



Project Company Baseline Data Report: Tajikistan



Global Textile and Clothing Programme in Tajikistan
International Trade Centre,
Tajikistan, 2018

Foreword

The present report provides the basic data and information on situation at 24 textile and clothing companies in Tajikistan, who applied for participation in the GTEX Programme (2018-2021) and were selected by the Programme.

Tajikistan is one of the five countries, together with Kyrgyzstan, Egypt, Morocco, and Tunisia, selected to be part of the new Global Textiles and Clothing programme (GTEX), financed by the Government of Switzerland (SECO) and implemented by the International Trade Centre (ITC).

The new four-year programme (2018-2021), aims to boost textile and clothing exports from Tajikistan to stimulate employment and income generation along the textile and clothing value chain. Building upon the achievements of previous ITC interventions in the textile and clothing sector in Tajikistan, the new project will continue to support selected textile and clothing companies by connecting them to markets and value chains. These companies will benefit from job security and possible increased earnings through an increased competitiveness of their companies and the sector as a whole.

The programme will also assist Tajik trade support institutions, such as selected consulting companies, business associations, and academia, to improve and sustain their operational and managerial capacities further to offer a wider range of quality services to the country's textile and clothing sector.



Authors

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Disclaimer

The views expressed in this report are those of the authors and do not necessarily reflect the views of ITC, the Government of Switzerland or any other agency/state.

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Annex : Application Form and Baseline Data Collection Form – Survey Questionnaire

Abbreviations

BSOs Business Support Organizations

CJSC Closed Joint Stock Company

EBRD European Bank for Reconstruction and Development

EU European Union

GSP Generalized System of Preferences

IFC International Financial Corporation

ISO International Standardization Organization

ITC International Trade Centre

JV Joint Venture

LLC Limited Liability Company

NATLIE National Association of Textile and Light Industry Enterprises of the Russian Federation

MINT Ministry of Industry and New Technologies

OEKOTEX Standard for Ecological Textile Production

R&D Research & Development

PE Private Enterprise

SBS Support to Business Services

SECO State Secretariat for Economic Affairs (Switzerland)

SME Small and Medium Enterprises

T&C Textile and Clothing

TISIs Trade and Investment Support Institutions

TJS Tajik Somoni (local currency)

UPSD Union of Private Sector Development

USD United States Dollar

WTO World Trade Organization

Fact Sheet (2017)	
Number of T&C companies surveyed	24
Actual production volume	Ready garment: 379 461 pcs., Knitwear (socks and hosiery): 3 344 200 prs. of socks, 180 000 pcs. of knitwear, cotton yarn (incl. dyed yarn): 7210 tons, cotton fabrics:120 000 m
Sales volume	Ready garment: 379 461 pcs., Knitwear (socks and hosiery): 2 844 200 prs. of socks, 180 000 pcs. of knitwear, cotton yarn (incl. dyed yarn): 6910 tons, cotton fabrics:120 000 m
Sales volume in USD	USD 20 524 385
Export volume in USD	USD 14 935 817
Number of employees	Total: 2690 people (women - 2076)
Average wage of beginner per month	TJS 580 or USD 66
Average wage of experienced worker per month	TJS 1708 or USD 198
Average defect rate	Garment producers: 4.8%, Knitwear producers: 2,5% , Spinning companies: 5,5%, Weaving companies: 3%

Methodology

The data provided in the report were collected by qualitative research tools, as in-depth interview and semi-structured interviews, based on a pre-developed questionnaire form (please see Annex 1 – Company Baseline Data Collection Form). Also, the other additional data were used and analysed from application forms submitted to the Programme by 24 textile and clothing (T&C) companies.

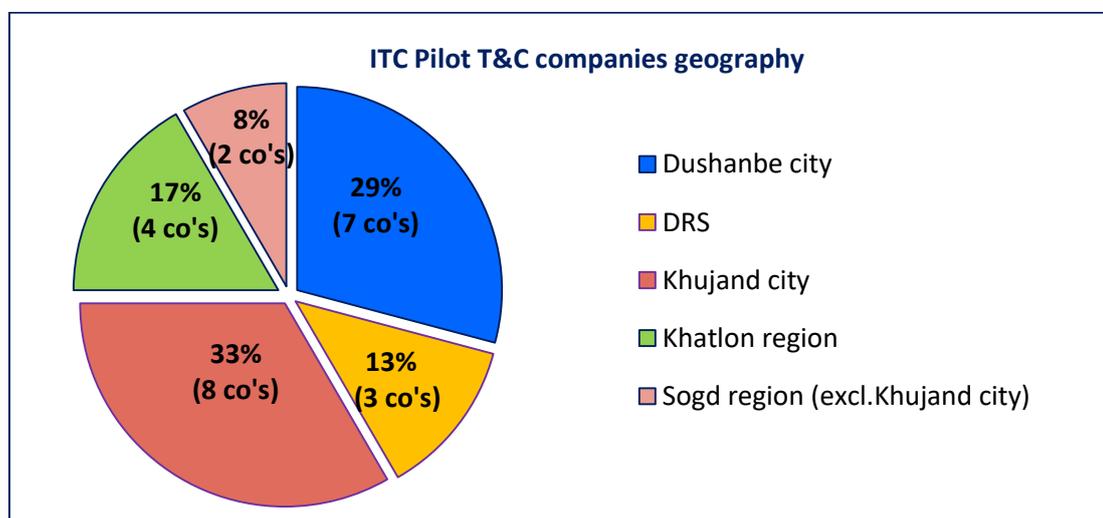
All data used in the report were provided by top management of the T&C companies.

