



SURKHANDARYA REGION

NEW OPPORTUNITIES AND
PROSPECTS



INVESTMENT
GUIDE



TO INVEST IN SURKHANDARYA REGION

- ✓ Closest exit to large markets of Afghanistan and countries of South Asia
- ✓ Convenient location for storing and export of fresh and processed agricultural products
- ✓ Favorable climate conditions for development of agricultural sector
- ✓ A chance to acquire facilities in public ownership at "zero" value
- ✓ Concessional lending to investment projects
- ✓ Increased competitiveness due to affordable cost of labor force
- ✓ Significant reserves of mineral and natural resources
- ✓ Unique opportunities for establishment of agro - tourist clusters
- ✓ Convenient package of preferences and benefits for participants in FEZ and SIZ
- ✓ Developed engineering and transport infrastructure



Administration of
Surkhandarya
Region



CHAMBER OF COMMERCE
AND INDUSTRY
OF UZBEKISTAN



WELCOME TO SURKHANDARYA REGION!

In the framework of the State program for implementation of the Strategy of actions on five priority areas of the development of Uzbekistan in 2017-2021, during the year of "Active investments and social development", country is implementing practical measures aimed at improving investment attractiveness of the regions of the country, development of new jobs, as well as improvement of livelihoods of the population.

Surkhandarya is the southernmost region of the country with unique geographical location, significant economic potential, qualified labor force and rich natural resources.

Attraction of foreign investments is the priority for the region, hence, the local authorities today are paying a great deal of attention to the practical issues of providing legal safeguards to foreign companies, who are carrying out investment activities in the territory of the region.

This guide has been developed with a view to informing business community, particularly foreign businesses, about the potential of Surkhandarya region, its rich natural and climatic conditions and resources, transport and logistical advantages that allow companies successfully implement projects in the region.

We believe that information contained in this guide will demonstrate to foreign and local companies the opportunities that are present in the region and assist in finding promising areas of business activities.

Chairman of the Chamber
of Commerce and
Industry of Uzbekistan

Adham Ikramov

Head of Administration
of Surkhandarya Region
of Uzbekistan

Tura Bobolov

INTRODUCTION

Surkhandarya region is one of 14 regions of Uzbekistan, is sixth largest by territory with the total area of 20 100 km² in the south of the country

2.5 mln.

20 100 km²

Surkhandarya region borders on the west with Turkmenistan, on the east and north with Tajikistan, on the south with Afghanistan, on the north-east with Kashkadarya region.

Population of the region is over 2.5 million, out of which 64% lives in rural areas.

Capital of the region is Termez city with population of 142 thousand. Other large cities - Denov, Boysun, Shurchi, Jarkurgon, Kumkorgon, Sherobod, Kizirik and Muzrabat.

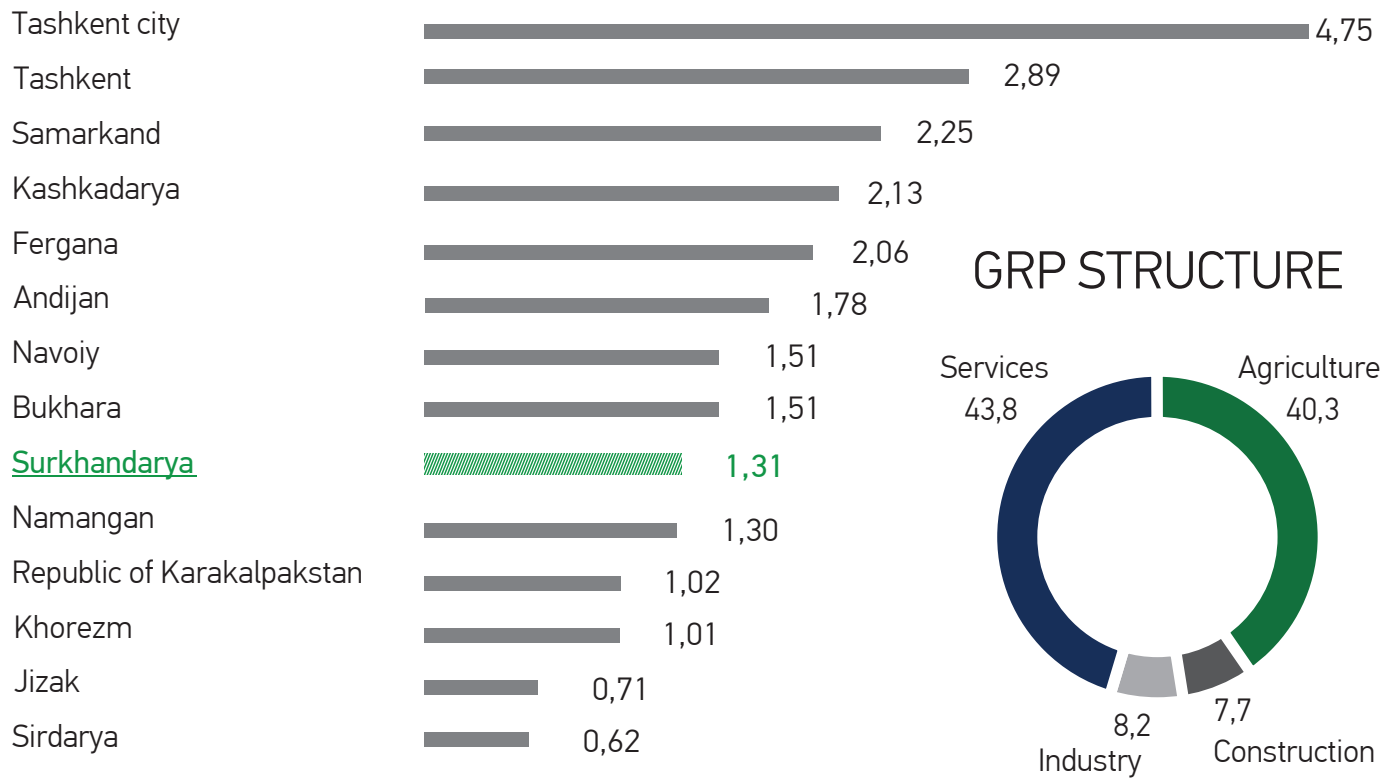
There are 14 administrative districts in the region.



