



INVESTMENT GUIDE TO THE **FERGANA VALLEY**

2009

UNDP

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EXECUTIVE SUMMARY: Investing in the Fergana Valley

The Fergana Valley, consisting of the provinces of Namangan, Fergana and Andijan, is the easternmost region of Uzbekistan and borders on the Kyrgyz Republic and Tajikistan. It is an ideal location for serving the markets of Central Asia, Russia, China, the Arab countries of the Persian Gulf and beyond. Located on the Great Silk Road, it is a region with a trading tradition dating back to ancient times and ample rail, road and flight connections. Its labour force is educated and multilingual, available at costs far below those of Kazakhstan, Russia, and Western Europe.

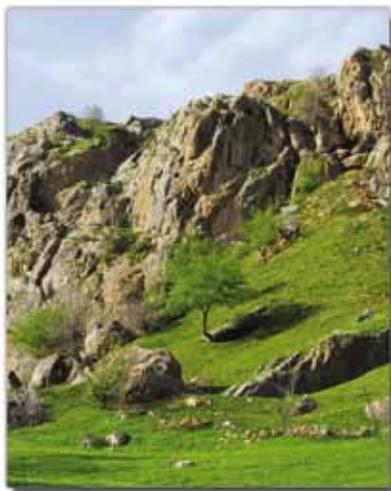
This, coupled with the availability of over 30 different kinds of raw material, an incentive package providing substantial tax relief for most types of investment, and a high quality of life, makes the region one of the most attractive investment locations in Central Asia today. A number of foreign investors, notably General Motors and Daewoo Textiles, have already established operations here. And, as trade becomes more and more liberalized and road connections to China and other, surrounding countries improve, foreign direct investment in the region is expected to rise sharply.

The Valley already has a range of thriving industries which offer further investment opportunities. These include:

- **Agribusiness:** Fergana Valley produce is known all over Central Asia yet, only just over one-tenth of fruits and vegetables are currently processed and the food processing sector suffers from underinvestment.
- **Chemical products:** An ample supply of raw materials and a well-developed agricultural sector create the ideal setting for the production of fertilizers. Other opportunities in this sector include the production of petrochemicals such as plastic and benzene.
- **Electro-technical products:** A large cable manufacturer serving the automotive industry and the domestic market has been established and sources most of its raw materials locally. There is a strong demand in the whole Central Asian region for products of the industry.
- **Construction materials:** The ample supply of raw materials and a booming Central Asian construction industry make the business of producing construction materials very attractive. A cluster of small- and medium-sized mining and manufacturing companies has already emerged but, due to limited local production capacity, many basic construction materials are still being imported from outside Central Asia.
- **Automotive supplies** for the Andijan General Motors plant. A major Government-led localization programme that provides tax relief, subsidized land, guaranteed sales and other incentives strongly encourages investment in the production of auto parts.
- **Textiles and garments:** An abundant supply of cotton and silk, combined with an ancient tradition in textiles and a respected school of textile engineering, are valuable inputs which will assist in the movement towards higher value-added textile production. Some clustering has already taken place, but modernization of production methods is needed to boost the industry's competitiveness.
- **Services:** Exporting services is one way of overcoming logistical obstacles and taking advantage of the low-cost, well-educated and multilingual workforce in the Valley. The tourism industry is also underdeveloped, despite the region's large potential as a destination for a wide variety of visitors.

The challenges that investors face are similar to those faced by investors in the rest of Uzbekistan. Investors cite the lack of access to cash and convertibility as one of their major problems, followed by bureaucracy and inadequate infrastructure. The Government is well aware of these problems and has developed reform measures intended to improve the investment climate. Despite these constraints, the Valley offers numerous attractive investment opportunities, and the low operational cost, coupled with the good growth prospects more than compensate for the risks and additional operational effort involved.

1. BACKGROUND: INTRODUCING THE FERGANA VALLEY



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The history of the Fergana Valley dates back thousands of years, when the region was known as Davan. At that time, and up to the present day, the Valley has been a prosperous agricultural area with a highly developed economy and level of craftsmanship, and it has produced cotton and silk for centuries.

Nowadays, the Fergana Valley, or the part of it located in Uzbekistan, consists of three administrative provinces: Andijan, Fergana, and Namangan. The Valley was previously self-sufficient and has a cultural heritage distinct from that of the rest of Uzbekistan. After a period of relative isolation in the early 1990s, around the time of gaining independence, new, refurbished, and planned rail and road connections and the increased openness of Central Asia’s borders are about to revive the region and provide for rapid growth as economic integration progresses.

The population is diverse, traditionally mobile and open to other cultures. Trade has passed through the Valley for centuries, and the integration of the Valley into the Great Silk Road project stretching to Beijing opens up the possibility of reviving the old trade route and allows the region to assist in meeting some of China’s burgeoning demand for commodities and raw materials.

The Valley is a densely populated area, with almost nine million people living on 19,000 square kilometres (giving an average population density of 473 people per square kilometre). The population makes its living mainly from agriculture, though a number of other sectors - most notably textiles and car manufacture - have now taken root. The largest car assembly plant in Central Asia lies in the Andijan province (see Box 2).

1.1 Namangan province

The Namangan province is located in the north-eastern part of the Valley, bordering on the Tashkent province to the west. Agriculture dominates its economy: cotton fields and orchards abound and cover most of the arable land. In the province, over 40 mineral and raw material fields have been identified and prospected. These fields contain deposits of minerals such as basalts and diabases. Other resources found in the province include limestone, silver, gold, oil and mineral water. Textiles, processed foods, mechanical engineering products and construction materials dominate the province’s industrial output. “Arafa LLC” is one of the region’s largest producers of tomato paste and OJSC “Namanganmash” is one of the world’s largest producers of titan floats and bolted pipeline armature made of carbon steel.