General Information on Textile & Clothing sector of Tajikistan

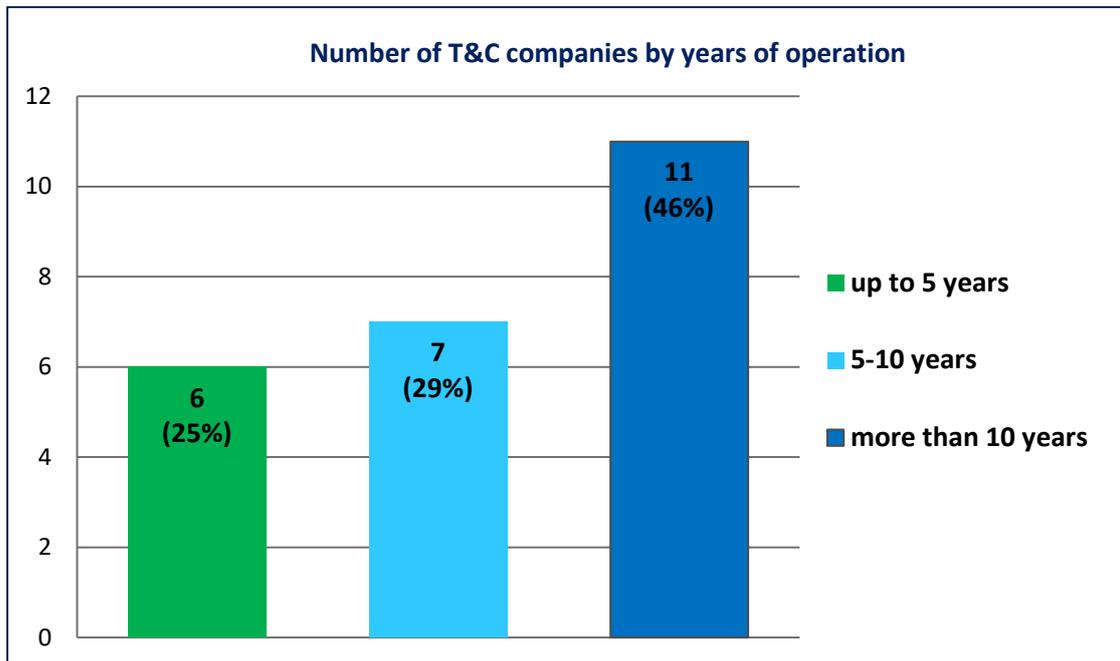
Textiles and clothing is considered as one of key and promising export sectors in the economy of Tajikistan. While cotton-rich Tajikistan currently exports around 85% of its annually produced cotton fibre, the country makes strategic steps forward to create a whole chain of processing raw material into a ready product and enter the foreign markets with “Made-in-Tajikistan” clothing products.



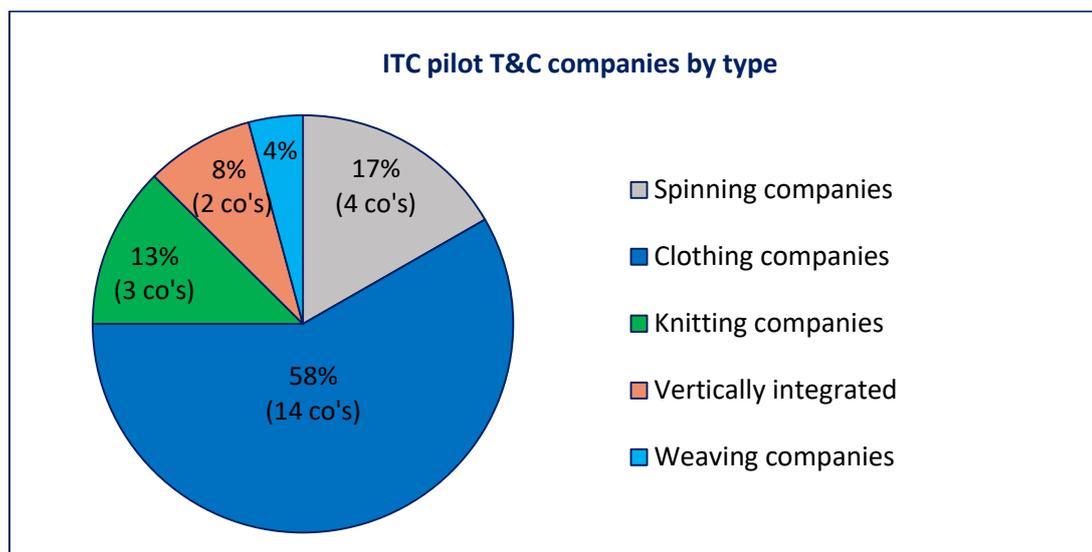
The majority of the companies - 62% of those, who applied to and selected by the Programme are located in Dushanbe and Khujand cities. This may happen because of the selection criteria, which are developed based on the Programme’s core concept – provision of support to companies with demonstrated strong export potential and willingness to grow further and actively cooperate with the Programme. With the division of North and South, 10 companies (41%) are located in Sogd region (including Khujand city) and 14 companies (59%) are located in Dushanbe city and Khatlon region.



Almost half of the selected companies are well mature companies, with more than 10 years of operation. However, the Programme also selected comparatively young companies – around 25% of companies, with less than 5 years of operation.

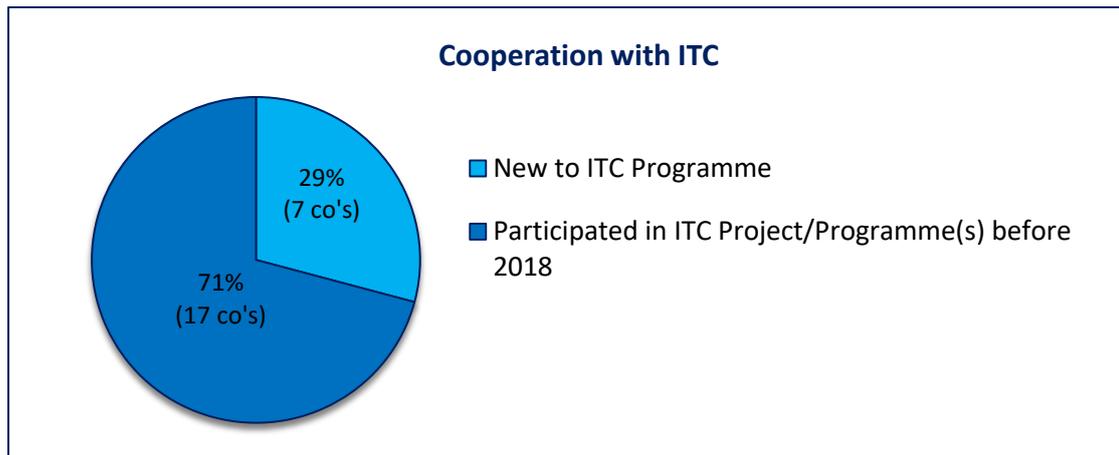


The division by company specialization is shown below. The major part, 14 companies out of 24 (58%) consisted of the clothing companies. The range is quite wide, starting from small garment companies which have 20 employees (Sapsan LLC) up to medium enterprises with 180 employees (Lider LLC). Compared to clothing companies, spinning and vertically integrated companies have larger number of employees.



