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Article

Regional-Economic Mechanisms of Developing the Service Sector in Regions Within the Framework of the New Uzbekistan Development Strategy

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Abstract: This paper provides a scientific analysis of the large-scale reforms being implemented in the Republic of Uzbekistan, with particular emphasis on the territorial and economic mechanisms for developing the service sector at the regional level. A comparative analysis of service quality indicators is conducted across regions, and the outcomes of the "New Uzbekistan Development Strategy for 2022–2026" are examined alongside prospective reforms. Practical recommendations for improving key sub-sectors of the services industry are proposed.

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1. Introduction

Over the past decade, the Republic of Uzbekistan has entered a new stage of economic and social reforms. The modern governance system, established on the basis of the fundamental transformations implemented during the period of the Action Strategy (2017–2021), is currently being further expanded through the New Uzbekistan Development Strategy (2022–2026). This strategic document places special emphasis on the development of all sectors of the national economy, including the service sector.

As a driving force of the modern economy, the service sector determines not only the volume of "Gross Domestic Product (GDP)" but also employment levels, the quality of life of the population, and public trust in the government. Therefore, the scientific and practical analysis and improvement of service delivery mechanisms in the regions remain an important and relevant research issue [1].

The purpose of this article is to analyze the regional and economic mechanisms for the development of the service sector across the regions of Uzbekistan within the framework of the Development Strategy and to formulate practical recommendations for its further improvement [2].

2. Literature Review and Methodology

The economic mechanisms of the service sector and issues of regional development have been studied at a monographic level by Karimov T. and Rakhimov A, as well as Sodiqov N. In her research, Ravshanova S.J. analyzed the dynamics of service sector development in Uzbekistan. At the international level, reports published by the Organisation for Economic Co-operation and Development (OECD) and the World Bank provide empirical evidence demonstrating the significant contribution of the service sector to economic growth.

This study employs statistical analysis, comparative analysis, and document review methods. The primary sources of information include decrees issued by the President of the Republic of Uzbekistan, data from the State Statistics Committee, and the official legal database Lex.uz.

3. Analysis and Results

The Presidential Decree "On the New Uzbekistan Development Strategy for 2022–2026" established the legal foundation for the modernization of the service sector. Clause 13 of the Decree identifies the following priority areas:

Continuous monitoring of entrepreneurship development, employment generation, and poverty reduction in local communities (mahallas);

Analysis of public appeals, as well as the conduct of social surveys and public discussions within government institutions;

Establishment of a public monitoring system to oversee the implementation of decisions adopted by public administration bodies;

Introduction of a reporting system requiring officials to provide accountability for the implementation of programs adopted for each sector and region [3], [4], [5].

Within the framework of the Strategy, the goal has been set to increase the volume of services threefold and create 3.5 million new jobs in the sector by 2026. This objective clearly demonstrates the government's strategic commitment to the development of the service industry.

Share and Dynamics of the Service Sector in GDP

According to data from the State Statistics Committee of the Republic of Uzbekistan, the share of the service sector in the country's Gross Domestic Product (GDP) was approximately 35 percent in 2018. By the end of 2024, this indicator had exceeded 45 percent [6]. The total volume of services increased from USD 19 billion in 2018 to USD 65 billion in 2024, while for 2025, the sector is projected to reach USD 82 billion, with an anticipated growth rate of 15 percent.

Table 1. Growth Rates of Major Service Sector Branches (2022–2025)

Type of Service	*Annual Growth Rate*	*Regional Concentration*
Financial Services	*25–30%*	*Tashkent City and regional centers*
IT and Communication Services	*35–40%*	*Nationwide (online)*
Tourism and Catering Services	*20–22%*	*Historical cities and mountainous areas*
Transport and Logistics Services	*15–18%*	*Border regions and major transport corridors*

Source: Target indicators of the New Uzbekistan Development Strategy and data from the State Statistics Committee of the Republic of Uzbekistan.

Analysis of Table 1

As shown in Table 1, the IT and communication sector demonstrates the highest annual growth rate, ranging from 35 to 40 percent, reflecting the rapid expansion of digital technologies and online services throughout the country. Financial services also exhibit significant growth, with annual rates of 25–30 percent, making them one of the key drivers of economic development. This trend is largely attributable to the government's efforts to promote digitalization and expand access to financial technologies [7], [8].

Meanwhile, tourism and catering services maintain stable growth rates of 20–22 percent, particularly in historical cities and mountainous regions that possess strong tourism potential. Transport and logistics services are growing at a rate of 15–18 percent, primarily in border areas and along major transportation routes, benefiting from the country's strategic geographical location and increasing regional trade activities [9].

Table 2. Specialization of the Service Sector Across the Regions of Uzbekistan

Type of Service	*Specialized Regions*
Tourism and Recreation Services	*Samarkand, Bukhara, Khiva, and Tashkent Region*
Logistics and Transit Services	*Navoi, Angren, and Termez*
IT and Intellectual Services	*Tashkent City and all regional and district centers*

Source: State Statistics Committee of the Republic of Uzbekistan, 2024.

