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Ways to Assess The Effectiveness of Free Economic Zone Management Activities

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Abstract: Free economic zones (FEZs) serve as strategic mechanisms in stimulating industrial development, attracting investment, and fostering international trade within modern economic systems. In Uzbekistan, the rapid increase in the number of FEZs has intensified the demand for improved management efficiency to enhance their contribution to national development. Despite global advancements in FEZ management, many zones in Uzbekistan suffer from centralization, lack of KPI-based evaluations, and insufficient digital infrastructure, highlighting a gap between current practices and best-performing international models. This study aims to analyze institutional and economic effectiveness indicators of FEZs in Uzbekistan, identify systemic barriers to efficient management, and propose improvement strategies based on global experience. The analysis revealed that most FEZs operate under centralized management structures with limited autonomy, underdeveloped digital monitoring, and minimal private sector involvement. The Navoi FEZ, however, showed significant investment and enterprise growth from 2019 to 2024. The research introduces a multi-dimensional evaluation framework combining KPI analysis, SWOT diagnostics, and international benchmarking to assess and enhance FEZ performance in Uzbekistan. The findings suggest a policy shift toward decentralization, private sector engagement, digitalization, and the introduction of a standardized KPI system to improve FEZ governance. These recommendations offer a practical roadmap for Uzbek policymakers to align with global standards and maximize economic returns from FEZs.

Keywords: : free economic zones, management efficiency, KPI, digital management, international experience, investments, economic analysis

Citation: Zumratjonovich, A. I.
Ways to Assess The Effectiveness of
Free Economic Zone Management

Activities. American Journal of
Economics and Business
Management 2025, 8(4), 1640-1646.

Received: 10th March 2025

Revised: 25th March 2025

Accepted: 30th March 2025

Published: 14th April 2025



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1. Introduction

In the global economic system, free economic zones (FEZs) are emerging as an important tool for accelerating the economic growth rates of countries, expanding foreign trade relations, and attracting foreign investment. FEZs are an economic mechanism operating within economic zones on the basis of special benefits, stimulating innovative development, increasing industrial potential, and supporting export-oriented production[1].

In recent years, the number of free economic zones has sharply increased in Uzbekistan, and the need for their operation and effectiveness is growing proportionally. Therefore, the issues of assessing and improving the effectiveness of the management activities of free economic zones are of urgent scientific and practical importance.

This article analyzes methods for assessing the effectiveness of free economic zone management, existing problems, international experience, and advanced approaches that can be applied in the context of Uzbekistan[2].

2. Materials and Methods

Literature review

The theory of free economic zones (FEZ) and issues of assessing the effectiveness of management are widely studied in international economic literature, which are assessed as a means of accelerating the industrialization process of countries, increasing investment attractiveness, and forming a competitive export infrastructure. At the international level, numerous studies have been conducted on the assessment of the effectiveness of free economic zones and the possibilities of increasing their effectiveness[3].

The "World Investment Report," prepared by UNCTAD, highlights the role of free economic zones in the investment environment and their contribution to sustainable development. In particular, the tax and customs benefits created in the zones are presented as an incentive for foreign investors, but it is emphasized that the successful functioning of the zones depends on the openness and effectiveness of their management system[4].

The World Bank analyzed the relationship between the institutional model of FEZ activities, management approaches, and results. In this study, important indicators for effective management of zones were identified: strategic planning, digital infrastructure, cooperation with the private sector, and transparent monitoring systems. The OECD (Organisation for Economic Co-operation and Development) publication analyzes advanced management practices such as the introduction of corporate governance standards in the management of FEZs, a risk assessment system, and performance-based financing[5].

Many scientists of our country are also engaged in scientific research. In recent years, the number of scientific works written on the management of FEZs by many scientists and analytical centers analyzing the economy of Uzbekistan has been increasing.

