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STATE AND INSTITUTIONAL SUPPORT FOR THE EXPORT ACTIVITIES OF CONSTRUCTION ENTERPRISES

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Abstract. The study examines the nature, forms, and interrelationship of state and institutional support for the export activities of construction enterprises. Support mechanisms are classified into direct and indirect government measures and institutional instruments, with particular attention paid to their compliance with World Trade Organization rules. The evolution of Uzbekistan's export support system during 2020–2026 is analyzed, particularly the abolition of transport cost compensation and tax incentives related to export revenues from 2025 onward. The implications of these changes for exporters of construction materials and contracting services are examined. Drawing on international experience, a three-level model for transitioning from subsidy-based mechanisms to institutional support is proposed.

Keywords: state support, institutional support, construction enterprises, exports, World Trade Organization, export credit insurance, trade finance, industry associations.

Annotatsiya. Qurilish korxonalari eksport faoliyatini davlat va institutsional qo'llab-quvvatlashning mazmuni, shakllari hamda o'zaro bog'liqligi tadqiq etilgan. Qo'llab-quvvatlash mexanizmlari bevosita va bilvosita davlat choralari hamda institutsional vositalarga tasniflanib, ularning Jahon savdo tashkiloti qoidalariga muvofiqligi baholangan. O'zbekistonda eksportni qo'llab-quvvatlash tizimining 2020–2026-yillardagi rivojlanish bosqichlari, xususan, 2025-yildan boshlab transport xarajatlarini kompensatsiya qilish va eksport daromadlari bo'yicha soliq imtiyozlarining bekor qilinishi tahlil qilingan. Mazkur o'zgarishlarning qurilish materiallari va pudrat xizmatlari eksportchilariga ta'siri o'rganilgan. Xorijiy tajriba asosida subsidiyalarga asoslangan mexanizmlardan institutsional qo'llab-quvvatlash tizimiga o'tishning uch darajali modeli taklif etilgan.

Kalit so'zlar: davlat qo'llab-quvvatlovi, institutsional qo'llab-quvvatlash, qurilish korxonalari, eksport, Jahon savdo tashkiloti, eksport kreditlarini sug'urtalash, savdoni moliyalashtirish, tarmoq uyushmalari.

Аннотация. Исследованы сущность, формы и взаимосвязь государственной и институциональной поддержки экспортной деятельности строительных предприятий. Механизмы поддержки классифицированы на прямые и косвенные государственные меры и институциональные инструменты, а также оценено их соответствие правилам Всемирной торговой организации. Проанализированы этапы развития системы поддержки экспорта в Узбекистане в 2020–2026 годах, в частности отмена с 2025 года компенсации транспортных расходов и налоговых льгот в отношении экспортной выручки. Рассмотрено влияние указанных изменений на экспортёров строительных материалов и подрядных услуг. На основе зарубежного опыта предложена трёхуровневая модель перехода от механизмов субсидирования к системе институциональной поддержки.

Ключевые слова: государственная поддержка, институциональная поддержка, строительные предприятия, экспорт, Всемирная торговая организация, страхование экспортных кредитов, торговое финансирование, отраслевые ассоциации.

INTRODUCTION

The Development Strategy of New Uzbekistan [1] identifies increasing export volumes as a priority objective. At the same time, export support policies have traditionally relied primarily on subsidies and tax incentives financed from the state budget. Integration into the international trading system creates opportunities to further align export support mechanisms with international trade requirements. The World Trade Organization (WTO) Agreement on Subsidies and Countervailing Measures prohibits subsidies contingent upon export performance [3]. Consequently, countries seeking WTO membership are encouraged to develop alternative mechanisms for supporting exporters that comply with international trade rules.

Uzbekistan is currently undergoing a transition towards internationally compatible export support mechanisms. Resolution No. PQ-4707, adopted in 2020, introduced a system for compensating up to 50 percent of exporters' road, rail, and air transportation costs [4]. The decree signed on 27 December 2024

provided for the abolition of this practice to ensure compliance with WTO agreements, with the new procedure entering into force on 1 January 2025 [5]. Corporate income tax and turnover tax incentives related to export revenue were also scheduled to be abolished from the same date [6].

These changes are particularly significant for construction enterprises. Due to the substantial weight and volume of construction materials, transportation costs account for a considerable proportion of their export prices, while the export of contracting services depends on guarantees and long-term financing. As direct subsidies are gradually reduced, the ability of these enterprises to maintain and strengthen their positions in foreign markets increasingly depends on the quality and effectiveness of the institutional environment.

The aim of the study is to provide a scientific justification for the relationship between state and institutional support for the export activities of construction enterprises and to develop proposals for establishing a support system consistent with WTO requirements.

