



INVESTMENT CLIMATE IN CENTRAL ASIA AND UZBEKISTAN'S PERSPECTIVES IN ATTRACTING FDI

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Abstract: *This paper analyzes Uzbekistan's evolving investment climate within Central Asia's broader FDI trends. Despite global declines in investment due to high interest rates and geopolitical tension, the region saw renewed inflows in 2024, driven by clean energy and infrastructure. Uzbekistan's reforms currency liberalization in 2017 and a modern PPP law in 2019 have made projects more bankable. Case studies such as ACWA Power's wind program, Masdar's solar-plus-storage plant, and the BYD-UzAuto EV factory illustrate growing investor confidence. Remaining challenges include contract enforcement, state dominance, and shallow financial markets. Continued institutional reform and deeper local-currency finance will be essential for sustaining Uzbekistan's momentum as a regional hub for sustainable and diversified investment.*

Keywords: *Central Asia; Uzbekistan; foreign direct investment (FDI); investment climate; economic reforms; currency liberalization; public-private partnership (PPP); renewable energy; solar and wind projects; electric vehicles; financial markets; sustainable development.*

Introduction

Foreign direct investment (FDI) brings capital, technology, and jobs. It is also a strong signal of confidence in a country's rules and institutions. Globally, FDI into developing economies fell to multi-year lows after two weak years¹, yet parts of North and Central Asia moved against the trend: companies announced more greenfield projects in 2024, often tied to the energy transition and regional corridors². Uzbekistan has used this moment to speed up reforms and pitch itself as a regional base for production and clean energy.

Central Asia: regional context and drivers

Kazakhstan has long led on resource-seeking FDI thanks to oil and gas, but the map is broadening. Countries compete to host renewables, grid upgrades, warehousing, and rail-linked manufacturing. The EBRD reported record commitments in 2024, and Central Asia featured strongly¹⁰. UNESCAP also tracked a clear rise in greenfield projects across North and Central Asia in 2024². This mix, multilateral co-financing and a deeper pipeline, gives private sponsors more confidence to enter and scale.

Two practical forces help explain investor interest. First, companies are redesigning supply chains to be closer to end markets and major corridors. Second, clean-energy targets require a surge in wind, solar, storage, and supporting grid investment. Central Asia sits at the crossroads of both themes, with abundant wind and solar resources and growing east-west and north-south trade routes.

Uzbekistan's reforms and investment climate

Uzbekistan's 2017 currency reform removed a major barrier by ending the dual exchange-rate system and making conversion and transfer of funds easier³. The 2019 PPP law set clearer rules for tenders and risk allocation and offered stronger protections for investors⁴. These steps, together with sector auctions and standard power-purchase agreements in power, created repeatable structures that lenders can underwrite.

Equally important is delivery. Investors look for predictable enforcement, strong contracts, and efficient permits. Official investment-climate reviews still point to uneven contract enforcement and a large state footprint in finance and network sectors¹¹. Progress is visible, one-stop services and digital portals are expanding, but faster timelines for land, construction, and environmental approvals would make a material difference to cost and risk.

What the Statistics show

After the global slowdown, FDI into Uzbekistan picked up again. The Central Bank reports that net FDI liabilities rose by roughly a third to about USD 2.8 billion

in 2024⁵, and in the first half of 2025 they were up more than 40% year-on-year to around USD 1.6 billion⁶. The composition is shifting toward energy transition projects and modern manufacturing, which usually bring stronger linkages to local suppliers and skills.

Case studies that signal bankability

ACWA Power wind program. A multibillion-dollar agreement in 2024 covers up to 5 GW of wind power and includes a green-hydrogen pilot⁷. The deal relies on standard contracts and sovereign support, showing that large-scale renewables can reach financial close in Uzbekistan under clear rules.

Masdar solar plus storage. In May 2024, a 250 MW solar plant with a 63 MW battery reached financial close, the first integrated solar-plus-storage project at this scale in Central Asia⁸. The battery improves reliability, reduces curtailment risk, and supports the grid during peak demand.

BYD–UzAuto EV plant. In mid-2024, BYD and UzAuto launched production of electric and hybrid cars in Jizzakh with an initial capacity near 50,000 vehicles a year⁹. Beyond assembling vehicles, the project can foster a supplier base for components, build charging infrastructure, and create training paths for technicians.