Tokhtamurodov D. identified the management structure, distribution of powers, and institutional approaches as important factors in the development of free economic zones. He emphasizes the need for the independence of directorates and an active monitoring system for the effective functioning of the zones[6].

Nazarov N. K. focused on the statistical analysis of the activities of business entities in the FEZs of Uzbekistan. In his research, the volume of investments, export potential, and the level of employment are cited as the main performance indicators. It offers a system of indicators and digitalization mechanisms to improve management efficiency.

Primov S. F. in his research studied the influence of free economic zones on economic and territorial development, raising issues of existing problems - lack of infrastructure, demand for personnel, and excessive bureaucracy of regulations[7].

Research Methodology

The following scientific and methodological approaches were used in the research. In particular, an analytical approach was studied - the management of free economic zones in the experience of Uzbekistan and other countries. Interstate differences, common and specific aspects were analyzed.

SWOT analysis was used. Within the framework of FEZ management, strengths and weaknesses, existing opportunities and threats were identified. Based on them, strategies for assessing management effectiveness were developed[8].

Key performance indicators for assessing management effectiveness (KPI) were analyzed. The main criteria for assessing the effectiveness of management were systematized: such indicators as the volume of investments, production dynamics, export share, number of new jobs, and infrastructure development.

In addition, expert assessment methods at the local and international levels in the economic sphere were analyzed. The opinions of experts on economic development were summarized, scientific articles and analytical reports were used (UNCTAD, World Bank, OECD). The official reports of the Ministry of Investments, Industry and Trade, the State Statistics Committee of the Republic of Uzbekistan, and the directorates of FEZs operating in 2019-2024 were used as data[9].

3. Results

Accurate statistics on the effectiveness of free economic zones and investment flows in Uzbekistan are based on the following data. Indicators such as investment volume, production and export volumes, and job creation play an important role in assessing the effectiveness of FEZs.

The main indicators of the effectiveness of investments and activities in various free economic zones of Uzbekistan from 2017 to 2024 were achieved[10].

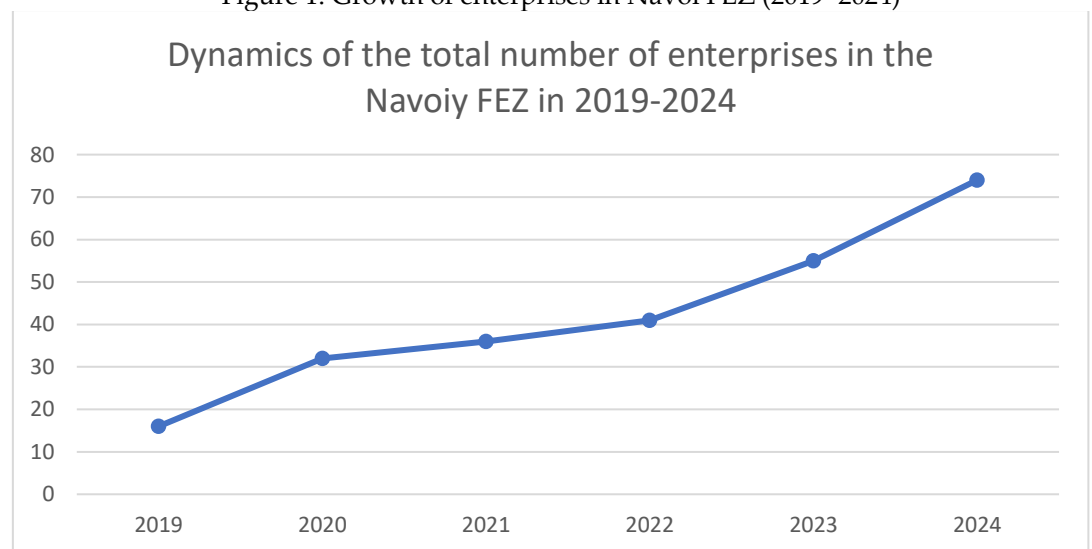
Analysis of the Navoi FEZ since 2019 shows that it has the following statistics on the total volume of investments and production: The volume of investments in the Navoi FEZ exceeded \$100 million. 16 new enterprises have been created in the FEZ by foreign and local investors. In 2024, the total volume of investments in the Navoi FEZ reached 67.735 billion soums.

