

Textiles Policy 2014-19



Ministry of Textile Industry
Government of Pakistan

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MESSAGE FROM MR. ABBAS KHAN AFRIDI, MINISTER FOR TEXTILE INDUSTRY

The Textiles Policy 2014-19 has not only laid down a perspective plan for the next five years, but also brought coherence among the various support measures and development initiatives of the Government aimed at promotion and uplifting of the biggest industrial sector of the country. Every subsector in the value chain contributes in value addition and employment generation. As the chain moves downstream, each link with lesser investment creates larger number of jobs. The effect of Policy measure on one subsector ultimately effects the other subsectors directly and indirectly.

The Policy not only addresses the complete value chain but also aims to develop the industry and make the sector self reliant. Converting more primary raw materials in to value added product, increased productivity and quality will be the prime focus. Policy measures taken by the Government are interlinked, developing fibre base through installment of capacities and tariff rationalization will promote value addition and thus creating new jobs for the emerging generation.

The Policy envisages enhancement of export performance of textile industry to make it double in next five years. This will be achieved through a set of immediate support measures and medium & long-term initiatives aimed at infrastructure & skills development.

I request to all stakeholders associated directly or indirectly with the textiles value chain to take the opportunities available in Policy to make our country economically sovereign.



Foreword

Pakistan has inherent advantage of being 4th largest producer of cotton in the world with a huge potential to further increase crop yield. For success of any export led industry, local availability of basic raw material is considered as an added advantage being a key factor in reducing cost of doing business. It is encouraging that Pakistan ranks 3rd in the world in the field of yarn production. The textile value chain consists of ten industrial sub-sectors and is highly integrated and interdependent sector. The value chain is quite long starting from cotton picking to a finished garment of the latest fashion. The final product of one sub-sector is the basic raw material for the other. Through the second Textiles Policy (2014-19), efforts have been made to address issues of all sub-sectors on sectoral basis including cotton, manmade fibres, spinning, weaving, knitting processing, made ups and garments.

The formulation of the Textiles Policy 2014-19 started with a comprehensive study of the global trade environment. We analyzed in detail sector strengths and weaknesses in the post-quota scenario. The incentives and support being offered by our competitors to their textile sectors were also microscopically studied. This was followed by an extensive exercise of consulting the stakeholders; both from the public and private sectors. Input and feedback was also obtained from the representatives of various subsectors akin to textiles sector at large. Other relevant Ministries were consulted and their inputs were considered while finalizing the Policy.

The Textiles Policy 2014-19 is based on actionable plans to make textiles sector more competitive, robust, goal oriented and sustainable. The Ministry will make concerted efforts for ensuring that the Policy creates conducive environment for small and medium enterprises to increase production of value added items through development of clusters. The Policy envisages vital measure to support textile sector i.e. enabling policy environment, sectoral strategic plan, marketing initiatives, revitalizing projects and capacity building of the Ministry and stakeholders, with a view to improve productivity and enhancing competitiveness of the entire textile value chain.

Ministry of Textile will strive its best for achieving goals and targets of the Policy which are so crucial for development of the country and uplift of the economy.

(Amir M. Khan Marwat)
Secretary

1 CONCEPTUAL FRAMEWORK

1.1 Natural and manmade fibres are the first links of the textiles value chain, which passes through various stages of conversion and is ultimately transformed into consumer products. Every subsector in the value chain contributes to value addition and employment generation. As the chain moves downstream, each link creates larger number of jobs with relatively lower investments. The impact of policy measure on one subsector ultimately affects the other subsectors directly and indirectly.

1.2 Cotton is a principal contributor to our economy. The production and processing of cotton employs more than 10 million people and generates billions of dollars in economic activity as it moves from production at the farm level through processing and retail. Pakistan being the fourth largest producer and third largest consumer of cotton in the world has an immense comparative advantage that needs to be converted into a sustainable competitive advantage.

1.3 The textiles sector in Pakistan has remained stagnant over the last decade due to a number of exogenous and indigenous factors such as subsidies given to cotton farmers and other textiles products by several countries which distort prices, marketing constraints, global recession, and increasingly stringent buyers' conditionalities. On the domestic side, cotton production has remained stagnant at about 13 million bales per annum, and the resistance to grading and standardization of cotton bales by ginner and spinners alike has consistently lowered the value of Pakistani cotton by around 10 cents per pound in the international market. On the other hand, the value-added garments sector has grown only marginally due to its limited product range, low usage of manmade fibres and inability of manufacturing units to restructure themselves to meet changing international requirements. The concept of developing clusters to promote cost efficiencies especially in the SME sector has been developed and emphasised in the Planning Commission's Vision 2025, which has also been made part of this Policy. In addition, the lack of skilled human resource, low employment of women in the garment sector, and absence of modern management practices have obstructed the path of high value-addition and enhanced exports in the entire textiles supply chain.

