



Advancing Moldova's Textile and Apparel Sectors



USAID CEED I project / Angela Potter

Artizana Assistant Director Angela Aldatova shows off the factory where the company makes clothing for the prestigious UK clothing company, Barbour. PDA Manufacturing brokered the deal with Barbour after seeing the quality of Artizana's work.

Why the Textile and Apparel Sectors?

The USAID Moldova CEED (2005-2010) and CEED II (2010-2015) programs have helped grow and expand the competitiveness and efficiency of key industries leading to increased sales and investment. The programs have assisted the following sectors; information technology, wine, apparel, textiles, footwear and accessories, tourism, and home furnishings.

The textile and apparel (T&A) sectors of Moldova are among the oldest branches of the national economy and are of critical importance because of the close ties to the labor force. The benefits of prosperous T&A sectors in Moldova are multifaceted, however enhancements were needed to reach full potential to preserve the maximum number of jobs and generate increased sales. Moldova's apparel sector has historically been based on low-value, C&M (cut and make) services, which have made apparel

companies highly dependent on foreign demand. The sector needed linkages to the EU and other markets, improved product quality, inter-sector collaboration, and a stronger domestic presence. Local producers had limited design capabilities, inefficient production processes and technology, in addition to a lack of marketing skills. Strong export and employment opportunities and a proven ability to upgrade the perception of the quality of Moldovan products in international markets, has pushed the T&A sectors to the forefront of the country's private sector development agenda over the past 10 years.

Responding to Evolving Sectors

With the long-term goals of assisting own-label companies to gain greater market share, pay higher salaries, and increase profits while helping cut-and-make companies expand into private- or own-label production, an intricate and progressive

The Current State of the Sector

During 10 years of dedicated support to the T&A sectors in Moldova, there have been significant advancements in the impacts on the Moldovan economy such as increased number of jobs, exports, sales, and inter-sector collaborations that showcase positive change and improved maturity for the sectors.

In 2011, the revenue apparel production turnover was estimated at

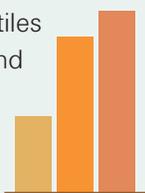
€151 MILLION.

From 2008-2012 the turnover of the apparel sector continued to grow by a compound average annual rate (CAGR) of



10.2%

The value of the manufactured textiles was **€33.8 million in 2010** and rose more than twice as much up to **68.14 million in 2011** and **78.95 in 2012.**



Between 2001 and 2015, the number of employees in the sectors has more than doubled from **7,500** to **17,000** people.



The share of low-value, cut-and-make services in total industry output decreased from **95 % in 2005** to **80 % in 2014.**

As of 2014, the textile and apparel industries account for more than **16 percent** of the country's exports and employ approximately **17,000 employees**, 90 percent of whom are women.



approach to assistance was needed. As the sectors themselves have progressed from 2005 through 2015, they demanded increasingly mature interventions to sustain and grow positive impacts.

- **Graduating from low to high value.** Since the CEED program began working in the T&A sectors in 2005 through implementation of CEED II in 2015, there has been an ongoing initiative to move Moldovan textile and apparel companies to higher-value-added FOB, private, and own-label product schemes. Advancement to higher value-added manufacturing has been the key to sustainable, long-term competitiveness in the sectors and has created a backbone for the Moldovan fashion industry.
- **Creating cohesiveness and inter-sector connections.** High fragmentation in sector players has plagued the T&A sectors in Moldova and has limited advocacy opportunities and the creation of a shared vision. In 2006, with support from the CEED project, the Association of Light Industry (APIUS) was established to support consolidation of the industry, enhance the enabling environment, and to create a shared, sector-wide strategy.
- **Showcasing products abroad and making international linkages.** To promote Moldovan products abroad and highlight the quality associated with “made in Moldova” products, attendance at international exhibitions was a valuable activity. Starting in 2008 under CEED and carrying on through the implementation of CEED II, exhibition participation translated into clients and contracts and provided companies the chance to attract services and orders with higher value added, compared to cut-and-make services, and to increase exports.
- **Strengthening the domestic market.** Local companies face tough competition from well-known foreign brands and consumers who are skeptical about buying Moldovan-made clothing, footwear, and accessories. In 2012, the CEED II program launched the first “Din inima branduri de Moldova” or “From our heart—Moldovan brands”, campaign to attract Moldovan consumers, build awareness about domestic fashion brands that were competitive with imports on quality and price, and improve the perception of domestic products.

