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NPO PAKISTAN
National Productivity Organization

ASSESSMENT AND ANALYSIS OF CERTIFICATION REQUIREMENTS IN SELECTED EXPORT SECTORS OF PAKISTAN

Trade Related Technical Assistance (TRTA II) Programme

(TRTA II Programme is funded by the European Union)

European Union | Government of Pakistan | United Nations Industrial Development Organization | International Trade Centre | WIPO

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Preface

Compliance with global standards is vital for Pakistan's exporters to be able to access the international market and diversify their trade linkages which are at present saturated in a few markets. Many industrial sectors have the potential to escalate exports if they fulfil the compliance demands of foreign buyers. For example, if the horticultural produce from Pakistan is treated through a proper post-harvest mechanism which ensures that the fresh fruit and vegetables fulfil the essential SPS requirements of buyers in the UK and European Union, the current exports to these regions are expected to significantly grow. The large textile export sector of Pakistan can also benefit from compliance with global CSR standards as international buyers in the US, UK, Europe and Australia have become increasingly demanding about an assurance of fulfilment of worker's rights and improved working conditions in the country of origin. Similarly, certification to CE Marking is a gateway to accessing the European Union and can boost the exports of manufactured products like surgical instruments and electric fans.

However, achieving these certifications has two major constraints. First, cost of certification puts considerable financial demands on small and medium exporters who, in addition to paying the cost of acquiring the certification, are required to upgrade the supply chains, infrastructure, and equipment to meet the requirements specified in the standard. Second, access to technical expertise on how to go about achieving some certification poses a significant problem due to a lack of adequately qualified consultants for those certifications.

The Trade Related Technical Assistance programme funded by the European Union, being implemented by UNIDO in association with ITC and WIPO, is supporting the promotion of exports and facilitation of exporters' access to the international market. Under its quality infrastructure improvement component, one of the activities consists of trainings of consultants and enterprises on certifications required by the industry. The purpose of this report is to inform the training activity by indicating the certifications most needed by key industrial sectors covered, i.e. horticulture, processed and raw meat, surgical instruments, readymade garments, leather, electric fans, and cutlery. This report was compiled based on the results of a comprehensive survey of exporters in these sectors. We hope that it will provide useful insights to trainers, exporters and other concerned stakeholders.

Sher Ayub Khan
Chief Executive Officer
National Productivity Organization (NPO)

Foreword

This study was conceived and carried out under the Trade Related Technical Assistance (TRTA II) programme with the aim to verify the types of certifications which are required by the industry in Pakistan to comply with the international standards. The TRTA II is a Programme funded by the European Union (EU), implemented by United Nations Industrial Development Organization (UNIDO) in collaboration with International Trade Centre (ITC) and the World Intellectual Property Organization (WIPO), which aims at strengthening the capacities of Pakistan to participate in the international trade. The overall objective of the Programme is to contribute to poverty alleviation and sustainable development in Pakistan. The specific purpose is to support economic integration of Pakistan into the global and regional economy and to stimulate decent work and employment creation by increasing exports and enhancing the enabling climate for international trade.

The TRTA II programme activities can be classified into three broad components: Component 1 focuses on trade policy capacity building, Component 2 is concerned with export development through improvement of quality infrastructure, and Component 3 emphasizes the strengthening of the intellectual property rights system. Under Component 2 of the TRTA II programme, some activities were identified to improve the quality, the value addition and the compliance of export products in the value chains of some selected sectors. Two of these activities focus on:

- The training of consultants in management systems to enable them to conduct certified trainings of quality, environment, food safety, GAP and CSR, in collaboration with National Productivity Organization (NPO).
- The preparation of enterprises in management systems (quality, environment, food safety, GAP, CSR) through the trained consultants, in collaboration with NPO.

As a pre-requisite to the implementation of these training activities, a demand-driven approach was taken to assess which standards the industry needs to implement and what are the gaps in the skill set of the current consultants available in the country. To this respect a survey was carried out by TRTA II to identify the management systems (quality, environment, food safety, GAP, CSR, etc.) required by seven selected sectors and to collect an insight into the skill level of the consultants available in the market. This report presents and analyzes the findings of this exercise with the objective to inform about the required training of consultants and enterprises in management systems.

This has been possible with the continued support of the European Union that has funded the TRTA II programme.

Bruno Valanzuolo
Chief Technical Advisor- CTA
Trade Related Technical Assistance Programme (TRTA II)
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List of Acronyms

APMEPA:	All Pakistan Meat Exporters and Processors Association
BRC:	British Retail Consortium
BSCI:	Business Social Compliance Initiative
CSR:	Corporate Social Responsibility
CE:	Conformité Européenne/ European Conformity
ETI:	Ethical Trade Initiative
EU:	European Union
FSSC:	Food Safety System Certification
GAP:	Good Agricultural Practices
GMP:	Good Manufacturing Practice
HACCP:	Hazard Analysis Critical Control Point
ISO:	International Organization for Standardization
ITC:	International Trade Center
NTB:	Non-Tariff Barriers
PFVA:	All Pakistan Fruits and Vegetable Exporters, Importers and Merchants Association
PLGMEA:	Pakistan Leather Garments Manufacturers and Exporters Association
PRGMEA:	Pakistan Readymade Garments Manufacturers and Exporters Association
REACH:	Registration, Evaluation, Authorisation, and restriction of Chemicals
SABS:	South African Bureau of Standards
SAI:	Secretariat of the Agriculture Initiative
SASO:	Saudi Arabian Standard Organization
SIRIM:	Standards and Industrial Research Institute of Malaysia
SMETA:	Sedex Members Ethical Trade Audit
SONCAP:	SON Conformity Assessment Program
SPS:	Sanitary and Phytosanitary (measures)
TBT:	Technical Barriers to Trade
TRTA:	Trade Related Technical Assistance
UNIDO:	United Nations Industrial Development Organization
USDA:	U.S. Department of Agriculture
WCA:	Workplace Condition Assessment
WIPO:	World Intellectual Property Organization

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Executive Summary

Liberalization of trade acts as a catalyst for stimulating economic activity and helping reduce poverty in low-income countries. In the context of a liberal trading system, growth in exports performance helps boost economic growth in the country. Pakistan has taken concrete steps to liberalize its international trade in the past two decades. An open trade regime has allowed total exports to more than double during the period 2000-2013. There is potential for further growth in exports, but for Pakistan to retain or expand this growth it is crucial that it meets the demands of the world trading system-not only in terms of competitive prices but also compliance with standards and technical regulations.

Standards and regulations have become a key feature of international trade. The abundance and stringency of these public and private standards has given rise to many concerns among the developing countries. They are seen as being detrimental to the developing country exports possibilities, either because of stringent requirements or because of the costs to establish and/or proof of compliance. However, once a country complies with these standards it gains access to a harmonized level playing field for international trade. Thus, raising the capacity of exporting firms to meet export market compliance requirements is pertinent to further developing the exports of Pakistan.

This report assesses the most prominent types of certifications required by seven exporting sectors of Pakistan for compliance with international standards. Based on the results of a survey of 100 exporting firms and 10 certification bodies, the report discusses the certification demands of global buyers, the compliance status of exporters, and the certifications that exporters would want to be trained for. The sectors reviewed include horticulture, processed and raw meat, surgical instruments, textiles (readymade garments), leather garments and accessories, electric fans, and cutlery. Based on the survey results, the report also examines the availability of consultancy services in each sector. A summary of the survey findings in each sector is presented below.

1. Horticulture (Fresh and Processed Fruit and Vegetables)

Horticulture exports from Pakistan have increased threefold in the past decade and there is potential for further growth if the SPS requirements of international buyers are adequately met. At present, South Asia is the biggest market for fresh fruit and vegetables from Pakistan, with only a small share being imported by Europe and the United Kingdom. Citrus and mango predominate the exports in fresh fruits, whereas potato and onion form the bulk of vegetables exports.

International buyers of perishable agricultural products and high-value foods, especially those in the Europe and the UK, are particularly demanding about compliance with food safety and GAP standards. According to the findings of the survey, HACCP, Global GAP, and BRC are the certifications most frequently demanded by the current and potential buyers of fruit and vegetables.

Whereas some large firms and farms are certified against these standards, for small farmers and exporters the cost of compliance is a key deterrent to implementation. In congruence with the demands of global buyers, horticulture exporters are keen on getting trained for Global GAP, HACCP, and BRC. Survey results indicate that consultants provide inadequate guidance for acquiring these certifications.

2. Processed and Raw Meat

Processed and raw meat is fast becoming a prominent category in the food exports from Pakistan and has the potential for positive growth in exports if SPS and livestock traceability requirements of international buyers are met. Meat exports are concentrated in the regions where Halal meat is consumed, especially Saudi Arabia, Iran, and the UAE, but the share of Pakistan in the overall meat trade in the Middle Eastern region is very small due to non-compliance with health and safety standards.

Global buyers of meat demand compliance with HACCP and proof of traceability. Survey results reveal that except Halal certification, most of the firms hold no certification against any food safety standard.

According to the survey results, processed and raw meat exporters are most interested in getting trained on the process of establishing traceability measures. It was found that consultants are available for HACCP but not for traceability.

3. Surgical Instruments

Exports of surgical instruments from Pakistan predominantly fall in the category of medical, surgical and dental instruments. These exports are concentrated in the US, UK, and Germany. The Surgical instruments sector is one sector where exporters have been able to penetrate the high-income market and retain their share over a long period.

The industry currently faces stringent compliance requirements. Global buyers of surgical instruments demand compliance with ISO 9000, ISO 13485, and the CE Marking. According to the survey results most of the surgical instruments exporters are ISO 9000 certified. Many medium-sized units hold the CE Marking and ISO 13485, whereas small firms lag behind due to significant cost barriers and lack of awareness about the certification process.

According to the findings of the survey, surgical instruments exporters want to be trained for CE Marking and ISO 13485. A significant proportion of mainly bigger firms indicated that consultants are available for ISO 9001, ISO 13485, and CE Marking and they provide adequate guidance for certification processes.

4. Readymade Garments

Pakistan's readymade garments industry is a key player in Pakistan's textile industrial output and exports. At present, USA is the largest market for readymade garments exports from Pakistan, with the European Union and the UK being the second and third largest markets respectively.

Exporters of readymade garments are facing compliance-related problems at every step of the value chain, right from raw materials to the finished product. Incorporation of social sustainability and environmental management standards in the value chain of the manufacturer has become a key requirement of the global buyers and consumers. Compliance with ISO 14000, OEKO-TEX 100, SA 8000, ETI, SEDEX, and BSCI is highly demanded.

The most commonly applied standards in the sector are ISO 9001 and ISO 14001, and compliance with CSR certifications is generally present among exporting firms with notably large operations. Survey findings show that exporters in the sector are most interested in getting trained for OEKO-TEX 100, ISO 14000, and SA 8000 to meet the demands of buyers in Europe, North America, and Australia. Availability of consultants for OEKO-TEX was cited as a problem.

5. Leather Garments and Accessories

Manufactured leather and leather products contribute about 3 percent to the overall exports of Pakistan. USA and Germany are the major markets for leather garments and accessories. In recent years, the leather sector has experienced considerable negative exports growth performance and is fast losing its share of exports – due to high costs of production – to the regional competitors India and Bangladesh. Therefore, at present, it is vital that leather exporters meet the compliance demands of international buyers in order to boost the declining exports.

The compliance demands of leather buyers focus on the usage of non-hazardous chemicals in the manufacturing process to be compliant with OEKO-TEX 100 and REACH, and on the integration of CSR provisions in the supply chain, mainly referring to SEDEX, BSCI, SA 8000, and/or WRAP. Compliance with SEDEX and REACH is fairly prevalent among the exporters surveyed, but they are facing challenges in the implementation of OEKO-TEX 100, BSCI, and SA 8000. According to the survey findings, exporters want to be trained for the requirements and process of these standards. Survey results also indicated that availability of skilled consultants is a challenge for the exporters.

6. Electric Fans

The electric fan industry in Pakistan specializes in the production of consumer fans. The exports of these fans are concentrated in low-income markets in South Asia and the UAE. There is potential to expand sales in the African region.

International buyers of consumer fans in more developed or higher-end markets demand compliance with ISO 9001, CE Marking (Europe), and SASO Certification (Saudi Arabia), followed by some demand for UL (North America) and SABS Certification (South Africa). Most of the firms in the sector are ISO 9001 certified but only a modest proportion of firms hold the CE Marking. Cost of compliance is a key constraint for small firms.

According to the findings of the survey, exporters of electric fans want to be trained for CE Marking, SASO Certification, and ISO 14000. Demand for training on SABS Certification and UL Certification is also considerably high. Consultants are available for

ISO 9000 and ISO 14000, and a few only for CE Marking; however, exporters who want to get product certifications from SABS and UL face an issue of unavailability of consultants in the sector.

7. Cutlery

The cutlery industry, at the moment, contributes only around 0.25 percent to the exports of Pakistan, but has a growth potential. Major exports of the sector include tableware and kitchenware cutlery, knives, articles of cutlery n.e.s mainly manicure and pedicure sets and instruments, and hunting equipment like swords and daggers. These exports are concentrated in high-income markets including USA, Germany, Italy, and France. Over the past five years exports of knives and articles of cutlery n.e.s have showed remarkable growth and these commodities fetch a high price in the international market.

Certification needs of cutlery manufacturers are limited. Firms require ISO 9000 and CE Marking, for all items which fall under this category, to meet the demands of buyers in USA and Europe, respectively, and want to be trained on the requirements of these certifications. Knowledge about the availability of consultants is almost non-existent.

8. Certification Bodies

More than 20 public and private certification bodies are active in Pakistan. Most of them are associated with multinational certification bodies that they represent and issue certificates for. The uptake of management systems by Pakistani companies had increased steadily for a number of years, but declined in 2014 as compared to 2013. The following possible reasons were indicated by the market players interviewed by the author of this Report:

- Lack of good management system consultants and the penetration of the market by incompetent and/or unethical consultants
- Malpractices committed by some management system certifiers who give certificates against payment, with minimum or no auditing, or use inexperienced auditors.
- The practice of some certifiers of providing both consultancy and certification (which is prohibited by ISO 17021) , and the resulting conflict of interest.
- A combination of the above factors.

Nearly all private sector management system certifiers benefit from the name of the foreign bodies to attract clients, especially those who need a certificate signed by a foreign accredited body. However, it has been reported that many of the private management system certifiers do not strictly apply the internationally accepted rules fixed by ISO 17021 and by IAF Guidelines.

The current situation of management system certification in Pakistan calls for urgent action to remedy the damage done by nominal, ineffective implementation of those systems for the sake of certification, without real improvement in the quality of quality of products and services.

Similarly, credible certification systems contribute significantly to quality improvement of production and granting access to Pakistani products to international markets.

According to the survey findings, all certification bodies are providing services for frequently demanded certifications, such as ISO 9000, ISO 14000, SA8000, or HACCP.

Certification bodies were asked to indicate the standards most commonly demanded by the exporters; results show that ISO 9001 is the most highly demanded certification across all sectors. Certification bodies also signified the standards for which they consider a need to train more consultants to be available for the industry. According to the certification bodies, consultants in the horticulture sector should be trained for HACCP/ISO 22000 and Global GAP Crops and consultants in the area of processed and raw meat should be trained for Halal Certification; consultants for manufactured products sectors like surgical instruments, electric fans, and cutlery should be trained for ISO 13485 and GMP. REACH, SEDEX, SA 8000, and BSCI are the frequently demanded standards in the readymade garments and leather garments and accessories sectors for which consultants require training.

1. Introduction

Pakistan has taken concrete steps to liberalize its international trade in the past two decades. An open trade regime has allowed total exports to grow remarkably, rising from US$ 9.2 billion in 1999-2000 to US$ 24.46 billion in 2012-2013. The rise in exports, along with an increase in investment and production, has contributed positively to the economic growth of the country. GDP growth rates have risen from 2 percent in 2000-2001 to average 4-5 percent a year. Approval of duty-free access of exports to the European Union until 2017 under the GSP Plus status has the potential to boost exports, provided that the standards and technical regulations in the respective markets are met.