LITERATURE REVIEW

The theoretical foundations of institutional support are rooted in the institutional theory developed by D. North. According to this theory, institutions represent the “rules of the game” in society and influence economic performance by reducing transaction costs and uncertainty [7]. Transaction costs are particularly significant in export activities, as identifying foreign partners, ensuring contract enforcement, and managing payment and political risks require substantial enterprise resources. From this perspective, institutional support involves not merely providing financial assistance to exporters but systematically reducing transaction costs associated with export activities.

R. Hausmann and D. Rodrik argue that, in developing countries, enterprises initiating new export activities bear the full “cost of discovery”, while subsequent market participants also benefit from their success [9]. This externality provides an economic justification for government intervention. D. Rodrik interprets modern industrial policy not simply as the provision of privileges to selected industries but as a process of strategic cooperation and information exchange between the state and the private sector [10].

Issues related to export financing are examined in the World Bank study edited by J.-P. Chauffour and M. Malouche. The study emphasizes the importance of access to trade finance in maintaining export stability, particularly during periods of economic uncertainty [12]. F. Seringhaus and P. Rosson, in their classification of government export promotion programmes, demonstrated that their effectiveness depends not only on the volume of allocated financial resources but also on the institutional capacity and quality of the organisations responsible for their implementation [13]. D. Lederman and his co-authors found that the participation of private sector representatives in the governance of export promotion agencies contributes to improving their performance [15].

Domestic studies have examined the efficient utilisation and management of investments in construction enterprises, including the role of the time factor and the applicability of international experience [8, 11, 14]. Existing domestic research provides a foundation for further examining the role and structure of institutional support for construction enterprises in the context of WTO accession requirements.

RESEARCH METHODOLOGY

The study employed institutional analysis, a historical-logical approach, content analysis of legal and regulatory documents, comparative analysis, and classification methods. The empirical basis of the research comprised the legal and regulatory acts of the Republic of Uzbekistan governing export support, official information sources, and WTO documents [3–6, 16–19]. The compliance of export support instruments with international trade rules was assessed based on the WTO Agreement on Subsidies and Countervailing Measures and the OECD Arrangement on Officially Supported Export Credits [19]. The export support systems of South Korea, Türkiye, and China, which occupy leading positions in the international contracting market, were selected for comparative analysis of international experience.

ANALYSIS AND RESULTS

The Content of and Distinction Between State and Institutional Support. In practice, the concepts of “state support” and “institutional support” are frequently used interchangeably. Based on the findings of the study, it is proposed that these concepts be distinguished according to the following criteria.

State support comprises measures implemented by government bodies through budgetary funds, tax and customs instruments, or administrative powers aimed at directly reducing exporters’ costs or increasing their revenues. Its principal characteristic is the unilateral transfer of resources from the state to enterprises.

Institutional support represents a system of services and rules provided on a commercial or cost-recovery

basis by financial institutions, insurance organizations, industry associations, chambers of commerce and industry, standardization bodies, and educational institutions. This system contributes to reducing export-related risks and transaction costs. Its principal characteristics are payment for services and risk-sharing mechanisms.

This distinction is of practical importance because WTO rules determine the existence of a subsidy based on the criteria of financial contribution and benefit [3]. Institutional services provided on market terms, with fees covering the associated costs, are generally not classified as prohibited subsidies. The classification of support instruments and their relationship to WTO rules are presented in Table 1.

Table 1
Classification of Instruments Supporting the Exports of Construction Enterprises¹

Group	Instruments	Relationship to WTO rules
Direct state measures	Transport subsidies linked to export volumes, tax incentives on export revenue, direct payments for exports	Subsidies contingent upon export performance are prohibited
Indirect state measures	Trade agreements, economic diplomacy, general transport infrastructure, simplification of customs procedures, VAT refunds on exports	Generally permitted unless specifically targeted
Financial institutions	Export credits, bank guarantees, export credit insurance, factoring	Permitted when the terms of international arrangements are observed
Industry and public institutions	Industry associations, chambers of commerce and industry, trading houses abroad, exhibitions, and trade missions	Permitted
Quality infrastructure and human resources	Accredited laboratories, mutual recognition of certificates, retraining, and professional development	Permitted

Evolution of the Export Support System in Uzbekistan. During 2020–2024, Uzbekistan's export support system relied primarily on direct state measures. In accordance with Resolution No. PQ-4707, a list of products eligible for transport cost compensation was approved, and the Export Promotion Agency under the Ministry of Investment and Foreign Trade was designated as the authorized body responsible for subsidy payments [4]. The amount of compensation was determined according to a schedule of fixed rates approved by the Government Commission, depending on the type and volume of products and the mode of transportation [16].