Box 1. Fact sheet: Namangan province (2008)

Population: 2.2 million people
Labour force: 0.8 million people
Area: 7,900 square kilometres
Capital: Namangan
GRDP per capita: UZS 649,303 (USD 484)
GRDP composition (2007):
- Agriculture: 38.6%
- Industry: 7.9%
- Construction: 7.4%
- Transportation and communication: 6.9%
- Trade: 10.0%
- Other: 29.2%
GRDP growth (2008): 12.3%
Main sectors: Agribusiness, textiles, mining
Main industrial production output: cotton textiles - 58.8%

1.2 Andijan province

The Andijan province is the easternmost part of the Fergana Valley and of Uzbekistan, bordering on the Kyrgyz Republic. Andijan is one of the most densely populated provinces of the country, with 2.5 million people living on 4,300 square kilometres. Still, more than 70% of the population lives in rural areas.

Apart from agriculture, the source of much of the province's above-average growth in recent years has been the automotive sector. This sector has expanded to meet demand from the General Motors plant, which produces around 200,000 vehicles per year. Under a Government-sponsored localization programme, several enterprises in the province are producing supplies for the General Motors plant. With the plant sourcing only about one-third of its automotive parts locally, there are many possibilities for additional investments in the production of such parts. There are over 30 enterprises in the field of mechanical engineering, producing mostly agricultural equipment. The textiles industry, with a combined output of over USD 20 million in 2006, is also an important cluster.

Box 2. Fact sheet: Andijan province (2008)

Population: 2.2 million people
 Labour force: 0.8 million people
 Area: 7,900 square kilometres
 Capital: Namangan
 GRDP per capita: UZS 649,303 (USD 484)
 GRDP composition (2007):
 - Agriculture: 38.6%
 - Industry: 7.9%
 - Construction: 7.4%
 - Transportation and communication: 6.9%
 - Trade: 10.0%
 - Other: 29.2%
 GRDP growth (2008): 12.3%
 Main sectors: Agribusiness, textiles, mining
 Main industrial production output: cotton textiles - 58.8%

1.3 Fergana province

The eponymous Fergana province is located in the southern part of the Fergana Valley. It shares borders with Tajikistan in the north-west and the Kyrgyz Republic in the south. Consisting mainly of flatlands, this province is also heavily dependent on agriculture, with 72% of its population residing in rural areas. Despite this, with 425 inhabitants per square kilometre, it is the most densely populated province in the Valley.

The economy is again dominated by agriculture and agribusiness, with agriculture alone making up more than a quarter of the economy and a third of formal employment. In particular, the province has many silk farms, which together produce an average of over two million tons of silkworm cocoons each year. Fergana manufacturers also produce oil-processing equipment, textiles and chemical products such as fertilizers and acetate threads.

Box 3. Fact sheet: Fergana province (2008)

Population: 3.0 million people
 Labour force: 1.3 million people
 Area: 6,800 square kilometres
 Capital: Fergana
 GRDP per capita: UZS 951,991 (USD 709)
 GRDP composition (2007):
 - Agriculture: 23.5%
 - Industry: 24.5%
 - Construction: 4.1%
 - Transportation and communication: 6.6%
 - Trade: 83.3%
 - Other: 33.0%
 GRDP growth (2008): 6.0%
 Main sectors: Energy, agriculture, textiles, fertilizers, construction materials
 Main industrial production output: primary crude oil processing - 42.4%; seed-oil production - 29.2%

2. WHY INVEST IN THE FERGANA VALLEY?

List of advantages offered to investors:

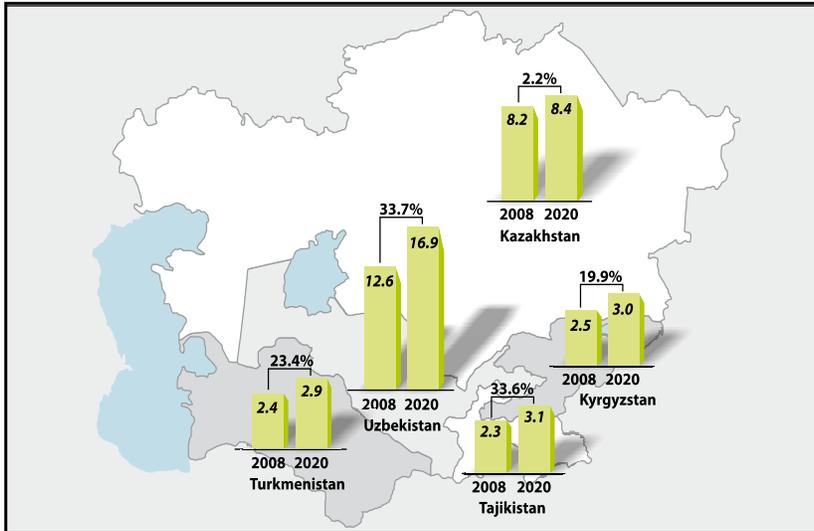
- good export location
- infrastructure
- educated work force
- low cost of production
- quality of life
- incentive package

The reasons for selecting the Fergana Valley as an investment destination will, naturally, vary from sector to sector. Below we highlight some of the broad advantages that the region offers to investors:

- **Good export location:** The Fergana Valley already exports 43 types of products into 57 countries, and has 91 joint ventures set up with partners from 27 countries. Its diverse, multilingual, population has long-standing historical linkages with all of Central Asia and even China. All Central Asian languages are widely spoken, Russian is universal, and many people also speak Farsi, English and Turkish.
- **Infrastructure:** Although much of the infrastructure suffers from underinvestment, the connections to neighbouring countries are good and stand to be improved in the coming years. The Great Silk Road initiative, which was introduced to strengthen links with Europe and China, involves the construction of a highway which runs through the Valley, and most sections of the road have already been completed. The rail network is being upgraded and will improve transport connections between the Valley and Tashkent. There are three airports in the area: the largest, at Andijan, connects the region with more than 20 cities inside and outside of Uzbekistan, despite operating at far below its maximum capacity.
- **Access to raw materials:** More than 60 types of raw material are mined in the Valley, and many more are available in other parts of Uzbekistan and the wider Central Asian region. Among the most abundant materials in the Valley are: oil, gas, ozocerite (used for the production of sulphur, asphalt and bitumen), sulphur, gypsum, limestone, dolomite, sand (used for glass production), gravel, granite, gravelite, aleurite, crushed stones (used for concrete production), subterranean mineral waters (used both for drinking and for medical purposes), basalt, diabase, gravel, agloporite, silver and gold.
- **Educated workforce:** There are around 50,000 students in the Valley's 11 institutions of higher education, in addition to an estimated 200,000 students in professional colleges¹. Around 5.2% of the working-age population has a university or college degree; among the younger generations, this proportion is much higher. Many investors will find that locals will, with some additional training, be capable of staffing management and research facilities.
- **Low cost of production:** The total monthly cost of labour, including social security contributions and taxes is, on average, USD 100-200 for workers and USD 350-400 for tertiary-qualified engineers². Although technical skills come at a premium, wages remain among the lowest in all of the CIS and will give any investor a strong competitive edge. Similarly, living costs are among the lowest in the CIS. Moreover, it is projected that Uzbekistan's labour force will grow more rapidly than those of neighbouring countries and thereby help in keeping wages at a competitive level (see Chart 1).

¹ Source: State Committee of the Republic of Uzbekistan on Statistics, Development of Education System in Uzbekistan - Statistical Bulletin, 2005

² Source: Cost of Doing Business, 2009, www.investment.uz

Chart 1: Projected number of active labour force participants in Central Asian countries, bln

Source: ILO Statistics

- **Quality of life:** As is the case with many CIS countries, Uzbekistan has an impressive cultural infrastructure. The Fergana province alone sports 1,600 libraries, 176 clubs, 12 museums and four theatres. Sports complexes, such as swimming pools and tennis courts, are widely available. In addition, the region offers some stunning mountain scenery: the Kapchagay Gorge, also known as the Asian Alps, and Shakhimirdan, perched between two mountain rivers at 1,500 metres above sea level, are among the major sights of all of Central Asia.
- **Incentive package:** In order to encourage foreign investment in the rural residential areas of the Fergana Valley, the Government offers an attractive package of incentives. Investments valued at USD 300,000 and above are exempt from the single tax payment, income tax, property tax, infrastructure development tax and road tax. For the investment to qualify for these privileges, the foreign investor's share in the venture must be at least 50% and the investment must be in one of the following sectors:
 - Electronics and production of computer parts
 - Light industry
 - Silk industry
 - Production of construction materials
 - Food processing, especially industrial production of poultry and eggs as well as production of meat and dairy products
 - Chemical and pharmaceutical production



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3. SECTORS WITH MAJOR INVESTMENT OPPORTUNITIES

As one of the fastest growing regions in the CIS, the Fergana Valley offers attractive investment opportunities in almost all sectors. Below we highlight some of the more attractive sectors for investors.

3.1 Agriculture, food processing and related sectors

The Fergana Valley is the most fertile region in Uzbekistan. It produces a plethora of fruits and vegetables, the high quality of which are known throughout the whole of Central Asia and CIS. Unfortunately, only 15% of fruits and vegetables are currently processed, leading to an oversupply in the harvesting season and shortages out of season. This, coupled with inadequate logistics and inappropriate packaging, leads to substantial wastage and seasonal price fluctuations.

Some food processing companies, such as tomato paste manufacturers, are already present in the Fergana Valley. However, the demand for processed foods is growing much more rapidly than their supply. As consumers gain in purchasing power throughout Central Asia and beyond, the demand for higher value-added processed foods is expected to increase significantly.

The example of fruit juice consumption is illustrative. About ten years ago, per capita fruit juice consumption in Uzbekistan was less than half a litre per year. Now, annual consumption has reached 2.2 litres per capita. Neighbouring Kazakhstan, which has seen a resource-driven economic boom and a corresponding rise in its GDP per capita to above the USD 10,000 mark, consumes almost eight times as much fruit juice as Uzbekistan, while the average annual consumption in Western Europe is 30 litres per capita. Consequently, demand for juice in Uzbekistan will probably continue to soar, even after growing almost five-fold in the last ten years.

Major foreign investors in the food processing sector include Nestle (active in the dairy sector since 2002), and a few others in the juice sector. These companies are well served with both skilled and semi-skilled labour in the food engineering, agricultural engineering and related fields.