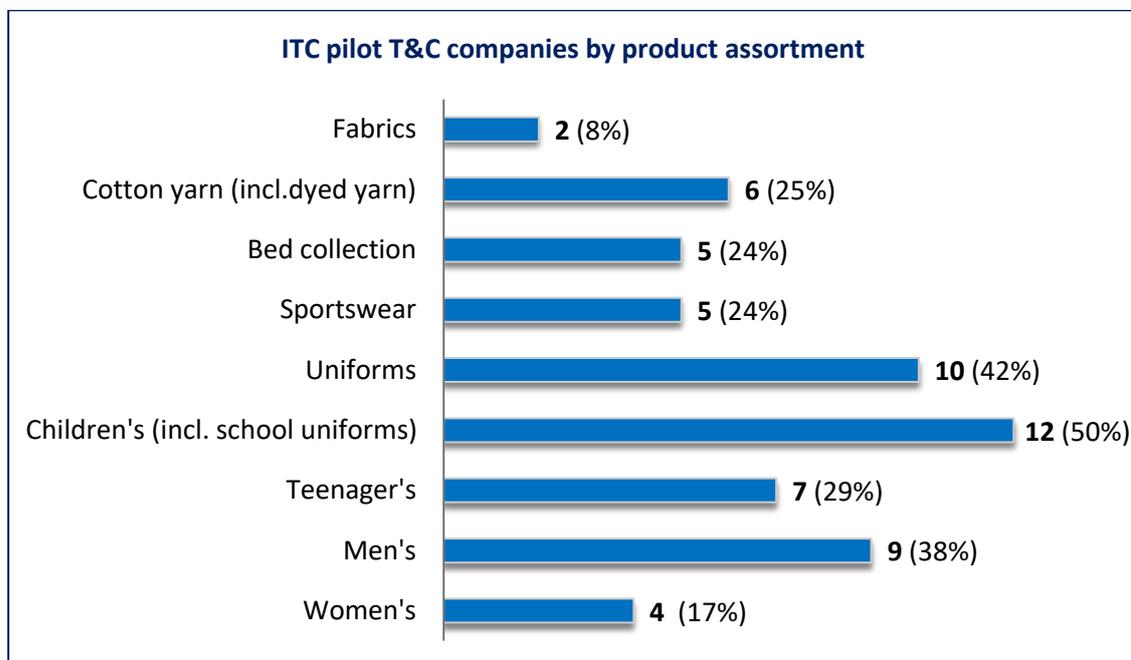
It should be noted that about 71% of the selected companies are those, who have participated in the ITC Programme's previous phases. This fact may indirectly prove some achieved success of the Programme in earlier years in the Tajik T&C sector. However, this time, the Programme aimed at cooperation with quite new to the Programme companies, and as it is shown in the

diagram below, this objective was achieved. It should be noted that all of them are clothing companies.



Production

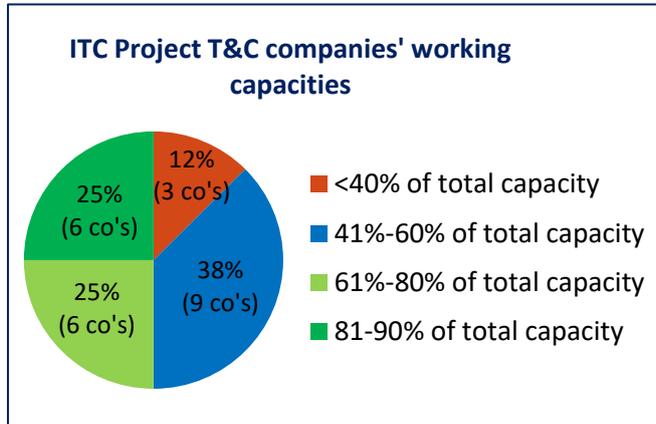
According to the survey, half of the companies 50% from total or 12 companies are specialized in producing children's wear (including school uniforms) and 10 companies produce other types of uniforms (military, workers' etc.). From 6 companies (or 25%) which are specialized in producing cotton yarn (incl. dyed yarn), only one, Vahdat LLC produces in parallel the knitwear (socks and hosiery).



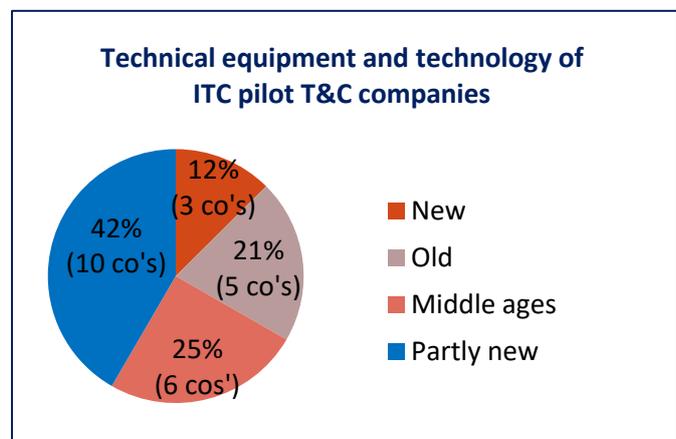
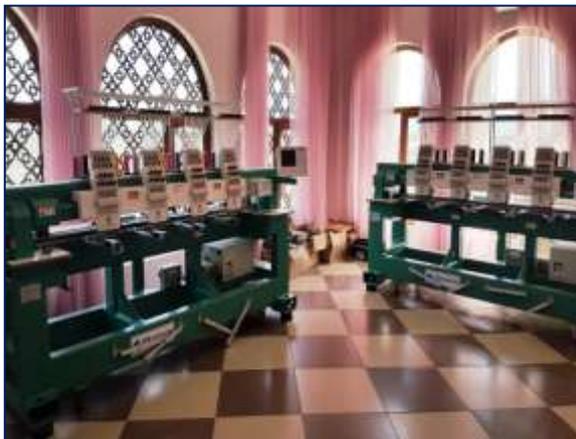
It should also be noted that clothing companies are not specializing only in single group, therefore produce goods for the other segments as well.

Production capacities

Due to some factors, such as seasonality of the work, outdated equipment and technology, shortage of orders, lack or shortage of high skilled specialists in the production, only 6 companies (25%) are working in their 81-90% capacities. The major part of the companies (38%) works in 41-60% of their total capacities only.