1.4 During 2002-2007, over \$5 billion were invested in basic and value-added sectors. Since then, investment in textiles sector has decreased, creating distortions in the value chain. For example, it is estimated that around 21,000 new shuttleless looms are required to balance out the weaving sector. To remain competitive in the international market, there is an urgent need to promote investment. In addition, skilled human resource is also necessary. In future there will be a new demand of 2.8 million workers for the textiles industry, out of which 2.5 million would be required by value added sectors.

1.5 Tariffs are used to provide due protection for the development of domestic industry but at the same time it builds inefficiencies in the manufacturing sector. Moreover, tariffs when used to cover the inefficiencies of the manufacturing sector not only make it uncompetitive in the international market but also promote trading at the expense of manufacturing. The Ministry envisages that tariffs should be cascaded and due protection may be provided. This will be beneficial to promote the fibres other than cotton such as acrylic, nylon, viscose, polyester, wool and silk. Such step will facilitate in product diversification which adds more value in garments.

1.6 The textiles industry consists of 11.3 million spindles, 03 million rotors, 350,000 power looms, 18,000 knitting machines and processing capacity of 5.2 billion sq m. It has the 700,000 industrial and domestic stitching machines. In addition, it has a strong fibre base of 13 million bales of cotton and 600,000 tons of manmade fibres including polyester fibre. There are 21 filament yarn units having capacity of 100,000 tons. The filament and yarn industry is supported by PTA plant which has 500,000 tons capacity. Thus a complete textiles value chain exists in the country which is rare in the world, unlike many competitors which have only primary base or the finished base.

1.7 Global textiles and clothing trade has increased substantially in the post quota regime. However, Pakistan's share in the global textiles and clothing trade has remained below three percent due to changes in the distribution chain, as well as the creation of an uneven playing field by the importing countries through preferential trade agreements and special access given to different competitor countries.

1.8 Trade and Productivity are linked to a host of factors such as legislation, tax policy, tariffs structure, labour laws, access to high quality inputs, timely allocation of resources and connectivity levels within the government. The Ministry of Textile Industry is in the process of reviewing the legislative framework which governs some segments of the textiles value chain, including enactments required to ensure compliance with International Protocols and Core Labour Conventions. At the same time, it has been making efforts to create an enabling environment for the textiles value chain through initiatives involving other Ministries and Divisions, such as Finance (Textile Package), FBR (tariff rationalization), Climate Change Division (certification of Bt cotton seed varieties), NFS&R (increasing benchmarks for germination rates of seeds and de-registering fake seed companies), Petroleum & Natural Resources (gas allocation) OPHRD (implementing international labour standards), and Commerce (trade negotiations involving textiles products, improved market access and better utilization of the Export Development Fund for the benefit of the textiles sector). At the same time it has been engaged with research organizations and carrying out specific research studies especially in product diversification options to improve the Textiles Policy profile.

1.9 International trade figures show that while world demand is increasing in favour of manmade fibres, Pakistan continues to supply goods based mainly on cotton.

Similarly, while global demand is for finished value added products such as garments, with a large percentage of manmade fibre content, Pakistan's performance remains low in comparison to its main competitors, India and Turkey.

1.10 In order to develop a policy that is holistic in its approach, it is very important to have authentic data, evidence-based trajectories, and a continuous interface with research organizations, both within the Ministry and outside. During the current Policy period, 2014-19, the Ministry would strengthen its links with think tanks, academic bodies, and donor organizations for research-based strategies which would help to implement Policy initiatives for wider and deeper reforms in the entire textiles value-chain.

1.11 As the world consciousness about sustainability of the planet is increasing, more stringent requirements are emerging in the international market to ensure safety of environment and more equitable distribution of profits. While compliance with international labour standards including initiation of Better Work Programme is now gaining precedence in developing countries, many buyers are also committed to sourcing only those textiles products that have been produced using "Better Cotton", an initiative that trains farmers to reduce the use of fertilizers, pesticides and water to a minimum, so that the end product is environment friendly. It is estimated that by 2020, 30% of cotton consumed in the world will originate from "Better Cotton" farms. Similar is the case with new products which are in high demand, such as flax linen, bamboo fabrics and eco-friendly textiles.

1.12 Apart from this, latest international research shows that better management practices can improve productivity by at least 20%. In Pakistan, management practices are outmoded with little use of IT and poor inventory control systems resulting in low per capita productivity to the extent of 37% of the benchmark in some value-added processes, including stitching of fashion garments and wastages are unacceptably high. While the need to improve education levels and skills of workers cannot be over-emphasised, innovation and re-modelling of processes are required to improve the overall productivity of the sector. At the same time, it is important to shift to a higher content of manmade fibres in the entire textiles value chain to enter high value niche markets. The impact of internal and external competitive pressures mean that government departments and stakeholders have to put their acts together to be able to transform into modern entities through responsive and vibrant policies taking into account all facets of trade, productivity and economic growth.

