

Light Industry in Kazakhstan. Problems and Solutions

**Third Almaty–Bishkek Economic Corridor Subcommittee
Meeting between the Republic of Kazakhstan and the
Kyrgyz Republic,
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Legal Framework

The sector is represented by small enterprises
(96%)

1650 registered legal entities

989 operating legal entities

	TEXTILE	GARMENT	LEATHER FOOTWEAR
Large (12)	6	5	1
Medium (28)	11	13	4
Small (949)	281	561	107

25.2%

average load of enterprises

Large (6):

1. LLP "COMPANY ZALI", LLP "AIIG Kazakhstan" and LLP "Cotton Plant "Myrzakent" (cotton-fiber):
2. LLP "Universal" and LLP Asyl Arman" (polypropylene bags):
3. LLP "Azala Textile" (textiles).

Medium and small enterprises (292):

Cotton fiber, wool fibers and fabrics, bedding, toilet, table linen, carpets, yarn, felted felt, nonwoven products, etc.

Legal Framework

(It is planned to make passportization of large, medium and small enterprises of the industry in order to obtain objective data, including on CDS)

Goods Nomenclature

RAW MATERIALS

- Cotton-fiber
- Cotton yarn and fabrics
- Wool
- Hide
- Skin
- Synthetic threads
- Accessories (*buttons - 1 enterprise*)

FINISHED GOODS

- Clothes (*outwear, sports, children, hats, suits, shirts*)
- Special worker clothes
- Outfit
- School uniform
- Linen, towels, home clothes
- Carpet coverings and products
- Footwear
- Stockings, socks

50% total production comes to **10 enterprises:**

1. Novopack (*packaging*)
2. Kazlegprom (*workwear*)
3. Bal Textile (*carpets*)
4. Universal (*packaging*)
5. Yutaria (*workwear*)

6. Glasman (*suits, shirts*)
7. Zhanarys (*workwear*)
8. Tarazkozhobuv (*safety shoes*)
9. AZALA Textile (*fabrics*)
10. Temirtau A&A (*workwear*)

CURRENT BASE INDICATORS OF THE INDUSTRY FOR 2017

The output of light industry has grown 3 times over the years of industrialization, however, production is still negligible.

Production volumes, bln. Tenge

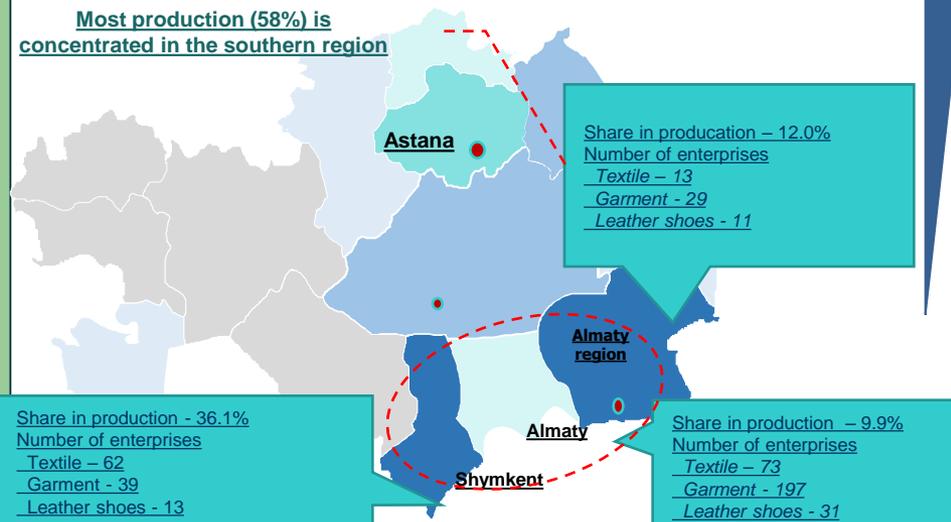
The industry's share in the economy remains insignificant