Table 1. Major foreign investors in the agriculture and food processing industry

Company	Investor	Investments (USD mln)	Year of establishment	Goods produced
JV JSC «Nestle Uzbekistan» (Namangan province)	«Nestle» (Switzerland)	30.8	2002	Dairy goods
JSC «Marvel Juice Co.» (Namangan province)	«Shimkentpivo» (Kazakhstan)	16.9	2007	Juices, concentrates, fruit purees
JV «MS Food Processing Co.» (Fergana province)	«Mahmood Saeed Kollektive Co.» (Saudi Arabia)	7.6	2003	Juices, fruit jams

There are also substantial market opportunities in sectors servicing the food processing industry. In order to ensure that the ample agricultural output is used efficiently, the region needs substantial investment in logistics, wholesaling and storage. There is also a distinct lack of specialized packaging – apples, for example, are currently packaged in newspapers and reused cardboard, even though specialized packaging material could ensure a much longer shelf-life. All of these areas constitute very promising investment opportunities.

3.2. Textile and garment industry

The Fergana Valley's silk and textile industry cluster is located in the Namangan province. Having been a textile production centre for many centuries, the province has a ready supply of inputs and adequately-skilled labour. Namangan has a textile engineering institute, one of the best in the country, which is open to research and development cooperation projects with the private sector.

The Government has expressed its intention of ensuring that the textile industry moves up the value chain. The raw materials are available: Uzbekistan is the second-biggest exporter of cotton in the world, and the third-biggest producer of silk. However, the silk industry suffers from underinvestment. No modern silk processing facility is available in the Fergana Valley, although a large proportion of the world's silk worms grow here.

Many Turkish and Korean investors have paved the way both in the Fergana Valley and in Uzbekistan in general. The Turkish company Asnam produces bedlinen for exports, and the South Korean company Namangantextile makes fabric.



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Table 2. Major foreign investors in the textile industry

Company	Investor	Investments (USD mln)	Year of establishment	Goods produced
JV "Asnam Textile" (Namangan province)	"Aston" (Turkey)	25.9	1995	Cotton yarn
FE "Daewoo Textile Company" (Fergana province)	"Daewoo International Corporation" (South Korea)	40.0	1996	Cotton yarn, fabrics
JV "Pap Fen" (Namangan province)	"Tekfen Holding" (Turkey)	27.7	1998	Top yarn
FE JSC "Daewoo Textile Fergana" (Fergana province)	"Daewoo International Corporation" (South Korea)	68.0	2006	Cotton yarn, fabrics
JV LLC "Tagus Textile" (Andijan province)	"Tagus Management Services Ltd." (UK)	11.2	2006	Cotton knit card yarn
"Aym Textile" (Andijan province)	"Mimatas Tekstil" (Turkey)	48.0	2007	Cotton yarn
FE "MRT" (Namangan province)	"Mert Iplik" (Turkey)	13.5	2007	Cotton yarn
OJSC "Namangantextile" (Namangan province)	"Hain Tex Co. Ltd." (South Korea)	66.0	2008	Cotton yarn, fabrics

3.3. Chemical products



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The main opportunities in this sector lie in the area of fertilizer production, the demand for which is soaring as the farmers professionalize and strive to increase yields. There is already a thriving fertilizer production industry in the Valley, most of it located in the Fergana province and exporting as far as Europe. Still, there is substantial potential for the industry to expand – in particular into high value-added, specialized fertilizers. Most of the raw materials can be sourced locally.

Other opportunities can be found in the petrochemicals industry. As oil is available in the region, there is good potential for higher value-added products. Lubricants for cars are already being produced, and other promising product areas include benzene, candles, plastic products, sulphur, oil-based fertilizers and construction materials.

The region is well served with qualified graduates from the engineering and chemistry departments of local universities, which are open to collaborative research ventures with the private sector.

3.4. Construction materials

The construction industry in Central Asia is booming, having grown by an average of 20% per year over the last five years. Although the global recession will cut demand, the construction industry is set to grow vigorously as economic expansion picks up again. At the same time, there is a marked lack of locally-produced construction materials, and so a large and costly part of the construction industry’s supplies have to be imported.

More than 30 types of raw material used for the production of construction materials can be found in the Valley. Materials such as bricks, cement, plaster, limestone, paint, roof shingles, marble and tile could easily be produced in the region for domestic use or for export into the booming construction market of Central Asia.

More than 30 types of raw material used for production of construction materials can be found in the Valley.

Table 3. Major foreign investors in the construction materials industry

Company	Investor	Investments (USD mln)	Year of establishment	Goods produced
JSC «Kvarts»	«Vilat» LLC (USA)	4.5	2008	Glass, glass goods
OJSC «Kuvasacement»	«United International Group» (UAE)	1.2	2007	Cement

3.5. Automotive industry

The large Daewoo / GM plant in Andijan has created a huge demand for automotive supplies. To help meet this demand, the Government has launched a localization programme that is designed to encourage investment into companies that can supply the plant. The programme provides for tax exemption for companies supplying car parts. At present, only about 30% of the supplies for the Daewoo / GM plant are sourced locally, and the aim is to double this figure in the coming years.

Daewoo / GM needs supplies in many product areas, in particular the following:

- Transmission systems
- Heating systems
- Electrical equipment and wiring
- Panels for operating electrical equipment
- Steering systems
- Suspension systems

All of these are currently sourced in Russia, South Korea and other countries outside Central Asia

Table 4. Major foreign investors in the automobile industry

Company	Investor	Investments (USD mln)	Year of establishment	Goods produced
JV «Uz Tong Hong Company» (Andijan province)	«Tong Hong Electric» (South Korea)	3.2	1995	Automobile seats
JV «Uz-Se Mung Company» (Andijan province)	«Se Mung Metal Co Ltd.» (South Korea)	2.4	1998	Fuel tanks for automobiles
JV CJSC «EuroAsia Tapo Disk» (Fergana province)	«Euroasia Trans Ltd.» (UK)	8.0	2001	Automobile discs
CJSC «GENERAL MOTORS UZBEKISTAN» (Andijan province)	«General Motors Corporation» (USA)	66.7	2008	Automobiles (Nexia, Damas, Matiz, Epica, Captiva, Tacuma)

Box 4. CASE STUDY: KVARTS

The glass and jar manufacturer Kvarts was established in the 1970s to produce glassware for the Central Asian region. In 2006, the US investor Carlton Group decided to invest in the company, although it has since sold Kvarts on to Vilat LLC, another US investment group.