Where the opportunity is: sectors and project types

Renewable power and storage. Wind and solar resources are strong and widely mapped. Well-designed auctions clear pre-qualification, bankable PPAs, and grid connection rules can keep tariffs competitive while attracting private capital. Storage helps balance the system and allows more variable renewables onto the grid without harming reliability. Transport-adjacent manufacturing. EV assembly and components, e-mobility, and logistics equipment can use Uzbekistan's location to serve the region. The BYD–UzAuto platform offers a starting point for localization targets and supplier programs⁹. Stable rules on customs, testing, and standards will matter for exporters.

Grid modernization. Transmission upgrades and smart-grid investments are

essential complements to new generation. They reduce losses, unlock new sites, and allow for regional power trade. Investors look for transparent tariff paths and credible off-taker balance sheets to back long-tenor finance.

Agri-processing and textiles. These sectors are labor-intensive and can capture value through better logistics, traceability, and greener production. Clear water-use and environmental rules reduce risk for sponsors and lenders.

Strengths and Challenges

Strengths. Macroeconomic stabilization, credible PPP structures, and active support from multilaterals (EBRD, IFC) have improved the risk-return profile^{10,8}. The data trend higher net FDI in 2024 and a solid first half of 2025 backs the claim that reforms are translating into real projects^{5,6}.

Challenges. Investors still report uneven contract enforcement and limits to judicial independence; a large state role in finance; and shallow local-currency markets¹¹. Customs and standards add time and cost; land and environmental permits can delay project starts. These frictions do not erase the opportunity, but they change how deals are structured escrow accounts, step-in rights, political-risk cover, and more careful phasing.

How to de-risk projects and mobilize finance

Use blended finance early, taper it later. Development banks and guarantees can shoulder specific risks in the first wave of projects, grid connection risk, off-taker risk, or foreign-exchange risk. As regulatory delivery improves and a track record forms, reliance on concessional tools can fall while private banks and institutional investors take larger roles. Scale local-currency options. Over time, a deeper market for ten-year-plus som-denominated debt would reduce currency mismatch for infrastructure and housing PPPs. Steps include publishing a government and SOE benchmark curve, encouraging pension and insurance demand, and using partial credit guarantees to lengthen maturities.

Standardize and publish. Releasing model PPAs, PPP contracts, and

evaluation criteria speeds up tenders and lowers bid costs. The PPP framework adopted in 2019 gives the legal base; consistent execution makes it real⁴. Anchor pipelines with multilaterals. The EBRD's record year and IFC's involvement in storage-backed solar show how third-party validation can attract commercial lenders^{10,8}. Sponsors read these signals closely when deciding where to place scarce bid resources.

Implementation roadmap

Next 12 months. Publish an updated multi-year PPP and auction pipeline with clear windows for pre-qualification and bid submission. Expand and digitize one-stop services for land, construction, and environmental permits with tracked service-level targets. Launch a pilot local-currency bond for a well-rated SOE to build a benchmark curve, and prepare a warehouse for green projects with standardized documentation.

Run at least two utility-scale renewable auctions with pre-announced grid connection rules and bankable PPAs; include optional storage where it reduces curtailment risk^{8,7}. Create a supplier-development program tied to the EV platform to help local firms meet quality and standards for exports⁹.

Next 3 years. Build specialist commercial courts or chambers and expand mediation and arbitration capacity. Scale local-currency finance with partial credit guarantees to extend maturities. Deepen the pipeline of hospital, water, and roads PPPs with robust feasibility studies and value-for-money tests. Tie investor aftercare to measurable service levels so reinvestment is the default choice for existing investors.

Outlook

The medium-term outlook is constructive. The region has strong renewable resources and sits on major trade routes. With consistent delivery, Uzbekistan can keep turning interest into investment and jobs. The direction of travel in 2024–2025,

higher net FDI, record multilateral support, and a string of bankable projects supports this view^{5,6,10,7,8,9}.

Conclusion

Central Asia's investment story is no longer just about commodities. It is about cleaner power, better grids, faster logistics, and modern manufacturing. Uzbekistan's reforms have opened doors; the next step is to keep those doors reliably open. If courts, permits, and finance keep improving, the country can position itself as a practical, low-friction hub for productive, green, and export-oriented investment in the region.

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