Institutional instruments were also introduced on a pilot basis at the industry level. For example, enterprises operating in certain industries were to be provided with sureties as collateral when obtaining guarantees from commercial banks, covering up to 50 percent of the guarantee amount but not exceeding USD 3 million [17]. In the building materials industry, an "Uzbekistan Trading House" was established in Baku, while similar trading houses were planned for Astana, Istanbul, and other cities [18].

A significant stage in the development of the system occurred in 2024. To ensure compliance with WTO agreements, the abolition of subsidies and preferences for export support was planned [6], and this decision was implemented through the decree of 27 December 2024. It was established that subsidies and compensation for exports carried out before 31 December 2024 would be paid in accordance with the prescribed procedure by 1 February 2025 [5]. The changes in the export support system are summarized in Table 2.

Table 2
Changes in Uzbekistan's Export Support System²

Area	2020–2024	From 2025
Transport costs	Compensation of up to 50 percent for road, rail, and air transportation [4]	Compensation mechanism abolished [5]
Tax benefits	Corporate income tax and turnover tax incentives on export revenue	Incentives abolished [6]
Basis of support	Payments linked to export volumes and product types	WTO-compliant instruments not contingent upon export performance

¹ Source: Developed by the author based on [3, 19].

² Source: Compiled by the author based on [4–6].

Main implementing body	Government agency and Government Commission	Increasing participation of financial and industry institutions alongside government bodies
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These changes are closely associated with the WTO accession process. In 2025, 68 legislative acts were harmonized with WTO requirements and international norms, while the number of countries with which bilateral negotiations had been completed reached 33 [20]. Although the initial objective of completing accession before the WTO Ministerial Conference in March 2026 was subsequently adjusted, Uzbekistan reaffirmed its intention to complete the accession process in 2026 [21]. Consequently, the transition from subsidy-based mechanisms represents a long-term direction in the development of export support policies.

Impact of the Changes on Construction Enterprises. The gradual reduction of direct state support measures has different implications for individual segments of the construction sector.

Exporters of building materials are particularly sensitive to these changes. For products such as cement, glass, ceramics, gypsum board, and reinforced concrete products, transportation costs account for a significant proportion of the final export price. Following the termination of transport cost compensation, enterprises may benefit from improved logistics efficiency and export market diversification to maintain price competitiveness in geographically distant markets. This situation increases the importance of developing efficient logistics solutions and diversifying export destinations, including opportunities in neighboring countries.

Construction contracting and design organizations have traditionally been less dependent on transport subsidies. Their principal needs relate to access to bank guarantees, advance payment guarantees, performance guarantees required for participation in international tenders, and long-term project financing. These requirements can be addressed through institutional instruments, including export credits, guarantees, and political risk insurance. Accordingly, the new conditions create opportunities to strengthen the institutional foundations of contracting service exports by directing available budgetary resources toward the development of WTO-compliant financial institutions.

Small and medium-sized construction enterprises require tailored institutional mechanisms to facilitate their adaptation during the transition period. Alongside the reduction of subsidies, these enterprises may have limited financial resources and institutional competencies necessary to access commercially provided services, including insurance, international certification, and foreign market research. Consequently, this segment would benefit from mechanisms enabling the collective provision of services through industry associations.

Foreign Experience. In countries occupying leading positions in the international contracting market, the export activities of construction enterprises are supported through well-developed institutional systems alongside government support mechanisms (Table 3).

Table 3
Foreign Experience of Institutional Support for Construction Exports³

Country	Main institutions	Significance for construction exports
South Korea	Export-Import Bank of Korea (KEXIM), Korea Trade Insurance Corporation (K-SURE), International Contractors Association of Korea (ICAK)	Financing and insurance of overseas projects; provision of information and coordination concerning foreign contracts through industry associations
Türkiye	Türk Eximbank, Turkish Contractors Association (TMB)	Export credits and insurance; representation of industry interests and provision of information concerning international projects
China	Export-Import Bank of China, China Export & Credit Insurance Corporation (Sinasure)	Long-term financing of overseas infrastructure projects; coverage of political and commercial risks

Three important conclusions can be drawn from international experience. First, a substantial share of export support functions has been transferred from direct budgetary financing to specialized financial and insurance institutions, which partially or fully recover their operating costs through service fees. Second, contractors' associations serve as intermediaries between the state and enterprises by collecting information, representing industry interests, and coordinating business activities. Third, financial institutions operate within the framework of international arrangements governing export credits [19], thereby contributing to the prevention of potential trade disputes.

A Three-Level Model for the Transition from Subsidies to Institutional Support. Based on the results of the

³ Source: Compiled by the author based on official information from the respective institutions.

analysis, a three-level model for supporting the export activities of construction enterprises is proposed (Table 4). The central principle of the model is the transformation of the state's role from a direct distributor of financial resources into a facilitator of institutional development and an effective regulatory environment.

