

GOVERNMENT OF PAKISTAN
MINISTRY OF TEXTILE INDUSTRY

Islamabad the 3rd October, 2016

NOTIFICATION

No.3(19)TID/15-RDA: In order to support investment for upgrading textiles machinery and technology, the Federal Government is pleased to make the following Order, in pursuance of entry 7 of item 39 of Schedule II of the Rules of Business, 1973.

2. Objective of the Scheme: - (1) Technology up-gradation Fund scheme is launched with the objective to improve overall technological configuration of the sector; remove critical imbalances in the value chain; achieve compliance with international standards and increase overall investment through support with special provisions for supporting the SME Sector.

3. Short Title, application and commencement: - (1) This Order may be called the Technology Upgradation Fund (TUF) Order 2016 for Textile Sector.

(2) The Order shall cover the whole of Pakistan.

(3) It shall take effect from July 01, 2016 and shall continue until June 30, 2019.

4. Definitions:-In this order, unless there is anything repugnant to the context;

(a) "Schedule" means Schedule annexed to this Order;

(b) "Authorized Dealer" means those commercial banks and their branches who have been authorized to deal in foreign exchange by the State Bank of Pakistan;

(c) "BSC" means SBP-Banking Services Corporation (SBP-BSC), a wholly owned subsidiary of State Bank of Pakistan, under the SBP Banking Services Corporation Ordinance, 2001 (LXVII of 2001);

(d) "Manufacturer" is any person (sole proprietor, partnership or company) with a valid NTN; registered as such with respective Association; must not be tax defaulter; and who has filed income tax returns for the last two years from the date of application for financial support under this scheme;

(e) "Nominated bank" means any of the Authorized Dealers selected by the applicant for submission of claim under this Scheme.

(f) "SBP" means the State Bank of Pakistan; and

(g) "SME" means a Small and/or Medium Enterprise as defined under the SBP Prudential Regulations for SMEs

5. Benefits under the support.-(1)Every manufacturer will be provided one time financial support per annum on purchase and installation of new machinery in the textile sector, at rates and limits specified in **Schedule-I** of this Order. The following shall be ineligible for the scheme:

- (i) Old and/or used machinery, not even for trial purposes
- (ii) Locally manufactured machines and equipments

(2) Support for both loan based investment and equity based investment under the scheme will be calculated on the basis of the C&F value of the imported plant and machinery.

6. Eligibility.- (1) The support shall be provided to existing and new textiles manufacturers registered with Ministry of Textile Industry. The registered manufacturers shall furnish data and any information related to the unit's operations, domestic sales, accounts and exports as and when required by the Ministry of Textile Industry.

(2) The units shall be complying with all social, environmental and other regulations of the Government.

(3) The support shall not be available to the manufacturers having non-performing loans, classified under SBP Prudential Regulations. Further, the applicant will become ineligible for availing the support, in case, any of its loans is classified as non-performing even after the application is already submitted.

(4) Support shall not be available for machinery imported/procured having L/C retirement before 1st July, 2016 or after 30th June, 2019.

(5) The machinery used for the processing/production of fiber, filament, yarn, fabric, or any other article made wholly or in part with the fiber along with the machinery to improve efficiency, productivity, information communication technology, energy efficiency, and environmental compliance will be eligible for support.

(6) The machinery shall be installed outside the limits where city government restrictions have not been imposed.

(7) The facilities shall not be used or availed in duplication i.e. plant, machinery and equipment financed under SBP's Long Term Re-financing Facilities or any other support or concession of Government of Pakistan shall not be eligible for the support under this Order. The manufacturers availing this facility cannot apply for the LTFF or any other support for the same plant, machinery and technology.

(8) The units other than SME will provide bank guarantee equivalent to support available. The bank guarantee will have a life of not less than two years from the date of support disbursed. The guarantee will invoke in case the claimant of this support does not comply with the conditions as notified by the Ministry of Textile Industry and circulars of State Bank of Pakistan.