Pakistan's exports are highly concentrated in a few items; currently more than 52 percent of exports originate in the raw cotton, textiles and apparels sector, followed by leather and rice, making up another 13 percent. Although Pakistan trades with a number of countries, majority of these exports are concentrated in a few regions. About one-half of Pakistan's exports' destinations are six countries, namely, the USA, the China, the UAE, Afghanistan, the UK and Germany. Further disaggregation of export market trends shows that the bulk of trade in textiles and leather is concentrated in China, the USA, Germany and the United Kingdom. Similarly, the majority of surgical instruments exports are going to the USA, the United Kingdom, and Germany. Afghanistan, India, and Sri Lanka are major importers of fruits and vegetables from Pakistan whereas the UAE and Saudi Arabia are importing the bulk of raw and processed meat. Fans are being exported to the Middle East and North Africa, particularly Saudi Arabia, UAE, Yemen, and Sudan. Major importers of cutlery from Pakistan are the USA and the EU countries.

For Pakistan to maintain or expand its exports it is crucial that it meets the demands of the world trading system – not only in terms of competitive prices but also compliance with standards and technical regulations. These (public and private) standards and technical regulations have become a key feature of international trade. The capacity of an exporting country's industry to upgrade its supply chain to meet such requirements specified by global markets and buyers plays a key role in determining the access of its exports to the international market. This presents significant market entry barriers for countries like Pakistan if the access for producers or exporters to technical expertise – to establish compliance with these standards and/or to obtain proof of compliance – is costly or locally non-existent.

This report is based on the findings of a survey to assess and analyse certification requirements, which was carried out in the framework of the EU-funded TRTA II programme implemented by UNIDO. It reviews the compliance requirements of seven exporting sectors of Pakistan, including readymade garments, leather garments and accessories, processed and raw fruits and vegetables, processed and raw meat, cutlery, surgical instruments, and electric fans. It also examines the availability of consultancy services in each sector and assesses whether these services are available to prepare the industry to meet its current compliance requirements. This analysis is based on a survey of Pakistan's exporting firms, carried out with the following specific objectives:

- To assess and verify the types of certifications required by the industry for compliance with international standards
- To analyse the skill set of the current lot of consultants available in the market with regard to these certifications

Based on the results of the survey, the report proposes interventions for each sector in the context of its certification requirements and export potential. This analysis is a baseline for the training of consultants and 40 enterprises in management systems (quality, environment, food safety, GAP, CSR) which will be carried out under TRTA II to 'improve quality, value addition, and compliance of export products' in the value chains of selected sectors.

The report is organized in five sections. The next section provides a brief background of standards and technical regulations in international trade; it discusses the challenges faced by the exporters in developing countries in the context of proliferation of standards and their possible implications for the developing country exports. Section 3 provides an overview of the questionnaire design, sampling and data collection process. Section 4 presents the findings of the survey on assessment and analysis of certifications for the compliance requirements of each sector. The results are divided into seven

sections, one for each sector, and are further disaggregated by firm size. Section 5 concludes the report with recommendations and way forward for each sector. An overview of the key characteristics of standards is annexed at the end of the report.

2. Background

2.1 Increasing Number of Technical Regulations and Standards

In recent years, the number of standards and technical regulations applicable in major/many international markets has grown significantly. They address a wide range of issues – from labour conditions, health and safety issues, and quality management systems, to environmental and social concerns. Increased standardization and related regulation can be seen as the result of greatly increased consumer awareness about health and safety standards, and of a gradual shift, among the developed country consumers, international NGOs, and global producers and buyers, towards environment-friendly and socially accountable production and manufacturing.

2.2 Non-Compliance with Standards as Barrier

In March 2009, USFDA refused entry to several items of surgical equipment and a number of other export items from Pakistan, because production did not conform to applicable requirements. In 2007, fisheries exports to the EU were put on hold due to non-compliance with EU regulations on health and safety. In the year 2014, more than 220 consignments of fruits from Pakistan were restricted access to or withdrawn from the markets in the EU. These incidents demonstrate how non-compliance with standards or technical regulations in international trade can affect a country's export performance and the reputation of the exporter.

The proliferation and increased stringency of standards and technical regulations has many developing countries concerned. Standards are seen to be an impediment to exports, either resulting in certain products being banned, or increasing the costs of production by imposing cost-intensive compliance requirements. In general, significant costs arise from testing, labelling, laboratory testing, and certification of products and processes, which sometimes requires the adjustment of production facilities to comply with the requirements. In addition, there is the need to prove that the exported product meets the foreign regulations through certification. The cost of establishing compliance and its certification may discourage small and medium manufacturers in developing countries from trying to sell abroad. There is also a concern that the growing complexity and lack of harmonization of standards and technical regulations between markets and countries could still hamper the trading efforts of developing countries.

Two WTO agreements are particularly important in this context:

1) The Agreement on Technical Barriers to Trade (TBT) recognizes the importance of international standards and conformity assessment systems in improving efficiency of production and facilitating international trade; at the same time, the agreement emphasizes that such measures should not be taken with the effect of creating unnecessary obstacles in international trade.

2) The WTO Agreement on Sanitary and Phytosanitary Measures (SPS) allows WTO members to restrict international trade based on regulations to ensure food safety and to prevent the spread of diseases among animals and plants. At the same time, that agreement also aims to ensure that unneeded health and safety regulations are not used as disguised trade restrictions that protect domestic producers.

2.3 Compliance with Standards as Catalyst

A more optimistic view on standards and technical regulations makes them appear as a source of competitive advantage for developing countries. This approach emphasizes that there is not much empirical evidence available for the view that standards reduce trade. On the contrary, empirical evidence shows that shared standards have a positive and highly significant effect on trade volumes, with a one percent rise in shared standards correlated to perhaps a 0.32 percent increase in trade (Moenius, 1999). Studies conducted by Weisbrot and Baker and Shah et al. confirm these results in the context of Pakistan, whereby they established a positive impact of TBT on the export performance of the

textile industry.

Moreover, as Jaffee and Henson state, standards are a necessary information bridge between the increasingly demanding consumer requirements and international suppliers. Standards improve information flows between suppliers and consumers regarding the inherent characteristics and quality of products, thereby facilitating market transactions. They also provide a common language within the supply chain and promote buyer and consumer confidence in the safety and quality of imported goods, thereby expanding trade.

From this perspective of standards being catalysts, the challenges inherent in compliance with standards can act as a powerful incentive to modernize the developing country export supply chains. Further, via increased attention to the spread and adoption of good practices, for instance in agriculture and manufacturing, there may be a spill over into the domestic industry, to the benefit of the local population and domestic producers. Rather than eliminating the comparative advantage of developing countries, enhancement of capacity to meet stricter standards could, potentially, create new forms of comparative advantage. Hence, the process of standards compliance could provide a more sustainable and profitable trade in the long term.

3. Questionnaire Design, Sampling and Data Collection

The instrument used for collecting the data employed in this analysis was developed in collaboration with the TRTA II programme management team. This survey was carried out in seven major export sectors of Pakistan, namely, readymade garments, leather garments and accessories, fresh and processed fruits and vegetables, processed and raw meat, electric fans, surgical instruments, and cutlery. The questionnaire was designed to collect data about the compliance requirements facing each sector and the impact of firm size, exports volume, and awareness levels on the willingness and capacity of the firms to get certified. It also focused on the constraints faced by the firms in getting certified to the standards demanded by global markets or buyers. Another significant component of the questionnaire focused on the availability and accessibility of consultancy services in each sector. The questionnaire was first piloted in 5 firms to test its validity and reliability.

For sampling, a stratified random sampling frame was used. For readymade garments, leather garments and accessories, processed and raw meat, and horticulture, lists of SMEs and large exporters were solicited from four industrial associations, namely, Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA), Pakistan Leather Garments Manufacturers and Exporters Association (PLGMEA), All Pakistan Meat Exporters and Processors Association (APMEPA), and All Pakistan Fruit and Vegetables Exporters, Importers and Merchants Association (PFVA). For electric fans, surgical instruments, and cutlery, lists of exporters were obtained from the TRTA Programme. The sample obtained contained 150 companies from seven sectors and included small, medium, and large enterprises. These companies were sent the survey questionnaire via email and post. Certification bodies from across Pakistan also participated in the survey. The data collection process yielded 100 responses from companies and 10 responses from certification bodies.

4. Results and Analysis

This section presents the findings of the survey on certification requirements and analyzes these findings on a sector specific basis. Findings for each sector are structured as follows. Sub-section 1 provides a brief overview of the sector's contribution to the exports of Pakistan and its export performance over the last 5 years. Compliance requirements faced by the sector are also discussed. Sub-section 2 provides a profile of the exporters in the sample. It looks at the export markets being targeted by exporters and the awareness among firms about standards and certifications. Furthermore, it provides summary statistics of the proportion of firms that is certified. Sub-section 3 focuses on the certification requirements of exporters. Certifications demanded by global buyers and the constraints faced by the industry in meeting those demands are examined. Sub-section 4 examines the availability of certification bodies and consultancy services in the market to guide and prepare the industry for the requisite certifications. Where applicable, these findings are disaggregated by firm size and export market orientation to highlight the impact of these factors on the compliance status of the industry.

4.1 Horticulture (Fresh and Processed Fruit and Vegetables)

4.1.1 Overview

The Horticultural sector contributes about 12 percent to the national agricultural GDP of Pakistan. In the past decade its exports have more than tripled, increasing its share in the exports of the country from 2 percent in 2005-2006 to around 2.8 percent in 2013-2014. Citrus and mango predominate the exports in fresh fruits, while potatoes and onions are prominent in fresh vegetable exports. Major export markets for fruit and vegetables from Pakistan are Afghanistan, India, Middle East, and Sri Lanka, with only a small share being imported by high-end markets like Russia, the EU countries, and the United Kingdom.

International trade in high-value food products has increased considerably over the last two decades; in recent years, processed and semi-processed foods has accounted for over 60 percent of food trade.

With the backdrop of an expanding international market for agro-food trade, the horticulture sector of Pakistan has an opportunity for increasing the export of high-value food products and offering multiple employment opportunities throughout the supply chain, particularly in rural areas. However, its growth and profitability is restrained mainly by the lack of proper postharvest management infrastructure. During the last decade, horticultural crop production has increased considerably but exports haven't gone up by the same proportion. Only around 4 percent of the total produce is exported, that too at a price much lower (by 41 percent) than the world average price, owing to poor produce quality and limited market access on account of compliance issues.

International trade in perishable agricultural products and high-value foods is particularly subject to strict compliance requirements, mainly because of standards and technical regulations for food safety and animal and plant health. The concerns about fruits and vegetables exported by Pakistan mainly focus on sanitary and phytosanitary (SPS) measures, traceability, residues of agrochemicals, good agricultural practices (GAP), quarantine treatments and the safety of food packaging materials.

In the outgoing year 2014, more than 220 consignments of fruits from Pakistan were restricted access to or withdrawn from the markets in the EU. The most common problem in mangoes and guava was pesticide residue. Pakistan was put under observatory status that was later withdrawn after strict measures were taken by exporters to eliminate complaints. In lieu of these SPS issues faced by Pakistan, the survey sought to find out the certifications required by the industry to address these issues. The results of the survey of horticulture exporters are presented and discussed in the following sections.

4.1.2 Profile of Exporters in the Sample

This section provides a summary of some basic characteristics of the exporters in the sample to provide a framework for interpreting the findings. It examines the export markets being targeted by horticulture exporters with respect to firm size, and the level of awareness of firms about standards and certifications with respect to firm size and export market orientation. Furthermore, it provides summary statistics of the proportion of firms that is certified (disaggregated by firm size) and discusses the perception of firms about the benefits of certifications held.

According to the survey results, the majority of exporters in the sample are engaged in trade with Asia and Europe. In the sample, mango and kinnow are prominent exports in fruit, and potato and onion are leading exports in vegetables. Further details are provided in Table 1.

Table 1: Export market diversification by firm size in horticulture[1]

Scale of Operations	Region						
	Asia (including Middle East)	Africa	Australia and Oceania	Central America & Caribbean	Europe & UK	North America	South America
	%	%	%	%	%	%	%
Total	**86.6**	**13.3**	**6.7**	**0.0**	**86.6**	**13.3**	**0.0**
Small & Medium	26.6	-	0.0	-	33.3	-	-
Large	60.0	-	6.7	-	53.3	-	-

According to the findings of the survey, HACCP and Global GAP are the certifications most frequently demanded by international buyers of fruits and vegetables. As shown in Chart 1, awareness about HACCP, Global GAP, and BRC is high among all exporters. Awareness about FSSC 22000/ISO 22000 and IFS is growing. Awareness about traceability certifications is low across all firms.

Table 2: Proportion of firms aware of the requirements for sector specific certifications for horticulture by firm size

Scale of Operations	Certifications aware of					
	HACCP	Global GAP	BRC	IFS	Traceability Certifications	FSSC 22000/ISO 22000
	%	%	%	%	%	%
Total	**93.3**	**93.3**	**67.0**	**26.6**	**20.0**	**46.7**
Small & Medium	40.0	46.6	33.0	13.3	6.7	26.7
Large	53.3	46.7	33.3	13.3	13.3	20.0

These results are illustrated in the chart below:

Chart 1: Awareness about standards in the horticulture sector

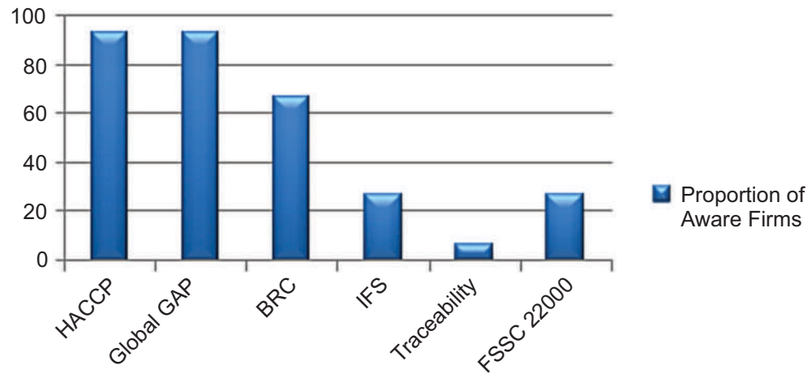


Table 3 shows that the certifications most commonly held by fruit and vegetables exporters from Pakistan are HACCP, Global GAP and BRC. Among the firms that are certified to HACCP and Global GAP two-thirds are large enterprises.

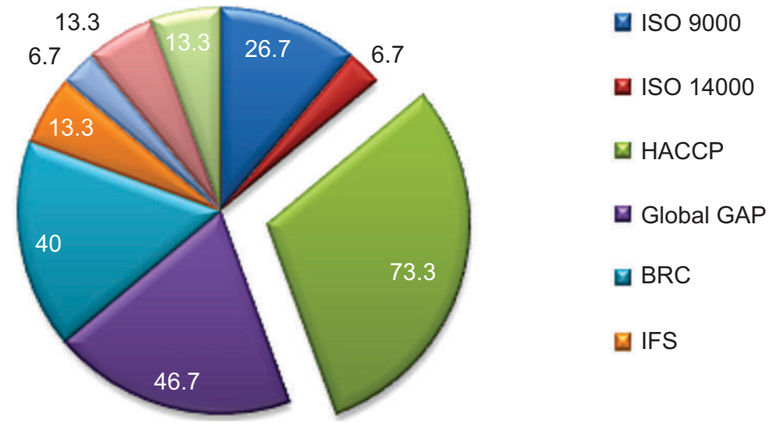
[1] Note: The number of firms in the sample exporting to Africa and North America is not representative to allow for disaggregation by firm size

Table 3: Proportion of firms certified against standards disaggregated by firm size in horticulture

Scale of Operations	Certifications held								
	ISO 9000	ISO 14000	HACCP	Global GAP	BRC	IFS	Traceability Certifications	FSSC 22000	CSR
	%	%	%	%	%	%	%	%	%
Total	**26.7**	**6.7**	**73.3**	**46.7**	**40.0**	**13.3**	**6.7**	**13.3**	**13.3**
Small & Medium	6.7	0.0	26.7	13.4	20	6.7	0.0	0.0	0.0
Large	20.0	6.7	46.6	33.3	20.0	6.7	6.7	13.3	13.3

These findings are illustrated in the chart below.

Chart 2: Standards implemented by exporters in the horticulture sector



The firms cited an increase in exports, an increase in buyers, and the fact of meeting existing buyers' demand for certification as the benefits of getting certified. Improvement in product quality was only cited as a benefit by the firms certified against HACCP/ ISO 22000.