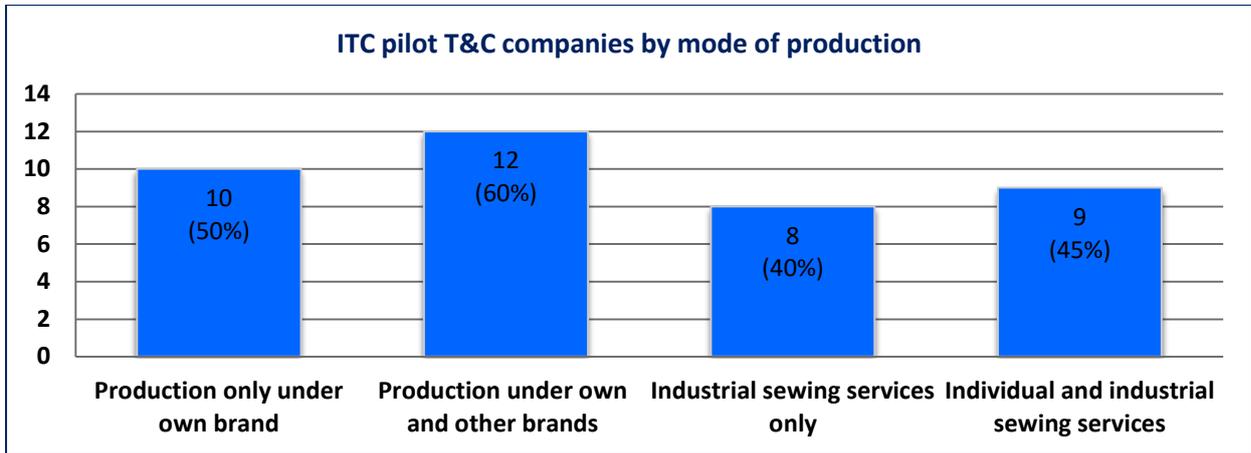


The survey reveals that the equipment and technological base of the 21% of ITC pilot T&C companies (5 out of 24) are old and outdated. This indeed put pressure on competitiveness of the production and the companies not only in foreign, but also in local market. The major part of the companies (42% or 10 out of 24) possesses partly new equipment and technology.



Production & Services

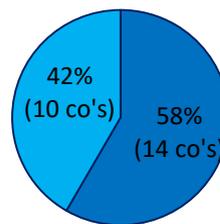
Half of the selected companies produce goods under own brands (own logotypes, labels). The rest produce under own and different labels or provide industrial sewing services. It should be noted that among those companies, who produce goods with own brand, there are some who also accept orders for sewing on an industrial scale. The other important note is that apart from industrial sewing services companies provide industrial sewing services, mostly for special uniforms or national dresses.



According to the collected data, 58% of the selected companies or 14 out of 24 do not use any software in production processes. This fact coincides with the lower demonstrates that despite a high role of modern technologies in making proper patterns and their importance in making right fitting, they are still rare in the Tajik textile and clothing sector.



**Usage of software in production
(CAD, Accumark, ArchiCad, embroidery designs, knitting softwares etc.)**



- Using software in production
- Not using software in production

ITC pilot T&C companies have the following problems and plans in the area of production:

#	Main problems	Priority plans
1	Lack of technology and equipment to produce good quality products	Purchase of new equipment and technology gradually
2	Problems related to patternmaking and cutting activities (technological and operational problems)	Provision of training to patternmakers and garment constructors, hiring high skilled specialists
3	Old machinery and equipment making hard to produce good quality products, which can be competitive in the market	Gradual modernization of the equipment and technology

4	Low production volume	Diversification of the production (from yarn to dyeing and knitwear, different types of garment)
5	Lack of high-skilled technical production specialists (technologists, engineers, operators etc.)	Provision of trainings to available technical specialists (, hiring high skilled specialists

Product Design and Development

From total of 16 clothing companies, only 3 companies are not making collections, because they mostly work on orders of typical garments (i.e. single type uniforms). Smaller companies (up to 40 employees) mostly have one worker who deals with design, garment construction (with pattern-making) and modeling.

On the other hand, half of the companies (from total of 16) create on average up to 10 models per season, which lasts few months.



For the question, who creates new products or responsible for a product design and development, the companies responded very differently. It was obvious that this is a group process, and several sides are usually involved in it.

Almost in half of the companies, the design process is still a responsibility of employed designers, garment constructors, modellers.

However, in most of the companies all these functions including patternmaking, garment constructing, modelling are done by one person.

Considering the product design and development as the one of core direction which needs further development, ITC pilot T&C companies prioritized the following problems and plans in this area indicated on the table below.

#	Main problems	Priority plans
1	Lack of qualified designers, garment constructors, modelers	Provision of capacity building activities, hiring specialists

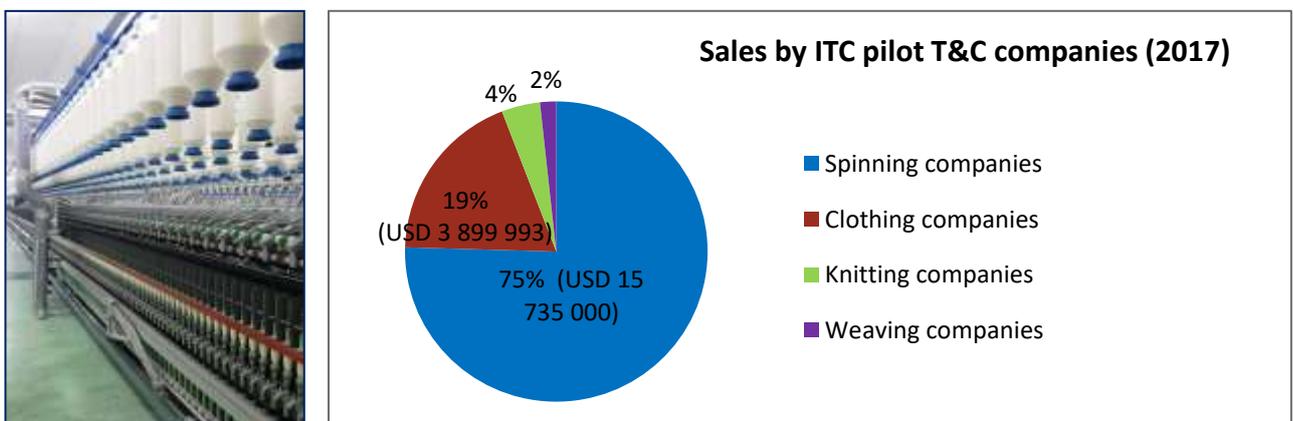
2	Lack/shortage of patternmakers and garment constructors. High turnover of the specialists, designers, garment constructors, modelers	Making long contracts with specialists (5 years)
3	Problems with availability of the modern design in production	Improvement of the quality of the product with consideration of the modern design and developments (capacity building activities)

Sales and Exports

According to information provided by the ITC pilot T&C companies, most of them (63%) find their clients by means of participation in local and foreign trade fairs and exhibitions. Major part conduct their market researches or market analysis for their products, particularly in local market as almost half of them work for local market only.