The line graph illustrates the steady growth in the total number of enterprises operating in the Navoi Free Economic Zone (FEZ) from 2019 to 2024. The number of enterprises rose from approximately 17 in 2019 to over 70 by 2024, reflecting an upward trend in investment and economic activity.

The dynamics of changes in the number of enterprises operating in the Navoi FEZ from 2017 to 2024 can be seen in.

Figure 1 presents the dynamics of enterprise growth in the Navoi Free Economic Zone (FEZ) from 2019 to 2024. The chart indicates a consistent upward trend, with the number of enterprises rising from approximately 18 in 2019 to over 75 in 2024, reflecting accelerated industrial and investment development in the region.

Figure 1. Growth of enterprises in Navoi FEZ (2019–2024)



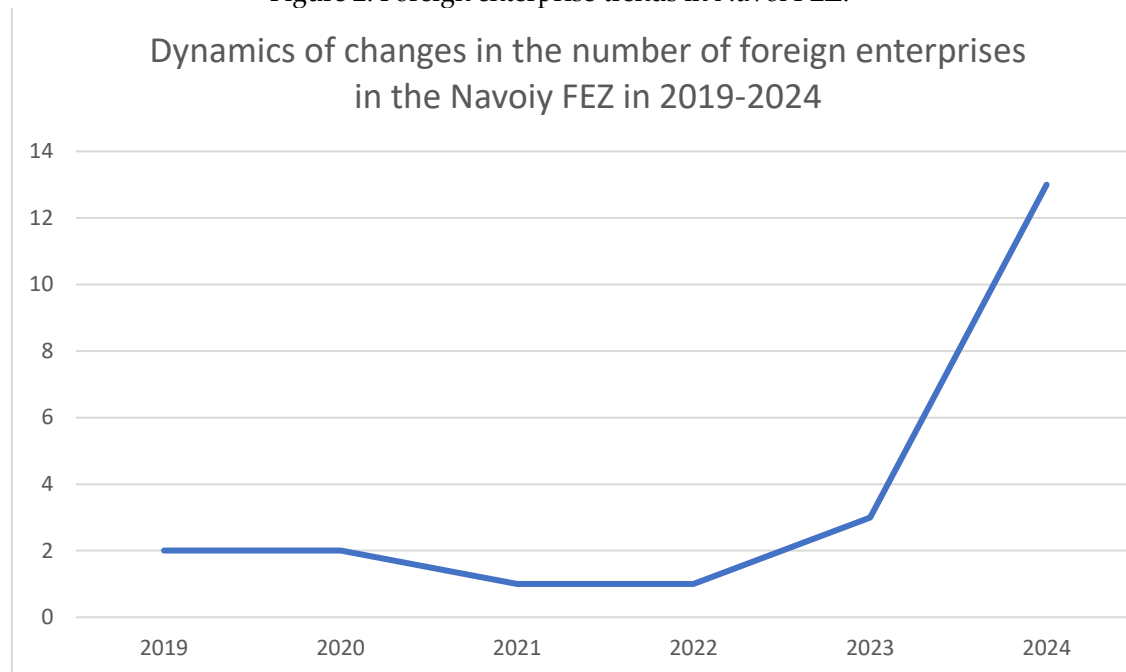
As can be seen from the diagram above, the number of enterprises operating with membership in the Navoi FEZ showed a constant positive trend from 2019 to 2024. In particular, in 2019, 16 legal entities became members of the Navoi FEZ, and in 2024, it reached 74[11].

Another important indicator of the effectiveness of free economic zones is the number of enterprises that have fully invested in this zone at their own expense. The dynamics of changes in the number of foreign enterprises in the FEZ "Navoi" in 2019-2024 can be seen in.