120



The sectoral specialization of regions is formed

Most production (58%) is concentrated in the southern region



1% of processing industry

(9 400.8 bln. Tenge)



98.1 bln. Tenge of production



\$237 mln. export



9.5 thous. jobs

The sector is mostly concentrated in Almaty region

(IFO for 6 mnths 2018/ 6 mnths 2017. -

86.6%), in cities of Shymkent (123%) and Almaty (86.6%) due to:

- proximity to the resource base;
- availability of cheap labor;
- preferences of the "Ontustik" FEZ

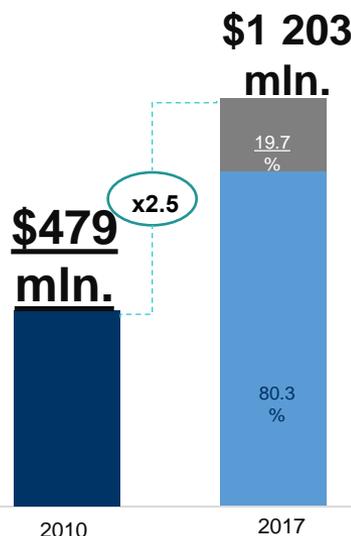
Trade balance

Share of the domestic sector in the internal market remains insignificant

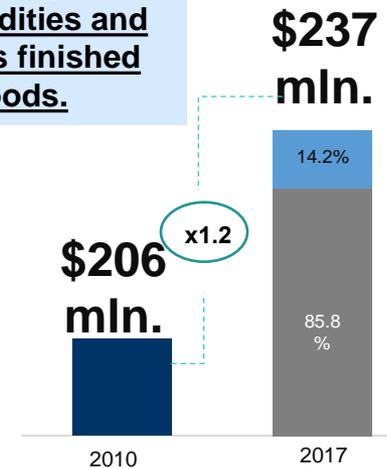
Domestic market is almost entirely dependent on imports.



Main suppliers of goods to RK



Kazakhstan exports mainly commodities and imports finished goods.



- Finished products
- Raw materials and semi-finished products

IMPORT

Top 5 imports

- Footwear
- Clothes (knitted / non-knitted)
- Accessories
- Textile products
- Leather goods

Top -5 exports

- Cotton-fiber
- Cotton textile
- Raw skins and leather
- Other textile products
- Footwear

EXPORT

Export by countries

- PRC - 37%
- Latvia - 22%
- RF - 16%
- Moldova - 8%
- Belarus - 3%

Situation in the sector

- **In Kazakhstan, 51% of the light industry products come to textiles, 38% - to garment production, and 11% - to leather and related products.**
- **As of 1 January, 2019, there were 992 operating light industry enterprises, including 13 large, 27 medium and 952 small enterprises.**
- **The share of light industry in the manufacturing industry made 0.9%.**

The main types of light industry economic activity in Kazakhstan



Textile industry

- spinning, weaving, finishing production;
- export: Russia, Ukraine, Belarus, Lithuania, Poland, Portugal, Turkey, Germany, Belgium, Italy.

Garment industry

- production of workwear, outerwear, underwear, fur products, hosiery;
- export: Russia, Ukraine, Belarus, Lithuania, Uzbekistan, Poland, Portugal, Turkey, Germany, Belgium, Italy.

Production of leather, leather goods

- manufacture of leather semi-finished products, fur and fur products and shoes;
- export: Russia, China, Italy.