- **GDP**
GDP exceeded \$1.3 billion and makes up 4% of Uzbekistan's total GDP
- The region is one of the most agriculturally developed regions and provides over 9% of total agricultural production of the country
- **STEADY GROWTH**
During past 10 years, region's GDP growth rate was at 8% annually
- **REGION'S ENTERPRISES**
There are 10 457 small enterprises, 105 large enterprises and 10 805 farms currently in the region
- **FOREIGN CAPITAL**
There are more than 302 enterprises with foreign capital in the region

GROSS REGIONAL PRODUCT

ACROSS THE REGIONS OF UZBEKISTAN (in \$ billion)



Population of the region is about 2.5 million

Rate of population increase during past 10 years was at 2% annually.

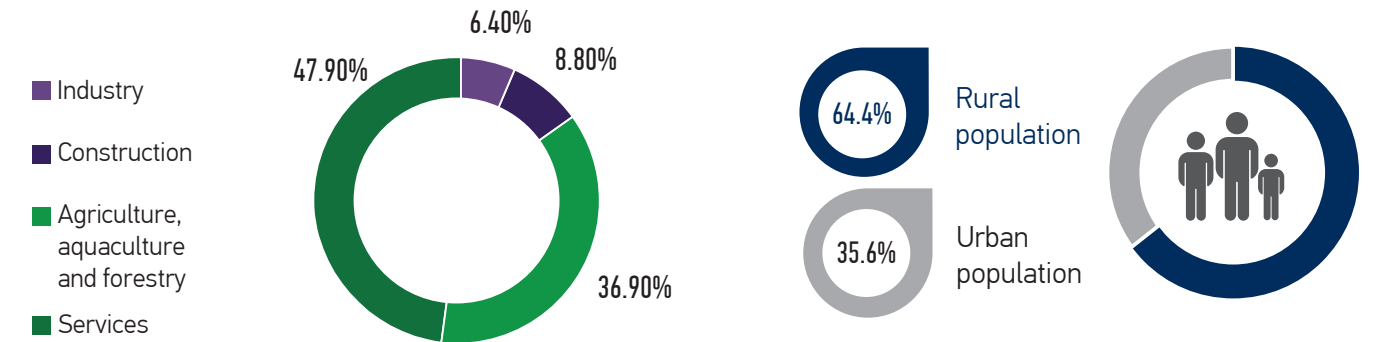
Over 70% of the residents of the region are young men and women below 40 years of age.

Labor force level is above 58% of the population.

Level of economically active population is over 74%.

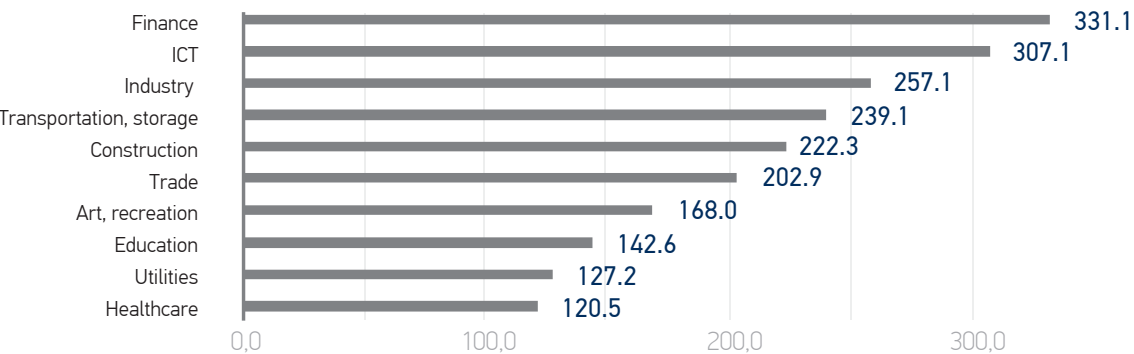
During last 5 years the real aggregate income has been showing positive growth at the average rate of 7.8% annually.