2 Introduction

2.1 Textiles is the most important manufacturing sector of Pakistan and has the longest production chain, with inherent potential for value addition at each stage of processing, from cotton to ginning, spinning, fabric, dyeing and finishing, made-ups and garments. The sector contributes nearly one-fourth of industrial value-added, provides employment to about 40% of industrial labour force, consumes about 40% of banking credit to manufacturing sector and accounts for 8% of GDP. Barring seasonal and cyclical fluctuations, textiles products have maintained an average share of about 54% in national exports. However, despite being the 4th largest producer and 3rd largest consumer of cotton globally, Pakistan's comparative advantage diminishes due to export of low value added textiles products.

2.2 The development of the textiles sector in Pakistan was dictated by the quantitative restrictions imposed by developed countries under the MFA and ATC, resulting in structural anomalies and lopsided capacities. While the spinning sector grew quickly, the highest value added sector – woven garments – failed to attract adequate investment due to non-availability of quotas in this sector. At the same time, the fabric sector remained in the non-mill sector with the bulk of production is coming from inefficient small power loom units. The overall technological configuration of the industry needs major up-gradation for replacing that machinery which has become obsolete or has outlived its economic life. In addition, clusters need to be developed and sustained through structured interventions, especially in the SME sector.

2.3 The textile industry has also suffered for lack of adequate infrastructure facilities which are so desperately needed for its smooth operations. Apart from absence of exclusive areas dedicated to textiles production, energy has emerged as a major issue especially in the Punjab where approximately 65% of the industrial units are located. Skilled manpower is also significantly deficient with the result that the sector is suffering from low per capita productivity. The physical and institutional infrastructure, especially at sea and dry ports, requires revamping and reform. Likewise, numerous parallel and overlapping regulations add to management and production costs.

2.4 On the other hand, the post-quota environment brought challenges of its own, as an uneven playing field was created as many developed countries granted unilateral concessions and preferential treatment to a number of textiles and clothing exporting countries of their choice. Now, with the award of GSP+ status to Pakistan in 2014, the prospects for enhanced market share have improved. Pakistan has natural comparative advantages of home-grown fibres and availability of relatively cheap labour that can be effectively converted to competitive advantages through appropriate policy interventions.

3 Textiles Policy 2009-14: A Review

3.1 The Ministry of Textile Industry was created in 2004, amalgamating all textiles related functions of the Ministries of Commerce, National Food Security & Research (MINFAL) and Industries and Production. However, some of the functions of the Ministry of Textile Industry are still under the ambit of other ministries, such as trade negotiations on textiles are handled by the Ministry of Commerce, while cotton seed production and regulation is with the Ministry of NFS&R. These, in turn, are linked to other Ministries and Divisions like Climate Change and Overseas Pakistanis & Human Resource Development (OPHRD).

3.2 The Ministry of Textile Industry has completed a decade of services to the textiles industry of Pakistan. In the first five years, the Ministry performed its functions without clear cut policy guidelines but was able to develop the first ever Textiles Policy 2009-14 which laid foundation for way forward.

3.3 The Textiles Policy 2009-14 provided a direction to the Ministry of Textiles Industry and prepared a developmental agenda, along with identifying cross-cutting issues hindering the growth of the textiles value chain. It also provided sub-sectoral analyses for specific intervention schemes that were approved by the Cabinet. However, due to financial constraints much less support was provided to the industry as against the ones envisaged in the Policy. The support provided was in-sufficient to attract further investment in new machinery and technology compared to the incentives provided by our regional competitors like India, Bangladesh, Vietnam, China and Turkey.

3.4 The Policy introduced an online registration database system which helped to strengthen its relationship with the stakeholder's associations, and also enabled the creation of a complete profile of the textiles value chain for identification of its strengths, weaknesses and the technological gaps that exist on the supply side due to uneven development.

3.5 Ministry of Textile Industry collaborated with various international organizations like KOICA, UN and ILO for initiating skill development programs for value added industry. It set up the Pak Korea Garment Technology Institute with contribution of KOICA of US\$ 1.28 million, with rest of the funding from PSDP.

3.6 The Ministry's infrastructure projects of Lahore Garment City and Faisalabad Garment City that were initiated in 2005 were completed and rented out to value added manufacturing units. The Karachi Garment City and Pakistan Textile City have been slow to develop due to various problems, such as litigation, non-supply of gas, water and electricity, lack of funds, etc.

3.7 The subject of Cotton and administrative control of the Pakistan Central Cotton Committee was given to the Ministry in 2011 after devolution of MINFAL. The Ministry reconstituted the membership of PCCC and got a plan approved from the ECC for its modernization and restructuring. The Ministry has improved governance in the PCCC and its various institutes and research stations through hiring of more scientists, promotions of existing officers, training of accounts officers, and payments of pensions and commutation arrears to the employees.