Summary of the industry performance

1. **Only 4% of the industry enterprises are large and medium, the average industry load is 25.2%** (statistical data, based on the passportization by NCE Atameken, 59%).
2. **The industry's share in GDP is 0.1%, in Russia this share is 4 times higher, in Kyrgyzstan - 12 times, Uzbekistan - 27 times, Belarus - 34 times higher.**
3. **The industry covers only 5% of the domestic market, the negative trade balance (to the world) is \$ 0.97 billion.**
4. **Manufacture of raw materials and semi-finished products is poorly developed and is represented by individual enterprises.**
5. **The exports structure is dominated by raw materials (86%), while imports consist mainly of the finished products (80%).**

Development prospects

GOODS OF “ECONOMICS OF SIMPLE THINGS”

Article 233

- Providing the domestic manufacturer with necessary financial resources to replenish the working capital, implementation of the investment projects;
- Promotion of domestic products and brands in the domestic and foreign markets;
- Support in purchasing the raw materials and technological equipment

Competitive production on:

- Home textiles;
- Hosiery;
- Cotton yarn;
- Shirts;
- Underwear (T-shirts, undershirts, etc.);
- Workwear and uniform

Long-term measures

- Providing the domestic manufacturer with necessary financial resources to replenish the working capital, implementation of the investment projects;
- Promotion of domestic products and brands in the domestic and foreign markets;
- Support in purchasing the raw materials and technological equipment

Competitive production on:

- Leather shoes (sports, protective);
- Costumes made of woolen and worsted fabrics;
- Women's clothes (dresses, suits, skirts);
- All grades of workwear;
- Outerwear made of leather and fur;
- Outerwear made of fabrics.

Government measures to support the industry in 2015-2019

- The government program for the industrial-innovative development of the Republic of Kazakhstan for 2015-2019.

The goal of the program is to encourage diversification and Improve competitiveness of the manufacturing industry.

- Comprehensive plan for the development of light industry for 2015-2019

The plan's goal is to improve competitiveness of the light industry products with enhancement of its social performance

Comprehensive Plan Activities

(import substitution, deepening processing of raw materials)

Modernization of production

- Support for light industry enterprises under the Road Map - 2020 program;
- Implementation of the innovative technologies under the "Productivity 2020";

Implementation of systemic economic policy measures

- Monitoring of implementation of the light industry projects included in the Industrialization Map;
- Development and adoption of standards;

In the field of public procurement and increasing the share of government support

- Development of proposals on subsidizing the retail trade space in shopping centers;
- Creation of the re-processing enterprises;
- Organization of practical training of students in educational institutions;

Providing industry with the qualified personnel

- Assessment of the current and future needs for specialists;
- Measures to create a center for assessing the quality and safety of the industry products;

Development of research and innovation

- Measures to create an engineering center for research work

Problems: qualified personnel

- **The shortage of specialists at all levels - from seamstresses and servicemen to designers, designers and marketing specialists.**
- **Most of the existing specialists are pensioners, and in fact, there are no new staff, and currently all enterprises are installing modern equipment that requires special knowledge.**
- **Enterprises are forced to invite specialists from manufacturers and hold the on-site training. But the invited experts leave, and during the operation, problems always arise with the equipment.**
- **Gap between educational institutions and production. The existing qualification requirements remain low, and current standards are far ahead.**

Proposals. Solutions.

- **Request the technical assistance from ADB as part of its project on vocational education and training, to jointly develop a modular curriculum aimed at developing relevant competences for the garment industry, and implemented under the auspices of the NCE Atameken of Kazakhstan.**
- **Request ADB through the Skills Development Fund under the “Sector Development Program: skills of inclusive growth” under the Ministry of Education and Science of the Kyrgyz Republic to provide technical assistance in the staff training, retraining / advanced training in working professions as part of short-term courses in the light industry.**

Proposals. Solutions.

- **Request technical assistance from ADB in setting up a laboratory for testing materials and its properties.**
- **Request technical assistance from ADB in purchasing the MORGAN laser complex**
- **Request technical assistance from ADB in creating a TV program “For Kazakhstani and Kyzgызstan women” on TV for a 3-year period following the example of the Russian “Fashion Sentence” TV show, using clothes, shoes and accessories, including instructions from the companies involved.**



THANK YOU FOR YOUR ATTENTION!

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