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# Textile and clothing-knitwear industry is being reformed in Uzbekistan

The President of the Republic of Uzbekistan signed Decree “On measures to support the activities of cotton-textile clusters, radical reform of the textile and clothing-knitwear industry, as well as further increase in the export potential of the sector” No. УП-2 dated January 10, 2023 (the “Decree No. УП-2”).

By the Decree No. УП-2, the Fund for Reconstruction and Development will allocate funds in the amount of USD 200 million to the Export Support Fund under the Export Promotion Agency for a period of 3 years at a rate of 4% per annum.

In addition, credit lines in the amount of USD100 million for a period of 10 years, with a three-year grace period, at a rate of 4% per annum, for the rest period - at a rate of 5% will be opened in commercial banks for projects for the production of fabrics, carpets, finished garments and knitwear, dyeing and finishing.

In this case, the following conditions must be met for preferential loans:

- ▶ export of 50% of the total volume of products (in case of non-compliance with export obligations, the interest rate during the grace period increases to 5%);
- ▶ participation of own funds, including buildings and structures, working capital in the amount of at least 30 percent;
- ▶ absence of overdue debts on credit obligations.

In accordance with the Decree No. УП-2, the banks' margin for preferential loans is set at 1%. In addition, commercial banks will provide loans in the amount of 1 trillion soums (approximately USD 87,648,000) for a period of 24 months, including a six-month grace period and with a bank margin not exceeding 2%.

The Decree No. УП-2 abolishes the requirement of a monthly advance payment for electricity consumption to textile and clothing and knitwear enterprises.

The Export Support Fund will provide financial resources to finance pre-export and export trade operations in the following amounts:

- ▶ export volume up to USD 5 million - up to USD 1 million;
- ▶ export volume from USD 5 to 10 million - up to USD 2 million;
- ▶ export volume from USD 10 to 15 million - up to USD 3 million;
- ▶ export volume from USD 15 to 20 million - up to USD 4 million;
- ▶ export volume of more than USD 20 million - up to USD 5 million.

In accordance with the Decree No. УП-2, the costs of renting large commercial warehouses intended for the sale of textile and clothing and knitwear products in foreign markets will be covered by the Export Promotion Agency.

In addition, textile and clothing enterprises will be able to transfer funds abroad in the amount of up to USD 100,000 a year without separate solutions for creating trading houses and shops.

The Decree No. УП-2 stipulates the creation of small industrial zones specialized in textiles in the Andijan, Namangan and Kashkadarya regions, and an Industrial Technopark in the Tashkent region by the end of 2023.

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