3.8 The Ministry established good working relationship with the Ministry of NFS&R to improve the supply of good quality seed for cotton farmers, regulation of seed companies, and raising the seed germination levels. There is also a close working relationship with the Ministry of Commerce, which consults the Ministry of Textile during bilateral and multilateral trade negotiations.

3.9 The Ministry is ensuring of holding regular meetings of the Cotton Crop Assessment Committee comprising growers, ginners, spinners, and government representatives from various ministries and departments to set up targets and develop training programs for farmers. The Ministry has already started work on the first Ginning Institute of Pakistan in Multan and is actively pursuing implementation of Cotton Standards Act with the help of provincial governments. In addition, cotton cess collection has been fully computerized and efforts are being made to collect arrears from defaulters.

Textiles Policy 2014-19

4 Vision

To become a leading country in the field of export of value-added textile products.

5 Mission

To develop and implement a textiles policy which ensures consistency, predictability and transparency in Government actions and programmes, while building the reputation of the country as a reliable source of high quality textile goods.

6 Goals

- To double value-addition from \$1billion per million bales to \$2 billion per million bales in five years.
- To double textiles exports from \$13 billion per annum to \$26 billion per annum in next five years.
- To facilitate additional investment of \$5 billion in machinery and technology.
- To improve fibres mix in favour of non-cotton i.e. 14% to 30%.
- To improve product mix especially in the garment sector from 28% to 45%.
- To strengthen existing textile firms and establish new ones.
- SME sector will be main focus of attention to enhance growth in value-added products through support **and incentives** schemes.
- Schemes and initiatives will be launched for increasing usage of ICT.
- The textiles sector will be made domestically and internationally compliant especially with respect to labour and environment rules and conventions.
- Textiles units will be encouraged to use modern management practices for improving efficiency and reducing wastages.
- Clusters would be systematically developed and existing clusters will be strengthened.

- Vocational training of workers for capacity building, internships and different programmes for enhancement of skills and higher per capita productivity would be introduced.
- Facilitate the creation of 3 million new jobs.
- Promotion of speciality skills training for professionals and supervisory levels.
- Adopt measures to increase ease of doing business and reducing cost of doing business.

7 Strategic Framework

7.1 The Textiles Policy 2014-19 is based on actionable plans to make the textiles sector competitive and sustainable. The Government will make sure that the benefits of Textiles Policy 2014-19 are spread at the national level and have a positive impact on small and medium enterprises through various measures including development of clusters.

7.2 The main theme of the current Policy is to increase dependence on special factors which give comparative advantage and to increase the use of new technologies especially ICT options, for improving competitiveness of the entire textiles value chain.

8 Budgetary support:

8.1 Following schemes have been approved in The Finance Bill 2014-15. The Ministry will ensure that these schemes may continue during the Policy period i.e. 2014-19:

8.2 Drawback of Local Taxes and Levies (DLTL)

8.2.1 Draw-back for local taxes and levies would be given to exporters of textiles products on FOB values of their enhanced exports on an incremental basis if increased beyond 10% over previous year's exports at the following rates:

- Garments 4%
- Made ups 2%; and
- Processed fabric 1%

8.2.2 The incentives will be provided to the exports made in 2013-14 (calendar year 2014) compared to exports made in 2012-13 (calendar year 2013) in the year 2014-15.

8.2.3 The support will continue for the rest of Policy period, however, eligibility criteria for the above support will be properly aligned with all Policy goals from budget period 2015-16 onwards.

8.3 Easy Finance

8.3.1 Mark up rate for Export Refinance Scheme of State Bank of Pakistan is being reduced from 9.4% to 7.5% from 1st of July 2014.

8.3.2 Textiles industry units in the value added sector would be provided Long Term Financing Facility (LTFF) for up gradation of technology from State Bank of Pakistan at the rate of 9% for 3-10 years duration.

8.3.3 The Schemes may continue during the Policy period. In case there would be further decrease in the policy rates then subsequently EFS and LTFF rates would be revised accordingly.

8.4 Sales Tax Regime

8.4.1 An expeditious refund system is being introduced and a fast track channel for manufacturers-cum-exporters is being created, whereby FBR would dispose of all their pending sales tax refund claims within 3 months, if not earlier.

8.5 Tariff on Machinery Imports

8.5.1 Textiles sector enjoyed duty free import of machinery under Textiles Policy 2009-14. This facility (SRO 809) has been extended for another two years.

8.6 Vocational Training

8.6.1 A new vocation training programme will be launched through PSDP to train sufficient men and women over five years period for skills required in the value added sector such as garments and made ups.

8.6.2 The project will be completed in two phases while vocational training institutes as well as factory spaces will be utilized for training purpose.