Key Activities

Demystifying Own-Label operations. To carry out the T&A sectors' mission of increasing long-term competitiveness, the CEED and CEED II programs worked with local own-label and aspiring own-label companies to develop marketing approaches, identify target clients, redesign products to correspond to fashion trends, and develop modern brands to compete against imported garments. As a result, the share of low-value, cut-and-make services in total industry output decreased from 95 percent in 2005 to 80 percent in 2014. More than 70 new generation brands have emerged as mainstays of the Moldovan fashion industry since 2005. More than 30 companies are now exporting in 10 international markets and have leveraged \$16 million in sales.

Creating an Interconnected Sector through Association Development. In 2006, the Association of Light Industry (APIUS) was launched with the assistance of the CEED program. As of 2015, APIUS has more than quadrupled its membership to 90. With the initial goal to lobby for a better business environment and facilitate private and public sector dialogue, APIUS has expanded its mandate to provide technical training to members, promote international exhibition participation, increase the Moldovan country brand, reduce loan contracts, and encourage the creation of commercial outputs for the region. In 2015, as a public-private partnership between Technical University, APIUS, government (Ministry of Economy, MIEPO), and USAID, the Zip House center of excellence will be launched to address industry skills gaps, foster innovation, and cultivate entrepreneurship.

Promoting Exports through International Exhibition Participation. As the number of own-label companies grew and the quality of local manufacturing increased, Moldovan products were ready to hit the international stage. Starting in 2008 with the CEED project through 2015 with CEED II, more than 50 local companies attended more than 45 trade shows or exhibitions in 10 countries, including Russia, Lithuania, Belgium, the UK, France, Italy, Romania, Ukraine, Germany, and Kazakhstan. The main goal was the ability to attract services and orders with higher value added—compared to cut-and-make services—and

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In the period between 2001 and 2007, apparel exports nearly have doubled from €93 to €161 million, reaching **€186 million** in 2011.

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Brands receiving assistance from 2010-2015 brought in **\$7.4 million** in new sales from the Moldovan market and had **34 % growth.**



More than 65

new shops in Chisinau and other regions of Moldova were opened, selling exclusively Moldovan brands.



From 2010 to 2015, more than 684 participants, **81 % being women**, attended training to increase efficiency and product quality through skills enhancement in design, marketing, manufacturing, and technology.



As of 2015, **60 companies** have participated in five joint "*Din inima branduri de Moldova*" campaigns.



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to increase exports. Participation at the Kazakhstan Fashion Expo in the spring of 2015 has translated into dozens of business contacts and trial orders for all eight participating brands—demonstrating a high-potential market for Moldova.

Mobilizing the Domestic Market to Boost Sales. In 2012, CEED II launched the “Din inima branduri de Moldova” or “From our heart—Moldovan brands”, campaign to attract Moldovan consumers, build awareness about domestic fashion brands that were competitive with imports on both quality and price, and improve the perception of domestic products. Twelve companies participated in the first Din inima campaign and every dollar spent on promotion brought a \$65 increase in sales. Following this initial success, 10 more companies joined the next campaign, and it became a bi-annual activity with fall and spring events. As of 2015, more than 60 local brands have participated in the campaign and presented their collections at the seasonal fashion shows. Companies participating in Din inima now contribute more than 70 percent of promotion budgets.

Planning for Future Growth and Leveraging Gains in the T&A Sectors

Global fashion chains are dramatically changing, impacting supply chains for faster client delivery. Moldova's manufacturing industry must continue to reposition itself in regional and international markets as a supplier of value-added manufacturing in Europe, with competitive prices per unit and provide additional services

as core offerings, such as textiles sourcing and pattern making. Factories should further innovate to reengineer their business models to improve their products and processes. To fit into the global landscape, the sectors should breed excellence in design and engineering, as well as creativity. Finally, internationalization in regional markets of Moldovan brands that succeeded domestically should be further facilitated, using Din inima as the umbrella brand for joint promotion. As Moldova continues to strengthen their products' quality, brand image, and production capacity. The textile and apparel sectors will lead economic growth, create jobs, and spur exports around the globe.

Apparel Industry Definitions

Cut-and-make. The manufacturer sells cutting and manufacturing services to foreign clients. The customer owns all materials imported for processing and the ready-made goods to be exported.

Cut, make, and trim. The process is the same as cut-and- make, but the manufacturer provides some necessities such as thread or buttons.

Full package. The manufacturer purchases all materials needed to meet the customer's specifications and invoices the full value of the product on delivery.

Private label. The manufacturer designs collections independently or jointly with the customer. The full-value products are delivered under the customer's label.

Own label. The manufacturer designs collections and sells them under its own brand.