4.1.3 Certification Requirements of Horticulture Exporters

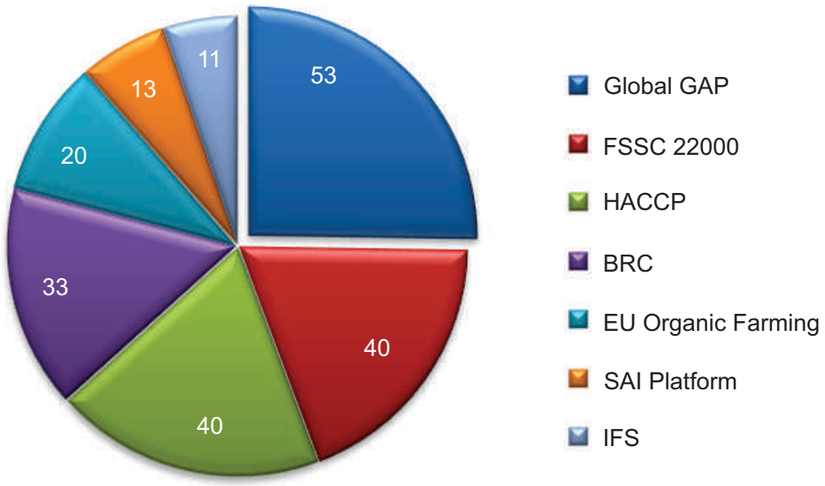
The respondents were asked about the certifications they require and the region for which they require them. Results are presented in Table 4. Demand for Global GAP is the highest followed by demand for the food safety certifications HACCP and FSSC 22000/ISO.

Table 4: Exporters' certification requirements in Horticulture

Certification	Proportion of firms which require this certification (%)	Region for which it is required
Global GAP	53.0	Europe and North America
FSSC / ISO 22000	40.0	Europe
HACCP	40.0	Asia and Europe
BRC	33.0	United Kingdom
EU Organic Farming	20.0	Europe
SAI Platform: Farm Sustainability Assessment	13.0	Europe
IFS	11.0	Europe
TraceabilityCertification	0.0	-

These results are illustrated in the chart below:

Chart 3: Demand for certifications in the horticulture sector



Exporters were asked about the constraints they face in acquiring these certifications. They reported financial constraints and unavailability of consultants as the major deterrents.

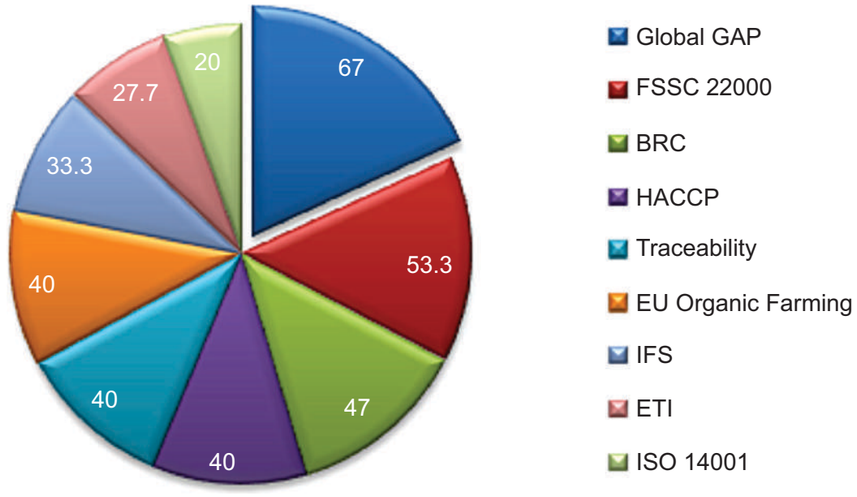
Firms were asked about the certifications they want to be trained for. The results are presented in Table 5. In congruence with the demands of global buyers, horticulture farmers and exporters are keen on getting trained for Global GAP and Food Safety System Certification 22000/ISO 22000, followed by BRC and HACCP. Exporters are also interested in getting trained for establishing traceability measures and EU Organic Farming, which reflects their willingness to learn about standards that can increase their credibility in the international market.

Table 5: Exporters' training requirements in Horticulture

Certification	Proportion of firms which wants to be trained (%)
Global GAP	67.0
FSSC 22000 / ISO 22000	53.3
BRC	47.0
HACCP	40.0
Traceability Certifications	40.0
EU Organic Farming	33.3
IFS	27.7
Ethical Trading Initiative (ETI)	20.0
ISO 14001	20.0
ISO 9001	13.3
Social Accountability SA8000	13.3
BSCI	13.3

These results are illustrated in the chart below.

Chart 4: Demand for training in the horticulture sector



4.1.4 Availability of Consultancy Services in the Horticulture Sector

Results of the survey indicate that certification bodies in Pakistan are providing most of the requisite services for Global GAP, HACCP, FSSC 22000, BRC, and IFS, and the quality of trainings provided by certification bodies is satisfactory to the enterprises. Firms were asked to rate on a five point Likert scale, whereby 1 was "very poor" and 5 was "very good", the quality of trainings provided by the certification bodies. For Global GAP, BRC, and HACCP, majority of the answers ranged in the category of good to very good. For FSSC 22000/ ISO 22000 and IFS, the answers ranged from average to good.

Firms were also asked about the availability of consultants in the sector. For Global GAP, HACCP, and BRC, consultants are available and they possess an adequate level of skills to prepare the industry for certifications. Their skills level was categorized by the exporters as ranging from average to good. Most of the exporters do not know about the availability of consultants for FSSC 22000/ ISO 22000.

In response to a question about the firm's willingness to invest in infrastructure, human resources, and equipment to implement the required certifications, 60 percent of the firms indicated that they would be willing to do so; 13 percent of the firms said they do not know; and 13 percent of the firms responded that they are not willing to invest.

4.2 Processed and Raw Meat

4.2.1 Overview

The processed and raw meat sector has a relatively small share in the overall exports of Pakistan, amounting to less than 1 percent of the overall exports. But it is becoming a prominent category in the food exports from Pakistan, with its share growing significantly each year. As of the year 2013-2014, meat exports formed 4.5 percent of the food exports from Pakistan. The majority of exports are going to the regions where Halal meat is consumed, especially Saudi Arabia, Iran, and the UAE.

Over the past five years, exports of meat and meat preparations have remained a major contributor towards the increase of food exports from Pakistan[2], owing mainly to an increase in the demand for Halal meat by Saudi Arabia. Halal meat is one of the fastest growing segments within global food trade. Between 2001 and 2009, the global trade of beef grew at an average of 10.4 percent to reach just over $30 billion[3]. However, the market for halal beef imports in the Middle East and Southeast Asia alone

[2] Economic Survey of Pakistan
[3] Food and Agricultural Organization (FAO)

grew by over 18.2 per cent to reach just under $2 billion a year during that same period. Pakistan's market share within this rapidly growing market is a paltry 2.9 per cent.

As is the case with horticulture exports, the single biggest challenge facing meat exporters is regulatory in nature; the industry's non-compliance with SPS requirements and livestock traceability is hindering trade expansion in processed and raw meat.

4.2.2 Profile of Exporters in the Sample

In the processed and raw meat sector export market diversification is limited. Majority of the processed and raw meat exports are concentrated in Southeast Asia and the Middle East, with all of these markets demanding Halal meat.

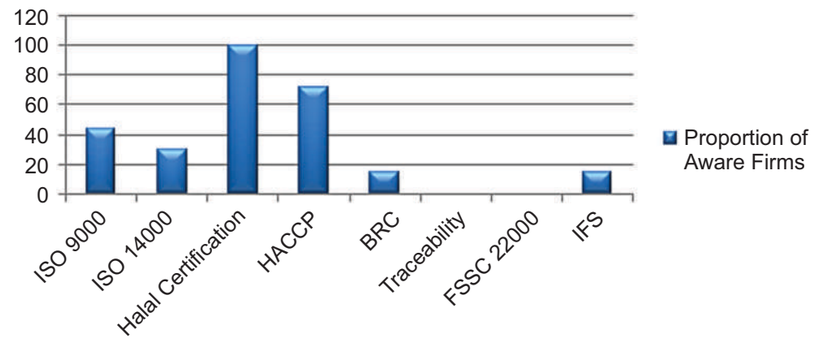
The importers of raw and processed meat in the Middle East and Southeast Asia require two certifications: Halal Certification and HACCP. Potential buyers in Europe and the UK require HACCP and traceability certifications, followed by BRC and FSSC 22000. A quick look at the statistics presented in Table 6 shows that knowledge of HACCP and Halal Certification is widespread across all firms, but only large firms in the sample are acquainted with BRC, IFS, and ISO 14000. Knowledge about traceability certifications – an essential requirement of accessing the European market for meat – is non-existent across the sample.

Table 6: Proportion of firms aware of the requirements for sector specific certifications for processed and raw meat by firm size

Scale of Operations	Certifications aware of							
	ISO 9000	ISO 14000	*Halal* Certification	HACCP	BRC	Traceability Certifications	FSSC 22000 / ISO 22000	IFS
	%	%	%	%	%	%	%	
Total	**43.0**	**29.0**	**100.0**	**71.0**	**14.3**	**0.0**	**0.0**	**14.0**
Small & Medium	14.4	0.0	50.0	42.4	0.0	-	-	0.0
Large	28.6	29.0	50.0	28.6	14.3	-	-	14.0

These results are illustrated in the chart below:

Chart 5: Awareness about standards in the Processed and Raw Meat Sector



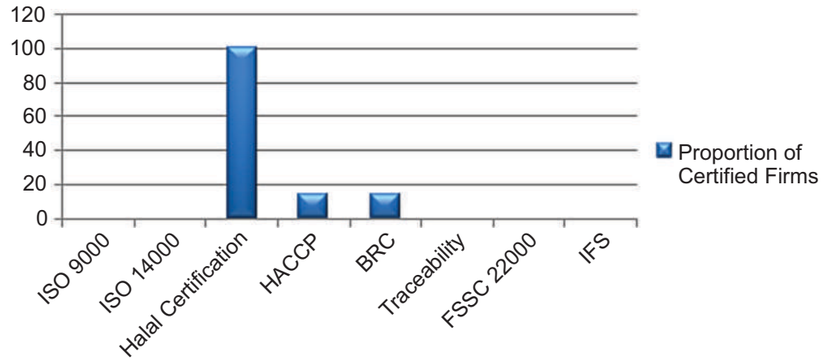
As shown in Table 7, the compliance status of the processed and raw meat industry is dismal. Disaggregation by firm size reveals that except Halal Certification, small firms hold no certification against any food safety standard. HACCP and BRC is held by a few large firms only and none of the firms were certified against any traceability standard.

Table 7: Proportion of firms certified against standards disaggregated by firm size in the processed and raw meat sector

Scale of Operations	Certifications held							
	ISO 9000	ISO 14000	*Halal* Certification	HACCP	BRC	Traceability Certifications	FSSC 22000	IFS
	%	%	%	%	%	%	%	
Total	**0.0**	**0.0**	**100.0**	**14.0**	**14.0**	**0.0**	**0.0**	**0.0**
Small & Medium	-	-	50.0	0.0	0.0	-	-	-
Large	-	-	50.0	14.0	14.0	-	-	-

These results are illustrated in the chart below.

Chart 6: Standards implemented by exporters in the processed & raw meat sector



4.2.3 Certification Requirements of Processed and Raw Meat Exporters

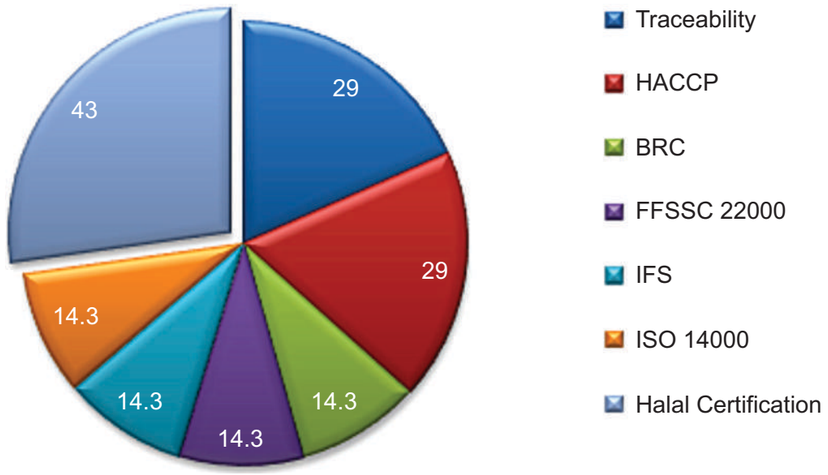
Findings of the survey reveal that those firms which want to retain or expand their market share within Asia require HACCP. Also, firms, which are keen to target new markets and diversify into the European market particularly, want to get certified to traceability standards and HACCP. Firms were asked to indicate the constraints they are facing in acquiring the required certifications. The cost of getting certified is a major deterrent for small firms. Lack of awareness about compliance requirements is also a significant problem experienced by small and medium exporters of meat.

Table 8: Exporters' certification requirements in the processed and raw meat sector

Certification	Proportion of firms which requires this certification (%)	Region for which it is required
Traceability Certifications	29.0	Europe
HACCP	29.0	Europe and Asia
BRC	14.3	UK
FSSC 22000 / ISO 22000	14.3	Europe
IFS	14.3	Europe
ISO 14000	14.3	Europe
***Halal* Certification**	43.0	Middle East and Southeast Asia

These findings are illustrated in the chart below.

Chart 7: Demand for certifications in the processed and raw meat sector



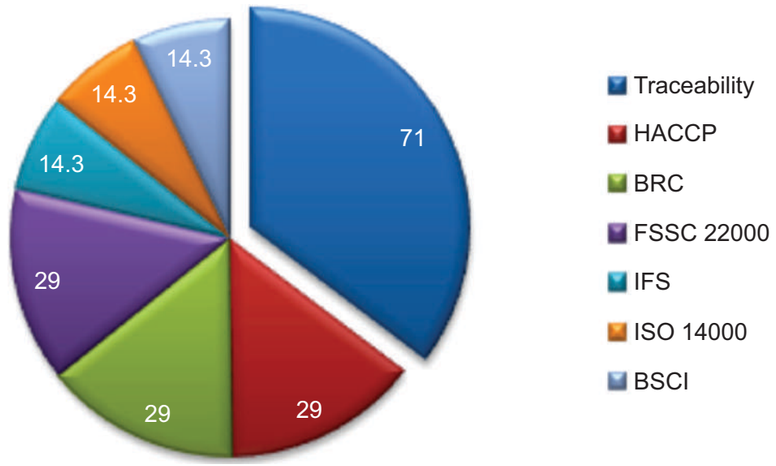
According to the survey results, processed and raw meat exporters are most interested in getting trained for the process of implementing traceability measures. 43 percent of exporters have heard about traceability but knowledge about its requirements and process is non-existent.

Table 9: Exporters' training requirementsin the processed and raw meat sector

Certification	Proportion of firms which wants to be trained (%)
Traceability Certifications	71.0
HACCP	29.0
BRC	29.0
FSSC 22000 / ISO 22000	29.0
IFS	14.3
ISO 14000	14.3
BSCI	14.3

These results are illustrated in the chart below:

Chart 8: Demand for training in the processed and raw meat sector



4.2.4 Availability of Consultancy Services in the Processed and Raw Meat Sector

57 percent of all the firms in the sample indicated that certification bodies in Pakistan provide adequate services for Halal Certification and HACCP. For traceability, large firms indicated that certification services are available in Pakistan, whereas small firms indicated that they are not. The problem here then, most likely, is one of lack of information. For IFS, exporters said that certification services are an issue.

Moreover, 43 percent of the firms surveyed indicated that consultants are available to guide the sector needs for certifications. Disaggregation by firm size revealed that all of these firms were either large or medium-sized enterprises. Responses by small firms ranged from 'not available' to 'do not know'. Lack of information seems to be the problem here, again. It was found that consultants are available for HACCP but not for traceability certifications and IFS.

In response to a question about the firm's willingness to invest in infrastructure, human resources, and equipment to implement the required certifications, 86 percent of the firms indicated that they would be willing to do so, while14 percent of the firms responded that they are not willing to invest.