9 Policy Interventions:

9.1 Tariff rationalization:

9.1.1 The tariff structure for entire supply chain will be reviewed in line with effective protection rates. Higher tariffs provide excessive protection and increased margin for domestic sales. This situation does not provide any encouragement for exports. In such scenario tariff rates for entire supply chain need to be rationalized while providing adequate protection. This would increase the competitiveness of the domestic industry while ensuring increased exports and reduce smuggling of finished products such as manmade finished fabrics and garments.

9.1.2 The textiles sector value chain will be given protection as per the study carried out by The National Tariff Commission (NTC). This will provide a predictable tariff regime for the foreseeable future.

9.1.3 In order to encourage use of manmade fibres, Deemed Imports Basis scheme would be introduced so that the domestic PSF industry is also protected. An authentic and accredited testing system will be established to determine the manmade fibre content in the exporting products. The drawback rates for various manmade based exporting products will be determined by the Input-Output Coefficient Organization (IOCO). Criteria will be developed with the consultation of stakeholders and disbursements would be made by the State Bank of Pakistan. Drawback on deemed import basis will only be available to the mmf based garment products initially.

9.1.4 Similarly, work is in progress with the FBR to simplify Temporary Import Schemes such as DTRE in consultation with stakeholders to facilitate the value-added sectors. A GSP+ Committee has been constituted to study the export trends for which FBR is providing data from PRAL.

9.1.5 Measures will be taken to curb smuggling and protect the domestic manufacturing sector.

9.2 Product diversification:

9.2.1 Pakistan exports limited range of garments and made ups. Efforts would be made to widen the production base to include value-added products such as children wear, lingerie, beachwear, leisure wear, technical textiles, geo textiles and medical textiles. For this purpose, collaborations with foreign experts, donor agencies and international universities would be sought and the existing bases at National Textile University, Faisalabad, and Textile Institute of Pakistan, Karachi, would be strengthened.

9.2.2 The Government will establish a Product Development & Innovation Fund to develop new products, along with costing, identification of supply chains, raw materials, and dissemination of information to the SME sector. Awareness seminars and training on textiles entrepreneurship in new products will be carried out for new business development and product diversification.

9.3 Technology Up-gradation Fund Support Scheme

9.3.1 Technology Up-gradation Fund including for SMEs will be extended for this Policy Period as well. Main aim of the scheme is to improve overall technological configuration of the sector, remove critical imbalances in the value chain and achieve compliance with international standards.

9.4 SME Development

9.4.1 One of the weakest links in textiles value chain is unorganized power loom sector which consists of mostly 4 to 32 power looms, classified as cottage industry with unskilled labour force. Similarly, other SME sub sectors also have unorganized structures. The Ministry of Textile Industry would adopt three pronged strategy to address this issue.

- a. Mapping, surveys and diagnostic studies of existing clusters for various subsectors including wool, silk, hand looms, embroidery, weaving, knitting and stitching. The Government will earmark funds for diagnostic studies and approach foreign donors for the development of clusters. The clusters will be provided with various facilities, such as marketing cooperatives, testing laboratories, training centres, international and domestic certifications, combined effluent treatments plants, etc. Option of opening engineering campuses of recognized universities and/or new universities in mega clusters will also be explored.
- b. A Business Portal would be launched to facilitate sales and business partnerships on the internet. This would also enable the SME sector to increase usage of ICT and modern management practices in their units.
- c. Top fifty SMEs each year in exports would be identified and would be facilitated for organizational restructuring, business development, export marketing, IT usage and infrastructure etc for their growth in exports and to become listed companies.

9.5 Neglected Sectors:

9.5.1 The Government will establish state of the art Product Development Centre along with machinery, equipment and training facilities for vulnerable subsectors

such as carpets and handlooms. The Ministry would also set up dedicated fibre development centres for silk, wool, jute, linen, bamboo and other natural fibres in collaboration with relevant Ministries and provincial governments. The Ministry will approach the concerned quarters for allocation of funds for dedicated training for the hand-knotted carpets which is one of the most value added sub-sector of this industry.

9.6 Productivity and OHS Audits and Trainings

9.6.1 The Ministry will carry out productivity analyses on processes and energy conservation. Trainings would be provided to improve per capita productivity on cost sharing basis. To attain international compliance in Occupational Health and Safety, trainings would also be provided to the SME sector in partnership with provincial governments, ILO and other agencies, especially for initiating Better Work Programme. The Government will provide necessary funds for productivity and OHS audits. In addition, Business Alliances and Buyers' Forums would be created to assist value-added sectors in meeting international standards of sourcing.

9.7 Joint ventures, mergers and relocation of international manufacturers

9.7.1 As suggested by the Board of Investment, a comprehensive plan would be launched in consultations with trade associations and BOI to facilitate buyers' presence through joint ventures and relocation of foreign manufacturing units in Pakistan.

