

Textile and Clothing Sector of the Republic of Tajikistan: Production Review, Export Potential, Investment Attractiveness, Challenges and Solutions



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**Dushanbe,
June 1, 2015**

Enterprises of the textile and clothing sector of the Republic of Tajikistan

- **Vertically integrated textile enterprises - 6**
- **Spinning plants - 21**
- **Knitting factory – 1**
- **Socks and knitting factories and departments – 4**
- **Garment enterprises – 40**
- **Small clothing workshops - 124**

Name	2009	2010	2011	2012	2013	2014
Number of workers, employees and specialists (people)	8500	9000	10100	11280	12700	13200

National programs for development of textile and clothing sector of the Republic of Tajikistan

#	Name	Terms	Objective
1	Program of Complete Processing of Cotton Fiber Produced in the Republic of Tajikistan for the period till 2015	Decree of the Government of the RT No. 392 of August 3, 2007. Till 2015.	Performing complete processing of cotton fiber to end products in enterprises of the Republic of Tajikistan
2	Program of Light Industry Development in the Republic of Tajikistan for period 2005-2015	Decree of the Government of the RT No. 422 of October 31, 2005. 2005-2015.	Growth of light industry's production potential on the basis of development of processing industries with due consideration of own raw material resources base. Creation of additional jobs.
3	Program of Children Products Production in the Republic of Tajikistan for the period till 2015	Decree of the Government of the RT No. 683 of December 31, 2009. Till 2015	Enlarging types and range of children products using domestic raw materials (cotton fiber, wool, leather and yarn) and etc.
4	Program of Introduction of Scientific and Technological Achievements in Industrial Production in the Republic of Tajikistan for the period 2010-2015.	<i>Adopted on October 5, 2009</i> 2010-2015	Organization of industrial production of end competitive products from domestic raw materials in domestic enterprises in accordance with priority areas of the economy of the Republic

State of technology and technological equipment

#	Name	Quantity	New factories or departments	Technology and technological equipment		
				New	Conjunction of old and new	Worn-out and obsolete
1	Vertically integrated textile enterprises	6	3	3	3	-
2	Spinning plants	21	6	8	6	7
3	Knitting factory	1	-	-	1	-
4	Socks and knitting factories and departments	4	3	3	-	1
5	Garment enterprises (big and medium-sized enterprises)	40	10	10	20	10
6	Small clothing workshops	124	60	60	51	13

Competitiveness of the textile and clothing sector of the Republic of Tajikistan

State of technology	Quality	Price	Productivity	Range, model	Profitability	Salaries of workers, specialists	Sales market	Export
Worn-out and obsolete	Low	Low	Low	Limited	Low	Low	Limited	N/A
Conjunction of old and new	Medium	Medium	Low	Limited	Low	Medium Low	Limited	Low
New	High	High	High	Wide	High	High	Vast	High

Manufacture of products in the textile and clothing sector of the Republic of Tajikistan

#	Product name	Unit of measure	years					
			2009	2010	2011	2012	2013	2014
1	Cotton fiber	thousand tons	92,4	95	103	134	112	105
2	Cotton yarn	tons	8217	5227	7001	8964	8320	8720
3	Fabrics (all types)	million m ²	37,6	22,2	22,5	24,1	19,6	19,7
4	Cotton fabrics	million m ²	36,5	20,8	21,4	22,6	18,1	18,1
5	Hosiery and socks	thousand pairs	5 658	5 735	6 098	968	1 035	1 697
6	Garments	million somoni	75,5	96,5	121	111	124	124,3
7	Garments (for children)	thousand somoni	32	169	2 253	4 422	4 152	2 358
8	Knitted wear	thousand somoni	-	-	-	115,3	76,3	28,4