EMPLOYMENT BY SECTORS, in %

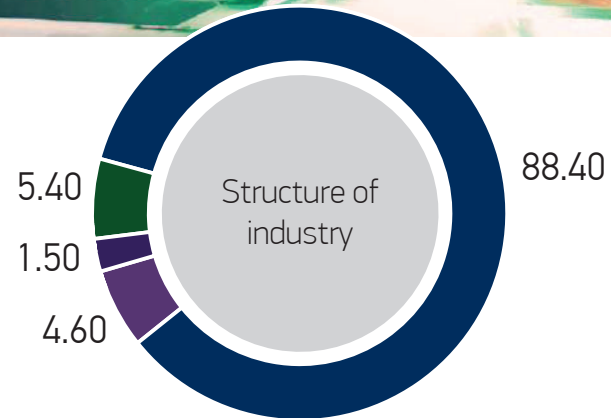


AVERAGE WAGES BY SECTORS

in US dollars



INDUSTRY



- Mining and quarry development
- Processing industry
- Electricity supply, natural gas and steam supply and air conditioning



Number
of active
enterprises in industrial sector

2 481

Region provides majority of coke production and petrochemical products.

During past 10 years industry went through steady growth with sharp increase in the number of enterprises.



Volume of industrial output reached \$289 million



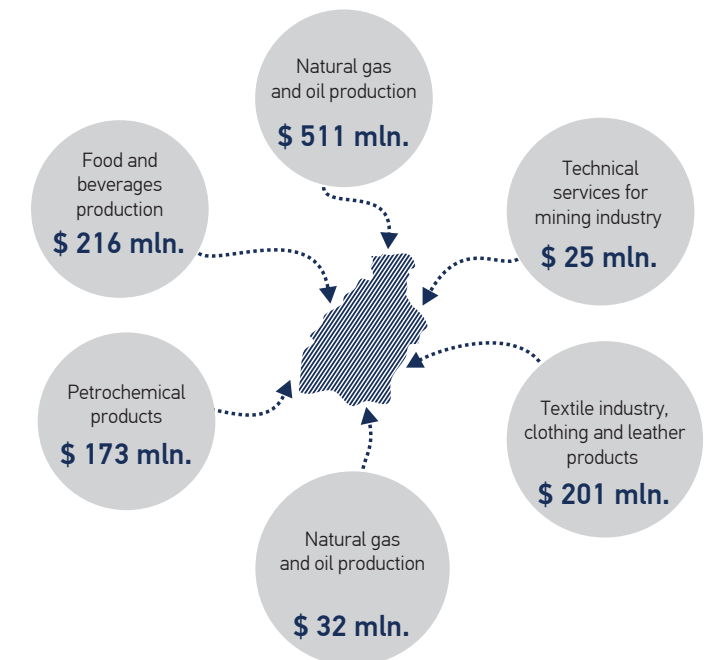
Region has well developed textile industry (cotton ginning and consumption, textiles), food industry (food products and beverages), construction materials industry and flour-milling industry.

Largest industrial enterprises are: Tupalang HPP, Jarkurgan Oil Refinery, JSC Shurgun Coal, Hujaikon Salt, Mining and Processing Complex Honjiza, LLC Gold Dried Fruits Export, JV Amudar Tex, JV LLC Agrohizmat-Shingdong, JV LLC Amur-Surkhon-Kashkar.

WHAT COMPRISES INDUSTRY OF THE REGION

Large deposits of non-ferrous metals (lead, zinc, gold), rare metals, such as strontium, coal, oil, natural gas, potassium salts and sodium chloride, various construction materials (including cement raw materials, pink granite, rotten rock, gypsum, keramzit and others) have been discovered in the region.

Two of three largest coal deposits of the country are located in Surkhandarya region. These are coal strip mines Shargun and Baysun, located in Jurassic chambers, from which high quality coal is extracted.



ATTRACTIVE TRENDS



Jointly with Russian partners, gas-chemical complex is being constructed at the "25th Anniversary of Independence" mine in Baysun district with estimated more than \$5 billion cost.

Jointly with Chinese partners, \$105 billion production facility modernization is being implemented at Shargun Kumir coal deposit in Sariosiyo district.