4.3 Surgical Instruments

4.3.1 Overview

The surgical instruments sector is a key SME export sector of Pakistan which accounts for around 1.2 percent of the exports of the country. Over the past 5 years the exports of the sector have increased considerably, rising from $207 million in 2008-2009 to $249 million in 2013-2014[4].

Surgical instruments sector is one sector where manufacturers and exporters from Pakistan have gained access to high-income markets. The major markets for surgical instruments are the US, the UK, and Germany, followed by France, with Asia, Latin America, and other EU countries accounting for a very small share. Pakistan's exports can be divided into the following three broad surgical instruments and medical apparatus categories: (i) Instruments for medical, surgical and dental, (ii) Orthopaedic appliances, and (iii) Equipment using X-rays, alpha, beta, gamma rays[5]. The exports of Pakistan predominantly fall in the first category. After experiencing a slump in 2005 and 2006, the exports of surgical instruments picked up again and experienced reasonable export performance growth over the next 7 years[6].

Despite the growth in exports, Pakistan's share of world exports in surgical instruments has stayed constant at 0.2[7] percent. This stagnation of exports can be ascribed to a lack of product diversification, reliance on small and low-income markets and an inability to shift from low-value to value-added, refined instruments. Even though some Pakistani manufacturers and exporters have been able to diversify into value-added products and develop the capabilities to supply in a majority of commodities, their market has remained small or insignificant.

The surgical instruments industry currently faces more stringent compliance requirements than before. Pakistan has a competitive advantage in the production of basic surgical instruments. These semi-finished surgical instruments are exported to Germany, USA, and Europe, where they are repackaged and sold for as much as five times the price for which they are imported from Pakistan. The export of these repackaged products to the European Union now requires the compliance status of the manufacturer of the product to be stated. This has put pressure on small producers and exporters of surgical instruments, because the costs they entail in terms of supply chain adjustments and certifications, in particular, the CE Marking, are significant. However, but for Pakistani exporters to move up the value curve and maintain or increase their world market share, compliance with these standards is critical.

4.3.2 Profile of Exporters in the Sample

According to the findings of the survey presented in Table 10, the market for surgical instruments

[4] Economic Survey of Pakistan
[5] Sector Report for Industrial Products (UNIDO/TRTA)
[6] Economic Survey of Pakistan
[7] Economic Survey of Pakistan 2013: Trade and Payments

exports from Pakistan is well diversified. A large share of the exports is commanded by Europe and the UK followed by Asia and the Middle East.

Table 10: Export market diversification in surgical instruments[8]

	Region						
	Asia (including Middle East)	Africa	Australia and Oceania	Central America & Caribbean	Europe & UK	North America	South America
	%	%	%	%	%	%	%
Total	**62.5**	**31.25**	**25.0**	**18.75**	**87.5**	**18.75**	**18.75**

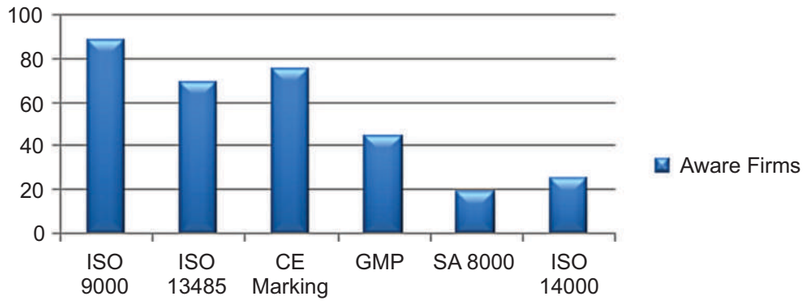
Global buyers of surgical instruments demand compliance with ISO 9000 and ISO 13485. Compliance with CE Marking is a pre-requisite for accessing the European market and GMP is required by some buyers in North America and Europe. According to the survey results shown in Table 11, surgical instruments exporters are well-informed about the requirements and processes of these certifications. Awareness about environmental and CSR certifications, like ISO 14001 and SA 8000, is present to some extent.

Table 11: Proportion of firms aware of the requirements for sector-specific certifications for surgical instruments

Scale of Operations	Certifications aware of					
	ISO 9001	ISO 14001	ISO 13485	SA 8000	CE Marking	GMP
	%	%	%	%	%	%
Total	**87.5**	**25.0**	**69.0**	**18.75**	**75.0**	**44.0**

These results are illustrated in the chart below:

Chart 9: Awareness about standards in the surgical instruments sector



As can be seen from Table 12, most of the surgical instruments exporters are ISO 9000 certified. CE Marking and ISO 13485 is held by more than half of the exporters.

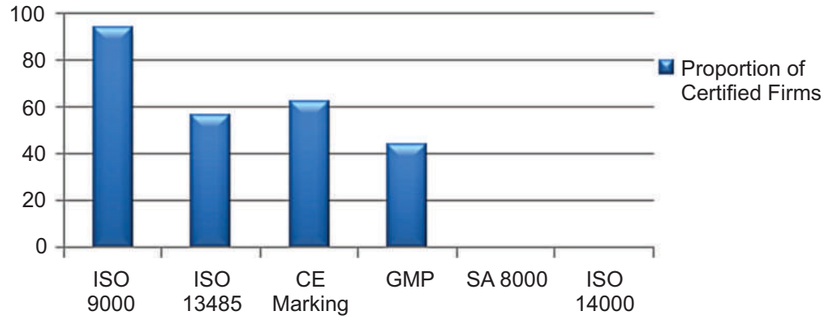
Table 12: Proportion of firms certified to standards in the surgical instruments sector

Scale of Operations	Certifications held					
	ISO 9001	ISO 14001	ISO 13485	SA 8000	CE Marking	GMP
	%	%	%	%	%	%
Total	**94.0**	**0.0**	**56.25**	**0.0**	**62.0**	**44.0**

[8] Note: Sample composition does not allow for disaggregation by firm size

These results are illustrated in the chart below:

Chart 10: Standards implemented by exporters in the surgical instruments sector



4.3.3 Certification Requirements of Surgical Instruments Exporters

According to the findings of the survey, surgical instruments exporters most require certification to CE Marking, followed by ISO 9000 and ISO 13485. The single biggest barrier faced by small firms in acquiring these certifications is the cost of getting certified. Some firms indicated that lack of awareness about the certification process is a constraint they face.

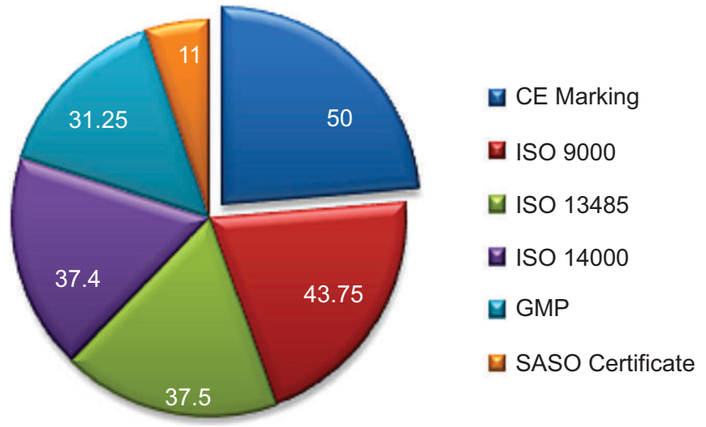
Table 13: Exporters' certification requirements in the surgical instruments sector

Certification	Proportion of firms which requires this certification (%)	Region for which it is required
CE Marking	50.0	Europe
ISO 9001	43.75	Asia, Africa, Europe, North America
ISO 13485	37.5	Asia, Africa, Europe, North America
ISO 14001	37.5	Europe, North America
GMP	31.25	Europe, North America
SASO Certificate*	11.0	Saudi Arabia

*Product Certification demanded by the importing country for compliance with national regulatory authority standards

These results are illustrated in the chart below:

Chart 11: Demand for certifications in the surgical instruments sector



According to the findings presented in Table 14, majority of the surgical Instruments exporters want to be trained for ISO 13485, ISO 9000 and CE Marking.

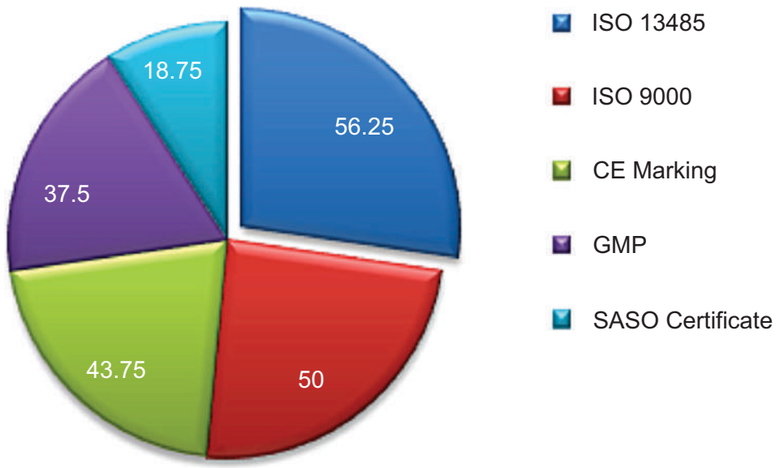
Table 14: Exporters' training requirements in the surgical instruments sector

Certification	Proportion of firms which wants to be trained (%)
ISO 13485	56.25
ISO 9001	50.0
CE Marking	43.75
GMP	37.5
SASO Certificate*	18.75

*Product Certification demanded by the importing country for compliance with national regulatory authority standards

These results are illustrated in the chart below:

Chart 12: Demand for training in the surgical instruments sector



4.3.4 Availability of Consultancy Services in the Surgical Instruments Sector

Findings of the survey show that certification bodies in Pakistan are providing adequate certification services for ISO 9000, ISO 13485, CE Marking, and GMP. Firms were asked to rate on a five point Likert scale, whereby 1 was "very poor" and 5 was "very good", the quality of trainings provided by the certification bodies. For ISO 9001, ISO 13485, and GMP, majority of the responses indicated that the quality of trainings provided is 'good'. For CE Marking, the training quality was identified as 'very good'.

Firms were also asked about the availability of consultants in the sector for guiding and preparing the surgical instruments exporters to meet the international market's compliance requirements. 69 percent of the firms indicated that consultants are available for ISO 9001, ISO 13485, CE Marking, and GMP, and their skill level can be categorized as ranging from adequate to highly adequate. 19 percent of the firms indicated that they do not know about the availability of consultants in the industry. Disaggregation by firm size reveals that these firms are small firms.

4.4 Readymade Garments

4.4.1 Overview

Pakistan's readymade garments industry is a key player in Pakistan's industry, in general, and its textile industrial output and exports, in particular. This sector is one of the highest value-added link in the textile value chain. It is a source of providing low cost jobs (direct & indirect) to a very large number of workers all over the country, and is contributing around 7.70 percent to the total textile exports from Pakistan. At present, USA is the largest market for readymade garments exports from Pakistan; the EU and the UK are the second and third largest markets, respectively.

Over the past decade readymade garments exports from Pakistan have witnessed modest and inconsistent growth; export growth was on an upward trajectory during the period 2004-2008, after which it dipped and a 23 percent decline was recorded in the real time value of exports during the years 2008-2010[9]. The growth in exports was restored in 2010 and has remained positive ever since, except for a 5 percent decrease in exports recorded during the year 2011-2012. Readymade garments exports from Pakistan are facing tough competition from traditional competitors in the region – Bangladesh, Sri Lanka, China, India – because of high costs of production.

In the current time, quality management certifications are not enough for the exporters of garments from Pakistan; exporters dealing with brands and store chains are facing compliance related problems from raw materials to finished products. Almost every brand has its own code of conduct that requires additional cost to comply. The compliance activities start with the selection of raw material (fabric & accessories) to the manufacturing process, covering environmental issues as well. Garments manufacturers also face increasing demands of compliance with corporate social responsibility guidelines, which include safe and humane working conditions and protection of workers' rights.

4.4.2 Profile of Exporters in the Sample

Readymade garments from Pakistan are being exported to every region in the world; Europe, UK and North America are the major markets for these value-added exports. As can be seen in Table 15, all the exporters in the sample are engaged in trade with Europe and the UK, a significant majority is exporting to North America, and around 21 percent of the firms are exporting to the Australian region. Disaggregation by firm size highlights no prominent trend; trade by SMEs and large firms is concentrated in the European and North American region alike.

Table 15: Export market diversification by firm size in the readymade garments sector

Scale of Operations	Region						
	Asia (including Middle East)	Africa	Australia and Oceania	Central America & Caribbean	Europe & UK	North America	South America
	%	%	%	%	%	%	%
Total	**7.14**	**14.3**	**21.4**	**0**	**100**	**58**	**14.3**
Small & Medium	7.14	7.14	14.3	0	42.8	29	14.3
Large	0	7.14	7.14	0	57.14	29	0

International buyers of readymade garments most demand compliance with ISO 9000, ISO 14000, and OEKO-TEX (ensures that the textile product will not harm the health of the end user). Demand for compliance with social sustainability standards, including WRAP, SA 8000, ETI, SMETA, and BSCI is also remarkably high. Awareness about OEKO-TEX and CSR certifications is low among small exporters. Awareness about REACH and GOTS is generally low across the sector.

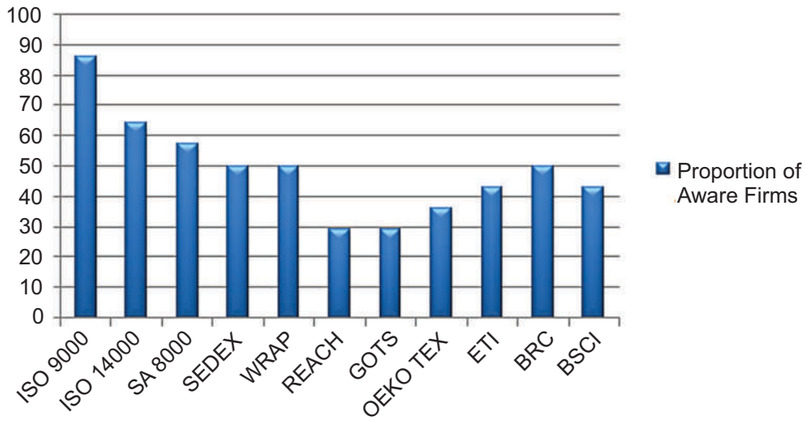
[9] (UNIDO/TRTA, 2010)

Table 16: Proportion of firms aware of the requirements for sector-specific certifications for readymade garments by firm size

Scale of Operations	Certifications aware of										
	ISO 9001	ISO 14001	SA 8000	SEDEX	WRAP	REACH	GOTS	OEKOTEX 100	ETI	BRC	BSCI
	%	%	%	%	%	%	%	%	%	%	%
Total	**86**	**64.3**	**57**	**50**	**50**	**29**	**29**	**36**	**43**	**50**	**43**
Small & Medium	29	7.14	7.14	0	0	0	0	0	0	0	0
Large	57.14	57.14	50	50	50	29	29	36	43	50	43

These results are illustrated in the chart below:

Chart 13: Awareness about standards in the readymade garments sector



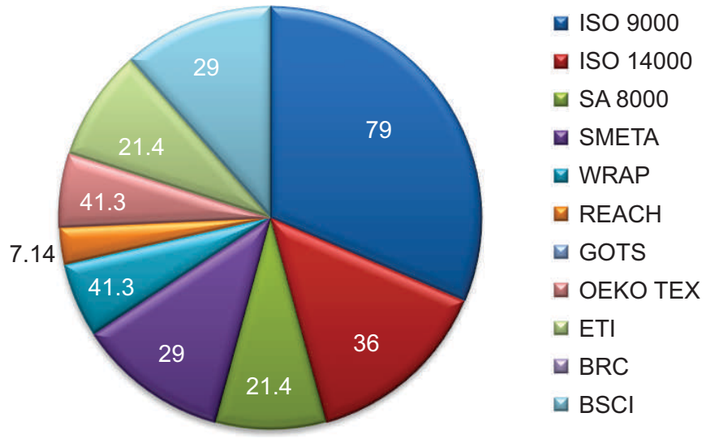
The most commonly applied standards in the sector are ISO 9001 and ISO 14001 and compliance with CSR certifications is generally present among exporting firms with notably large operations. The proportion of firms implementing OEKO-TEX and REACH, which are both of which are related to the use of non-hazardous chemicals in textile manufacturing, is fairly small.