Table 4

Three-Level Model for Supporting the Exports of Construction Enterprises⁴

Level	Main participants	Tasks and instruments
Macro (state)	Government, authorized ministries, diplomatic missions	WTO-compliant legal framework; trade and investment agreements; mutual recognition of certificates and construction standards; general transport and logistics infrastructure; economic diplomacy
Meso (institutions)	Banks, export-import insurance organizations, industry associations, chambers of commerce and industry, laboratories	Export credits, guarantees, and insurance; information on foreign tenders; trading houses and warehouses; accredited testing and certification
Micro (enterprise)	Exporting enterprises, higher education institutions, and professional development centers	Implementation of international standards; competencies in FIDIC contracts and project management; export strategies and risk management

The levels of the proposed model are interdependent. The regulatory framework established at the macro level creates the foundation for the activities of institutions at the meso level, while the effective utilization of meso-level services depends on the competencies of enterprises operating at the micro level. For example, even when export credit insurance is available, its effective application requires enterprises to employ specialists capable of assessing risks associated with international contracts.

The transition to the proposed model should be implemented gradually. At the first stage, financial resources released following the abolition of subsidies are directed toward strengthening the capital base of meso-level institutions, particularly by expanding export credit insurance and guarantee capacities. At the second stage, collective services for small and medium-sized enterprises, including joint certification, joint participation in exhibitions, and tender consortia, are established through industry associations. At the third stage, institutions gradually adopt cost-recovery principles through service fees, accompanied by regular performance evaluations.

At the same time, the transition to the institutional model requires consideration of several potential risks and the development of appropriate preventive measures.

The first risk concerns the transition period. A coordinated transition from subsidies to institutional instruments can help ensure continuity in export support, particularly for producers of building materials. During this period, some enterprises may face additional challenges in maintaining their presence in foreign markets, while subsequent market re-entry may involve additional costs. Therefore, the introduction of institutional instruments should be coordinated with the gradual reduction of subsidy-based support measures.

The second risk concerns the potential emergence of implicit subsidies. Financial services provided by state-owned institutions should be assessed against applicable WTO subsidy disciplines to ensure that their terms comply with relevant international requirements [3]. To ensure compliance, institutional tariffs should be established according to principles that provide for the recovery of operating costs and long-term losses, while export credit conditions should comply with the parameters established by relevant international arrangements [19].

The third risk concerns unequal access to institutional services among enterprises of different sizes. Commercially provided institutional services are generally more accessible to large enterprises with stable financial positions. Improving access to collateral mechanisms and internationally aligned financial reporting practices can expand institutional service opportunities for small and medium-sized enterprises. These challenges can be addressed through collective services organized by industry associations and simplified insurance products designed for smaller export contracts.

The fourth risk concerns the coordination of institutional activities. Coordinating bank guarantees, insurance policies, laboratory certification, and relevant permits through an integrated system can contribute to the timely implementation of export projects. Therefore, it is advisable to establish an integrated digital platform for construction enterprises based on the "single-window" principle, ensuring coordinated access to export-related services.

⁴ Source: Developed by the author.

CONCLUSIONS AND RECOMMENDATIONS

First, state and institutional support have been substantiated as distinct concepts: the former is characterized by a unilateral transfer of resources from the state to enterprises, while the latter is characterized by payment for services and risk-sharing mechanisms. This distinction is essential for ensuring compliance with WTO rules.

Second, the abolition of transport cost compensation and tax incentives related to export revenue in Uzbekistan from 2025 marks the beginning of a transition in the export support system from direct state measures to institutional instruments.

Third, these changes create opportunities to improve the competitiveness of building materials exporters and strengthen the export potential of construction contracting services, provided that financial institutions are further developed and targeted support mechanisms for small and medium-sized enterprises are established.

Fourth, based on international experience, a three-level model has been proposed that transforms the role of the state from a direct distributor of financial resources into a facilitator of regulatory frameworks and institutional development.

Practical Recommendations:

Allocate a portion of the budgetary resources released following the abolition of subsidies to strengthening the capital base of institutions providing export credit insurance and guarantees.

Develop specialized insurance products for tender guarantees, advance payment guarantees, and performance guarantees related to the export of construction contracting services.

Organize collective certification, logistics, and marketing services for small and medium-sized enterprises through building materials industry associations.

Prioritize the conclusion of agreements with neighboring countries on the mutual recognition of building materials certificates and construction standards.

Introduce short-term training programs on international contracting agreements, export risk management, and WTO rules at professional development centers affiliated with higher education institutions.

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