Coal Strip mine is being modernized in Baysun. This project will allow production of 450 thousand tons of coal per year. Construction have been also launched under projects with production capacity of 5 million tons of cement per year.



Jointly with Chinese partners, LLC «Huashen Silkworm Pro» is being created in Angor district. This company will specialize in farming silkworm. Company will create more than 3.7 thousand jobs.

Estimated \$120 million cement plant with projected production capacity of more than 1 million tons of cement a year was commissioned in Sherabad district. More than 1100 jobs were provided by the plant.

Modern disinfection-washing station has been commissioned for washing and sanitary treatment of wagons after cargo offloading with 246 wagons per day throughput.





Moderate winters allow for **3** harvest seasons a year



AGRICULTURE

The most important agricultural sectors - grain growing, horticulture, transhumance (grazing) sheep breeding, cotton growing, vegetable growing, sericulture and grape growing. The cultivation of figs, persimmons and citrus fruits is of particular importance for the region.

The region stands out among other regions of the country by its favorable climate conditions and fertile soil for growing crops. In the region, horticulture and vegetables and cucurbits grow faster than in other regions, which creates benefits.

Most of the finely-fibred cotton is grown in southern districts of the region - Termez, Sherabad

Jarkurgan districts. Beef farming and sericulture are developed in parallel with cotton production.

In order to expand irrigated agriculture, South Surkhan and Uchkizil water reservoirs were constructed recently. Irrigation activities were carried out in the southern part of Surkhandarya valley and in Sherabad plane, which significantly expanded the Sherabad oasis.

Mountain pastures provide for grazing Gissar sheep, whose weight reaches 150-160 kg, Angora breed goats are also farmed for production of meat, valuable fur hair and wool.



The region is also the only area of the country, where sugarcane is cultivated.

Large number of orchards, vineyards, pastures in household land plots provides evidence of the value of agriculture as one of the important practices and livelihoods of local residents of the region.



Surkhandarya region has favorable soil and climate conditions for development of winegrowing allowing high yields of this culture. Currently, this sector has a great potential for further growth, which could be brought about by the currently established new vineyards, implemented new irrigation technologies, agrotechnical measures and growing new high-yielding grape varieties.

PHYSICAL VOLUMES OF AGRICULTURAL PRODUCE

PLACE IN TOTAL COUNTRY PRODUCTION №



Silk cocoon
(1131.3 tons)



Wheat
(664.1k tons)



Vegetables
(984.0k tons)



Cucurbits
(231.8k tons)



Grapes
(135.9k tons)



Meat
(177.7k tons)



Milk
(810.0k tons)



Eggs
(320.5 mln)



Fruits and berries
(154.9k tons)

69%

of agricultural production is provided by private dehqan farms

31%

by farms

TOURISM POTENTIAL



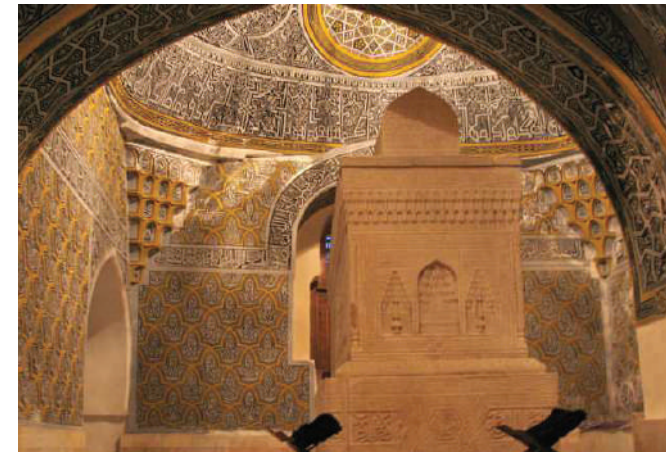
Baysun Mountains

Majestic mountain summits, picturesque nature, breathtaking waterfalls, clear and healing springs of Surkhandarya are capable of captivating anyone. That is why development of mountain and environmental tourism is playing increasingly important role in the development of the region.

Currently in the region there are efforts being taken aimed at development of tourist zones, where new hotels and cultural-recreational and health infrastructure are planned for development..

Surkhandarya region has unique historical and cultural past. From the ancient times the region was a cradle of secular and religious sciences, center of culture and artisanship, architecture and trade.

On a high bank of Amudarya, to the south-west of the old city of Termez there is tomb of the sheik of one of the Sufi Orders. This landmark is the mausoleum of the "Tarmez sage" - Hokim at-Termezi, whose full name is Abu Abdulloh ibn Hasan ibn Bashir.