9.8 Strengthening of textiles firms

9.8.1 Initiatives will be taken to strengthen the strategic and competitive capacities of textiles value chain and allied industry firms, promote growth, sustainability, innovation, value addition, diversification and internationalization. Under performing firms and units will be supported through management capacity building BDS support, facilitating mergers and acquisitions and any other viable options.

9.9 Electricity and Gas

9.9.1 The Ministry will take measures to give priority to textiles sector for availability of energy to fully utilize the GSP+ status. For this purpose, a joint committee comprising senior officers of the Ministries of Textile Industry, Petroleum & Natural Gas, Water & Power and Finance Division will be constituted to work out solutions on a regular basis to reduce the energy gap in the textiles sector.

9.9.2 In order to conserve energy, textiles associations would be facilitated to carry out energy audits within their member units, so that energy consumption is reduced through specific interventions, such as replacement of old machinery and plugging leakages.

9.10 Awareness and Information Dissemination

9.10.1 Market intelligence including fibre and product mix, information on different countries' specific standards and compliance requirements, along with tariffs and preferential tariffs of competitor countries would be disseminated both through the Ministry's web portal and in regular meetings with stakeholders. The information about best international practices in value added chain will be made available to the stakeholders.

9.10.2 The Ministry of Textile Industry will regularly publish domestic and international imports and exports data. Such information will also be available on the Ministry's website. Further, the Ministry of Textile Industry will hold technical seminars and workshops for SME sectors. For such purpose international technologists, marketing and compliance experts would also be invited. The associations and manufacturing units will provide space where practical demonstrations would be given.

9.10.3 Tele-centres and PTA ICT infrastructure will be leveraged for the benefit of entire textiles supply chain including farmer community.

10 Sectoral Focus

10.1 Cotton

10.1.1 Model Cotton Trading Houses: The Ministry will set up Model Cotton Trading Houses in Multan and Sakrand in collaboration with the PCCC, to facilitate farmers, ginners and other stakeholders. This will also help to encourage standardization and brand development.

10.1.2 Cotton Regulatory Regime: Ministry of Textile Industry will pursue for enactment of Plant Breeders Right Act as well as amendment in Seed Act and Quarantine to facilitate research, attract new technologies and increase the availability of certified quality seed. To improve standardization of cotton and ginning sector, implementation of Cotton Control Act is imperative. In addition, cotton standardization and clean cotton with reduced contamination levels will be facilitated through upgradation of ginning machinery, for which the ginning sector has already been included in LTFF.

10.1.3 Better Cotton Initiative (BCI): The BCI aims to promote measurable improvements in environmental and social impact of cotton cultivation on land, climate, environment and people. The BCI cotton initiative was introduced in Pakistan by WWF-Pakistan and funded by the EU. The Government of Pakistan will pursue this programme and necessary funds will be arranged for continuation and expansion of current programme through foreign donor agencies and other relevant forums.

10.1.4 Extra Long Staple Cotton: The Government would take measures to introduce extra long staple cotton and a comprehensive training and capacity building programme will be developed to establish a system in the private sector for grading and classifying cotton ensuring that proper premiums are paid on cotton based on grading and classification.

10.1.5 Pakistan Central Cotton Committee (PCCC): The PCCC will be restructured to strengthen their research activities. Focus will be to increase per hectre yields, reduce the risk of cotton leave curl virus and introduce longer staple length varieties. Organization rules will be amended to extend incentives to the employees on the basis of performance and output.

10.1.6 Pakistan Cotton Standards Institute (PCSI): The PCSI was in a state of disarray after Cotton Standardization Fee (CSF) was suspended in 2007. The Ministry has revived the CSF to ensure its survival. The PCSI has been shifted to new premises and its capacity and equipment will be strengthened through funding from relevant forums.

10.1.7 Hedge Trading: Cotton hedge trading for the domestic cotton will be initiated in consultation with stakeholders.

10.2 Fibre Diversification

10.2.1 At present, Pakistani products are heavily dependent on cotton, whereas the world demand is for increased use of manmade fibres and other natural fibres. Technical Boards will be formulated to carry on research on Silk, Wool, Jute, Synthetic, Artificial, and Vegetable Fibres.

10.2.2 Manmade Fibres (MMF): This is a fact that cotton dominates the share in fiber usage in our textiles industry. The only other fiber which has some share in the textiles industry in our country is polyester. The use of MMF fibre in the country is woefully low as compared to regional competitors and international market trend and therefore, needs significant increase. Promotion of MMF industry is key objective of the present Textiles Policy. The fibre usage pattern in the world is continuously shifting from cotton to manmade fibre and the ratio has reversed from 60-40 to 40-60 within ten years. This ratio was 80-20 in favor of cotton three decades earlier. With such a drastic change in the demand pattern in the world, Pakistan has moved only with a snail pace, in fact the local production of manmade fibre is less than what we had a decade ago. The Policy is aimed at providing a paradigm shift and concentrate on other high value added fibres, especially manmade fibres (MMF), to enrich the exports mix. To bring the change SFDAC will be reorganized to provide strength and support in the development of MMF based industry of Pakistan and to train technologists and technicians engaged

in raw material manufacturing and whole downstream chain processing industry to develop better quality products according to the global demands.