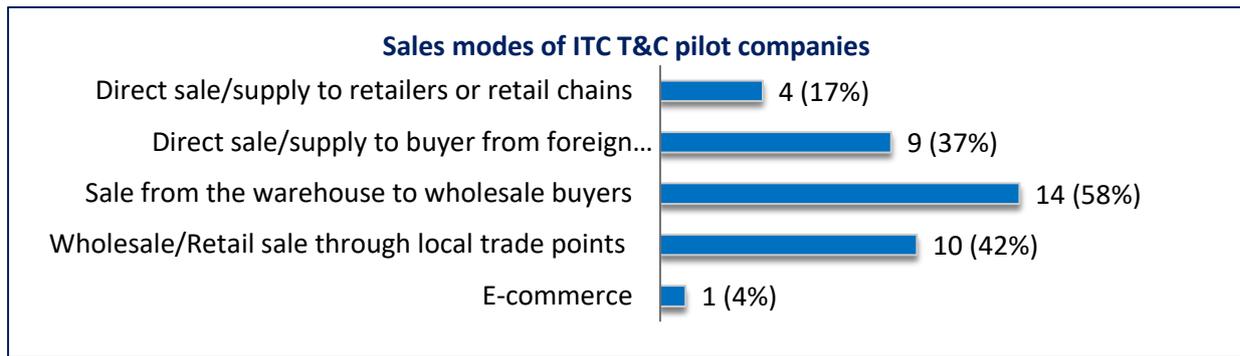


The pie diagram below shows the share of sales by type of the companies. The big share goes to spinning companies (75%), which indicates the present situation of the value chain of the T&C sector. The other upper stages of the T&C value chain system are simply not that developed. For example weaving and knitting production constitute only 4% of sales in total.

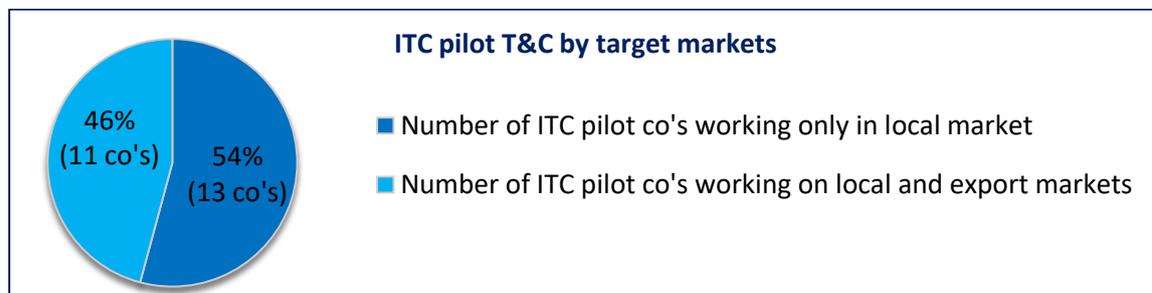


Regarding the sales modes, 14 out of 24 companies or 48% of companies, including spinning companies sell from their warehouses to wholesale buyers. 9 companies from total 24 (including spinning companies) supply their production directly to buyers from foreign

countries. Less than half of the companies (42% or 10 companies) have their local selling points, mostly close their factories.



More than half of the companies (13 companies out of 24) presently work only for local market. Producing lesser volumes, some of companies which work only in local market have to improve the quality and the design of their products. Companies which work in both local and export markets constitute 54% from the total number.

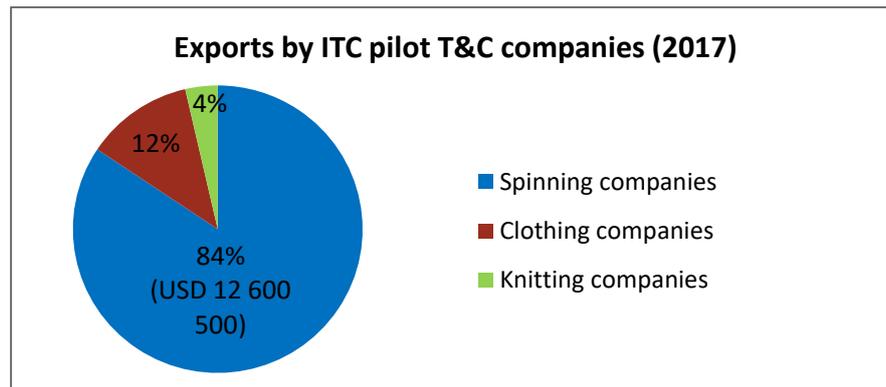


Target export markets for exporting ITC pilot T&C companies are Russian Federation (35%), Turkey (22%), other CIS countries except Russian Federation (17%), China (13%) and EU countries (13%). Once analyzed we can see that most of the products to be exported is cotton yarn, which accounts for USD 12 600 500 or 84 % of total exports of the ITC &T&C pilot companies. The main export products of the clothing companies are mainly sportswear (kimonos, sports t-shirts, etc.) and knitting companies export socks and hosiery, as well as underwear.