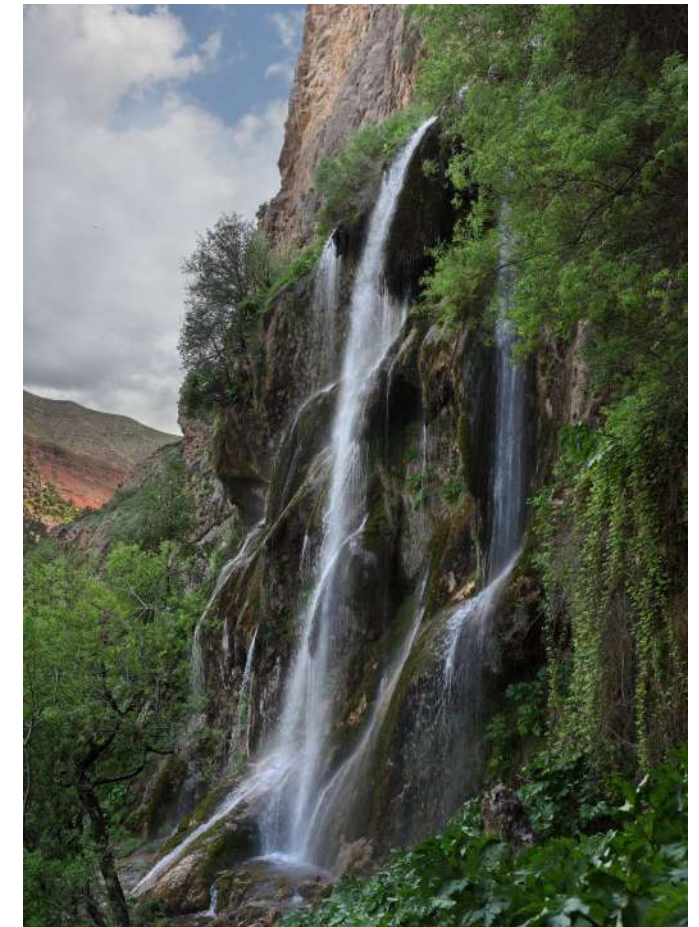
Mausoleum of Al-Hakim at-Tirmizi



Qirq Qiz Fortress

He was the great theoretician of Islamic Sufism, prominent scholar and the founder of the Order of Dervishes. Being an unorthodox thinker, at-Termezi rethought the interpretations of verses of the Holy Koran and Hadith, providing a fresh look at the essence of the belief in Allah and the Prophet.

Surkhandarya region is rich in archeological landmarks. The legendary "Alexandria of Oksian" - lost city of the Alexander the Great, which was searched



Waterfall Sangardak

by archeologists for many years, was discovered at the site of ancient town of Kampirtepa in Surkhandarya region.

In Termez district of Surkhandarya region lies the fortress "Kirk Kiz" built in IX-X centuries AD, which was the residence of the Samanid Emir and where he liked to spend his summer days away from the hustle and bustle of big city.



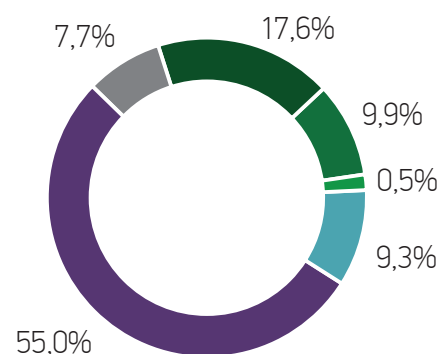
Total external trade turnover of the region is more than \$374 million



Main imports are from Kazakhstan, China, Lithuania, Russia and Turkey

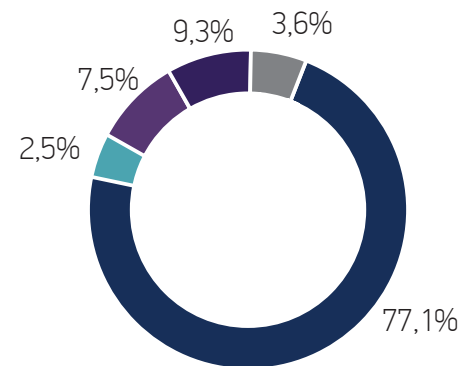
Main exports are to Afghanistan, Kazakhstan, China, Republic of Korea and Russia.

IMPORT STRUCTURE



- Foodstuffs
- Chemical products and goods
- Energy and oil products
- Ferrous and non-ferrous metals
- Machinery and equipment
- Energy and oil products

EXPORT STRUCTURE



- Cotton-lint
- Foodstuffs
- Energy and oil products
- Services
- Other

TRANSPORT INFRASTRUCTURE



Transport infrastructure of the region is fairly developed. Network of automobile roads and railways is linked with main transport routes of the country, this fact simplifies import and export of goods in all required directions.

Length of railways crossing the territory of the region is 372.5 km. There are more than 10 railway stations in the region.