The potential of the automotive industry, the monopoly position in the local market, and the general demand for glass production were the main factors that motivated the foreign investment in the company. Now, the company produces glass slates for construction, windshields for the Daewoo / GM assembly plant, and other glassware for the domestic and regional markets.

The key to the company's success, its CEO tells us, is its focus on customer needs. Every year, Kvarts sends out to its customers questionnaires, which are in turn studied carefully by the company. Not many companies in this part of the world do that, he continues. And, indeed, Kvarts is one of the most successful companies in the Fergana province.



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Box 5. CASE STUDY: GM Uzbekistan in Andijan

GM Uzbekistan was established in 2008 as a joint venture between the Uzbek government (75%) and General Motors, through its Daewoo subsidiary (25%). General Motors chose Uzbekistan not only because of the strong support of the local government, but also because of the country’s large population, its availability of technical experts, adequate logistics network, and the availability of a plant with pre-existing connections to all required utilities.

Following a recent modernization of the plant, GM Uzbekistan expects that it will soon be able to produce up to 300,000 cars per year. In 2008, the company built 195,000 cars, making it one of the largest car manufacturers in the CIS.

The major obstacle the company has faced has been finding local suppliers. Through a Government sponsored localization programme, about a third of supplies can now be sourced locally – but the lack of nearby suppliers continues to drive up the company’s production costs unnecessarily.

3.6. Electro-technical products

The electro-technical industry is concentrated in the Andijan province and produces, primarily, electrical cables for the local market and local automotive industry. Of the inputs used by the cable manufacturing companies, 60% are of local origin. Opportunities abound in this and other areas, such as light bulbs. Currently there is no light bulb producer in all of Central Asia, even though many of the raw materials, such as quartz and copper, can be sourced locally.

3.7. Services

The Fergana Valley’s services sector is underdeveloped, and the potential for growth is significant. With a well-educated, multilingual, population, there are also business opportunities in exporting services – bridging the difficulties that limited infrastructure poses in other sectors. Potential areas include:

- Information and Communication Technologies, in particular software development: This sector has remained underdeveloped throughout Uzbekistan, except for a few programming centres established in Tashkent. The low cost of labour, near-universal computer literacy and ample supply of graduates, coupled with a growing demand for bespoke software development services in the CIS and beyond, should provide good foundations for investments in this area.
- Business Process Outsourcing: More and more companies are choosing to outsource whole business processes, of the kind that cannot be automated and require some degree of human intervention and judgement. In the same way that many US and UK companies outsource whole human resource and accounting departments to India, Russian and Kazakh companies may consider outsourcing their business processes to Uzbekistan.
- Call centres: The Fergana Valley is perhaps the only region in the world where there is a good supply of university-educated, native-level speakers of all Central Asian languages as well as Russian. A CIS region call centre could easily be established, and many agents could, with some training, provide services in Farsi and Turkish as well.
- Marketing and communication services: In Uzbekistan in general and in the Fergana Valley in particular, there is a distinct lack of companies providing professional marketing and communication services – including PR, multimedia, media placement, website production, government rela-

As the Fergana Valley private sector expands and its population becomes wealthier and more integrated with the rest of Central Asia, demand for almost all services is set to grow significantly.

tions and event marketing. An experienced foreign investor establishing itself in the Valley could easily gain a substantial market share in the entire Central Asian region.

- **Tourism:** There are only a handful of hotels operating in the Fergana Valley. As business activities increase, the shortage of business-class hotel rooms will become increasingly acute. At the same time, there is a great deal of potential for holiday tourism. The weather is mild by Central Asian standards, and many people from the surrounding areas spend summer in the area. The Fergana Valley's mountain scenery and location on the Silk Road will encourage more tourism in the future.

There are many opportunities in other areas as well, such as logistics, finance, education and health. As the Fergana Valley's private sector expands and its population becomes wealthier and more integrated with the rest of Central Asia, demand for almost all services is set to grow significantly.

4. MAJOR CHALLENGES FACING INVESTORS

Investors in the Fergana Valley face obstacles similar to those faced by other investors across Uzbekistan. More detailed information on the main challenges faced by investors in Uzbekistan can be found in the "Investment Guide to Uzbekistan 2009".



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5. HOW TO PROCEED

Contact details: List of relevant agencies and authorities

THE INFORMATION SUPPORT & FOREIGN INVESTMENTS PROMOTION AGENCY “UZINFOINVEST”

The investment promotion agency “Uzinfoinvest” was established in February 2007 under the Ministry of Foreign Economic Relations, Investment and Trade. Uzinfoinvest is responsible for promoting Uzbek investment opportunities worldwide, especially projects considered by Government to be of high priority. Over 300 such projects are available, ranging from oil and gas, chemicals, electro-technical products and textiles to construction materials, food processing and tourism.

In addition to being the first point of contact and support for investors interested in Uzbekistan, Uzinfoinvest organises meetings and forums to link foreign investors with local companies. It also works to improve Uzbekistan’s image as an investment destination among investors from the former CIS and beyond.