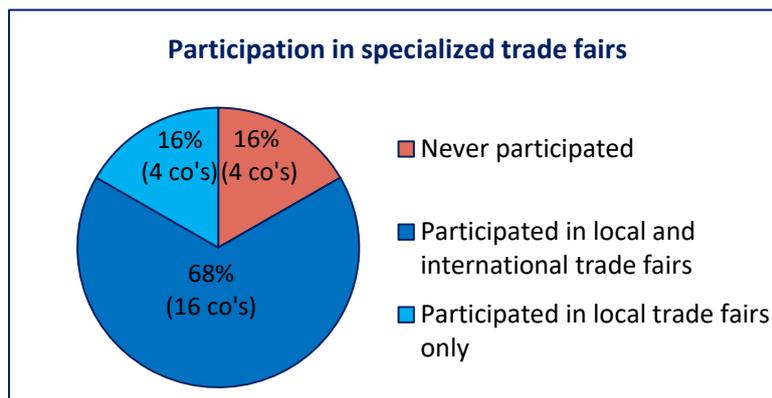


The diagram below shows the export share by company types in 2017. It is seen from the diagram that the major share of the exports of the textile and clothing companies is semi-

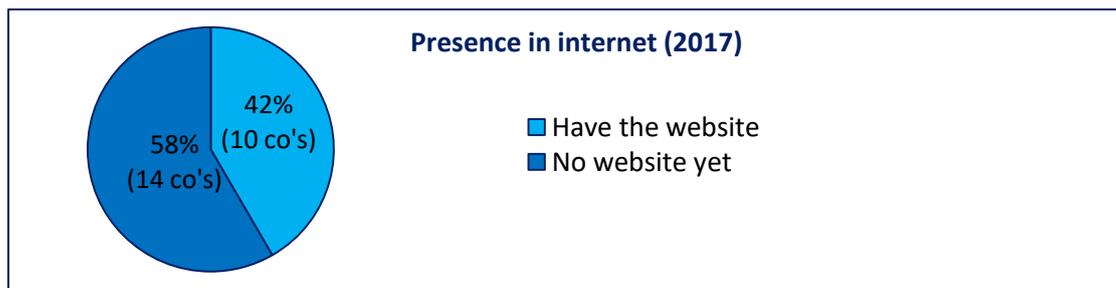
finished product, i.e. cotton yarn, constituting 84% from the total exports. The shares of clothing and knitting companies in overall export are only 12% and 4% respectively.



Regarding participation of the companies in foreign trade fairs, where they can promote own products, find new clients and do a marketing research, it should be noted that thanks to previous ITC projects, T&C companies which were involved in the projects could participate in specialized trade fairs. However, survey shows that 16% of companies (mainly new ones) have never participated in foreign and local trade fairs. Around 16% only participated in local trade fairs.



The availability of company websites is considered as an important promotional and marketing instrument. According to the survey, 58% of the companies (or 14 companies) are not represented in Internet and do not have websites. The rest of 42% of companies possess own websites, but the appropriateness of the content and type of these web-sites to the marketing goals of the companies should be further studied.



ITC pilot T&C companies prioritized the following problems and plans in the area of Sales and Exports:

#	Main problems	Priority plans
1	<ul style="list-style-type: none"> Unfair competition as a result of illegal importation of textile and clothing products to Tajikistan 	<ul style="list-style-type: none"> Raising the issue in the meetings of different levels
2	<ul style="list-style-type: none"> Rather high costs of the imported inputs (raw materials, accessories, utilities etc.) 	<ul style="list-style-type: none"> Optimization of the production and making cost-quality calculations, finding alternative sourcing markets
3	<ul style="list-style-type: none"> Lack/shortage of specialists with language and computer skills to manage the process of negotiation and follow up 	<ul style="list-style-type: none"> Encouraging and hiring specialist with language skills and computer literacy
4	<ul style="list-style-type: none"> Lack of appropriate internationally recognized certificates (certificates required by the client) for market access 	<ul style="list-style-type: none"> Obtain the internationally recognized certificates through applying to the EBRD SBS programme

Inputs

About 29% of the clothing companies or 5 out of 16 clothing companies procure fabrics from the local market. The prices indeed would be higher than supplying from abroad. Major part of the companies (11 clothing companies or 65%) source partly from local market and partly from abroad.



The situation with accessories is a bit different, as these materials are used not only in clothing companies but in others as well. Four companies (17%) source accessories directly only from abroad (mostly spinning companies). Clothing companies mostly source their accessories both from local market and abroad.



Finding spare parts in the local market compared to fabrics and accessories is a bit problematic, especially for spinning companies. Thus, they source most of their spare parts from abroad. However, according to survey, half of the T&C companies, including mostly clothing companies source their spare parts in the local market through agents. The prices indeed are high and the quality is not always the appropriate one.

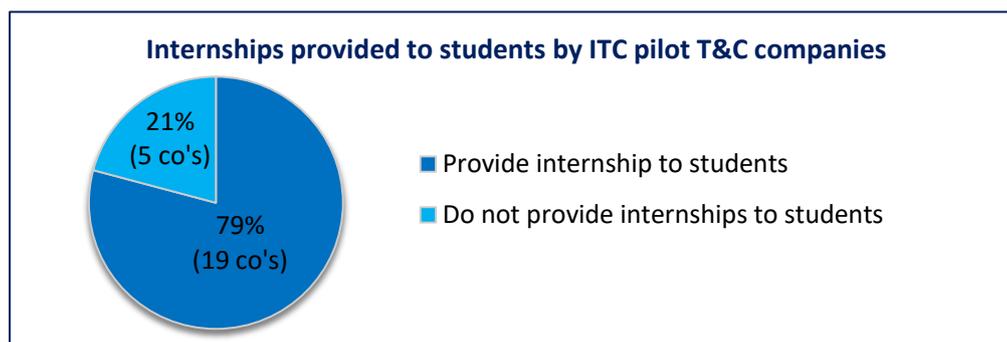


The following problems and plans related to inputs were identified as priority by the ITC pilot T&C companies

#	Main problems	Priority plans
1	Due to small quantities, the raw materials and accessories are purchased from local market with higher prices	Procurement of the raw materials and accessories in partnership with other companies who also require same type of inputs
2	It is hard to find raw materials and accessories with required quality and volumes, f.i. lycra, nylon, etc. in the local market	To consider possibility of production of nylon and lycra in Tajikistan
3	It is hard to find the required quality spare parts from the local market	To start direct procurement of the spare parts from abroad (i.e. Turkey, Europe)
4	The cost of the spare parts are rather high due to logistics issue and the monopolized market	To start direct procurement of the spare parts from abroad (i.e. Turkey, EU countries)

Personnel

One of the important issues in the entire T&C sector of Tajikistan is the issue of human resources. This issue is hampered by the fact that there is a huge gap between the industry and the academia (university). The students are not prepared appropriately, particularly lacking the practical training, not equipped properly with contemporary knowledge and appropriate skills required in the production process (garment construction, patternmaking, technological processes, etc.). Despite this fact, survey shows that 19 out of 24 T&C companies (or 79%) provide internships or were ready to host interns.