The line graph presents the dynamics of foreign enterprise growth in the Navoi Free Economic Zone from 2019 to 2024. After a period of stagnation and decline between 2019 and 2022, a sharp rise occurred post-2023, culminating in a significant increase to over 13 enterprises by 2024, indicating renewed investor interest.

Figure 2 demonstrates the variation in the number of foreign enterprises in the Navoi FEZ from 2019 to 2024. While growth remained stagnant or declined slightly until 2022, a sharp increase occurred in 2023–2024, indicating a significant rise in foreign investment and international business interest in the region.

Figure 2. Foreign enterprise trends in Navoi FEZ.



As can be seen from Table 1.2 above, positive changes are also observed in the number of foreign enterprises that have begun their activities in the FEZ "Navoi".

In the two tables above, positive changes were observed in this FEZ from 2019 to 2024, but we see that the indicators of the "Navoi" FEZ, established in 2008, were based on several reasons for this positive change in the period after 2022.

Based on the analysis of factors influencing the effective management of free economic zones and the results of the study, the following main aspects were identified:

First of all, the insufficient level of institutional effectiveness in the organization of effective management of free economic zones. Today, most FEZs do not have a unified management and operational decision-making system. In many cases, decisions are made centrally, which limits the ability of zones to operate independently and quickly organize efficiency.

Secondly, the difference in indicators of the volume of investments, the volume of exported products, and the number of jobs created, which are selected as performance indicators.

Existing FEZs in Uzbekistan operate effectively to varying degrees. For example, in the FEZs "Navoi" and "Angren," the volume of investments and exports is high, but in some newly created zones, these indicators are low[12].

Thirdly, the lack of digitalization of management in free economic zones. In many FEZs, monitoring and analysis processes are not automated. Management decisions are based more on experience, and system analysis is rarely used.

Fourthly, the insufficient participation of the private sector in the creation and management of the free economic zone. The role of the state in the management of FEZs is high, but the private sector is not given sufficient powers. This limits innovative approaches. In addition, the improvement of the FEZ's infrastructure is fully financed by the state, which also raises the issue of the budget. infrastructure improvement It is necessary to stimulate the form of public-private partnership with wider involvement of the private sector.

4. Discussion

Assessment of the effectiveness of the management activities of free economic zones (FEZs) includes the analysis of not only economic development, but also social, environmental, and legal results. FEZs are created in order to increase the country's economic potential, create new jobs, stimulate exports and attract investments, and it is important that their management be effective. In Uzbekistan's experience, there are some key approaches and achievements in assessing the effectiveness of FEZ management, but there is still a need to further improve this process.

Despite the fact that the effective management model in the free economic zones of Uzbekistan currently shows a number of positive results, a number of problems remain.

1. fully centralized management, limiting the adoption of prompt decisions.
2. the absence of digital management systems using the capabilities of modern electronic equipment complicates performance monitoring.
3. insufficient implementation of the positive aspects of international experience hinders the full use of the potential of fezs. For example, the experience of the "shenzhen" fez in China, the "Jebel Ali Free Zone" in the United Arab Emirates, and the "Katowice" zone in Poland, which serves to increase efficiency, was not used.

The first and most common method for assessing the management effectiveness of free economic zones is the implementation of a system of key performance indicators (KPI). These indicators include the following areas: investment volume, production volume, export volume, creation of new jobs, and tax payment. When assessing the effectiveness of FEZ management using KPIs, the following questions can be considered:

1. Investment flows and external investments: the volume of investments in FEZs, the amount of foreign and local investments indicates the effectiveness of management activities. For example, if investments in the FEZ increase, this indicates the effectiveness of management[13].
2. Production and export volumes: The volume of products and services produced in the FEZ, as well as the volume of exports, will be an important factor in measuring the success of management.
3. Creation of new jobs: creation of jobs in FEZs and increasing employment of the local population is one of the most important indicators in assessing the effectiveness of management activities.