10.3 Spinning

10.3.1 Investment in new capacities in finer counts, rotor technology, value added attachments and economies of scales will be encouraged.

10.4 Weaving

10.4.1 Weaving City would be established, initially in Faisalabad through PSDP funding and then will be replicated in other part of the country to de-fragment this sector, along with the provision to provide space for machinery and spare parts manufacturing.

10.5 Knitting

10.5.1 The small and medium knitting units will be supported to increase their capacities, up-gradation of their machinery and de-fragmentation.

10.6 Processing

10.6.1 The Policy would encourage investment in narrow width capacities to increase production of finished fabrics for the apparel sector.

10.6.2 The Government will identify areas where effluent treatment plants can be established through public-private partnerships. Special Purpose Vehicle (SPV) will be incorporated to establish Model Combined Effluent Treatment Plant (CETP) in Khurrianwala, Faisalabad. The Government would seek funding from international donors and operational cost would be provided by the processing industry. Further, machinery for the ETP may be considered for inclusion in the LTFF.

10.7 Carpets

10.7.1 Carpets specially hand woven is a value added segment of the textiles value chain. The sector will be provided due importance as a value added made-ups industry of Pakistan.

10.8 Technical Textiles

10.8.1 Technical textiles are an emerging area of high value addition and through concerted efforts we can gain significant share in the world market. However, there is a need to invest in R&D in this area. Government will develop a proper strategy for the promotion of technical textiles in the country. For this purpose an exclusive centre of excellence to impart training, develop skills and provide relevant information about world trends in such fields like geotech, meditech and sportech will be established.

Government will pursue the KOICA who has shown interest in establishing a research facility for technical textiles in National Textile University, Faisalabad. The non-woven sector is one of the emerging sub-sectors having considerable share in value-added products. To encourage this sector, training modules will be developed to impart knowledge and skills.

10.9 Garments and Made-ups

10.9.1 Entrepreneurs will be encouraged to take maximum advantage of availability of abundant labour force and for this sourcing and marketing training will be provided along with the establishment of product development centres. The training would also focus on fashion garments and trends, apparel merchandising, made-ups designing and quality control etc. The centres will collaborate with leading fashion institutes to provide in-depth training in specialized high value fashion garments. Programmes will be initiated to raise profiles of local brands and designers and to explore new overseas markets. Innovations in garment production will encourage development of new raw materials for the sector.

10.9.2 The government will take steps to reduce illegal imports of value added garments in domestic market to encourage domestic manufacturing. Further, steps would be taken for proper examination and assessment of huge imports under the head of worn clothing.

10.9.3 Textiles Exporter of the Year Award: In order to create recognition of the textiles sector's role in the national economy, the Ministry of Textile Industry would initiate a Textiles Exporter of the Year Award in various categories including highest value-addition.

10.9.4 Brand Development: The Ministry of Textile Industry would encourage setting up Pak cotton brand, fashion labels and brands abroad to increase exports. As brand development requires long term financial commitment, the Ministry would develop a scheme similar to LTFF with the State Bank of Pakistan in which loans may be made available at same policy rates available in LTFF scheme.

10.9.5 Market Support and Development: The Ministry would ensure that participation in international exhibitions by TDAP will be carried out after due consultation with the stakeholders and transparent criteria will be developed for the participation of SMEs in these exhibitions. A dedicated 'annual textiles exhibition' will be organised domestically in each year of the Policy period. The first Textiles Pakistan exhibition will be held in Lahore in 2015-16.

10.9.6 World Textiles Centre: Establishment of World Textiles Centre envisages the setting up of an international buying house to attract more export orders. In the first

phase, thirty renowned international buying houses will be provided free space and services. In the second phase, more buyers would be provided space as per requirement. The Ministry of Textile Industry would also establish 'Apparel Houses' in metropolitan cities which are also textiles hub to provide one stop showcase facility to exporters so that international buyers can see a range of products in one place and place their orders. This would further facilitate the domestic commerce.

10.9.7 Domestic labour laws: The garment sector is a cyclical business and observes fluctuations in production capacities as it is dependent on export orders. The Ministry in consultation with the Ministry of OPHRD, provincial labour departments, Employers Federation of Pakistan, would recommend measures to facilitate manufacturing units as per ILO conventions. A 'workers welfare fund' will be created especially for handloom and hand knotted carpet sectors to give encouragement to the poorest sections of society. At the same time, efforts would be made in tandem with the above stated stakeholders to reduce the role of regulatory agencies through creation of one-window system.