Table 17: Proportion of firms certified to standards disaggregated by firm size in the readymade garments sector

Scale of Operations	Certifications held										
	ISO 9001	ISO 14001	SA 8000	SEDEX	WRAP	REACH Standard	GOTS	OEKOTEX 100	ETI	BRC	BSCI
	%	%	%	%	%	%	%	%	%	%	%
Total	**79**	**36**	**21.4**	**29**	**14.3**	**7.14**	**0**	**14.3**	**21.4**	**0**	**29**
Small & Medium	29	0	0	0	0	0	0	0	0	0	0
Large	50	36	21.4	29	14.3	7.14	0	14.3	21.4	0	29

These results are illustrated in the chart below:

Chart 14: Standards implemented by exporters in the geadymade garments sector



4.4.3 Certification Requirements of Readymade Garments Exporters

Firms in the readymade garments sector most require implementation of social sustainability standards and OEKO-TEX to meet the demands of buyers in Europe, North America, and Australia. Implementation of OEKO-TEX and REACH testing presents dramatically large cost barriers for firms[10]. Implementation of social sustainability standards like SA 8000, ETI and BSCI is relatively less cost intensive.

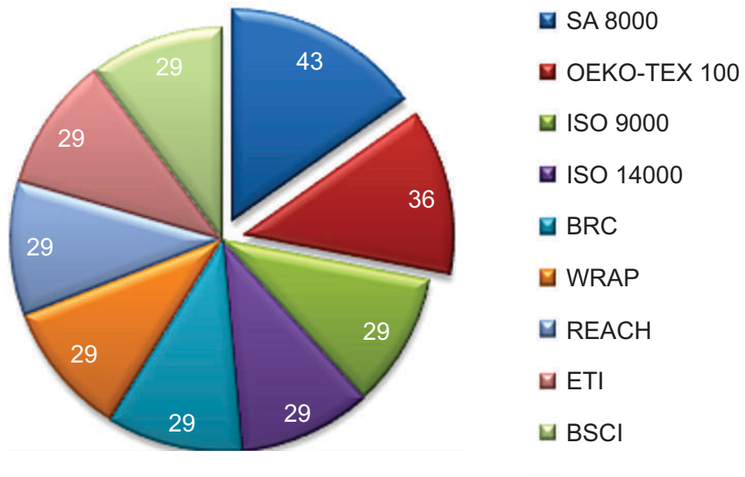
Table 18: Exporters' certification requirements in the readymade garments sector

Certification	Proportion of firms which requires this certification (%)	Region for which it is required
SA 8000	43	Europe
OEKO-TEX 100	36	Europe and North America
ISO 9000	29	All Regions
ISO 14000	29	Australia and Europe
BRC	29	UK
WRAP	29	North America
REACH Standard	29	Europe
ETI	29	Europe
BSCI	29	Europe

[10] Some firms estimated the cost of certification and implementation of OEKO-TEX 100 at 6000 USD and REACH at 20000 USD

These results are illustrated in the chart below:

Chart 15: Demand for certifications in the readymade garments sector



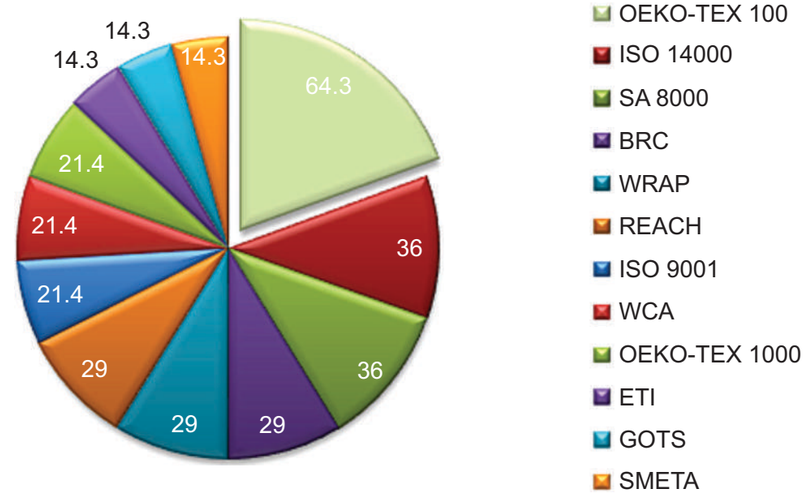
Exporters in the sector are most interested in getting trained for OEKO-TEX 100, ISO 14000, and SA 8000. Some large firms are also interested in getting trained for less frequently demanded standards like WCA, OEKO-TEX 1000, and GOTS, which is a positive indication of the sector's gradually growing interest in knowing about the processes of, and implementing social sustainability and organic standards to improve their credibility in the international market.

Table 19: Exporters' training requirements in the readymade garments sector

Certification	Proportion of firms which wants to be trained (%)
OEKO-TEX 100	64.3
ISO 14000	36
SA 8000	36
BRC	29
WRAP	29
REACH Standard	29
ISO 9001	21.4
WCA	21.4
OEKO-TEX 1000	21.4
ETI	14.3
GOTS	14.3
SEDEX	14.3

These results are illustrated in the chart below:

Chart 16: Demand for training in the readymade garments sector



4.4.4 Availability of Consultancy Services in the Readymade Garments Sector

Firms were asked about the availability of adequate services by certification bodies for the certifications they require i.e. SA 8000, OEKO-TEX, ISO 14000, WRAP, ETI, and BSCI. 87 percent of the firms indicated that services are available and ranked the quality of services as falling in the range 3-4 on a Likert scale of 5, with 1 being 'very poor' and 5 being 'very adequate'. The quality of trainings provided by the certification bodies was ranked as being average.

Availability of consultants was cited as a problem for OEKO-TEX and sustainability standards. It was indicated that a sufficient pool of consultants is available in the industry for ISO 9001 and ISO 14001, and their skill set was ranked from being average to good. Unawareness about the availability of consultants is dominant among small firms.

In response to a question about the firm's willingness to invest in infrastructure, human resources, and equipment to implement the required certifications, 80 percent of the firms indicated that they would be willing to do so, while 14 percent of the firms responded that they are not willing to invest.

4.5 Leather Garments and Accessories

4.5.1 Overview

The leather and leather products sector is the second largest export earning value-added industry of Pakistan with annual exports of $1.144 billion. Manufactured leather and leather products alone contribute more than 3 percent to the overall exports of Pakistan. It is an employment intensive industry, providing jobs to more than one million people. USA and Germany are the major markets for leather garments, accessories, and personal protective equipment exports from Pakistan.

In the recent years, the leather sector has experienced considerable negative exports growth performance. Pakistan is the only country in the South Asian region which is experiencing negative growth in the leather sector, fast losing its share of exports to the regional competitors India and Bangladesh. Chronic stagnation of the leather sector started in 2007-2008. Although there was an increase of 12.67 percent in the export of leather and leather products in July-April 2014, the country is still lagging far behind in the region.

The compliance demands faced by exporters from buyers in these regions are very similar to those faced by the readymade garments exporters. Exporters dealing with brands and store chains face

compliance-related issues on every stage of the value supply chain. The compliance activities start with the selection of raw materials to the manufacturing process, covering environmental issues as well. Leather garments and accessories manufacturers also face increasing demands of compliance with social sustainability standards, which require provision of safe and humane working conditions for employees and protection of their rights. In addition to this, leather manufacturers and exporters face strict product testing requirements from international buyers.

4.5.2 Profile of Exporters in the Sample

In order to correctly interpret the findings presented in this section, it is important to note that all the firms surveyed were large firms because small firms in the sample did not respond to the survey questionnaire despite numerous requests and reminders. However, the sample composition did not negatively affect the results because large firms are acutely aware of global buyers' demands for certifications and their responses well represent the training requirements of the whole industry.

The leather industry in Pakistan has acutely diversified its exports market; even though the major volume of leather garments and finished goods is being exported to Europe and North America, particularly the USA, exporters have been able to penetrate markets in Africa, Australia, South America, and Central America as well.

Table 20: Export market diversification by firm size in leather garments & accessories

	Region						
	Asia (including Middle East)	Africa	Australia and Oceania	Central America & Caribbean	Europe & UK	North America	South America
	%	%	%	%	%	%	%
Total	**45.0**	**30.0**	**35.0**	**20.0**	**100.0**	**80.0**	**25.0**

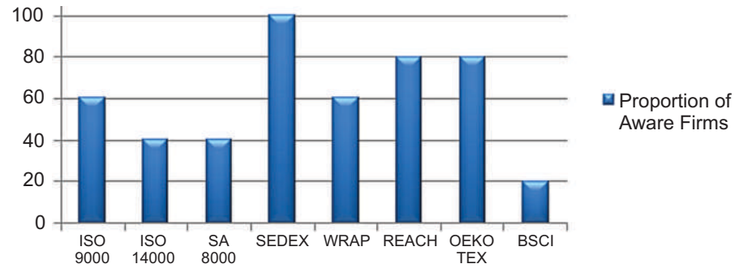
Global buyers of leather garments and finished goods demand compliance with OEKO-TEX 100, REACH, and CSR certifications including SEDEX, BSCI, SA 8000, and WRAP. Awareness about the processes and requirements of these certifications is fairly widespread among the exporters, as shown in chart 17. The certification for which awareness is low is BSCI, a standard which is highly demanded by the buyers of leather and leather products in Europe and North America.

Table 21: Proportion of firms aware of the requirements for sector-specific certifications for leather garments & accessories

	Certifications aware of							
	ISO 9001	ISO 14001	SA 8000	SEDEX	WRAP	REACH Standard	OEKO TEX 100	BSCI
	%	%	%	%	%	%	%	%
Total	**60.0**	**40.0**	**40.0**	**100.0**	**60.0**	**80.0**	**80.0**	**20.0**

These results are illustrated in the chart below:

Chart 17: Awareness about standards in the leather garments & accessories sector



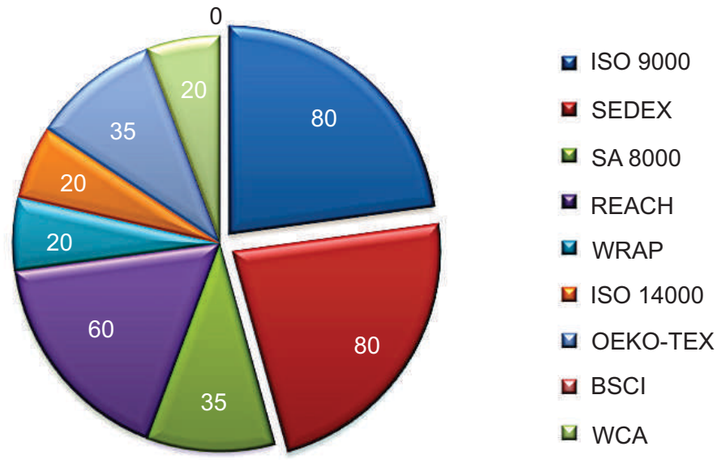
According to the results yielded by the survey, ISO 9001 and SEDEX are the most commonly implemented standards. Certification against the REACH standard is moderately present. The standards that are high in demand by global buyers are OEKO-TEX 100, SA 8000, and BSCI.

Table 22: Proportion of firms certified to standards in leather garments & accessories

	Certifications held									
	ISO 9001	ISO 14001	SA 8000	SEDEX	WRAP	REACH Standard	OEKOTEX 100	BRC	BSCI	WCA
	%	%	%	%	%	%	%	%	%	%
Total	**80.0**	**20.0**	**35.0**	**80.0**	**20.0**	**60.0**	**35.0**	**0.0**	**0.0**	**20.0**

These results are illustrated in the chart below:

Chart 18: Standards implemented by exporters in the leather garments & accessories sector



4.5.3 Certification Requirements of Leather Garments and Accessories Exporters

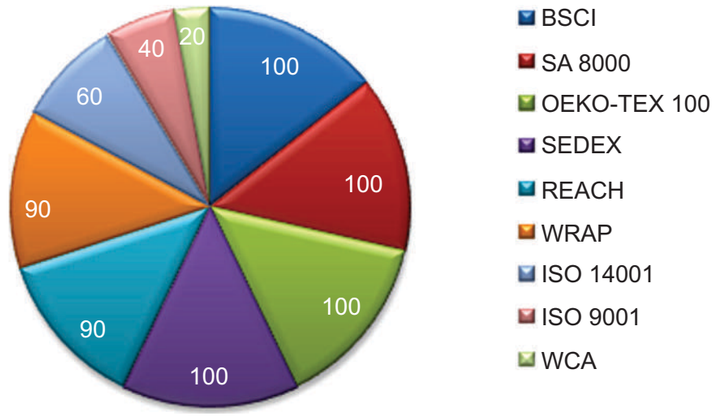
Firms were asked about their certification requirements. Results are presented in Table 23. Firms signified that the high cost of compliance with OEKO-TEX and REACH is a key deterrent to implementing these standards. For BSCI, unavailability of consultants who can guide the exporters on implementing this standard is a major obstacle.

Table 23: Exporters' certification requirements in the leather garments & accessories sector

Certification	Proportion of firms which requires this certification (%)	Region for which it is required
BSCI	100.0	Europe and USA
SA 8000	100.0	Europe and USA
OEKO-TEX 100	100.0	Europe and USA
SEDEX	100.0	Europe and USA
REACH Standard	90.0	Europe and USA
WRAP	90.0	Europe and USA
ISO 14001	60.0	Europe
ISO 9001	40.0	All Regions
WCA	20.0	Europe

These results are illustrated in the chart below:

Chart 19: Demand for Certifications in the leather garments & accessories sector



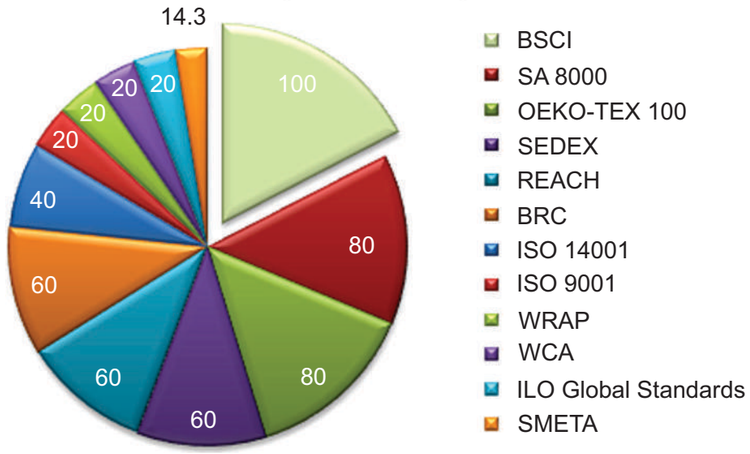
According to the survey findings (presented in Table 24), demand for BSCI training is the highest, followed by demand for training on SA 8000 and OEKO-TEX 100.

Table 24: Exporters' training requirements in the leather garments & accessories sector

Certification	Proportion of firms which wants to be trained (%)
BSCI	100.0
SA 8000	80.0
OEKO-TEX 100	80.0
SEDEX	60.0
REACH Standard	60.0
BRC	60.0
ISO 14001	40.0
ISO 9001	20.0
WRAP	20.0
WCA	20.0
ILO Global Standards	20.0

These results are illustrated in the chart below:

Chart 20: Demand for training in the leather garments & accessories sector



4.5.4 Availability of Consultancy Services in the Leather Garments and Accessories Sector

Firms were asked to verify the availability of consultants in the sector to guide and prepare the industry for acquiring the required certifications i.e. SEDEX, REACH, BSCI, OEKO-TEX 100, ISO 14001, and SA 8000. 80 percent of the firms indicated that consultants are available. 20 percent indicated that they do not know. Exporters were asked to rate on a Likert scale ranging from 1 to 5, where 1 stood for 'very poor' and 5 stood for 'highly adequate', the level of skills of the consultants available. 60 percent of the firms rated the level of consultants' skills and knowledge as unsatisfactory.

All of the firms surveyed indicated that the provision of services by certification bodies is adequate for the certifications required and rated the quality of trainings provided by the certification bodies as 'average'.