Railway rout Taguzar - Boysun - Kumkurgan connects the south of Uzbekistan with the center of the country and Kazakhstan.

There is the main passageway running between Termez and Tashkent.

There are 2 844 kilometers of automobile roads in the region, including international and national highways. The region has its airport.

Region has rail-vehicular bridge across Amudarya river, its length is 816 meters, and it connects Uzbekistan and Afghanistan.





TERMEZ CARGO CENTER

Termez Cargo Center is large logistical terminal, located in Termez district of the region. It was commissioned in 2016. It is the only terminal of this nature built at the close proximity to the border with Afghanistan.

This terminal provides transport and logistical services, including customs checks, loading and offloading, goods storage at warehouses of the terminal, as well as processing of transit cargo for intermodal transportation (rail - truck) to and from Afghanistan.

It is unique by its size and capacity. Total area of the terminal is 40.7 ha. terminal has 4 indoor warehouses with total area of 6 thousand m² each, one of which is equipped with 14 refrigerated chambers, with total area of 141.6 m² each.



There is dedicated container yard for storing more than 3 thousand 20-foot containers and more than 2 thousand 40-foot containers. Throughput capacity of the container yard allows for processing 69 20-foot containers per day.

There is open parking for 300 large cargo trucks, including parking area for refrigerator trucks with charging stations.



