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The procedure for organization of the cotton and textile clusters has been approved in Uzbekistan

The Cabinet of Ministers adopted the Resolution “On approval of the Regulation on the procedure for organization of the cotton and textile clusters” No.733 dated December 4, 2021 (the “Resolution No.ПКМ-733”).

In accordance with the Regulation on the procedure for organization of the cotton and textile clusters approved by Resolution No.ПКМ-733 (the “Regulation”), the creation of a cotton textile cluster is carried out by a resolution of the Cabinet of Ministers based on the conclusion of the Republican Commission.

Herewith, the provision of a land plot to a cotton-textile cluster on the basis of a lease right is carried out on the basis of an application from the applicant. The application is submitted through the Single Interactive Portal of Public Services and the Ministry of Agriculture will consider the completeness of the attached documents within 2 (two) business days. If the documents are not submitted in full, the Ministry of Agriculture will provide the applicant with 5 (five) business days to eliminate the deficiencies. In this case, the Ministry of Agriculture has the right to return the application if the applicant does not submit the missing documents after this period.

When creating cotton-textile clusters, preference is given to an applicant, who has a capacity of its own processing (at least yarn) of at least 50% of the produced or purchased raw cotton.

Moreover, a four-way agreement is concluded between the Ministry of Agriculture, the Association of Cotton-Textile Clusters of Uzbekistan, the Council of Ministers of the Republic of Karakalpakstan or the regional khokimiyat, respectively, and a contender for the creation of a cotton-textile cluster, for a period of 30 years. Moreover, if the applicant is an enterprise with foreign investment or a foreign legal entity, then the four-way agreement is concluded for a period of up to 25 years.

In addition, the Regulation indicates:

- ▶ forms of cotton-textile clusters created for growing raw cotton or purchasing products from farms and other economic entities producing raw cotton;
- ▶ a set of documents submitted by the applicant to the Public Services Center together with an application for the organization of a cotton-textile cluster and the procedure for their consideration;
- ▶ the procedure for concluding a four-way agreement on the launch of a cotton and textile cluster;
- ▶ rights and obligations established for the cotton-textile cluster and its members;
- ▶ rights and obligations established for raw cotton producers on the basis of a futures contract in order to establish relationships between suppliers and the cotton-textile cluster in accordance with market principles;
- ▶ the procedure for monitoring compliance by the cotton and textile cluster with obligations under agreements and the effectiveness of its activities;
- ▶ the procedure for terminating a four-way agreement in the event of default by the cotton-textile cluster.

The Regulation also stipulates that all cotton and textile clusters in one region (in the Republic of Karakalpakstan or the corresponding region) are allowed to carry out activities with farms on a contractual basis and farms – to voluntarily conclude futures contracts with these clusters for the supply of raw cotton.

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