(9) The applicants will be required to provide complete proof of financial transaction along with custom related documents related to import of machinery.

(10) Support under the scheme shall be available only for machinery imported through L/C and payments made directly to the manufacturer of the machinery by the applicant manufacturer. To increase the outreach to the SMEs, application containing Inland L/C in the name of local supplier, along with opening and retirement of import international L/C and payment made by the local supplier to the foreign supplier shall be eligible.

(11) The facilities availed under this Order shall be non-transferrable and the machinery and plants on which the financial support is provided under this scheme shall be non-saleable for the next five years from the date of application.

7. Role of Commercial Banks.- (1) The facility shall be administered by the commercial banks and DFIs.

(2) It shall be the responsibility of commercial banks/DFIs to assess the viability of the projects and financing requirements. The credit decision of the commercial bank/DFIs shall be final.

(3) The credit risk under the scheme shall not be borne by the Government.

(4) After retirement of L/C the applicant unit may approach the office of SBP through their banks/DFI for submission of claims.

(5) Banks/DFIs shall not take more than six weeks in evaluating an application for support under the Scheme from the date of receipt of complete information from the applicant. Where the request is declined, the bank/DFI will explicitly apprise the applicant of the reasons for rejecting the application.

(7) A report from Pakistan Banks Association approved surveyors should accompany the application with regard to identification of sector for each machinery, confirmation that manufacturer has imported/purchased and installed new machinery/technology in line with terms and conditions of the scheme.

(8) A copy of the internal audit certificate shall also be submitted to the concerned office of SBP BSC at the time of claiming support with regard to confirmation that the support claim is within terms and conditions laid down in the Scheme.

8. State Bank of Pakistan,- (1) The details and procedure for applying for the Technology Up-gradation Support shall be prepared by the State Bank of Pakistan in consultation with Ministry of Textile Industry.

(2) The Support shall be paid by the State Bank of Pakistan after verifying fulfillment of eligibility criteria subject to release of funds by the Federal Government for relevant fiscal year.

(3) State Bank/Ministry of Textile Industry shall have the right to appoint independent consultants to verify the claim. In case the report of the consultant points out irregularity on the part of the financing bank/DFI or the claimant, State Bank reserves the right to recover the amount of support granted to the bank/DFI along-with fine on the banks or claimants at the rate of Paisa 60 per day per Rs 1,000/- or part thereof on the amount of support.

9. Modifications.-(1) The Federal Government reserves the right to make any changes, additions, deletions and modifications in the scheme under this Order which it may consider necessary.

10. Interpretation.-(1) Any interpretation or clarification required regarding the application of this Order shall be made by the Ministry of Textile Industry.

11. Penalties for contravention.-(1) Any unit which in contravention of the provisions of this Order, through acts of omission or commission, files fraudulent or false claims shall be liable to pay back the amount of support already received under the scheme along with fine at the rate of Paisa 60 per day per Rs 1,000/- or part thereof on the amount of support.

12. Appellate authority.-(1) The appellate authority where penalties have been imposed by the SBP, shall be the Secretary, Ministry of Textile Industry.

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Copy to:-

1. Secretary, Ministry of Textile Industry, Islamabad
2. Secretary, Finance Division, Islamabad
3. Governor, State Bank of Pakistan, Karachi
4. Network Administrator, Ministry of Textile Industry, Islamabad for uploading the Notification on official website of the Ministry.

(Wajeaha Bashir)
Section Officer (RDA)

Schedule-I

S. No.	Textile sub-sector		Rate of Financial support as %age of cost of prescribed machinery	Financial support Limit per annum (Rs. In millions)
1	Garments and Technical Textiles	Non-SME	15	25
		SME	20	15
2	Made ups and Carpets	Non-SME	10	15
		SME	15	10
3	Processing	Non-SME	10	20
		SME	15	10
4	Spinning, Knitting and Weaving	Non-SME	5	20
		SME	10	10
5	Ginning	Non-SME	10	15
		SME	15	10
6	Fiber	Non-SME	5	20