4.6 Electric Fans

4.6.1 Overview

The electric fan industry is a small industry that contributes 0.27 percent to the GDP of Pakistan. It specializes in the production of consumer fans and the main varieties produced include ceiling fan, bracket fan, exhaust fan, and pedestal fan. Majority of the firms in the industry are supplying only to the local markets and the share of exporting firms is somewhere between 10-15 percent. Electric fans fall in the light engineering goods category of Trade and Payments and contribute around 0.2 percent to the overall exports of Pakistan.

Over the last decade the exports of electric fans from Pakistan have grown exponentially; from 2005-2009, the exports increased by more than 120 percent. Currently, Pakistani fans form more than 1 percent of the total world trade in electric fans. These exports are concentrated in low-income markets like Sudan, Yemen, Bangladesh, and the UAE. There is potential to expand sales in the African region, especially in Nigeria, South Africa, and Mauritius. China is the biggest competitor for electric fan exports to these countries and dominates the market. However, it is estimated that the fan industry in Pakistan possesses the competitive advantage to capture a significant share of the market in Africa[11]. Exporters face demands for compliance with environmental management and standards specific to the manufacturing process and quality management.

4.6.2 Profile of Exporters in the Sample

The exports of electric fans from Pakistan are concentrated in Asia (including the Middle East) and Africa, with Australia commanding a small share of the exports as well. This lack of export market diversification is well mapped in the sample of exporters surveyed. South Asia and the Middle East are currently the biggest markets for consumer fans from Pakistan with Africa being the second largest.

Table 25: Export market diversification by firm size in electric fans

Scale of Operations	Region						
	Asia (including Middle East)	Africa	Australia and Oceania	Central America & Caribbean	Europe & UK	North America	South America
	%	%	%	%	%	%	%
Total	**73.4**	**46.7**	**6.7**	**0.0**	**0.0**	**0.0**	**0.0**
Small & Medium	46.7	20.0	0.0	-	-	-	-
Large	26.7	26.7	6.7	-	-	-	-

[11] Trade Development Authority of Pakistan

Global buyers of consumer fans require the exporting firms to have implemented ISO 9001 and CE Marking (Europe) in the value supply chain. SASO Certification, SABS Certification, and UL Certification are product-specific certifications issued by national standardizing authorities.

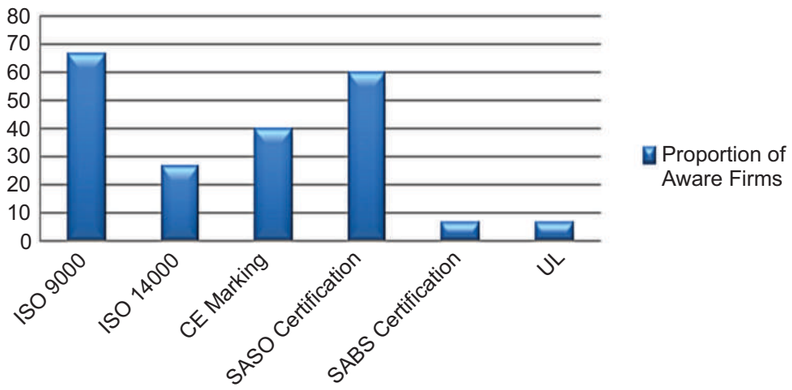
Awareness about the requirements and process of ISO 9001, CE Marking, and SASO Certification is fairly prevalent in the industry.

Table 26: Proportion of firms aware of the requirements for sector-specific certifications for electric fans by firm size

Scale of Operations	Certifications aware of					
	ISO 9001	ISO 14001	CE Marking	SASO Certification	SABS Certification	UL Certification
	%	%	%	%	%	%
Total	**66.7**	**26.7**	**40.0**	**60.0**	**6.7**	**6.7**
Small & Medium	20.0	20.0	20.0	26.7	-	-
Large	40.0	6.7	20.0	33.3	6.7	6.7

These results are illustrated in the chart below:

Chart 21: Awareness about standards in the electric fans sector



According to the survey results, ISO 9001 is the most commonly held certification in the electric fans sector. A modest proportion of firms, including SMEs and large firms, hold CE marking.

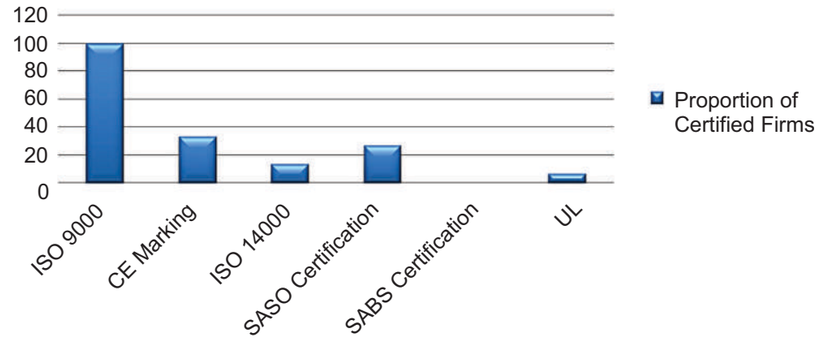
Table 27: Proportion of firms certified to standards disaggregated by firm size in the electric fans sector

Scale of Operations	Certifications held					
	ISO 9001	ISO 14001	CE Marking	SASO Certification*	SABS Certification*	UL Certification*
	%	%	%	%	%	%
Total	**100.0**	**13.3**	**33.3**	**26.7**	**0.0**	**6.7**
Small & Medium	50.0	13.3	13.3	6.7	-	0.0
Large	50.0	0	20.0	20.0	-	6.7

*Product Certification demanded by the importing country for compliance with respective national standards body

These results are illustrated in the chart below:

Chart 22: Standards implemented by exporters in the electric fans sector



4.6.3 Certification Requirements of Electric Fan Exporters

As shown in Table 28, CE Marking, SASO Certification, and UL Certification are highly demanded by the electric fan exporters. According to the findings of the survey, the small proportion of certified firms in the electric fan industry can be attributed to numerous constraints to implementing the standard. Lack of awareness about processes is a key concern against acquiring the SASO certification. For SA 8000, UL Certification, and CE Marking, financial constraints, lack of awareness, and unavailability of consultants deter the firms from implementing these standards.

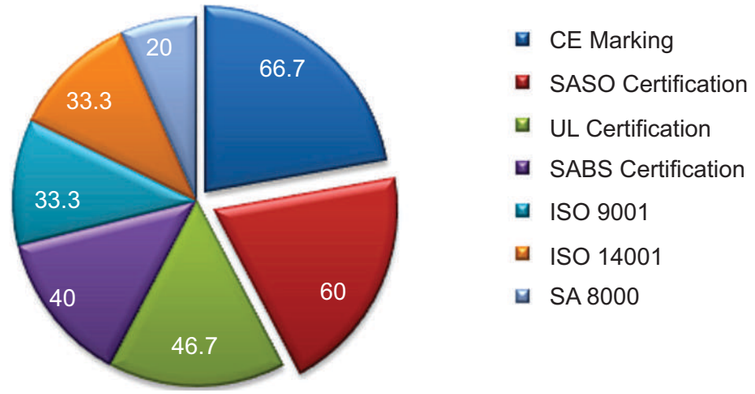
Table 28: Exporters' certification requirements in the electric fans sector

Certification	Proportion of firms which requires this certification (%)	Region for which it is required
CE Marking	66.7	Europe
SASO Certification*	60.0	Saudi Arabia
UL Certification*	46.7	North America
SABS Certification*	40.0	South Africa
ISO 9001	33.3	All Regions
ISO 14001	33.3	All Regions
SA 8000	20.0	Europe and North America

*Product Certification demanded by the importing country for compliance with respective national standards body

These results are illustrated in the chart below:

Chart 23: Demand for certification in the electric fans sector



According to the findings of the survey, exporters of electric fans want to be trained for CE Marking, SASO certification, and ISO 14000. Demand for training on SABS Certification and UL Certification is also considerably high.

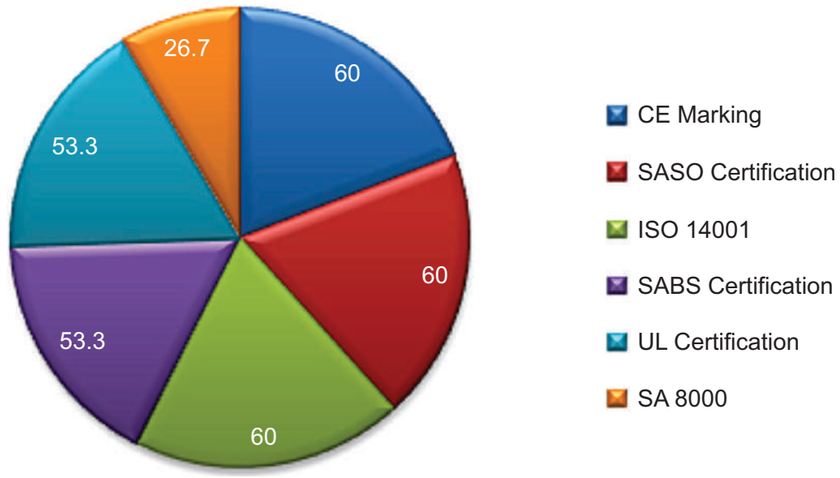
Table 29: Exporters' training requirements in the electric fans sector

Certification	Proportion of firms which wants to be trained (%)
	60.0
SASO Certification*	60.0
ISO 14000	60.0
SABS Certification*	53.3
UL Certification*	53.3
SA 8000	26.7

*Product Certification demanded by the importing country for compliance with respective national standards body

These results are illustrated in the chart below:

Chart 24: Demand for training in the electric fans sector



4.6.4 Availability of Consultancy Services in the Electric Fans Sector

Firms were asked about the availability of adequate certification services for the standards they have implemented or plan to implement. These standards included ISO 9001, ISO 14001, CE Marking, and SA 8000. Firms indicated that certification bodies in Pakistan are providing the requisite services and the quality of these services ranges from being adequate to highly adequate.

Exporters were also asked to indicate the availability of consultants in the sector. Around 87 percent of them were positive about the availability of consultants for ISO 9001, ISO 14001, and CE Marking. There is a dearth of consultants for guiding the firms for acquiring SASO certification, SABS Certification, and UL Certification.

When asked if firms would be willing to invest in infrastructure, equipment, and HR to implement the required standard(s), 67 percent of the firms showed willingness to invest in the up gradation of the value supply chain to meet the requirements of the standards. The rest of the firms indicated that they are either not willing or they do not know if they will be likely to invest.

4.7 Cutlery

4.7.1 Overview

Pakistan's cutlery sector is an SME sector which contributes around 0.25 percent to the overall exports of Pakistan and 0.20 percent to the manufacturing sector employment. According to Pakistan Cutlery and Stainless Utensils Manufacturers and Exporters Association, for every one job created in the cutlery sector 3 jobs are created in other allied industries. The cutlery industry specializes in the production of tableware and kitchenware cutlery, knives; articles of cutlery n.e.s mainly manicure and pedicure sets and instruments; and hunting equipment like swords and daggers. Of these commodities, exports of articles of cutlery n.e.s[12] and knives have shown marked growth over the last five years and have become the most prominent categories in terms of volume of exports.

Major buyers of cutlery and hunting equipment from Pakistan include high-income markets like the USA, Germany, France, Italy, and the UK. These commodities fetch a higher price than Chinese goods in the international market. Certification requirements faced by the industry are limited.

4.7.2 Profile of Exporters in the Sample

This section provides a summary of some basic characteristics of the exporters in the sample to provide a framework for interpreting the findings. The cutlery sector is dominated by small and medium enterprises–hence all firms which responded to the survey are SMEs. Disaggregation by firm size revealed no prominent trends. Therefore the results presented here have not been disaggregated by firm size.

Table 30: Export market diversification in the cutlery sector

	Region						
	Asia (including Middle East)	Africa	Australia and Oceania	Central America & Caribbean	Europe & UK	North America	South America
	%	%	%	%	%	%	%
Total	10.0	0.0	0.0	100.0	100.0	20.0	20.0

The cutlery sector faces minimal compliance requirements. International buyers of cutlery and hunting equipment in the USA and Europe ask for ISO 9000 and CE Marking, respectively, but most of the firms indicated that their buyers do not ask for any certification. Awareness about the requirements of ISO 9000 and CE Mark is little to non-existent among the sample of firms surveyed. Respondents had heard about these certifications but had no knowledge of the process of implementing them.

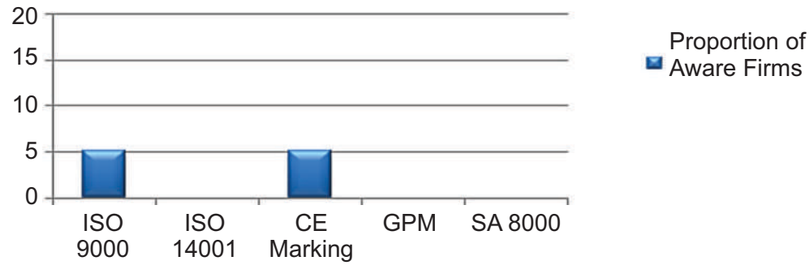
Table 31: Proportion of firms aware of the requirements for sector-specific certifications for cutlery

	Certifications aware of				
	ISO 9001	ISO 14001	CE Marking	GMP	SA 8000
	%	%	%	%	%
Total	**5.0**	**0.0**	**5.0**	**0.0**	**0.0**

[12] Not elsewhere specified

These results are illustrated in the chart below:

Chart 24: Awareness about standards in the cutlery sector



The compliance status of the cutlery industry is dismal. None of the firms surveyed had implemented any standard. Financial constraints, unavailability of consultants, and lack of awareness about sector-specific certifications for cutlery were the key reasons for lack of compliance.

4.7.3 Certification Requirements of Cutlery Exporters

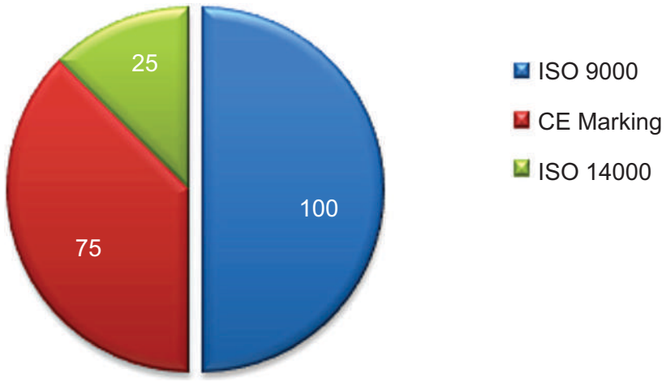
25 percent of the firms surveyed indicated that they do not require any certification other than ISO 9000. More than half of the surveyed firms reported that they require sector-specific certifications and would like to know about the CE Mark.

Table 32: Exporters' certification requirements in the cutlery sector

Certification	Proportion of firms which requires this certification (%)	Region for which it is required
ISO 9000	100.0	USA
CE Marking	75.0	Europe
ISO 14000	25.0	USA

These results are illustrated in the chart below:

Chart 25: Demand for certifications in the cutlery sector



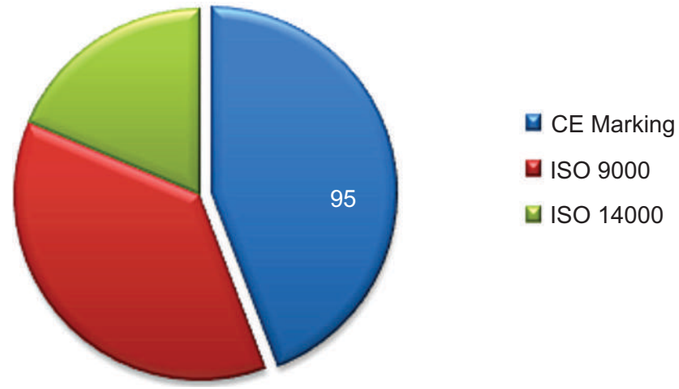
According to the findings of the survey, exporters most want to be trained for CE Marking.

Table 33: Exporters' training requirements in the cutlery sector

Certification	Proportion of firms which wants to be trained (%)
CE Marking	95.0
ISO 9000	80.0
ISO 14000	40.0

These results are illustrated in the chart below:

Chart 26: Demand for training in the cutlery sector



4.7.4 Availability of Consultancy Services in the Cutlery Sector

The sample of exporting firms surveyed was unaware about the availability of adequate certification services for the certifications they require. None of the firms knew about the availability of consultants either. Lack of awareness and access to consultants is a major issue in the cutlery sector.