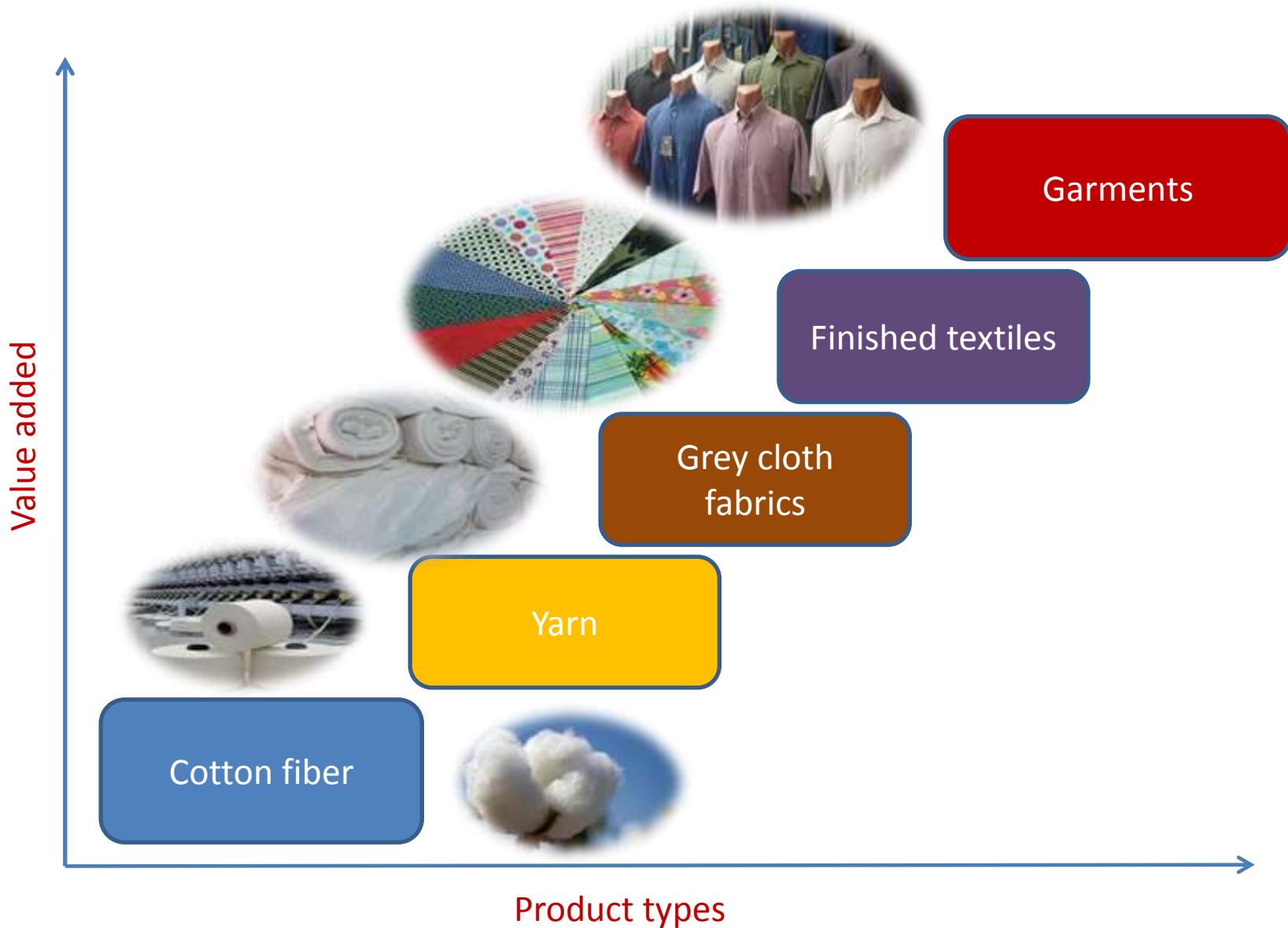
Export of textiles and garments by enterprises of the Republic of Tajikistan

Name	Unit of measure	Years					
		2009	2010	2011	2012	2013	2014
Textiles and garments	Million USD	28	33,1	40,4	41,5	38	34
Out of total national exports	%	2,77	2,77	3,21	3,05	3,27	3,4

