

Environmental Standardization Potential & Needs in Pakistani SMES *A Survey Report*



Sustainable and Cleaner Production in the Manufacturing Industries of Pakistan

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1.0 Introduction

Sustainable and Cleaner Production in the Manufacturing Industries of Pakistan (SCI-Pak) is a three year capacity building project under SWITCH-ASIA. SWITCH-ASIA, the new regional environmental programme, in line with the EC (European Commission) Regional Paper for assistance to Asia (2007-2013), is aiming to promote the adoption of Sustainable Consumption and Production (SCP) among small and medium sized enterprises (SMEs) and consumer groups in Asia.

SCI-Pak is partly funded by the European Union. The project is directed to the Asian industrial sectors. The main purpose is to provide the tannery and textile SMEs entrepreneurs with a multidimensional approach to engage into Sustainable Production (SP) practices. Training, workshops, academic courses, environmental policies, financial instruments and incentives to local industries are to be developed aiming to set up an enabling environment for implementing SP projects.

Under this project, assessment of environmental standardization potential and needs of the Pakistani SMEs, particularly, the textile processing and tannery industries, is one of the activities. A survey of these industries was conducted to assess the potential and need of these sectors for the environmental standardization. This is a brief report describing the major findings of the survey. On the basis of this survey report, future strategy will be developed by the SCI-Pak such as to prepare comprehensive report on different environmental certifications and eco labels available throughout the world which are important for the Pakistani textile and leather sectors to enhance their export market by attracting customers. Also seminars will be organized to educate these industrial sectors about these standards. A mechanism will also be developed to create links between the industry and the standard organizations.

2.0 Methodology

A survey questionnaire was developed with the assistance of CSCP (Centre on Sustainable Consumption and Production) for the survey to be carried out in textile processing and leather tanneries. This questionnaire is attached as Annexure-1.

2.1 Structure of the Questionnaire

This questionnaire is divided into three sections.

First section: It is about the basic information of the industry, contact person and his details and type of products of the industry.

Second section: It is about the current state of the sustainability labels and standards. The objective of this section is to assess the information level of the industry about these labels and certifications, its business market (local or export) and type of international buyers dealing with the industry. In this section, information is also acquired from those industries that have already acquired labels or certifications about the driving force and experience of its implementation and response of the clients on these standards.

Third section: It is about the future need of the industry about which label or standard industry desires to get in future, what barriers they consider for its implementation and what guidance is required by them.

2.2 Selection of the Industries

Total 21 industries (16 textile and 5 tanneries) were surveyed. These industries are selected on the basis of their business market. These industries are blend of local and export oriented industries. The need of the local industry for these sustainability labels and certificates is entirely different from the export industry. Therefore, both types of industries were flavored in this survey. Lahore and Faisalabad regions were selected which have large clusters of textile and tannery industries.

2.3 Field Survey

The selected industries were first contacted and got the appointments. The CPI representatives at Lahore and Faisalabad cities visited the industries and filled the questionnaires themselves by interviewing the contact persons. The detail of these industries is given in Table-1.

2.4 Survey Report

After the survey, all the information was collated and major findings have been presented in this survey report.

3.0 Key Findings of the Survey

Key findings of the survey are discussed in this section.

3.1 Knowledge about the Labels and Standards

This section is about the assessment of the knowledge depth and information level of the industry about these standards.

There were three types of industries surveyed. One of the types was completely involved in export business. They export their products in almost whole of the world such as Europe, USA, Africa, Australia and Asia. Second type was involved in export as well as in local business whereas third type was completely dealing with the local market. On the basis of these three categories, their knowledge about these labels and standards also varied from industry to industry. However, there was sharp difference among these industries that the export oriented industry knew about few of these labels and standards and particularly for those standards which they had already acquired. Local industry was not aware of these labels and standards or in other words their knowledge was very poor. Knowledge difference also exists among 100% export industries and those partially involved in export. Regarding 100% export industry, they are well aware of those labels and standards which they already have whereas partially export oriented industry's knowledge is very limited.

One thing was obvious during the survey that all types of industries were willing to get knowledge about these labels and standards. They desired to know about various labels and standards related with sustainability which were being demanded by different buyers throughout the world. Most of the local industries are also planning to shift their business