Analysis of Table 2

The specialization of service activities across the regions of Uzbekistan reflects their geographical, historical, and socio-economic characteristics. Tourism and recreation services are primarily concentrated in Samarkand, Bukhara, Khiva, and the Tashkent Region, which possess rich cultural heritage, historical monuments, and well-developed tourism infrastructure.

Logistics and transit services are mainly developed in Navoi, Angren, and Termez, owing to their strategic locations along major transportation corridors and international trade routes. These regions play an important role in facilitating domestic and cross-border trade [10], [11].

IT and intellectual services are concentrated in Tashkent City as well as regional and district centers throughout the country. The expansion of digital infrastructure, educational institutions, and innovation ecosystems has contributed to the growth of information technology and knowledge-based services in these areas.

Overall, the regional specialization of the service sector enhances economic efficiency by allowing regions to capitalize on their comparative advantages and development potential [12].

This specialization corresponds to the geographical, climatic, and socio-economic characteristics of the regions. For example, the rich historical and cultural heritage of **Samarkand** and **Bukhara** distinguishes them as natural centers for tourism services. Likewise, the strategic location of **Navoi** and **Termez** at major transportation and transit crossroads creates additional opportunities for the development of logistics and transit services. As a result, these regions are able to capitalize on their comparative advantages and contribute more effectively to the overall growth of the national service sector [13], [14].

Dynamics of the Service Sector During 2022–2025

During the implementation period of the New Uzbekistan Development Strategy (2022–2026), the major service industries underwent significant changes. These developments contributed substantially to the growth of the national economy and increased the share of the service sector in Gross Domestic Product (GDP). The table below illustrates the changes in the contribution of major service sectors to GDP during the period under review.

Table 3. Dynamics of the Share of Major Service Sectors in GDP (%)

Service Sector	2022 (Share in GDP)	2025 (Share in GDP)
Trade Services	12.4%	19.4%
Financial Services	5.2%	10.2%
Transport and Logistics	7.1%	9.8%
Healthcare Services	3.6%	5.1%
Educational Services	4.2%	6.7%

Source: State Statistics Committee of the Republic of Uzbekistan and national

development reports, 2022–2025.

Analysis of the Dynamics of Major Service Sectors

The analysis indicates that the share of trade services increased from 12.4% to 19.4%, representing a growth of 7 percentage points. The share of financial services nearly doubled, rising from 5.2% to 10.2%. Although the education and healthcare sectors also experienced growth, their shares in GDP remain relatively low compared to other service industries. Trade and finance are increasingly becoming the main drivers of the national economy. However, it is essential to further increase investment in the education and healthcare sectors, as they play a crucial role in the development of human capital [15]. In addition, greater attention should be given to the expansion of logistics, information technology, tourism, accommodation, and food service activities.

Digitalization and Improvement of Service Quality

Among the most significant outcomes of digitalization implemented since 2022 is the introduction of the "Digital Citizen Passport" project. As a result, the requirement to present a number of documents, including birth certificates, driver's licenses, and diplomas, has been abolished. Furthermore, a modern service delivery system has been established for elderly people and persons with disabilities through the use of advanced technologies. In particular, a practice of issuing passports at home for individuals with limited social mobility has been introduced.

These reforms have not only improved the quality of public services but have also played an important role in reducing bureaucratic barriers and enhancing transparency in state–citizen relations.

4. Conclusions and Recommendations

Based on the conducted analysis, the following conclusions can be drawn:

First, the share of the service sector in GDP increased from approximately 35% to more than 45% during the period 2018–2024, indicating the country's gradual transition toward a service-oriented economy.

Second, regional disparities remain one of the major challenges to be addressed, as significant differences persist between the capital city and other regions.

Third, the rapid pace of digitalization has enabled IT and financial services to become the fastest-growing sectors of the economy.

Fourth, the current level of investment in the education and healthcare sectors remains insufficient.

Based on these findings, the following practical recommendations are proposed:

1. A nationwide digital monitoring system should be introduced for all service providers, and information on their activities should be published in a transparent and open manner.
2. Service clusters should be established within local communities (mahallas), integrating mini-coworking spaces, microfinance and insurance services, medical consultations, and educational services.
3. All types of services should be integrated into a unified digital platform, enabling citizens to receive telephone consultations and access services remotely.
4. Tax incentives and targeted investment programs should be introduced to stimulate service sector development in low-performing regions such as Syrdarya, Jizzakh, and Surkhandarya.
5. The share of public investment allocated to the healthcare and education sectors should be increased, and successful experiences, such as those implemented in Bakhmal District of Jizzakh Region, should be expanded to other regions of the country.

Conclusion

In conclusion, it should be emphasized that the service sector is not only an economic factor but also a key determinant of overall social welfare. Deepening reforms in this sector, effectively utilizing international best practices, and widely implementing advanced technologies will contribute significantly to ensuring the competitive and

sustainable development of New Uzbekistan.

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