Key export markets

- **Cotton yarn** (Foreign Economic Activity Commodity Classification (FEACC) 5205): Turkey, China, Russian Federation, Belarus, Iran
- **Cotton fabrics**: Italy, Czech Republic, Lithuania, Belgium, Russian Federation
- **Garments** (Men's and youth trousers and shorts, FEACC620342, trousers for girls, skirts, blouses, shirts, men's jackets): Italy («Javoni-Carrera»), Russian Federation, Slovenia

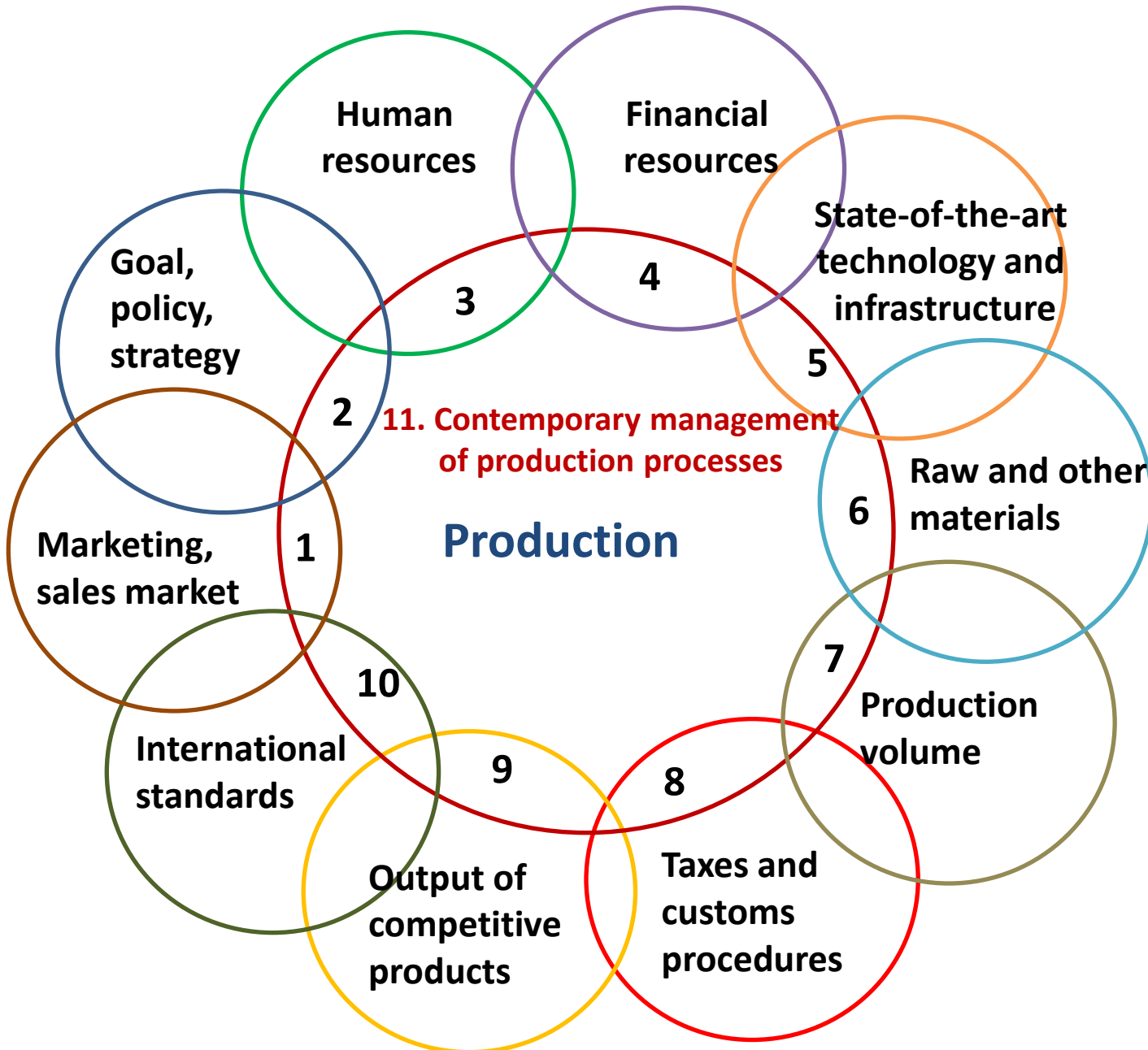
Products manufactured in textile and clothing industry of the Republic of Tajikistan