10.10 Allied Industry

10.10.1 Textiles sector has grown to be the single largest manufacturing sector of Pakistan. However, support industries like textiles machinery manufacturing, textiles dyes and chemicals and accessories industry have not developed proportionally. Most of the demands in these areas are met through imports. There is an urgent need to promote development of industries that would ensure indigenous supply of such important technology and raw materials at home at reasonable prices.

10.10.2 Promotion of joint ventures with leading international brands will be a key objective of the Policy. Government will provide appropriate incentives to encourage such initiatives.

10.10.3 Intensive training and awareness campaigns will be initiated to disseminate information on comparative benefits of upgrading machinery and using domestic resources.

10.10.4 Viability studies for production of textiles dyes, chemicals and accessories will also be initiated. Based on these studies, measures will be introduced for encouraging establishment of industries considered economically viable.

11 Revitalizing Projects

11.1 The Ministry would introduce new projects through PSDP funding, including physical infrastructure development, research projects for cotton, and vocational and skill development training through PSDP, foreign donors and other relevant forums. In

addition, the ongoing Projects will be revitalized to develop their plans for phase II, to attain final shape as envisaged in the plan. The Ministry will increase strength of workforce in attached offices and technical wings to meet enhanced futuristic needs of the sector.

11.2 Pakistan Textile City Limited

11.2.1 The project was initiated in 2004, the objective was to develop a state of the art industrial area for the textiles sector at an area of 1250 acres. The Ministry would operationalize this project and plots will be launched for sale when ready.

11.3 Garment Cities

11.3.1 The Ministry of Textile Industry has established three garments cities in Faisalabad, Lahore and Karachi. Two buildings each in Faisalabad and Lahore Garment Cities have been leased to textiles units. The Karachi Garment City would be developed on fast track basis. The Ministry of Textile Industry will promote business/technology incubators for value added segments of garments and home textiles for leasing to new enterprises/entrepreneurs and small units. Necessary funds would be arranged through PSDP. In addition, training facilities would be developed in these incubators.

11.4 To facilitate in Up-gradation of EDF Institutes

11.4.1 Ministry of Textile Industry will facilitate by providing technical support for up-gradation of EDF funded textiles training institutes to meet international requirements and eliminate the skill gap for manufacturing of high quality value added textile products. These institutes will be provided necessary support for new machinery and hiring of foreign trainers, designing of courses and training of master trainers in collaboration with foreign donor agencies.

12 Capacity Building of the Ministry and its organizations

12.1 Special initiatives will be taken for institutional restructuring and human resource development and the Ministry will accordingly provide training to the human resource working under the Ministry in the fields of agricultural research, textiles engineering, international trade matters and negotiations, project development, project monitoring, tariff rationalization and other related matters.

12.2 Textiles Act

12.2.1 The Ministry will introduce new legislation to override multiple laws and ordinances under the administrative control of the Ministry of Textile Industry. Work on

the final draft of the proposed Act has already been completed, which would be submitted to the Law and Justice Division for vetting.

12.3 Textile Commissioner Organization

12.3.1 Textile Commissioner Organization will be restructured to make it a strong and effective implementation arm of the Ministry for conducting technical surveys, data collection, holding of seminars and workshops, PC-1 development and project coordination.

12.4 National Textile University

12.4.1 The National Textile University (NTU) will continue to provide higher education and would increase the number of PhDs to meet the skill gap in research and development. The NTU will be encouraged to establish departments for technical textiles in collaboration with foreign donor agencies, and also set up a department for textiles dyes, pigments and finishing to support dyes and chemical manufacturing in the country.

13 Implementation Mechanism

13.1 Federal Textiles Board has been restructured and notified to facilitate the textiles sector stakeholders. The platform will be used to monitor the implementation of the Textiles Policy 2014-19, including rationalization of cess/surcharges applicable on textiles value chain industry and its exports and its utilization. The RDA Cell will act as secretariat of the Board and will be responsible for the overall implementation and monitoring of the Textiles Policy 2014-19.

13.2 To achieve the objectives, Strategic Master Plans will be developed particularly for export promotion, SME development, technical textiles and sub-sectors.

13.3 For specific developmental initiatives such as the establishment of Centres for Product and Fibre Diversification, Model Trade Houses, and World Textiles Centre, infrastructure development projects, relevant forums/Ministry will be approached for allocation of funds from Export Development Fund, PSDP through PC-1s, , while donors would also be requested to assist in financing such as CETPs, cluster development etc.

13.4 The Textiles Policy initiatives will strive to compliment, strengthen and support relevant initiatives taken by other Federal Ministries, Provincial Governments or donors and will avoid any duplication.
