

## The Federal Budget 2010-11 disappoints the industry



The Federal Budget 2010-11 presented by Finance Minister Dr Abdul Hafeez Shaikh is disappointing to textile sector. The representatives of the business community including spinning, weaving etc also expressed their dismay. They said government has failed to fulfill its promise to textile sector for package announcement in the Federal Budget- 2010-11, as promised by the Prime Minister Yousuf Raza Gilani.

The government has dropped Textile Ministry's demand to allocate Rs 46 billion for different initiatives that were integral components of the Textile Policy (2009-14) in budget 2010-11. According to the budget documents, there is no subsidy for textile industry and the government has made no allocation for different schemes under the textile policy including textile investment support fund, drawback of local taxes, refund of past Research and Development (R&D) claims, mark-up rates and magnetisation of PTA.

The Textile Ministry had proposed to the government to allocate Rs 46 billion in the budget for 2010-11 for different initiatives but received no allocation in the budget. The government had announced Rs 42 billion for textile export promotion under the textile policy in the budget 2009-10 of which 67% was to be spent on textile and clothing industry with a view towards consolidation and value addition of the sector.

Now government has allocated Rs 10 billion in the budget 2010-11 for the 'Export Investment Support Fund' to provide mark up rate on export refinancing and rebate on fabric, home textiles and garments to achieve the export target of US \$ 25 billion in the next five years.

The fund would be spent on account of 2.5% mark up rate on export refinancing, 8% rebate on fabric, 2% on home textile and 3% on rebate on garment textile from Export Investment Support Fund (EISF). Mark-up on investment against plant and machinery in textile sector and Technology Up-gradation Fund (TUGF) scheme in the new Textile Policy would be supported through this fund.

The textile industry has showed a mixed reaction to the budget speech, with a majority view that it lacks a visionary approach, carries multiple ambiguities .

All Pakistan Textile Mills Association (APTMA), Pakistan Yarn Merchants Association (PYMA) and Pakistan Cotton Ginners Association (PCGA) expressed dismay for not providing relief to these sectors. Contrary to the promises the Withholding Tax (WHT) instead of being decreased or abolished has been increased by 1% to settle it at 5%.

Pakistan Readymade Garment Manufacturers & Exporters Association (PRGMEA) ex-Chairman, Ejaz Khoker said that the Prime Minister Syed Yousuf Raza Gilani and the Advisor to PM Shaukat Tarin had made a number of commitments to bailout the textile industry, but nothing was announced in the Federal Budget.

Textile sector is the back-bone of Pakistan's economy contributing 8.5% to GDP, employs 38% of the total manufacturing labour force, and contributes 67% to total merchandise exports. Stiff competition from neighboring competing countries, lack of duty free access in EU and US as well as power load shedding, high utility rates, unpaid custom rebate and sales tax refund claims, non-availability and high cost of raw materials and inputs have all contributed to the woes of the The issues and problems faced by the textile industry of Pakistan are monumental. The industry was rightfully expecting a recovery package on behalf of the government. This is the time when the textile industry that is vital to the survival and prosperous future gets its due share of attention. ♦