

MINTEX notification on Technology Support Order 2010

The Ministry of Textile has issued a notification No. 3(18)TID/10-P-I to support investment for upgrading textiles machinery and technology, on the directives of the Federal Government, in pursuance of entry 7 of item 29A of Schedule II to the Rules of the Business, 1973: This order called 'Technology Up-gradation Support Order 2010 shall cover the whole of Pakistan. The order shall take effect from September 01, 2009 and shall remain valid up to June 30, 2014. Disbursements under this Order will continue for the duration of loans obtained till June 30, 2014.

Benefits under the support order 2010

- ❖ For projects exceeding investment of Rs. 10 million in machinery or technology, the Federal Government will pick-up 50% of mark-up subject to a maximum of 5 percentage points p.a., whichever is less.
- ❖ For projects with investment in machinery and technology not exceeding Rs. 10 million, the Federal Government may provide grant up to 20% of the capital cost for new Plant and Machinery only as "Investment Support". This support will be available to SMEs as defined under the SBP Prudential Regulations for SMEs.
- ❖ The repayment period shall not exceed ten years including grace period as may be allowed by the SBP.

Eligibility

- ❖ The investment support shall be provided to existing and new textile units registered with Ministry of Textile Industry.
- ❖ Mark-up support shall not be available to the borrowers having non-performing loans, classified under SBP Prudential Regulations. Furthermore, it will also make the borrowers ineligible for availing the support during remaining period of the loan if their loans are classified after introduction of this support.

- ❖ Mark-up support shall not be available for loan disbursed before 1st September, 2009.
- ❖ The investment support shall cover only the technology and machinery identified under this order by a Financial and Technical Committee to be constituted and notified by the Ministry of Textile Industry. The Committee shall also permit the percentage of interest reimbursement/capital grant by the Government depending on the technology and value addition. An illustrative list of machinery is placed at annexure as under: The Government may periodically review and revise the list in consultation with the industry.
- ❖ The facilities shall not be used or availed in duplication i.e. plant, machinery and equipment financed under SBP's LTFF Scheme and or any other support or concession of Government of Pakistan shall not be eligible for the support under this Order.
- ❖ The registered units shall furnish data and any information related to the units operations, domestic sales, accounts and exports as and when required by the Ministry of Textile Industry.

Role of Commercial Banks

- ❖ The facility shall be administered by the commercial banks and DFIs.
- ❖ 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.
- ❖ The credit risk under the scheme shall not be borne by the Government.
- ❖ After disbursement of loan either in part or full, the banks or DFIs may approach the offices of State Bank of Pakistan, BSC (Bank) concerned for obtaining mark-up support as mentioned in clause 4(1).

- ❖ It shall be the responsibility of commercial banks / DFIs to forecast the interest repayment on six monthly basis and provide such information to SBP and Ministry of Textile Industry.
- ❖ Mark-up support shall be paid by the commercial banks on six month basis in March and September each year subject to release of funds by the Federal Government for relevant fiscal year.

State Bank of Pakistan

- ❖ The State Bank of Pakistan (SBP) shall reimburse the amount of mark-up rate support to commercial banks by debit to the appropriate Federal Government account to be intimated by the Finance Division.

Modifications

- ❖ 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.

Interpretation

- ❖ Any interpretation or clarification required regarding the application of this Order shall be made by the Ministry of Textile Industry.

Penalties for contravention

- ❖ 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 penalties, as may be prescribed by the SBP or Ministry of Textile Industry.

Appellate authority

- ❖ The appellate authority where penalties have been: imposed by the SBP, shall be the Secretary, Ministry of Textile Industry.

The details and procedure for the Technology Up-gradation Support shall be prepared and announced by the State Bank of Pakistan.

Annexure: Eligible Machinery under the scheme may include the following machines

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| 1. Industrial stitching machines. | 9. Open-end machines. | 16. CAD/CAM/CIM system. |
| 2. Garment dyeing machines. | 10. Ring machines for finer counts. | 17. Technical textiles/nonwovens. |
| 3. Garment special effects machines. | 11. Ginning machines. | 18. Quilting machinery and equipment. |
| 4. Processing plants. | 12. Power generation equipment for textiles and clothing units. | 19. Fiber and filament manufacturing Machinery. |
| 5. Shuttleless looms. | 13. Effluent treatment plants. | 20. Machinery attachments for value addition such as coarse filament yarn, compact spinning, elastic or Spandex yarn and Slub yarn devices. ◆ |
| 6. Knitting machines. | 14. Energy saving equipment. | |
| 7. Yarn dyeing machinery. | 15. Textiles testing equipment. | |
| 8. Yarn singeing machinery. | | |