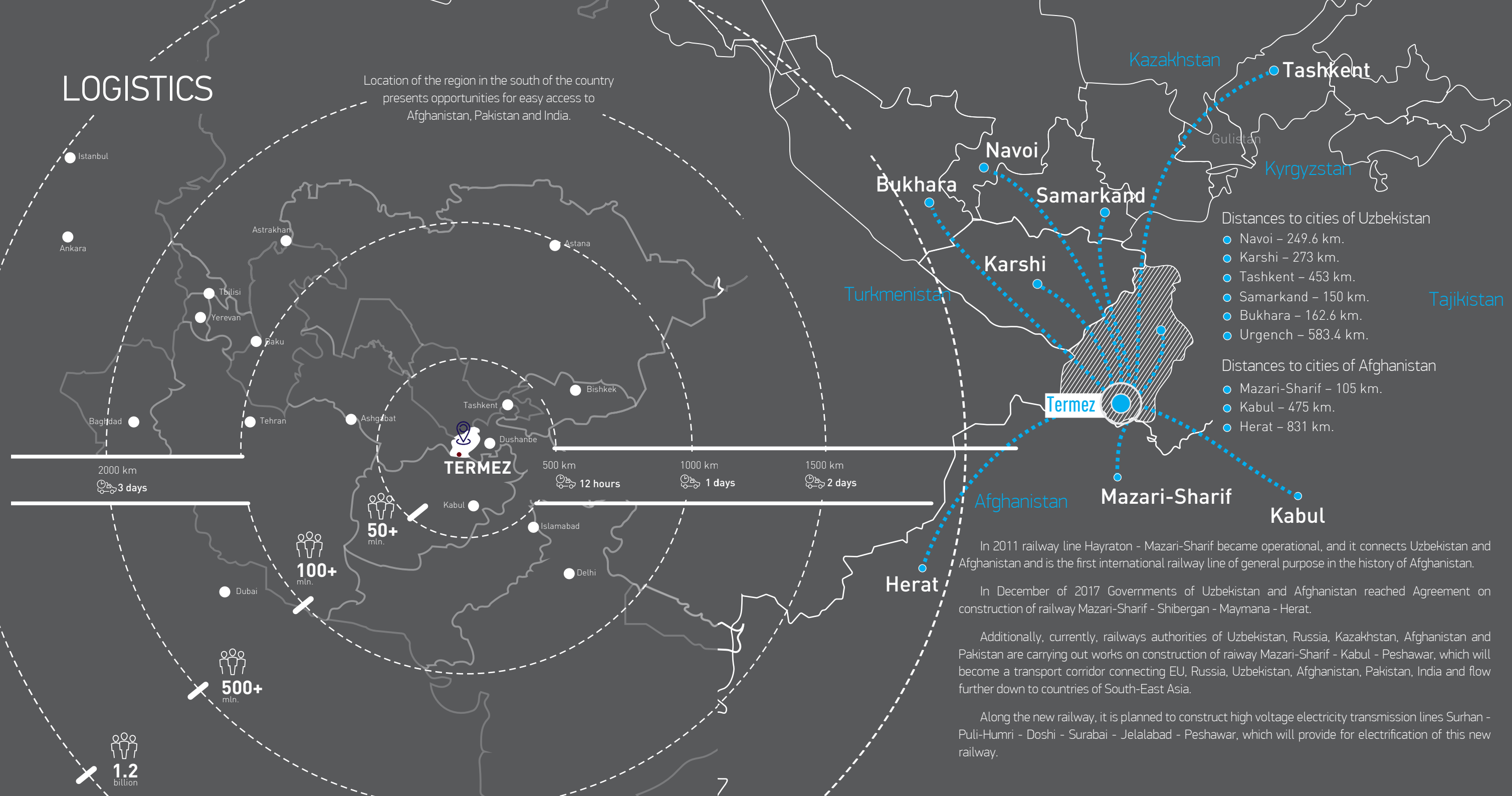
RIVER PORT

The region has the only international river port of Central Asian region, situated on the bank of Amudarya river, on the international Uzbekistan - Afghanistan border. There is the bridge crossing the river with rail tracks. Goods exported from Poland, Check Republic, Russia, Germany, Bulgaria and other countries various Asian countries transported through the bridge and the port .

The port has a well developed network of access rail tracks. Goods to Afghan port of Hayraton are transported through the port. On average, each month port delivers about 25 000 tons of shipments. There means of river transport for shipment of cargo from port Termez to port Hayraton and back: diesel boats (tug boats), dry-cargo and tank barges with capacity of up to 2 500 tons.

LOGISTICS

Location of the region in the south of the country presents opportunities for easy access to Afghanistan, Pakistan and India.



Distances to cities of Uzbekistan

- Navoi – 249.6 km.
- Karshi – 273 km.
- Tashkent – 453 km.
- Samarkand – 150 km.
- Bukhara – 162.6 km.
- Urgench – 583.4 km.

Distances to cities of Afghanistan

- Mazari-Sharif – 105 km.
- Kabul – 475 km.
- Herat – 831 km.

In 2011 railway line Hayraton - Mazari-Sharif became operational, and it connects Uzbekistan and Afghanistan and is the first international railway line of general purpose in the history of Afghanistan.

In December of 2017 Governments of Uzbekistan and Afghanistan reached Agreement on construction of railway Mazari-Sharif - Shibergan - Maymana - Herat.







Additionally, currently, railways authorities of Uzbekistan, Russia, Kazakhstan, Afghanistan and Pakistan are carrying out works on construction of railway Mazari-Sharif - Kabul - Peshawar, which will become a transport corridor connecting EU, Russia, Uzbekistan, Afghanistan, Pakistan, India and flow further down to countries of South-East Asia.

Along the new railway, it is planned to construct high voltage electricity transmission lines Surhan - Puli-Humri - Doshi - Surabai - Jelalabad - Peshawar, which will provide for electrification of this new railway.

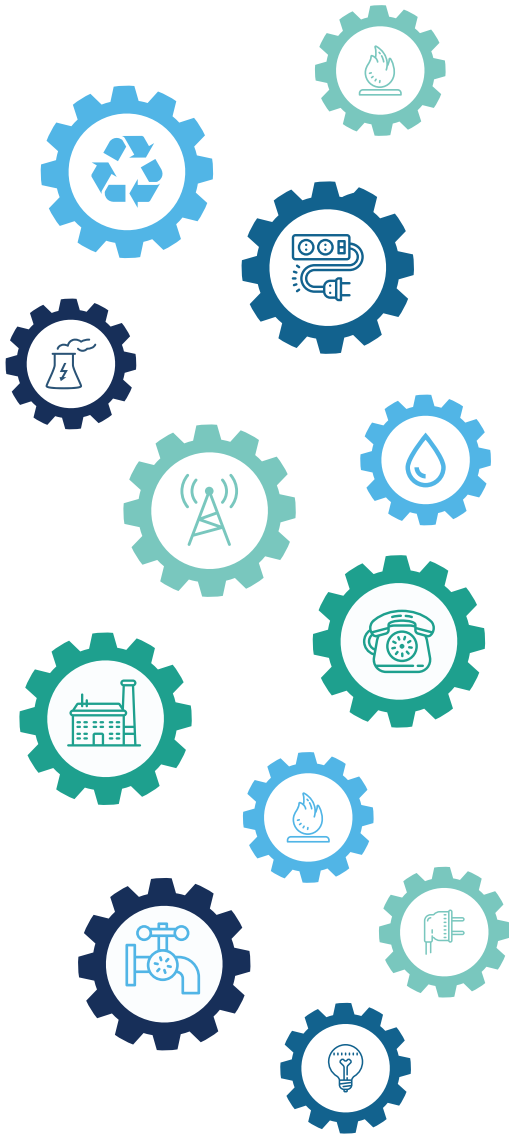
UTILITY LINES

Region automatically provides for connection to electricity, natural gas and water supply lines for investors.

Utility tariffs for enterprises

-  Electricity supply*
\$ 0.03 for 1 kWh
-  Water supply*
\$ 0.09 for 1 m³
-  Hot water*
\$ 0.53 for 1 m³
-  Solid waste*
\$ 0.48 per 1 person per month
-  Natural gas supply*
\$ 0.04 for 1 m³
-  District heating*
\$ 0.18 for 1 m²

All mobile and internet operators are present in the region.