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CHAMBER OF COMMERCE AND INDUSTRY OF THE REPUBLIC OF UZBEKISTAN - REGIONAL OFFICES

The Chamber assists local entrepreneurs in promoting their products in foreign markets and in finding foreign partners and investors. At the same time, it strives to attract foreign direct investment to Uzbekistan. The Chamber’s services include the provision of information and advice, as well as the publication of business directories which contain information on domestic manufacturers, goods and services offered and investment opportunities. The Chamber also acts as an intermediary between entrepreneurs and the Administration, helping to represent and protect the entrepreneurs’ rights and legitimate interests.

In particular, the Chamber’s Department of Foreign Investments and Mini-Technologies provides a range of services to foreign investors. It assists them with incentives, bureaucratic procedures and privatization programme procedures. The Department can also assist investors in preparing investment project documentation, developing business plans and securing finance.

Andijan Regional Office

Address: 122, Navoi Street, Andijan City

Phone: +998 374 298 11 02 (or +998 374 222 17 37)

Fergana Regional Office

Address: 58, M. Kosimov Street, Fergana City

Phone: +998 373 229 71 02

Namangan Regional Office

Address: 7, Nasir Street, Namangan City

Phone: +998 3692 23 11 02 (or +998 3692 23 11 06)

**MINISTRY OF FOREIGN ECONOMIC RELATIONS, INVESTMENTS AND TRADE OF THE
REPUBLIC OF UZBEKISTAN - REGIONAL OFFICES**

The Ministry ensures the implementation of Government policy on external economic activity, export and investment promotion and foreign trade liberalization. It works to promote the expansion of foreign trade and the strengthening of foreign trade relations, and conducts market research and analysis of market trends in Uzbekistan and abroad. It also develops and implements measures to improve the competitiveness of the Uzbek economy and promotes the economy's integration in global processes, while at the same time securing the rights and interests of local businesses in relation to international trade.

Andijan Regional Office

Address: 126, Navoi Street, Andijan City

Email: andmfer@mail.uz

Phone: +998 374 222 25 81

Fergana Regional Office

Address: 22, Marifat Street, Fergana City

Email: fer_mfer@simus.uz

Phone: +998 373 224 76 88

Namangan Regional Office

Address: 9, Navoi Street, Namangan City

Email: ngmfer@mail.ru

Phone: +998 3692 26 29 04

KHOKIMIYATS - REGIONAL ADMINISTRATION OFFICES

Khokimiyats are regional administration bodies that are responsible for socio-economic development in their respective regions, as well as the implementation of the laws, decrees and resolutions of the President and the Government of Uzbekistan. Khokimiyats coordinate the activities of all legal entities in their respective regions in the spheres of agriculture, the use of land and other natural resources, environmental protection, construction, transportation, communications, public utilities, trade, services, social protection of citizens, justice, public security and human rights and freedom.

Andijan regional administration

Address: 239, Abdurauf Fitrat Street, Andijan City, 170020

Phone: +998 374 222 25 82 (or +998 374 222 25 13)

Fax: +998 374 222 19 32

Email: andwork@uzpak.uz

Web: www.andijan.uz

Fergana regional administration

Address: 13, Alisher Navoiy Street, Fergana City

Phone: +998 373 224 70 70 (or +998 373 224 97 11)

Fax: +998 373 224 74 51

Web: www.fergana.uz

Namangan regional administration

Address: 57, A. Rakhimov Street, Namangan City, 166000

Phone: +998 3692 26 60 08

Fax: +998 3692 26 57 22

Web: www.naman.uzpak.uz

6. APPENDIX AND STATISTICS

A. LIST OF FOREIGN INVESTORS IN THE REGION

JV «Asnam Textile»

Main product: cotton yarn

Address: 94b, Uychi Street, Namangan City , 716005

Phone: +998 692 26 23 10, 26 04 19, 26 09 68

Contact person: Mr. Khamitkhon Akparov, Executive Director

FE «Daewoo Textile Company»

Main product: cotton yarn, fabrics

Address: 6, Turalar Street., Tashlak, Fergana province

Phone: +998 373 233 98 35, 233 96 36

Email: dilshod@daewootextile.com

Web: <http://www.daewootextile.com>

JV «Pap Fen»

Main product: cotton yarn

Address: 19, Iskovut Street, Papskiy District , Iskovut, 717009, Namangan province

Phone: +998 694 33 39 90, 36 12 43

Contact person: Mr. Ali Altunju, General Director

JV CJSC «EuroAsia Tapo Disk»

Main product: automobile discs

Address: 12, S. Kosimov Street, Fergana City, 150100

Phone: +998 373 226 91 70, 226 40 66

Email: etd@simus.uz

Web: <http://www.eatltd.spb.ru>

Uzbek-Swiss JV «Nestle»

Main products: Nestle Pure Life water, Nestle milks, baby food

Address: 111a, Buyuk Ipak Yuli Street, Tashkent, 100077

Phone: +998 71 140 06 00

«Margelan textile»

Main product: cotton yarn

Address: 50, Istiqlol Street, Margelan, Fergana province

Phone: +998 373 233 15 97, 233 15 92

JV «MS Food Processing Co.»