However, KPIs allow measuring only external indicators, and sometimes there may be some subjectivity in their implementation. For example, the number of jobs or investment volume can sometimes be increased through statistical errors or manipulations, so it is necessary to carefully monitor KPIs.

The creation of monitoring and evaluation systems is a crucial issue. Monitoring and evaluation systems play an important role in assessing the effectiveness of FEZ management. Through the monitoring system, it is possible to control the transparency and correctness of management activities. If the activities of the FEZ are constantly monitored, it is possible to get a clear idea of the effectiveness of management. The effectiveness of monitoring and evaluation systems depends on the following aspects:

1. Transparency: Management processes should be open and transparent. In the experience of Uzbekistan, complete and timely information on products manufactured through some FEZs, as well as tax and customs benefits, has not been provided. Therefore, it is important to ensure transparency in assessing the effectiveness of management[14].
2. Resource allocation: How are resources allocated in FEZs, and how do these resources affect the development of activities? A fair and efficient allocation of resources indicates the success of management activities.

However, effective implementation of monitoring and evaluation systems requires sufficiently systematic and continuous evaluation mechanisms. Otherwise, if there are only annual assessments, the effectiveness of this system will decrease.

The issue of assessing the investment attractiveness of free economic zones. The effectiveness of the management activities of FEZs is mainly determined by the favorable

investment climate. The large volume of investments in FEZs indicates the effectiveness of the management system. The investment climate assessment includes:

1. Tax benefits and simplified customs procedures: Tax and customs benefits make the FEZ attractive. A simplified system of taxes and customs payments in FEZs can be of interest to investors. Also, the provision of simplified services to investors, such as quick permits and other conveniences, will affect the success of management.
2. Business environment: The business environment and cooperation with local authorities are also important in the development of FEZs. Management is effective when there is effective cooperation with foreign and local investors, legal compliance, and favorable conditions for business development [15].
3. Tax and customs policy: one of the main factors shaping the success of FEZs. If tax and customs benefits in the FEZ are constantly updated, this will create even more favorable conditions for investors. However, sometimes this policy can be volatile and ambiguous, making management difficult. Also, the limited scope of benefits for companies operating in the FEZ can weaken management activities.

International experience is widely used in increasing the efficiency of free economic zones. When assessing the management activities of free economic zones, it is useful to use the experience of other countries and conduct comparisons. For example, studying the experience of successful FEZs such as China, Singapore, and Malaysia can be beneficial for Uzbekistan. When measuring management effectiveness, the following factors can be taken into account using international experience:

Attractiveness for international investors: Studying the role of FEZ management in attracting international investment.

Competitiveness: Examples and approaches to how to make a FEZ competitive in the global market.

Also, with the help of this experience, it is possible to increase efficiency and introduce new approaches in the FEZs of Uzbekistan.

Based on the above-mentioned research results and analysis of international experience, it is important to make the following proposals:

1. Decentralization of management - granting independence to the directorates of FEZs.
2. Creation of an online KPI system - online monitoring of each zone.
3. Expansion of private sector participation - management of zones on the basis of joint management.
4. Strengthening strategic planning - development of development strategies for specific areas and priority areas of the zones.

5. Conclusion

The effectiveness of the management of free economic zones directly depends not only on their economic indicators, but also on institutional, organizational, and technological aspects. For effective management of FEZs in the conditions of Uzbekistan, the following strategic directions are important:

1. Implementation of a unified and clear KPI system;
2. Digitalization of the activities of directorates;
3. Implementation of institutional reforms based on international experience;
4. Ensuring management flexibility by expanding the powers of the private sector.

The research results show that a comprehensive, scientifically based assessment system is necessary when determining the priority areas of FEZ activities. Through this system, it is possible to significantly increase the level of management efficiency of free economic zones and maximize their contribution to economic development.

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