KEY TAX RATES



Corporate



Individual

Corporate income tax

12%

Value Added Tax

20%

An enterprise with an annual turnover in the amount of 1 to 3 billion soums has the right to switch to simplified taxation, according to which the amount of VAT is below 20% and varies by the scope of activity

Property tax

2%

Dividend tax

5%

Social payment
from employees salary

12%



Personal income tax
12%



Free economic zone (FEZ) "Termez" is unique and sizable project, aimed at development of trade and transport and logistical links with the neighbors of Uzbekistan, particularly with Afghanistan, as well as for comprehensive utilization of resources of the border region of Surkhandarya region.

FEZ "Termez" located on special dedicated land plot of Termez district, at 25.5 km distance from the border with Afghanistan. Total area of the FEZ territory is 3 000 ha. FEZ has special legal regime with lowered tax and customs rates, as well as minimized administrative procedures

FEZ "Termez" has authorized representations of the centers for support to entrepreneurs - "Single window" and "Export Support Fund" to ensure simplified registration procedures and financial and banking services.

Free Economic Zone "TERMEZ"



In accordance with the Resolution of the President of Uzbekistan of 3 May, 2017, FEZ "Boysun-Pharm" was established in the region. Main purpose of creation of this FEZ is:

to ensure comprehensive and efficient use of production and resource potential of Surkhandarya region with regards to growing medical plants in special natural conditions and for their further processing;

to attract direct foreign investments and domestic investors for establishment of modern pharma products and medicines production capacity with high added value, predominantly on the base of pharmaceuticals (medical substances) and herb material grown in plantations, established in accordance with the prescribed procedures;

creation of modern production capacity for processing of medicinal herbs and production of medicines, medical supplies, auxiliary and packaging materials;

deepening of the processes of localization of production of pharma products on the basis of local herb material based on established close cooperation ties and industrial cooperation between the enterprises of FEZ and across the country;

establishment of research centers for study of introduction and cultivation of medical herbs with experimental and test laboratories.

FEZ has a term of 30 years with possible extension. FEZ has special tax, customs and FX regimes. Additionally, economic entities and farms planning to develop plantations for growing medical herbs will have access to lending from commercial banks.

Free Economic Zone "BOYSUN-PHARM"

FEZ PARTICIPANTS' BENEFITS

During the whole lifespan FEZ will have

special tax, customs and FX regimes

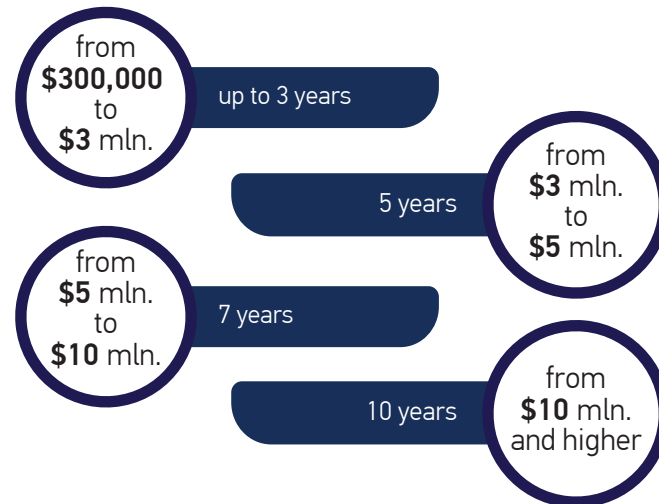


Tax and customs regimes were unified for FEZ participants with exemptions from payment of:

all
types of
taxes

all
types of
customs
duties

Mentioned benefits are provided for a term of from 3 to 10 years depending on the size of investment:



With application during subsequent 5 years of income tax and unified tax payment rates at 50% of the current rates.

Additionally, FEZ participants are exempt for the whole duration of FEZ term from customs duties for imported raw materials, materials and components for production aimed at export, and also will have a right to use convenient to them terms and conditions of payments and settlements for imported and exported goods.

Period of functioning of the FEZ



This guide has been developed and published with the support of UNDP projects 'Business Climate Improvement in the Regions of Uzbekistan' and 'Support to Investment Climate Improvement in Uzbekistan', and also with support from the Chamber of Commerce and Industry of the Republic of Uzbekistan and the Senate of the Oliy Majlis of the Republic of Uzbekistan.

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The electronic version of this guide is available on the internet at the website of the United Nations Development Program in Uzbekistan (www.uz.undp.org) and of the Chamber of Commerce and Industry (www.chamber.uz)

The figures in this guide, including prices, salary levels, rents and other rates, as well as data on assets for rent and investment projects, are all relevant at the time of this publication's preparation (August 2019).

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