Main product: juices, fruit jams

Address: 18, Ibn Sino Street, Pskent, 102600, Tashkent province

Phone: +998 90 915 08 82

Email: ms_natural_products@engineer.com

FE JSC «Daewoo Textile Fergana»

Main product: cotton yarn, fabrics
Address: 1, Kuvasayskaya Street, Fergana City
Phone: +998 373 223 06 82, 223 06 81
Email: uchkun@daewootextile.com
Web: <http://daewootextile.com>

FE «MRT Textile»

Main product: cotton yarn
Address: 4/14, Qora-Niyoziy Street, Tashkent, 100000
Phone: +998 71 150 14 55, 150 14 56
Email: info@mrttextile.com
Web: <http://www.mrttextile.com>

OJSC Kuvasaycement

Main product: cement
Address: 138, Mustakillik Street, Kuvasay, 150901, Fergana province
Phone: +998 373 373 27 93
Email: info@kuvasaycement.uz

OJSC Kuvasaycement

Main product: cement
Address: 138, Mustakillik Street, Kuvasay, 150901, Fergana province
Phone: +998 373 373 27 93
Email: info@kuvasaycement.uz

OJSC Namangantextile

Main product: cotton yarn, fabrics
Address: 4, Toqimachilar Street, Namangan City
Phone: +998 693 25305
Email: nn_namangatekstil@legprom.intal.uz
Contact person: Mr. Habibullo Muhiddinov, Chairman of the Board

JV LLC «Fayzakroteks»

Main product: knitwear
Address: 36, Sherkulov Street, Rishtan, Fergana province
Phone: +998 371 120 69 79
Email: info@fayzakroteks.com
Web: <http://www.fayzakroteks.com>

CJSC «General Motors Uzbekistan»

Main product: automobiles (Nexia, Damas, Matiz, Epica, Captiva, Tacuma)
Address: 81, Humo Street, Asaka, Andijan province
Phone: +998 374 233 05 48
Email: locals@gmuz.uz

JSC Kvarts

Main product: glass, glass goods
Address: 2a, Mustakillik Street, Kuvasay, Fergana province
Phone: +998 373 373 37 14
Email: qvartz@intal.uz
Web: <http://www.qvartz.uz>

B. STATISTICS

i. Regional output statistics

Table b1. Regional output, 2003 – 2008

	2003	2004	2005	2006	2007	2008
Gross Regional Domestic Product, mln USD	2,112.3	2,413.3	2,925.2	3,566.6	4,046.2	5,089.1
GRDP growth rate, %	2.3	4.7	7.9	8.0	9.3	10.3
GRDP per capita, USD	296.6	333.4	399.2	480.0	534.0	663.4
Industrial production growth rate, %	4.4	8.1	10.4	11.0	7.5	13.1
Agricultural production growth rate, %	4.9	6.1	5.7	4.2	8.6	6.9
Investments growth rate, %	-7.4	-12.7	16.5	2.1	29.3	44.5

Table b2. GRDP by sectors, mln USD

	2003	2004	2005	2006	2007
Total	2,112.3	2,413.3	2,925.2	3,566.6	4,046.2
industry	352.0	462.6	653.5	786.5	945.5
agriculture	782.4	857.3	997.3	1,071.7	1,159.7
construction	70.2	81.9	104.0	117.3	187.4
transport and communications	128.9	172.3	215.2	274.9	251.2
trade and catering	216.0	206.7	208.6	358.4	339.4
other sectors, incl. Services	329.0	377.0	469.3	622.1	843.4
net taxes on goods and export-import transactions	233.8	255.4	277.3	335.7	319.6

Table b3. GRDP by sectors, growth rate, %

	2003	2004	2005	2006	2007
Total	2.3	4.7	7.9	8.0	9.3
industry	4.4	8.1	10.4	11.0	7.5
agriculture	4.9	6.1	5.7	4.2	8.6
construction	-3.3	-0.1	17.4	12.4	15.6
transport and communications	4.9	9.9	20.5	13.4	23.6
trade and catering	-2.4	-4.1	0.2	17.3	22.0
other sectors, incl. Services	-2.0	-4.3	5.0	7.1	4.0
net taxes on goods and export-import transactions	1.3	4.2	10.5	6.3	3.5

Table b4. Industry by sub-sectors

	2003	2004	2005	2006	2007
Total	100.0%	100.0%	100.0%	100.0%	100.0%
incl.					
electric power	3.4%	4.8%	5.9%	3.8%	3.2%
fuel	17.4%	18.8%	16.9%	17.9%	20.1%
ferrous metallurgy	0.0%	0.0%	0.0%	0.0%	0.0%
non-ferrous metallurgy	0.0%	0.0%	0.0%	0.0%	0.0%
chemical and petrochemical	6.6%	5.9%	5.7%	4.8%	4.7%
machinery and metal-working	23.1%	26.9%	34.1%	39.4%	39.5%
logging,woodwork, pulp and paper	0.5%	0.5%	0.7%	0.3%	0.3%
construction materials	3.8%	3.4%	2.9%	3.4%	4.0%
light	29.2%	25.9%	22.3%	18.7%	16.4%
food	8.0%	6.1%	5.5%	5.8%	5.7%
other	7.9%	7.7%	6.2%	5.9%	5.9%
Consumer goods	46.9%	45.5%	47.0%	51.1%	51.6%
incl.	0.0%	0.0%	0.0%	0.0%	0.0%
food products	14.7%	11.0%	8.6%	8.6%	8.4%
non-food products	32.2%	34.5%	38.5%	42.5%	43.2%

ii. Labor force statistics

Table b5. Population and employment

	2003	2004	2005	2006	2007	2008
Total population, mln	7.1	7.2	7.4	7.4	7.5	7.7
Population growth rate, %	1.4	1.4	1.4	1.4	1.6	-
Labor force, ths	2645.8	2736.4	2823.6	2911.7	3175.5	4347.3
Employed, %	99.8	99.8	99.8	99.9	94.2	-
Unemployed, %	0.2	0.2	0.2	0.1	5.8*	-
Employed in SME, ths	1535.5	1653.5	1868.2	2108.6	2317.9	-