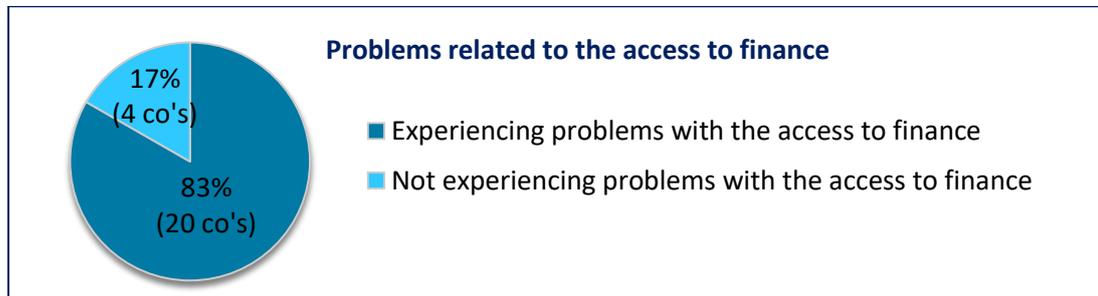


As regarding to Personnel, the following problems and plans were identified as priority by the ITC pilot T&C companies

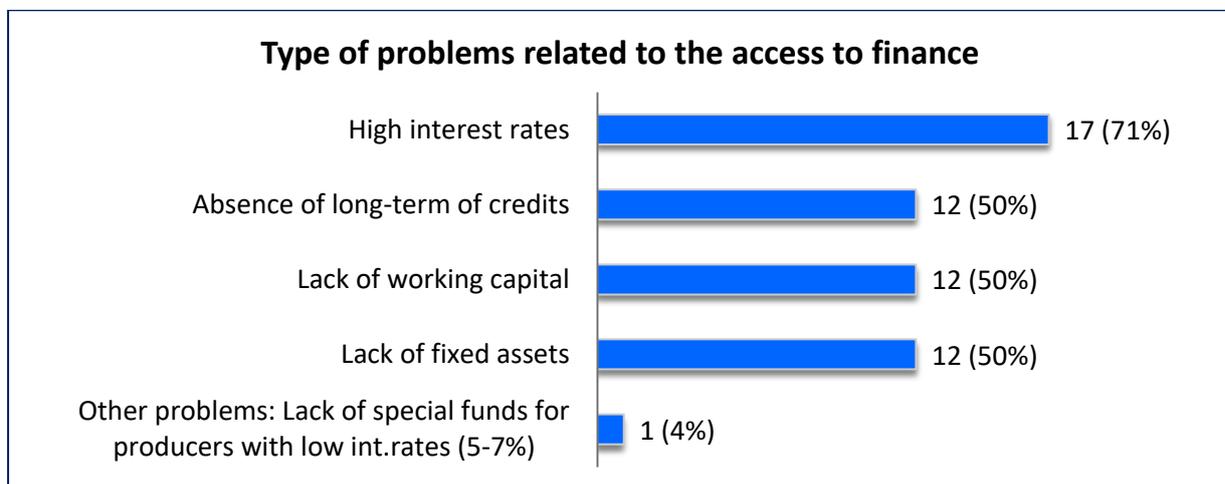
#	Main problems	Priority plans
1	High turnover of the specialists	Better motivation of the specialists by longer term contracting (5 years) and benefits. Provision of the training for staff (including accounting and production management systems, for instance C1)
2	Lack/shortage of the qualified specialists (technologists, mechanics, technicians)	Provision of the capacity building activities, including through (TOTs)
3	Young people (including graduates of the relevant universities) are reluctant to work in the T&C industry	Closer work with the universities and collaboration in internship programs. Longer term contracting (5 years) and benefits
4	University graduates are not ready for working in production (esp. garment construction, technological operation of the factory etc.). Low level of preparation of specialists by the universities	Improve existing capacity building offerings and align to industry's needs

Financial resources

Access to finance is a core issue not only for the T&C sector, but also for almost all other production sectors in Tajikistan. Survey shows that almost all ITC pilot T&C companies have difficulties with access to finance.



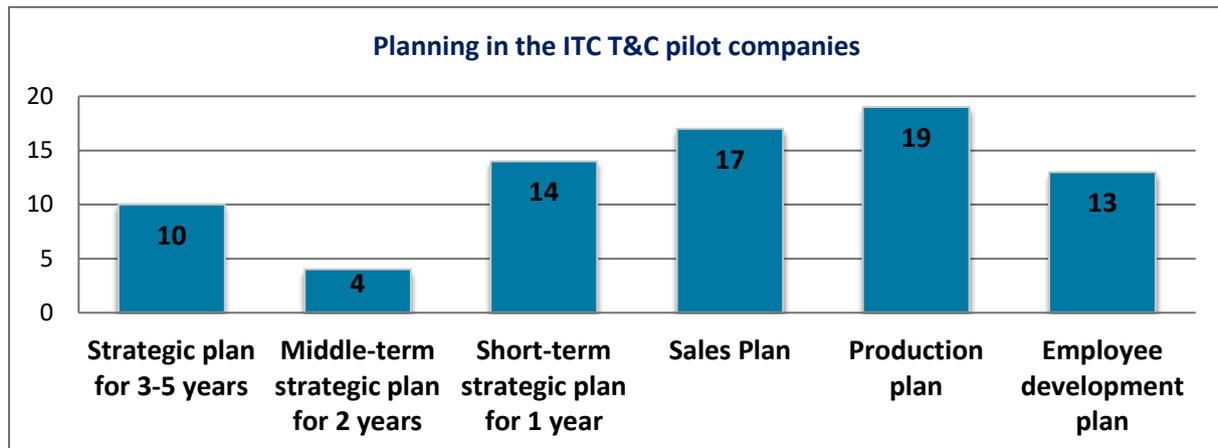
Regarding the type of problems related to access to finance, as it is shown on the diagram below, 71% of companies or 17 out of 24 they cannot get financing (loans) from the local banks because the bank interest rates are very high (ranging from 23% to 36%). Half of the companies (12) mentioned that the banks do not provide long- or medium-term loans. The same number of companies (50%) experience lack of required working capital and fixed assets. According to one of the companies surveyed, there should be established a special support fund for local manufacturers by the Government with low interest rates (5-7%). In fact, according to estimations, and as most of the companies confirmed the maximum interest rate which is feasible for producers in T&C sector is 7%.