**Basic requirements to products manufactured in textile and clothing sector of the Republic of Tajikistan:
COMPETITIVENESS**

- 1. Quality conforming to the world standards and consumer requirements**
- 2. Price (relatively low, acceptable, competitive)**
- 3. Packing and marking (marketable appearance)**
- 4. Wide range, models, seasonality**
- 5. Safety (environmentally safe raw materials, not harming the health and environment)**
- 6. Production volume (flexibility)**
- 7. Conformance to the requirements, wishes, tastes and proposals of consumers**

Production



Production

➤ **Human resources**

Highly qualified specialists and workers in the main occupations

➤ **Financial resources**

Access to preferential and long-term loans for replenishment of current assets and technology renewal

➤ **State-of-the-art technology and infrastructure**

Access to the state-of-the-art technology and existence of modern infrastructure. Uninterrupted supply of electricity, vapor, water, logistics.

➤ **Sales market for manufactured products**

Market study and fair competition

➤ **Goal, policy and strategy**

Study of demand, wishes and tastes of consumers, volumes of internal and external markets, availability of funds, volume of production, quality, price, human resources, etc.

➤ **Volume of manufactured products**

Flexibility and high production output

Production (*cont'd*)

- **Output of competitive products on internal and external markets**
High quality, price, quality management, low costs, high qualification
- **Taxes, tax legislation**
Reasonable tax rates for businesses
- **Customs legislation**
Protection of domestic producers
- **Raw and other materials**
Availability and affordability of domestic raw materials
- **Contemporary management of production processes**
Financial, production and human resource management

Investment attractiveness of textile and clothing sector of the Republic of Tajikistan

1. **Availability of domestic raw materials, environmentally safe cotton fiber, silk fiber, cotton yarn, silk threads, grey cloth fabrics and finished cotton fabrics**
2. **Availability of free and relatively cheap labor**
3. **Availability of traditions in textile and clothing sector**
4. **A number of enterprises of textile and clothing sector located in Dushanbe, Khujand, Kurgan-Tube and Kulyab have free production spaces with relevant infrastructure for establishment of joint ventures.**
5. **Availability of free economic zones (FEZ) in the city of Khujand, Dangara, Pyanj and Ishkashim districts.**
6. **An investor investing funds within the territory of the RT shall be exempted from payment of income tax:**
 - *for a period of 2 years – with the investment volume from USD 200,000 to USD 500, 000 during 12 months after registration*
 - *for a period of 3 years - with the investment volume from USD 500,000 to USD 2,000,000 during 12 months after registration*
 - *for a period of 4 years - with the investment volume from USD 2,000,000 to USD 5,000,000 during 12 months after registration*
 - *for a period of 5 years - with the investment volume exceeding USD 5,000,000 during 12 months after registration*
7. **Importation of new equipment and technology for foundation of joint ventures in textile and clothing sector of the RT shall be exempted from payment of VAT and customs duties**
8. **New enterprises with full cycle of processing of cotton fiber shall be exempted from payment of income tax, land tax and property tax for a period of 12 years.**
9. **Existence of higher education institutions and technical vocational institutions for training of specialists and workers in main occupations.**
10. **Availability of sales markets inside the Republic. In the process of exporting products of T&C sector in CIS countries with zero-rated VAT.**

Priority directions for investments in textile and clothing sector of the Republic of Tajikistan

Foundation of joint ventures:

- on production of dyed knitted fabrics and knitted wear
- on production of mixture-colored yarn (cotton + elastane), (cotton + polyamides), (cotton + viscose) for weaving, knitting and hosiery and socks factories
- on production of suiting fabrics for making-up suits, school uniform and children's wear
- on production of hosiery and socks
- on production of sewing thread
- on production of silk yarn and fabrics
- on production of accessories for garment manufacture

Proposals on resolution of problems hampering growth of textile and clothing sector of the Republic of Tajikistan

Tax Committee under the Government of the RT

1. Relatively high tax rates: VAT- 18%, NSSF - 25%, property tax -(100% increase since January 1st, 2015), to study and review reduction of tax rates
2. To consider an issue of abolition of sales tax on cotton fiber (10%) for domestic processing
3. To consider abolition of VAT on children's wear and school uniform produced by garment manufacturers

Customs Service under the Government of the RT

1. To resolve an issue of prevention of illegal bringing of textile and clothing products into the territory of the RT
2. To consider an issue of changing of customs clearance rules for textile and clothing products from **weight** to **quantity, model, range, composition, size and price**
3. As legislation allows, to consider an issue of decreasing of state duty for raw materials, by-products not produced domestically but needed to manufacture products in the T&C sector such as materials, accessories, paints, man-made fiber, spare parts (non specific for certain manufacturers in T&C sector)

Proposals on resolution of problems hampering growth of textile and clothing sector of the Republic of Tajikistan

Ministry of Economic Development and Trade of the RT, Ministry of Education and Science of the RT, Ministry of Labour of the RT, business associations, higher education institutions.

1. To consider an issue of preparation of highly qualified production engineers: on cotton spinning and chemical spinning, weavers, chemists in garment manufacture, fashion designers, marketing specialists and managers complying with the requirements of production and labor market. Preparation of highly qualified engineers shall be implemented on the basis of higher education institutions of the RT or foreign institutions offering licensed modern production facilities.
2. To consider an issue of preparation of qualified workers in main occupations of textile and clothing sector at the premises of the technical vocational institutions offering good production facilities.

Government of the RT

1. To consider an issue of creation of a “single window” for export of products (Representatives: CCI RT, Customs Service, State Phytosanitary and Plant Quarantine Inspection Service, companies *Rohi Ohan* and *ABBAT*, Tax Committee and etc.). Organization of work on receiving documents in electronic form.
2. To consider an issue of reduction of price for electricity in summer season for enterprises taking into account the fact that spinning, weaving, dyeing and knitwear manufacture consume a huge amount of electricity and the price of consumed electrical power makes from 15% to 18% of production cost of output products.

Proposals on resolution of problems hampering growth of textile and clothing sector of the Republic of Tajikistan

National Bank of the RT, commercial banks and international financial institutions.

1. Enterprises of T&C sector face difficulties in getting preferential long-term loans for working capital financing, expansion of production, enlargement of manufacturing capacity and renewal of technology and manufacturing equipment.
2. Local commercial banks offer loans mostly short-term ones with high yearly interest rates (starting from 25-32%)
3. International financial institutions offer long-term loans with relatively low rates, however the minimum loan size is 1 million USD in line with extremely high accounting requirements.

We would like to ask international financial institutions (such as EBRD's SBS Program, Asian Development Bank, etc.) to render assistance in conduction of series of trainings for enterprises in T&C sector on introduction of 1C (a system for automation of accounting and tax records) and for their preparation to receiving of the loans from financial institutions. It's essential to decrease the minimum loan size for working capital financing from 50.000 USD and above.

Cooperation with international organizations

1. Trade Cooperation Program, International Trade Center

Donor: Swiss State Secretariat for Economic Affairs (SECO)

Coverage: 22 enterprises of textile and clothing sector of the Republic of Tajikistan are partners of the Program

Period: 2014-2016

2. Small Business Support (SBS) Program, European Bank for Reconstruction and Development (EBRD)

THANK YOU FOR YOUR ATTENTION!