* - since 2007 a new methodology of calculating the unemployment rate is being used

Table b6. Employment by sectors

	2003	2004	2005	2006	2007
industry	12.9	13.1	13.5	13.7	13.9
agriculture	34.6	33.8	31.2	30.2	29.2
construction	5.9	6.1	6.3	6.5	6.6
transportation	3.3	3.4	3.6	3.8	3.9
trade	7.6	7.8	8.2	8.8	9.5
utilities	2.7	2.8	2.9	3.0	3.1
health	6.7	6.9	7.2	7.4	7.6
education	11.9	12.2	12.5	12.7	12.9
financial services	0.4	0.4	0.4	0.4	0.4
others	13.9	13.4	14.1	13.4	13.0

iii. Investment statistics

Table b7. Investments by sectors, mln USD

	2003	2004	2005	2006	2007
industry	111.7	65.3	102.8	87.9	149.2
incl.	0.0	0.0	0.0	0.0	0.0
electro-energy	2.2	2.3	4.5	6.2	37.2
fuel	1.8	9.2	13.0	12.4	15.7
metallurgy	0.0	0.1	0.0	0.0	0.0
chemical	19.1	5.9	20.7	10.5	12.8
machine building	5.3	2.7	9.7	14.1	22.6
construction materials	1.0	1.2	2.5	2.4	5.6
light	69.6	23.5	27.2	25.6	39.6
food	5.0	11.2	8.3	9.0	6.7
other	7.7	9.2	16.9	7.7	8.9

iv. Foreign trade statistics

Table b8. Foreign trade

	2008
exports, mln USD	1427.3
imports, mln USD	1527.1

Table b9. Key exports markets (2007)

	thousand USD
Russia	806,802.0
Ukraine	155,220.6
Iran	153,069.1
Latvia	50,915.0
Turkey	44,432.3

Table b10. Key import markets (2007)

	thousand USD
Korea	709,184.1
Kazakhstan	223,017.7
Russia	136,986.5
Romania	82,355.2
China	62,684.1

Table b11. Key exports items (2007)

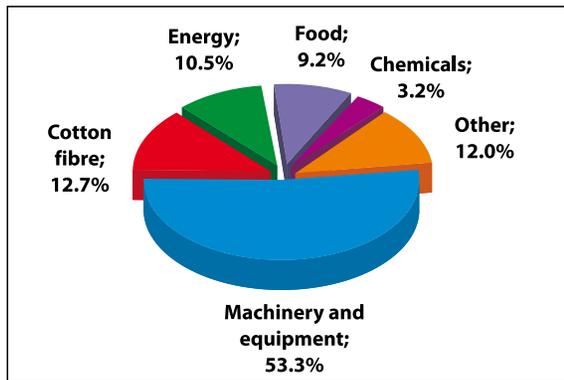


Table b12. Key import items (2007)

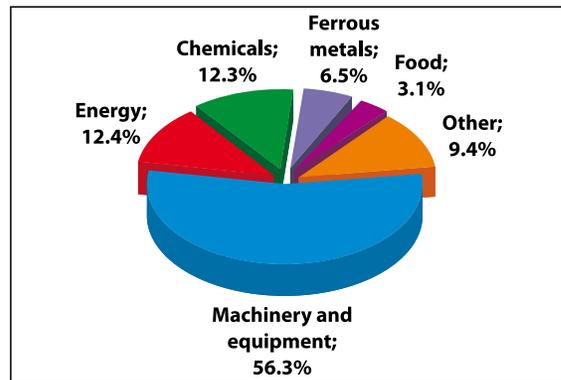


Table b13. Key export partners (2005)

	region	Exports, million USD (2005)	% of total regional exports
1. GM Uzbekistan (automobiles)	Andijan	318.3	46.5%
2. "Fergana Oil Processing Plant" (processed oil)	Fergana	38.03	5.6%
6. "Daewoo textile company" (textile)	Fergana	31.7	4.6%
4. "Daewoo Fergana International" (textile)	Fergana	16.8	2.4%
5. "Andijan cable" (electro technical goods)	Andijan	16.5	2.4%

Table b14. Key import items (2004)

	region	Imports, million USD (2004)	% of total regional imports
1. GM Uzbekistan (spare parts for automobiles)	Andijan	285.8	60.3%
2. "UZKODJI" (spare parts for automobiles)	Andijan	7.3	1.5%
3. "UZ Dongju paint company" (chemicals for pain production)	Fergana	31.7	4.6%
4. "Iskovuttex" (textile equipment)	Andijan	7.0	1.5%
4. "Iskovuttex" (textile equipment)	Namangan	6.5	1.4%
5. "Andijan cable" (equipment)	Andijan	5.6	1.2%

C. ABBREVIATIONS

CEO	Chief Executive Officer
CJSC	Closed Joint Stock Company
CIS	Commonwealth of Independent States
EU	European Union
FDI	Foreign Direct Investment
FE	Foreign Enterprise
GRDP	Gross Regional Domestic Product
GM	General Motors
ILO	International Labour Organization
JSC	Joint Stock Company
JV	Joint Venture
LLC	Limited Liability Company
MFERIT	Ministry of Foreign Economic Relations, Investments and Trade
OJSC	Open Joint Stock Company
RDP	Regional Domestic Product
UAE	United Arab Emirates
UK	United Kingdom
UNDP	United Nations Development Programme
USA	United States of America
USD	US Dollar
UZS	Uzbek Soum (national currency)