Company strategies

The diagram below is a proof of the system problem – absence of a planning mechanism. Almost 90% of the companies responded that they have, however the planning is not systematic and mostly basic and focused only on estimated calculations of the production. The major part of companies, 19 from total 24, responded they have production plans. However, when it comes for the strategic planning, most of the companies have difficulties in their

preparation and following. As the main reasons, they named some as shortage of time of managers, absence of any need in plans, volatilities and risks which may occur and other similar ones.



TISIs/BSOs services used

From 24 companies only 3 used the services by the TISIs/BSOs, particularly on ISO standards, (ISO 9001), website development co-funded the EBRD SBS Program.

T&C companies would like to receive services in the following areas:

- Website development
- Standardization (ISO, OEKOTEK, etc.)
- Business planning and strategic planning
- Better access to financing (for upgrading the technological base)

As priority areas T&C companies identified the followings:

- Establishment of the joint ventures
- Business planning and strategic planning
- Better access to financing

Conclusion and Recommendations

Clothing companies

Clothing companies have weaker positions compared to spinning companies and knitting companies. Taking into consideration their lower performance reflected in production volumes and low number of orders (mostly working with official tenders). Although their resources are less and they can hardly contribute for all project activities, there is willingness to cooperate with the project and towards the overall improvements. On workshop, trainings would be helpful for optimization of their production and making visible and immediate changes in the

form of improved quality and productivity. Particularly trainings would be required in the areas of patternmaking, garment construction, design as well as tailoring operations.

Despite the overall low performance of clothing companies, some companies export mainly their products to Russian Federation. They have their own niche in these markets and started to cooperate with major manufacturers of sportswear, for example, Rahimov A.A LLC. cooperates with “Decathlon”, Gulistoni Dushanbe company started collaboration with “ABM” (for “UMBRO” –branded t-shirts and shorts).

Recommendations:

- Improve the mentoring and training of operators to improve tailoring for ensuring right quality and design, as well as increasing productivity level
- Conduct improvements in patternmaking, garment construction, design and modeling, by providing better understanding and application of new models and designs
- Provide better conditions (better salary and/or motivation) for specialists (patternmakers, garment constructors, designers, modelers etc.) making long contracts with skilled workers (i.e. 5 years)
- Improve procurement operations (raw materials, fabrics, accessories et.c) in partnership with other companies who also require same type of inputs
- Seek financing opportunities (for modernization of the technology, partnerships) from different sources including international financial institutions, investment funds etc., by preparation required documents, i.e. business plans, etc.
- Improve collaboration with local universities, through internship and other programs
- More close work with the Textile and Clothing group of UPSD (in order to have benefit from the possible activities of the UPSD, such as joint bilateral trade missions, B2Bs etc. in the framework of collaboration with different associations and organizations abroad, such as NATLIE etc.)

Knitting and weaving companies

There are three knitting companies, two of them “Nafisa” and “Vahdat” specialize in production of socks, and one, “Nohid” in production of underwear. “Technology matters in this business” as was mentioned by the interviewees of these companies. The knitting company, which has modern technology, Vahdat LLC, possesses better management and channels to export higher quality production. The needs which are identified are upgrading the production level and access to new markets, i.e. European market as well as working with buyers, including big retails chains and brand companies for long period.

For the knitting company with outdated technology and large unused lands, weak management (owners) it would be hard to contribute for all project activities, despite their readiness. More urgent for this type of companies would be immediate optimization of the company by renting their land, finding new investors for updating technology and seek the opportunity of establishing joint ventures, particularly with foreign investment in order to get the know-how and re-stabilize their positions.

Recommendations:

- Seek financing opportunities (for modernization of the technology, establishing joint-venture etc.) from different sources including international financial institutions (i.e. IFC, EBRD etc.), investment funds etc., by preparation required documents, i.e. business plans, etc.
- Consider training activities for administrative and finance staff (including on accounting and production management systems, for instance C1)
- Improve the training activities and mentoring of operators for ensuring right quality and design, as well as increasing productivity level
- Improve collaboration with local universities, through internship and other programs
- More close work with the Textile and Clothing group of UPSD (in order to have benefit from the possible activities of the UPSD, such as joint bilateral trade missions, B2Bs etc. in the framework of collaboration with different associations and organizations abroad, such as NATLIE etc.)

Spinning companies

Spinning companies have been stronger compared to garment producing companies and knitting companies regarding their resources and export orientation. Although they expressed their readiness to cooperate with the project, the specification of their work (being less labor intensive, more technology intensive) makes them selective. They mostly interested in international trade fairs and no interest in seminars/trainings, although some are interested in on-workshop assistance and training of mechanics and technologists.

- Seek financing opportunities (for modernization of the technology, investment encouraging, establishing joint-venture etc.) from different sources including international financial institutions (i.e. IFC, EBRD etc.), investment funds etc., by preparation required documents, i.e. business plans, etc.
- Hire new specialists and/or train existed staff in improving their English language skills and computer literacy for improving communication with possible and actual clients from abroad
- Seek opportunities for obtaining internationally recognized certificates through some programs of the international organizations (i.e. EBRD SBS)
- Improve collaboration with local universities, through internship and other program
- More close work with the Textile and Clothing group of UPSD (in order to have benefit from the possible activities of the UPSD, such as joint bilateral trade missions, B2Bs etc. in the framework of collaboration with different associations and organizations abroad, such as NATLIE etc.)
- Seek opportunities of identification of new target markets, i.e. of EU countries (for raw and dyed cotton yarn) through WTO and GSP system provisions.

Weaving companies:

One weaving company Izzat LLC, which have a facility with weaving production of several types of cotton fabrics. Weaving production also exists in vertically integrated companies and in 2 companies (Rahimov A and Lider), which producing fabrics for sports uniforms.

Weaving is the most problematic area in the textile sector of Tajikistan. Equipment and technology is outdated and needs modernization, and there is a shortage of specialists in this field. For example, because of the lack of quality fabrics, sewing companies are forced to buy fabrics abroad. For example, Ortex LLC buys some of the fabrics for shirts in China.

- Seek financing opportunities (for modernization of the technology, equipment, partnerships) from different sources including international financial institutions, investment funds etc., by preparation required documents, i.e. business plans, etc.
- Improve collaboration with local universities, through internship and other programs.