# MECHANISMS FOR ATTRACTING FOREIGN INVESTMENT INTO UZBEKISTAN'S INTERNATIONAL TRANSPORT AND LOGISTICS INFRASTRUCTURE: INSTITUTIONAL BARRIERS AND DEVELOPMENT PROSPECTS

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**Abstract**

This thesis examines the institutional conditions for attracting foreign investment into Uzbekistan's international transport and logistics infrastructure. As a double-landlocked country, Uzbekistan faces challenges related to transport costs, access to international markets and the development of efficient logistics networks. The study focuses on the role of regulatory frameworks, governance, investment planning and public-private partnerships in mobilizing foreign capital. Drawing on institutional economics and reports by international organizations, it identifies key barriers to investment, including regulatory uncertainty, limited private-sector participation, insufficient project preparation and coordination challenges. The thesis argues that improving institutional transparency, strengthening public-private partnership mechanisms and enhancing regional cooperation can help increase investment attractiveness and support Uzbekistan's integration into international transport corridors.

**Keywords:** foreign investment, transport and logistics infrastructure, institutional barriers, public-private partnership, investment mechanisms, international transport corridors, Uzbekistan.

Uzbekistan's integration into the global economy depends not only on the expansion of production and trade but also on the efficiency of its transport and logistics infrastructure. As a double-landlocked country, Uzbekistan relies on transport corridors passing through neighbouring states to access international markets. This geographical condition increases the importance of reliable cross-border connectivity, efficient logistics services and coordinated infrastructure development. Consequently, attracting foreign investment into the transport sector is an important factor in reducing logistics constraints, improving trade competitiveness and strengthening the country's position in regional and international supply chains.

Despite ongoing infrastructure development, attracting long-term foreign capital remains challenging. Investment decisions in transport and logistics are influenced not only by the expected financial return of a project but also by the quality of institutions governing its implementation. Regulatory predictability, transparent procurement, effective contract enforcement and clear allocation of risks are essential for building investor confidence. Where these conditions are weak or uncertain, infrastructure projects may face delays, increased costs and limited participation from international investors. The World Bank's Logistics Performance Index 2023 ranked Uzbekistan 88th globally, with an overall score of 2.6. Although this indicates progress in logistics performance, further improvements are needed in areas such as customs efficiency, logistics competence and international shipments. The World Bank has also emphasized the importance of transport-sector modernization, institutional reform and stronger private-sector participation in improving the country's transport connectivity. These



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findings suggest that infrastructure expansion alone is insufficient unless accompanied by improvements in governance and investment conditions.

One of the main institutional challenges is the limited availability of well-prepared, financially viable infrastructure projects. Foreign investors require reliable feasibility studies, transparent financial models, clearly defined concession conditions and predictable revenue arrangements. In the absence of these elements, projects may be perceived as high-risk, particularly when they involve long payback periods or depend on cross-border coordination. In addition, the dominant role of state-owned enterprises in parts of the transport sector may restrict competition and limit opportunities for private investment unless governance and market-access arrangements are strengthened.

A more diversified approach to financing could help address these constraints. Foreign direct investment can support the development of logistics centres, terminals, warehousing facilities and multimodal transport services. Public-private partnerships may be suitable for projects where private-sector expertise and operational efficiency can complement public investment, provided that risks are allocated transparently and contractual obligations are enforceable. Loans and technical assistance from international financial institutions can also support infrastructure modernization and institutional capacity-building. Combining public resources, development finance and private capital may improve project bankability while reducing the financial burden on the state.

Table 1

**Potential mechanisms for attracting foreign investment into transport and logistics infrastructure**

| **Mechanism** | **Potential application** | **Key institutional requirement** |
|---|---|---|
| Foreign direct investment | Logistics centres, terminals and warehousing | Predictable investment regulations and investor protection |
| Public-private partnerships | Transport facilities and logistics services | Transparent procurement and balanced risk allocation |
| International financial institution financing | Modernization of railways, roads and border infrastructure | Strong project appraisal and monitoring |
| Blended finance | Projects with high initial costs or limited short-term returns | Clear financial structures and accountability |
| Regional investment cooperation | Cross-border corridors and multimodal connectivity | Intergovernmental coordination and harmonized procedures |

The analysis indicates that investment attraction should be based on a coordinated institutional framework rather than on isolated financing initiatives. Priority should be given to developing a transparent pipeline of infrastructure projects, improving feasibility assessments, strengthening competitive procurement and publishing clear information on project costs, risks and expected outcomes. At the same time, reforms that improve the operational independence and accountability of transport-sector enterprises could encourage competition and make the market more accessible to international partners. Regional cooperation is equally important because international transport corridors extend beyond national borders. Differences in customs procedures, transit regulations and technical standards



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can reduce the efficiency of infrastructure investments. Therefore, Uzbekistan's investment policy should be aligned with regional connectivity initiatives and supported by practical cooperation with neighbouring countries. Harmonized border procedures, digital information exchange and coordinated infrastructure planning can increase the commercial viability of corridor-based projects.

In conclusion, attracting foreign investment into Uzbekistan's international transport and logistics infrastructure requires simultaneous progress in physical infrastructure development and institutional reform. Regulatory predictability, transparent project preparation, effective public-private partnerships and regional coordination are central to improving investor confidence. A systematic approach combining these measures could help mobilize long-term capital, improve logistics efficiency and strengthen Uzbekistan's participation in international trade networks. The proposed measures provide a policy-oriented basis for further research into investment instruments and institutional reforms in the country's transport and logistics sector.

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