sectors, improve their competitiveness, diversify sectoral activities, and enhance land and water relations in agriculture. These measures also aim to create a favorable agribusiness environment, develop high value-added chains, strengthen cooperative relations, ensure the effective use of scientific advancements, and improve human capital in the agricultural sector. In this regard, the "Strategy for the Development of Agriculture of the Republic of Uzbekistan for 2020–2030" and the "Concept for the

<sup>12</sup> 12. Resolution of the President of the Republic of Uzbekistan. On Measures to Organize the Activities of the Ministry of Agriculture of the Republic of Uzbekistan (No. PQ-3672, April 17, 2018). Available at: <https://lex.uz/docs/3687875>

<sup>13</sup> Resolution of the Cabinet of Ministers of the Republic of Uzbekistan. On the Approval of Regulatory Legal Acts Governing the Activities of the Ministry of Water Resources of the Republic of Uzbekistan (No. 500, July 3, 2018). Available at: <https://lex.uz/docs/3812729>



Priority Development of the Knowledge and Innovation System in Agriculture for 2021–2025” have been actively implemented.

- Another important aspect of the reforms carried out at this stage is the prioritization of measures aimed at deepening regional specialization in agricultural production and processing. As a result, 55 districts across the country have been specialized in fruit and vegetable production.

In particular, the following regions can be identified as examples of such specialized areas:

- In the Syrdarya region, an agro-industrial cluster has been established through the attraction of foreign direct investment, focusing on crops containing cellulose and other rotational crops, with the objective of creating a full-cycle processing system;

- In the Jizzakh region, an agro-cluster specialized in the production and processing of meat and dairy products has been established;

- In the Andijan and Fergana regions, specialization in agricultural production has been implemented, taking into account favorable natural and climatic conditions.

According to the analysis, in recent years it has become increasingly important to adopt strategies aimed at the sustainable development of regional agro-industrial sectors and the enhancement of their competitiveness, particularly through the development of agro-industrial clusters and complexes. The adoption of such strategies would create a solid foundation for increasing the international competitiveness of both agricultural and processed food products produced in the country.

Moreover, these measures would contribute to deepening the level of cooperation between agricultural sectors and food-processing industries, thereby strengthening value chains and improving overall sectoral efficiency.

## **CONCLUSION**

In conclusion, the analysis and comparative research conducted within the framework of this study demonstrate that legal and institutional mechanisms play not only a significant strategic role in enhancing competitiveness in the agro-industrial sector, but also

serve as key drivers of economic growth, innovation, and regional development.

As evidenced by the cluster theory of Michael Porter and international experience, clusters enable the strengthening of competitiveness through the systematic cooperation of geographically proximate and interconnected firms, institutions, and infrastructure. Such cooperation facilitates efficient resource allocation and the integration of supply chains.

In the context of Uzbekistan, the practical implementation of these theoretical approaches is carried out through state-defined legal and institutional mechanisms. In particular, Presidential Decree No. PF-5853 and other regulatory and legal documents establish measures aimed at modernizing the agro-industrial sector, improving the investment climate, implementing cluster mechanisms, and enhancing export potential.

Furthermore, clusters contribute to increasing value added along the entire production chain—from primary production to the export of finished products—while strengthening integration between farmers and entrepreneurs, promoting the adoption of modern technologies, and improving processing efficiency.

Based on the findings of this study, it can be concluded that legal and institutional mechanisms are of strategic importance in the development of agro-industrial clusters, playing a crucial role in ensuring economic efficiency, fostering innovation, and promoting sustainable regional development. In turn, this creates a valuable foundation of evidence-based insights and recommendations for informing state policy and investment decision-making.

## **REFERENCES:**

1. competition. Harvard Business Review. URL: <https://hbr.org/1998/11/clusters-and-the-new-economics-of-competition>;
2. Rodríguez-Mañay, L., et al. (Year). Competitiveness in the Agricultural Sector: A Systematic Literature Review.— A comprehensive systematic review examining the determinants, measurement approaches, and theoretical frameworks of agro-industrial competitiveness.



3. Toshboyev, A., et al. "The Role of Clusters" — agro-cluster mechanisms in Uzbekistan.
4. Decree of the President of the Republic of Uzbekistan. On the Approval of the Strategy for the Development of Agriculture of the Republic of Uzbekistan for 2020–2030 (No. PF-5853, October 23, 2019). Available at: <https://president.uz/uz/lists/view/2970>
5. Economics and Innovative Technologies (Iqtisodiyot va innovatsion texnologiyalar): Scientific Electronic Journal. Issue 4/2022 (July–August), No. 00060, pp. 69–83.
6. <https://stat.uz/uz/>
7. Resolution of the Cabinet of Ministers under the President of the Republic of Uzbekistan. On the Transformation of the Republican Higher School for the Management of the Agro-Industrial Complex into the Republican Agribusiness Institute (No. 13, January 13, 1992). Available at: <https://nrm.uz/contentf?doc=457950>
8. Resolution of the Cabinet of Ministers of the Republic of Uzbekistan. On the Implementation of the Resolutions "On Providing Financial Support to State Agricultural Enterprises and Improving Their Management Forms" (No. 21, January 21, 1992) and "On Measures to Further Deepen Economic Reforms in Agriculture of the Republic of Uzbekistan" (No. 13, January 7, 1993) (No. 386, August 3, 1993). Available at: <https://nrm.uz/contentf?doc=450397>
9. <https://nrm.uz/contentf?doc=27953>
10. Decree of the President of the Republic of Uzbekistan. On the Establishment of the State Plant Quarantine Inspection under the Cabinet of Ministers of the Republic of Uzbekistan (No. PF-5174, August 30, 2017). Available at: <https://lex.uz/docs/3322443>
11. Decree of the President of the Republic of Uzbekistan. On Measures to Fundamentally Improve the System of Public Administration in Agriculture and Water Management (No. PF-5418, April 17, 2018). Available at: <https://lex.uz/docs/3687601>
12. Resolution of the President of the Republic of Uzbekistan. On Measures to Organize the Activities of the Ministry of Agriculture of the Republic of Uzbekistan (No. PQ-3672, April 17, 2018). Available at: <https://lex.uz/docs/3687875>
13. Resolution of the Cabinet of Ministers of the Republic of Uzbekistan. On the Approval of Regulatory Legal Acts Governing the Activities of the Ministry of Water Resources of the Republic of Uzbekistan (No. 500, July 3, 2018). Available at: <https://lex.uz/docs/3812729>