Exporters were also asked if they would be willing to invest in the human resources, equipment, and infrastructure to implement the required certification system. 85 percent of the firms indicated that they would be willing to invest, whereas 15 percent responded that they do not know.

5. Certification Bodies

This section presents the findings of the survey of certification bodies. Certification bodies reported that they provide training and certification services for all the seven sectors surveyed. Findings of the survey show that many certification bodies are providing trainings for the following standards: ISO 9001, ISO 14001, HACCP, ISO 22000, OHSAS 18001, and Halal Certification. Trainings are also available for SA 8000, Global G.A.P, FSSC 22000, ISO 13485, and WRAP.

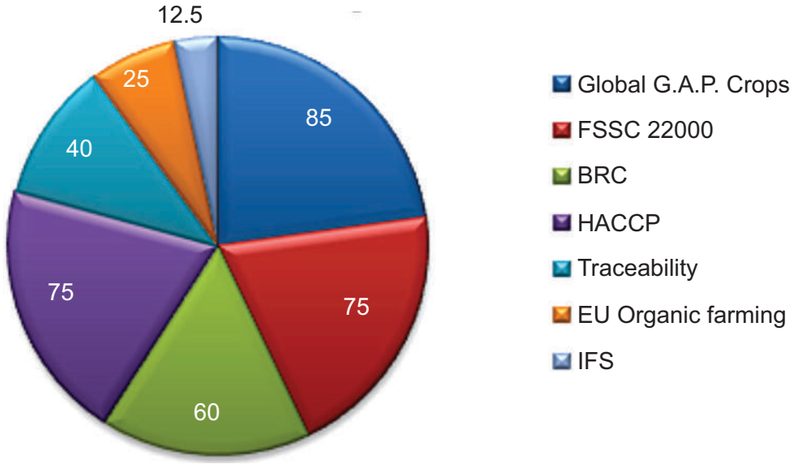
Certification bodies were asked to indicate the certifications most commonly demanded by firms in each sector. The results are presented below.

Table 34: Certifications most commonly demanded by exporters

Certifications	Demand
Horticulture	
Global G.A.P. Crops	85.0
Food Safety System Certification 22000	75.0
British Retail Consortium (BRC) Global Standards-Food	60.0
HACCP (Hazard Analysis and Critical Control Points)	75.0
Traceability	40.0
EU Organic farming	25.0
International Featured Standards (IFS) - Food	12.5
Processed and Raw Meat	
Halal Certification	100.0

These results are illustrated in the chart below:

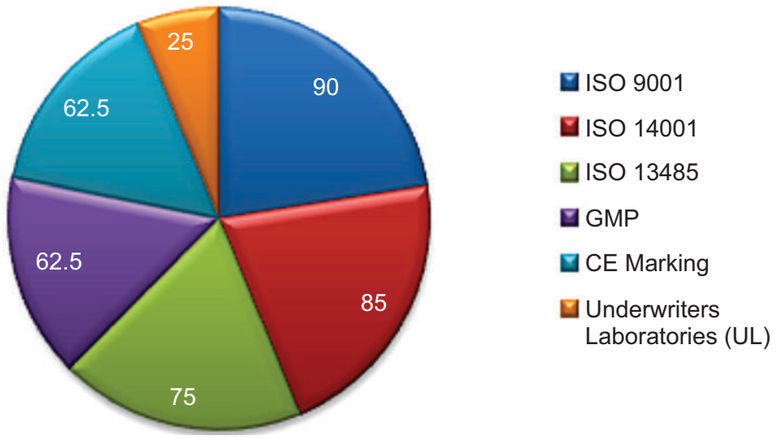
Chart 27: Certifications commonly demanded by horticulture exporters



Surgical Instruments, Cutlery and Electric Fan	
ISO 9001	90.0
ISO 14001	85.0
ISO 13485	75.0
Good Manufacturing Practice (GMP)	62.5
European Conformity (CE) Marking	62.5
Underwriters Laboratories (UL)	25.0

These results are illustrated in the chart below:

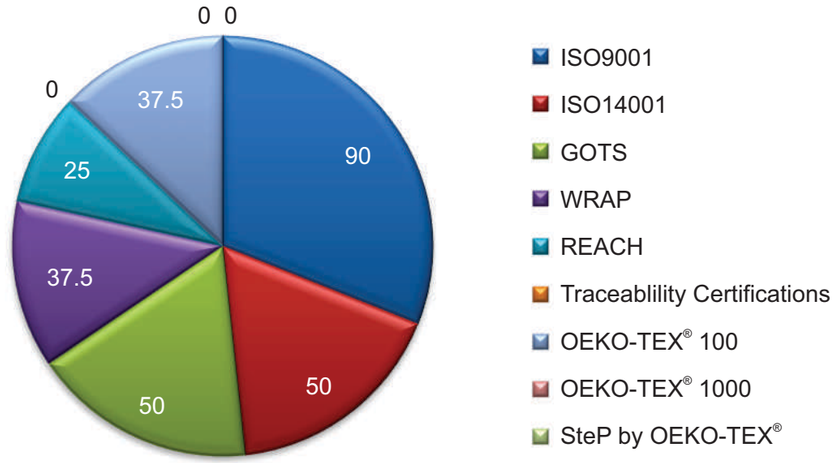
Chart 28: Certification commonly demanded by surgical instruments, cutlery and electric fan exporters



Readymade Garments and Leather Garments & Accessories	
ISO 9001	90.0
ISO 14001	50.0
Global Organic Textile Standard - GOTS	50.0
OEKO-TEX® 100	37.5
OEKO-TEX® 1000	0.0
STeP by OEKO-TEX®	0.0
REACH Standard	25.0
SA 8000	87.5
Business Social Compliance Initiative Code of Conduct	62.5
SEDEX	37.5
Worldwide Responsible Accredited Production – WRAP	37.5
Ethical Trading Initiative (ETI)	29.0

These results are illustrated in the chart below:

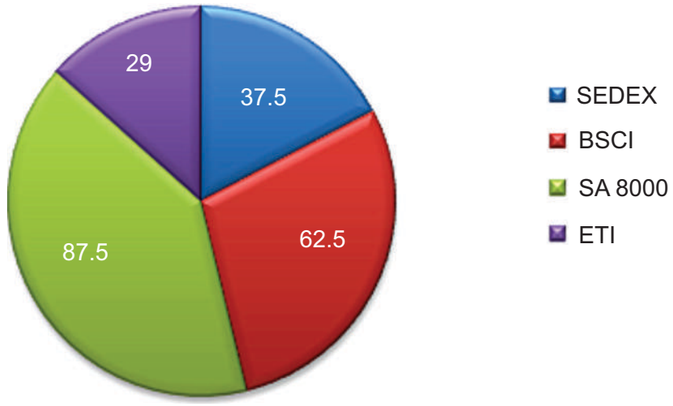
Chart 29: Certification commonly demanded by readymade garments and leather garments & accessories exporters



Social Compliances	
SA 8000	87.5
Business Social Compliance Initiative Code of Conduct	62.5
SEDEX	37.5
World Wide Responsible Accredited Production - WRAP	37.5
Ethical Trading Initiative (ETI)	29.0

These results are illustrated in the chart below:

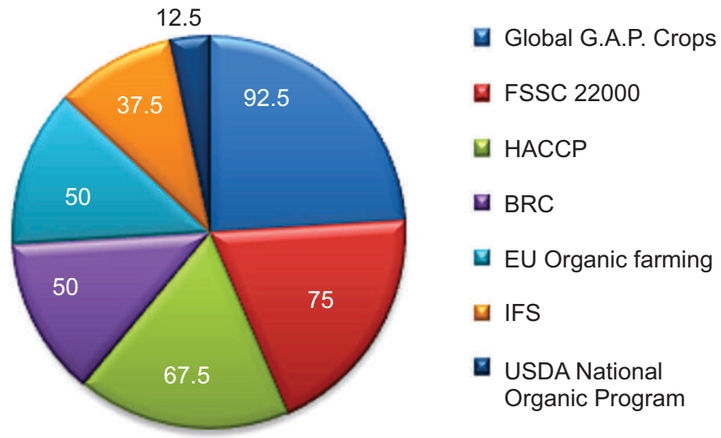
Chart 30: Demand for social sustainability standards



Certification bodies were asked to indicate the certifications for which exists a dearth of qualified consultants who can prepare enterprises for achieving the certifications. According to the findings of the survey, consultants need to be trained for the standards mentioned below. The demand column represents the percentage of certification bodies which indicated that consultants should be trained for the particular training.

Certification	Demand
Horticulture and Meat	
Global G.A.P. Crops	92.5
Food Safety System Certification 22000	75.0
HACCP (Hazard Analysis and Critical Control Points)	67.5
British Retail Consortium (BRC) Global Standards -Food	50.0
EU Organic farming	50.0
International Featured Standards (IFS) -Food	37.5
USDA National Organic Program	12.5
Processed and Raw Meat	
Halal Certification	12.5

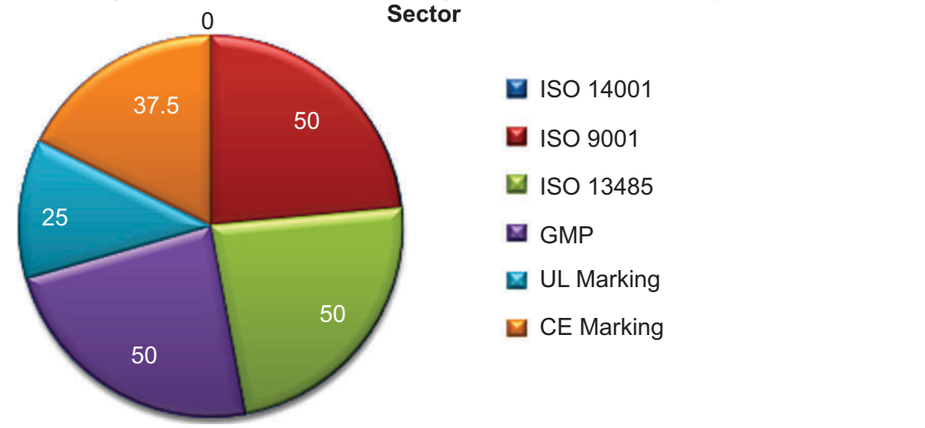
Chart 31: Training needs of consultants in horticulture



Surgical Instruments, Cutlery, and Electric Fan	
ISO 14001	75.0
ISO 9001	50.0
ISO 13485	50.0
Good Manufacturing Practice (GMP)	50.0
Underwriters Laboratories (UL)	25.0
European Conformity (CE) Marking	37.5

These results are illustrated in the chart below:

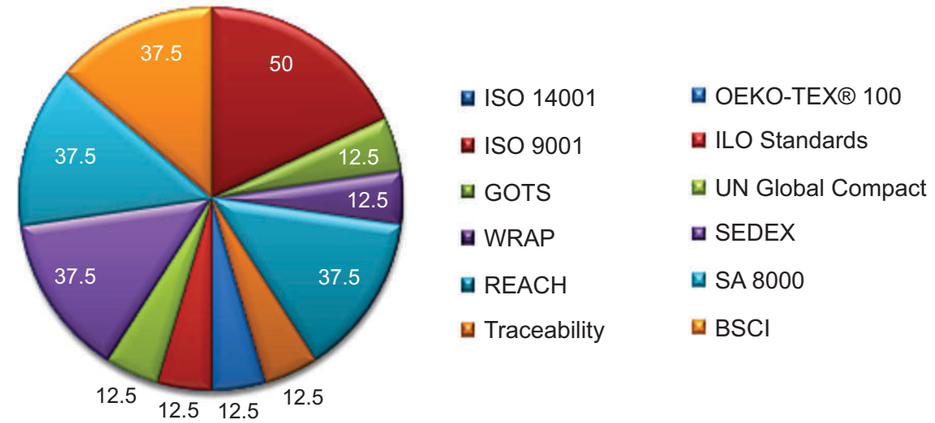
Chart 32: Training needs of consultants in surgical instruments, cutlery, and electric fans Sector



Readymade Garments and Leather Garments & Accessories	
ISO 14001	75.0
ISO 9001	50.0
REACH Standard	37.5
Global Organic Textile Standard – GOTS	12.5
Worldwide Responsible Accredited Production – WRAP	12.5
OEKO-TEX® 100	12.5
Traceability Certification	12.5

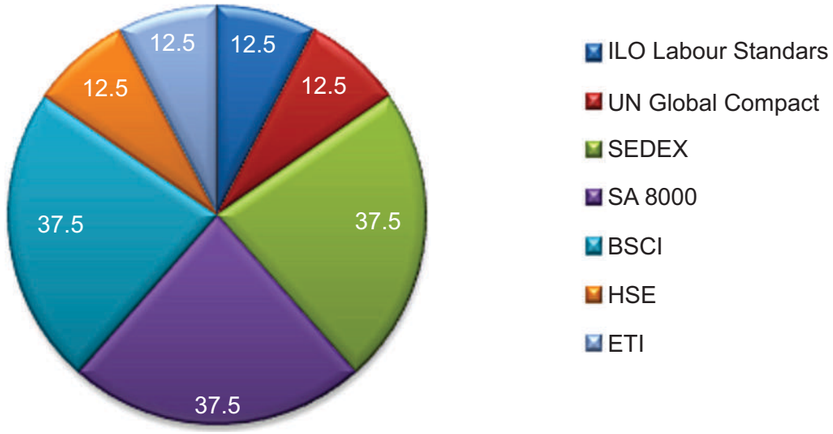
These results are illustrated in the chart below:

Chart 33: Training needs of consultants in the readymade garments and leather garments & accessories sectors



Social Compliance	
Sedex Members Ethical Trade Audit – SMETA	37.5
Social Accountability International - Sa8000	37.5
Business Social Compliance Initiative Code of Conduct	37.5
Ethical Trading Initiative (ETI)	12.5
International Labour Organization Labour Standards[13]	12.5
UN Global Compact[14]	12.5

Chart 34: Training needs of consultants for social sustainability standards



[13] The international labour standards are aimed at promoting opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and dignity.
[14] The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

6. Conclusion and Recommendations

Multilateral trade initiatives are good news for the economic growth of a country. For Pakistan, they have resulted in a tripling of exports revenue in the period 1999-2013. However, like other developing countries, Pakistan has not been able to take full advantage of the opportunities presented by the liberalization of trade. Non-Tariff Barriers (NTBs), particularly trading standards, have remained a major concern for exporters, while limiting the export growth performance of Pakistan. There is a need to assist the industry in the implementation of the standards required by global buyer in order to boost the growth of exports of the country.

Based on the findings of the survey for assessment and analysis of certification systems, this report proposes a two-pronged strategy to improve the compliance status of the sectors surveyed. It is recommended that UNIDO TRTA should assist companies in achieving the required certifications through:

1. **Provision of consultants:** In order to make available services to the industry, there is a need for qualified consultants for a specific number of schemes who will help enterprises in implementing the required standards. The programme should build the capacity of the consultants in each sector through trainings.
2. **Helping enterprises understand the requirements of standards:** The programme should conduct trainings for companies on how to implement the required standard.

Based on the results presented in this report, the following recommendations are made for the training of consultants and enterprises in each sector:

- **Horticulture:** Consultants, farmers, and exporters should be trained on the requirements and process of achieving Global GAP, BRC, and HACCP certifications.
- **Processed and Raw Meat:** Consultants and enterprises should be trained for implementing HACCP and meeting traceability requirements.
- **Surgical Instruments:** Consultants and exporters in the sector should be trained for implementation of ISO 13485, CE Marking, and GMP.
- **Readymade Garments:** TRTA should conduct trainings for consultants and enterprises on OEKO-TEX 100, ISO 14000, and SA 8000. There is a shortage of consultants for OEKO-TEX 100 "in particular.
- **Leather Garments and Accessories:** Consultants and exporters should be trained for the process of acquiring REACH, OEKO-TEX 100, and CSR certifications which include SEDEX, BSCI, and SA 8000. Moreover, the TRTA programme should sensitise the labs, supported under the programme for accreditation, to ensure the provision of testing required by some standards.
- **Electric Fans:** Trainings should be conducted for ISO 14000 and CE Marking.
- **Cutlery:** Consultants and exporters should be trained on the process and requirements of achieving the CE Marking. The programme should also create linkages between the consultants and enterprises, as knowledge about the availability of consultants in the sector is non-existent.