Table-1: Detail of the Surveyed Industries

#	Industry	Type	Products	Business Market
1	MH Tannery	Tannery	Crust and finished leather	Export (China, Thailand, Turkey)
2	Hafeez Shafi Tannery	Tannery	Finished leather	Local & Export (Australia & Germany)
3	Furrukh Usman	Tannery	Wet blue	Local
4	Royal Leather	Tannery	Upholstery & shoe leather	Export (Korea, China, Italy, USA, Australia)
5	EPCT	Tannery	Finished leather for shoes	Export (Fareast, Italy, Portugal, Germany)
6	US Apparel	Textile	Denim (Jeans)	Export (Europe & USA)
7	Brothers Dyeing	Textile	Dyed & printed fabric	Local
8	Paramount	Textile	Denim (Jeans) & dyed yarn	Export (USA)
9	Intermarket	Textile	Socks	Export (USA & Europe)
10	Ittehad Textile	Textile	Dyed & printed fabric	Local
11	Ahmed Jamal	Textile	Dyed fabric	Local
12	Rashid Textile	Textile	Dyed & printed fabric	Local
13	Faisal Fabrics	Textile	Dyed & printed fabric	Local & Export (USA, Canada, Europe, Middle East, Australia, New Zealand, Asia)
14	Sitara Textile	Textile	Dyed & printed fabric	Local & Export (Europe, south America, Africa)
15	The National Silk & Rayon	Textile	Dyed and embroidery fabric	Local & Export (Saudi Arabia, Thailand)
16	Amtex	Textile	Home textile & apparel	Export (UK, Germany, France, Spain, Austria, Sweden, USA, Canada)
17	Kamal Limited	Textile	Home textile	Export (Europe, USA, Asia)
18	MK Sons	Textile	Made ups, curtains	Export (Germany, USA, Canada)
19	Noor Fatima Fabrics	Textile	Home textile	Export (USA, Europe, Australia)
20	Gohar Textile	Textile	Home textile	Export (UK, Australia)
21	Hilal Textile Corporation	Textile	Dyed & printed fabric	Local

towards the international market. Therefore, they were also quite keen to learn about these labels and standards so that they could prepare for the future business. Even export oriented industries are also planning to expand their business and capture other parts of the world market; therefore they are also interested to explore demands of their targeted buyers.

About 70% of the surveyed industries relate these labels and standards with environment, consumer and internal processes of the company whereas 30% are not aware of them and are not in a position to relate them with any of the above areas.

About 33% relate these labels and standards with environmental conservation and improvement. About 28% consider that these are important for the satisfaction of the consumers and the buyers whereas 9% relate it with the improvement of internal processes of the industry i.e. improvement of the recipe, elimination or controlled use of the hazardous chemicals and improvement of the health and safety of the workers.

Overall impression is that the knowledge of the industry about these standards is limited.

3.2 Importance of Labels and Standards

Views of the industry representatives regarding importance of these labels and standards vary in nature. Most have the view points that these labels are important for the conservation of environment and improvement of the occupational health and safety of the workers. Few industries consider that these labels and standards help in improving the internal processes of the company and allowing less consumption or complete elimination of the hazardous chemicals. Industry also strongly believes that these labels and certificates are important to satisfy the customers and helpful in fulfilling buyers' demands which ultimately leads to secure international market.

About 24% industries consider that these labels and certificates are important for the satisfaction of the buyers and fulfilling their export demands. Another 24% consider them important for the environmental improvement and conservation. About 33% consider them very important to enhance export and capture international market. The remaining 19% are in the view point that their importance is for the improvement of working environment and internal processes.

3.3 Information Sources

Industry gets information about different eco labels and environmental certifications from the sources such as customers/buyers, exhibitions, seminars, journals/magazines, chemicals suppliers, industrial associations, consultants, internet, media (electronic & paper), certification bodies, competitors and government circulars. However, industry considers that these sources are not sufficient to provide enough information to them.

3.4 Driving Force

This question is only relevant to those industries that had already got any of the eco labels or environmental certifications. For most of the industries, the driving force to acquire these labels and certifications is only the buyers' demands and their satisfaction. There were responses like the driving forces are: enhance the company's repute due to tough competition in the market, company's own desire to be more responsible in producing

eco friendly products and improving its internal environment and improve the quality of their products.

3.5 International Market and Buyers

Pakistani export oriented textile and leather tanneries deal with all parts of the world which is depicted in Table-1. Their major international buyers include IKEA, Camel, Levis, Primark, B&H, Prima, Dunes, Sainsbury, Saint Michael, Primor, Beirl Mons, Rectella, Jet, Mostro, Sun Garden, Fan, Walmart, Target, Carrefour, Dorma, Springs, JC Penney, Sears, JYSK, Red Cats, Tesco, Disney, Next, Madison, Estex, Avtex, Empire Ways, Sleep High and P. Ramaniar. Many local units surveyed are also planning to export to Europe in future.

3.6 Eco Labels and Certifications Already Used

About 57% of the surveyed industries have already acquired some type of eco labels or environmental certifications whereas 43% do not have any of these. Under the first category (57%), 17% industries have acquired Oeko Tex 100 eco label only, 33% have acquired Oeko Tex 100 and ISO 14001 both, 25% are using more than one eco labels and 25% have only ISO 14001 certification. Overall it can be concluded that most of the Pakistani industries particularly the textile processing units use Oeko Tex 100 and ISO 14001 certification for their export business. In other words, it can be said that the international buyers demand Oeko Tex 100 and ISO 14001 more from these industries.

3.7 Experience of Using these Standards

The objective of this part of the survey questionnaire was to get information about the experience of the industries after acquiring eco labels and certifications. From the 57% industries who have acquired eco labels and certifications, about 52% experienced that these labels and certificates helped them in enhancing their export business and satisfied their customers throughout the world. About 5% experienced that these also helped in improving their internal working environment and reduced their cost of production through resource conservation.

3.8 Future Requirement of these Standards

Surveyed units need eco labels like Oeko Tex 100, EU Flower, GOTS (Global Organic Textile Standard), organic exchange and REACH (Registration, Evaluation, Authorization and Restriction of Chemical Substances) and ISO 14001 certification in future for their business. There are also units who require SA 8000 (Social Accountability), OHSAS 18001 (Occupational Health & Safety Assessment Series) and WRAP (Worldwide Responsible Apparel Production) to satisfy their customers. WRAP and SA 8000 certifications are mainly required by the American buyers from the apparel producers for the sewn products. These labels and certificates are either demanded by the existing international buyers or industry got the information of the eco labels and certificates demanded by those buyers and regions where they were planning to export in future. So with the proactive approach they desire to acquire them beforehand.

3.9 Barriers in Acquiring these Standards

There are different barriers identified by the surveyed units due to which they are either not able to acquire them or got difficulty in achieving them. These barriers include cost (Cost is very high for the certification fee as well as the laboratory testing charges), lack of information (In case information is available, it is not really technical but just the general one), unsure about future business (Industries fear that if they invest on these certifications and then afterwards they could not be successful in getting business in international market: This cost will be a wastage), process change (industries hesitate to change their processes and recipes), environmental laws are very strict and very costly to comply it as wastewater treatment plant and other pollution control devices have to be placed in the industry (Few certification such as ISO 14001, WRAP and EU Flower require that the industry should comply its local environmental law).

3.10 Type of Assistance Required

From the surveyed units, it is obvious that most of the industries do not have much technical knowledge and information for acquiring eco labels and certification. They demand that there should be consultants in the country who guide them and provide practical ways to implement systems to acquire certifications. Few also demand that these consultancy services should be free of cost. Some demand that the Government should provide subsidies to those industries that acquire these labels and certifications. Some industries demand that there should be some mechanism through which knowledge about these labels and certificates to guide the industry should be available.

4.0 Conclusion

International buyers are becoming more conscious about the compliance of environmental, occupational health and safety and social standards. Stringent legislation of the Western and European countries and customers awareness about these issues have forced buyers to formulate and implement policies, strict code of conducts and standards regarding purchase of goods from developing countries to ensure that customers are using products of those industries or brands who are responsible manufacturers as far as local legislation and social compliance is concerned.

As textile and leather sectors of Pakistan are very important for the economic development of the country. Textile sector contributes 8.5% to GDP (Gross Domestic Product) and constitutes about 61% of the total export and 46% of manufacturing of the country. Similarly leather sector contributes about 5% of GDP and earns 7% of the total export earnings of the country. Most of these industries involve in export business. Even the local industries are also planning to shift their business from local to export. It is obvious that Pakistani export industry is growing day by day and they are capturing international markets of the whole world.

One of the key requirements of the export business is to acquire eco labels and environmental certifications demanded by different buyers throughout the world. Demand varies with the buyers and regions, therefore, Pakistani industry will have to equip fully for these standards. All these standards are relevant to them. Extensive potential and need exist in these sectors for these standards. Industry's knowledge about these standards is weak. There is no proper information source available to them from where they can get the knowledge, particularly the technical knowledge required for the implementation. Even there is no platform, either from the

government or from the private sector to share information, knowledge and experience. Though, different consultants, certifying agencies, funded projects, seminars, workshops and roundtables have contributed in this respect but may be not up to what which industry expects.

There is also a very important missing link between industry and the standardization organizations. This link, if established in any form, can benefit in number of ways. Industry can directly get information, share their issues and receive authenticated guidance from these organizations.

Annexure-1

Basic Information

Name & Designation: _____

Company / Organisation Name: _____

Contact (Email or telephone or fax): _____

What are your products?

Business: (Local/Export or both): _____

Current State in Eco Labelling

1.a. Do you know about the eco labels and certification? if yes then explain briefly

1.b. In your point of view, what is the importance of these labels?

1.c. From where you are getting or have gotten information about the labels and certification?

1.d. What are the driving forces for using eco labels for your company/organisation?

1.e. In case of local market, are you willing to export your product in future? If yes then where? And do you know which eco labels that country/buyers need

1.f. Name of the international buyers

2.a. Which eco labels and certificates does your organisation use? (For example, ISO 14001, Oeko Tex 100, Organic Exchange, GOTS etc)

2.b. How is the experience of your company with these labels? What do you think about the added values?

2.c. What is the response of your client/ purchaser with these labels? Does your client demand more eco labels in addition to what you have already ?

Questions on the Challenges towards Eco Labelling and Certification

3.a. Which eco labels and certification do you want to obtain in the future? (these could be for example ISO 14001, Organic, GOTS, Oeko Tex 100, etc)

3.b. What are the barriers for getting eco labels? (E.g. costs, certification barriers, unsure about the future, unsure about demand for export, lack of information, etc...)

3.c. What information do you need to get eco labels? What kind of assistance would be needed? What information is still missing?

3.d. Do you have any further comments you want to add?

Thank you for your assistance!