Further Outlook: GSP+ Status

Pakistan has been granted the GSP+ status by the EU in March 2014. The GSP+ is conditional to ratification of and compliance to 27 international standards and covenants on labour, human and women's rights, governance, environment, narcotics and corruption. These 27 standards comprise eight ILO core labour conventions, six UN conventions/covenants on human rights, and gender and racial discrimination, nine UN conventions/protocols on environment and four UN conventions on narcotics and corruption. Pakistan has ratified all these mandatory conventions. Pakistan will need to abide by these UN and ILO conventions and ensure submission of accurate and timely reports. Pakistan, therefore, will need to consider measures to support the process of implementing the ILO covenants:

- Compliance to labour laws in the four provinces is the biggest challenge being faced in the implementation of ILO conventions. There is a crucial need to harmonise labour laws across the country. A broader national legislative labour framework based on constitutional rights, national legislation and international labour standards must be devised and a statutory/constitutional mechanism put in place to ensure provincial laws adhere to this blueprint.
- For effective implementation of labour laws, a strong and unified labour inspection system is essential. Pakistan has ratified the ILO labour inspection convention No.81. Under this convention, labour inspection needs to be placed under the supervision and control of a central authority and the system should apply to all workplaces.
- A unified reporting mechanism at the federal level is also required. After the 18th Amendment in the Constitution and under Rule 49 (3) of the Rules of Business 1973, the implementation of international agreements is the responsibility of the provincial governments. As of now, there is a need for improved coordination between the federal government and the provinces to create cells which will track the implementation of these conventions and prepare reports.

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Appendix 1: A brief overview of standards

Standards	Short Description and Key Features
Food Safety System Certification 22000	FSSC 22000 contains a complete certification scheme for Food Safety Systems based on the food safety management standard ISO 22000: 2005 'Requirements for any organization in the food chain' and the publicly available specification for Prerequisite programs on food safety for food manufacturing, BSI PAS 220: 2008 or ISO/TS 22002-1:2009. It is applicable to all organizations in the food chain, regardless of size and complexity, profit-making or not, public or private. Key characteristics include: ● The FSSC 22000 certification scheme contains detailed requirements for food safety systems of organizations in the food chain, certification system of certification bodies, and accreditation by the accreditation bodies. ● ISO 22000 certified manufacturers can obtain FSSC 22000 certification by meeting the requirements of technical specifications for sector PRPs and the additional scheme requirements. Organizations that want to integrate quality in their management systems follow the requirements of ISO 9001.
GLOBALG.A.P. The Global Partnership for Good Agricultural Practice	GLOBAL G.A.P. is a private sector body that sets voluntary standards for the certification of production processes of agricultural (including aquaculture) products around the globe. The GLOBAL G.A.P. Standard is primarily designed to reassure consumers about how food is produced on the farm by minimising detrimental environmental impacts of farming operations, reducing the use of chemical inputs and ensuring a responsible approach to worker health and safety as well as animal welfare. Key features of the sustainability standard include: ● GLOBAL G.A.P is a pre-farm-gate standard, which means that the certificate covers the process from farm inputs like feed or seedlings and all the farming activities until the product leaves the farm. ● GLOBAL G.A.P includes annual inspections of the producers and additional unannounced inspections by independent accredited certification bodies.
SAI PLATFORM	SAI Platform has developed the Farm Sustainability Assessment to support farmers and companies in their procurement of sustainably produced agricultural raw materials. The Farm Sustainability Assessment is the first globally focused, industry aligned tool for sustainable agriculture. Farm sustainability covers environmental, social and economic aspects. An easy scoring mechanism provides farmers with an overview of their farm's sustainability. Key features include: ● As a global food and drink industry initiative for sustainable agriculture, SAI Platform seeks involvement from all food chain stakeholders willing to play an active role in the development, recognition and implementation of sustainable practices for mainstream agriculture. ● SAI Platform gathers and develops knowledge on sustainable agriculture, which it then shares with all interested parties to reach

Standards	Short Description and Key Features
SAI PLATFORM	common understanding of the concept and of its long-term implications. ● SAI Platform has an inclusive approach, taking into account multiple valuable initiatives and concepts, for instance elements from both integrated and organic farming, as far as they contribute to sustainable agriculture. ● SAI Platform aims at developing sustainable agriculture for the mainstream agricultural produce through a continuous improvement process that allows for an easier and more flexible adoption by farmers, worldwide.
BRC GLOBAL STANDARDS	The British Retail Consortium (BRC) is a lead trade association representing the whole range of retailers, from the large multiples and department stores through to independents, selling a wide selection of products through centre of town, out of town, rural and virtual stores. The BRC is the authoritative voice of retail, recognised for its powerful campaigning and influence within government and as a provider of excellent retail information. The standard is divided into seven chapters: 1. Senior Management Commitment and Continual Improvement 2. The Food Safety Plan (HACCP) based on the effective principles of Codex Alimentarius system 3. Food Safety and Quality Management System: This sets out requirements for the management of food safety and quality, building upon the principles of ISO 9000. This includes requirements for product specifications, supplier approval, traceability, and the management of incidents and product recalls. 4. Site Standards: These define expectations for the processing environment including the layout and maintenance of the buildings and equipment, cleaning, pest control and waste management. This includes a specific section on managing foreign body controls. 5. Product Control: This includes requirements at the product design and development stage, Allergen management and the expectations of Laboratories and product testing. 6. Process Control: This covers the establishment and maintenance of safe process controls, weight/volume control and equipment calibration. 7. Personnel: This defines requirements for the training of staff and expectations on protective clothing and personnel hygiene.
Hazard Analysis HACCP Critical Control Point	HACCP is a systematic preventive approach to food safety from biological, chemical, and physical hazards in production processes that can cause the finished product to be unsafe, and designs measurements to reduce these risks to a safe level. In this manner, HACCP is referred as the prevention of hazards rather than finished product inspection. The HACCP system can be used at all stages of a food chain, from food production and preparation processes including packaging, distribution, etc.

Standards	Short Description and Key Features
international food standard IFS	The IFS Food Standard is one of the Standards belonging to the umbrella brand IFS (International Featured Standards). It concerns food processing companies or companies that pack loose food products. Key characteristics of the standard include: ● IFS Food applies when products are "processed" or when there is a hazard for product contamination during primary packing. The standard contains many requirements related to specifications' compliance and it supports production and marketing efforts for brand safety and quality. ● IFS Food includes requirements about the following six topics: Senior management responsibility, Quality and food safety management systems, Resource management, Production process, Measurements, analysis, improvements and Food defence. ● IFS approach is risk-based. The requirements give every company the chance to develop their own solution which fits the processes and needs of the company. During the audit the IFS auditors check if the developed solution works in practice with the main goal to guarantee that food safety will be reached.
Traceability Certifications	Under EU law, "traceability" means the ability to track any food, feed, food-producing animal or substance that will be used for consumption, through all stages of production, processing and distribution
	EU organic regulation (mainly 834/2007 and 889/2008) is a national voluntary standard, which is applicable in EU member states. The EU has also Regulations regarding imports from third world countries. In July 2007, the European Commission approved a new organic regulation to clarify the standards for organic production and labelling, including the mandatory use of the EU organic logo for European producers to be applied starting 1 July 2010. Key features of the sustainability standard include: ● EU organic regulations are laid down in regulation No 834/2007, No 889/2008 and No 1235/2008. ● The current EU organic legislation sets out rules for plant and animal production and for the processing of food and feed to be labelled as organic. Compliance with the EU organic legislation is required for all products carrying the EU organic logo. In order to being able to trace organic products, the name or code number of the certification body that has certified the organic producer, has to be on the label. ● The audited firm needs to undergo a conversion period of two to three years in order to label the product as organic. ● Audits are carried out yearly and random audits are also carried out. ● EU organic regulation prohibits the use of genetically modified organisms (GMOs) and restricts the use chemical synthetic pesticides (herbicides, fungicides), synthetic fertilisers and antibiotics.

Standards	Short Description and Key Features
SAI SOCIAL ACCOUNTABILITY INTERNATIONAL SA 8000	Social Accountability International (SAI) is a non-governmental, not-for-profit organization that promotes the human rights of workers through the implementation of voluntary standard. The SA8000 standard is based on the principles of ILO conventions, the UN Convention on the Rights of the Child, and the Universal Declaration of Human Rights. Key features of the sustainability standard: ● SA8000 is a process-type standard not a product-type standard. There is no seal or label on goods produced by companies certified against the standard. ● SA8000 integrates nine core elements: child labour, forced labour, health and safety, freedom of association and right to collective bargaining, discrimination, discipline, working hours, compensation and management systems. ● SA8000 requirements apply universally, regardless of a company's size, its geographic location or industry sector.
Ethical Trading Initiative	The Ethical Trading Initiative is an alliance of companies, trade unions and voluntary organizations that work in partnership to improve the working lives of people across the globe who make or grow consumer goods - everything from tea to T-shirts, from flowers to footballs. The ETI Base Code is a generic code of labour practice and is internationally recognized as a model code. Companies commit to either implement it fully or incorporate it into their own company codes. The ETI Base Code is built around nine aspects: ● Employment is freely chosen ● Freedom of association and the right to collective bargaining are respected ● Working conditions are safe and hygienic ● Child labour shall not be used ● Living wages are paid ● Working hours are not excessive ● No discrimination is practiced ● Regular employment is provided ● No harsh or inhumane treatment is allowed The ETI Base Code specifically concerns workers' rights. ETI does not cover organic, environmental, food safety or other similar concerns.
BSCI Business Social Compliance Initiative	The Business Social Compliance Initiative (BSCI) is a business-driven initiative for companies committed to improving working conditions in their international supply chains. BSCI unites hundreds of companies around one common Code of Conduct and supports them in their efforts towards building an ethical supply chain by providing them with a development-oriented system, applicable to all sectors and all sourcing countries. Key features of the sustainability standard include:

Standards	Short Description and Key Features
BSCI	• The Code refers to important international conventions, such as the Universal Declaration of Human Rights, the Children's Rights and Business Principles, UN Guiding Principles for Business and Human Rights, OECD Guidelines, UN Global Compact and ILO Conventions and Recommendations relevant to improve the working conditions in the supply chain. • BSCI offers a multidisciplinary and development-oriented system that helps BSCI Participants and their business partners to improve social performance in their supply chains. • BSCI manages active dialogue and cooperation with stakeholders in Europe and in supplying countries, such as governments, business associations, buyers, suppliers, trade unions and NGOs, in order to find sustainable solutions to often complex labour challenges.
ISO 9001	ISO 9001:2008 sets out the criteria for a quality management system. It can be used by any organization, large or small, regardless of its field of activity. In fact ISO 9001:2008 is implemented by over one million companies and organizations in over 170 countries. This standard is based on a number of quality management principles including a strong customer focus, the motivation and implication of top management, the process approach and continual improvement.
OEKO TEX	The OEKO TEX Standard is for various textile products to ensure that the chemicals used throughout the production process are not harmful or dangerous to human health. The scope of the human ecological requirements is based on the intended use of the textile. In principle, the more intensively a textile comes into contact with the skin, the stricter the limit values it must fulfil. OEKO-TEX® Standard 100 is a standard for products which are not harming the health of the end-user. The textile products, whether raw materials, intermediate products or readymade article, are certified against well-defined limit values of potentially harmful substances (RSL)
GOTS	The Global Organic Textile Standard (GOTS) was developed in a common approach by leading standard setters with the aim to define and establish world-wide recognised requirements that ensure organic status of textiles. Key features of the sustainability standard: • GOTS relies on a dual system to check compliance with the relevant criteria consisting of on-site auditing and residue testing. • The standard provides two labels or “grades”: A textile product carrying the GOTS label 'organic' must contain a minimum of 95% certified organic fibres whereas a product with the label 'made with organic' must contain a minimum of 70% certified organic fibres. • To support conversion to organic farming, certification of fibres during a conversion period is possible if the applicable farming standard permits such certification.

Standards	Short Description and Key Features
REACH	REACH is an EU Regulation: Regulation (EC) No 1907/2006, of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH). REACH places responsibility on all manufacturers and importers of chemicals to identify and manage the risks that those substances which they manufacture and market may pose to human health and to the environment. The key part of REACH that affects this industry sector is that which relates to substances in articles, whether those substances are intended to be released, whether they are substances of very high concern (SVHC) or whether they are restricted.
WRAP	WRAP is an independent, objective, non-profit team of global social compliance experts dedicated to promoting safe, lawful, humane and ethical manufacturing around the world through certification and education. The WRAP Certification Program is based on 12 Principles focusing on compliance with local laws, workplace regulations, universal workers' rights, the environment, customs compliance and security. Key features of the sustainability standard: • WRAP is mainly focused on the apparel, footwear, leather and sewn products sectors. • The WRAP Principles are based on generally accepted international workplace standards, local laws and workplace regulations that encompass human resources management, health and safety, environmental practices, and legal compliance also including import/export and customs compliance and security standards. • WRAP has adopted a management systems approach toward compliance which requires that senior management adopt the WRAP principles in writing, and assign the necessary staff to ensure the required practices are implemented throughout the facility, and that an internal audit system is in place to ensure continuous compliance.
Sedex	Sedex is a not for profit membership organization dedicated to driving improvements in ethical and responsible business practices in global supply chains. Sedex was founded by a group of UK retailers in 2004 with two main goals: to ease the burden on suppliers facing multiple audits, questionnaires and certifications, and to drive improvements in the ethical performance of global supply chains. The four key areas of SEDEX include: 1. Labour Standards 2. Health & Safety 3. The Environment 4. Business Ethics As the largest collaborative platform for sharing ethical supply chain data, Sedex is an effective supply chain management solution, helping companies to reduce risk, protect company reputation and improve supply chain practices.

Standards	Short Description and Key Features
STeP by OEKO-TEX®	The STeP by OEKO-TEX® certification standard is a certification system issued by the OEKO-TEX® Association that includes an audited assessment against transparent criteria and methods for sustainable, environmentally and socially responsible textile and apparel facilities (production and logistics sites). The certification addresses the reduction of hazards and risks across the entire textile production chain, from fibre production through making up of products, with the goal of increasing sustainability, quality and resource efficiency of factories. The overarching goal of the STeP by OEKO-TEX® standard is to help production facilities to measure and improve sustainability, environmental performance, health and safety performance, and social responsibility and to report this to the industry and consumers in a transparent and useful format.
WCA	The Workplace Conditions Assessment (WCA) is a software based community platform that enables automated data collection leading to ratings based measurable audit results. Key Features include: • WCA is an initiative for evaluating, benchmarking and continuously improving supplier workplace conditions. • The program is supported by a web-based platform that automates and streamlines the audit process, increasing efficiencies for all supply chain partners.
ISO 13485	ISO 13485:2003 specifies requirements for a quality management system where an organization needs to demonstrate its ability to provide medical devices and related services that consistently meet customer requirements and regulatory requirements applicable to medical devices and related services. The primary objective of ISO 13485:2003 is to facilitate harmonized medical device regulatory requirements for quality management systems. As a result, it includes some particular requirements for medical devices and excludes some of the requirements of ISO 9001 that are not appropriate as regulatory requirements. Because of these exclusions, organizations whose quality management systems conform to this International Standard cannot claim conformity to ISO 9001 unless their quality management systems conform to all the requirements of ISO 9001.
GMP	Good manufacturing practices (GMP) are the practices required in order to conform to guidelines recommended by agencies that control authorization and licensing for manufacture and sale of food, drug products, and active pharmaceutical products. These guidelines provide minimum requirements that a pharmaceutical or a food product manufacturer must meet to assure that the products are of high quality and do not pose any risk to the consumer or public. Good manufacturing practices, along with good laboratory practices and good clinical practices, are overseen by regulatory agencies in the United States, Canada, Europe, China, in addition to other countries.

Standards	Short Description and Key Features
CE Marketing	The CE mark, or formerly EC mark, is a mandatory conformity marking for certain products sold within the European Economic Area (EEA) since 1985. The CE marking is also found on products sold outside the EEA that are manufactured in, or designed to be sold in, the EEA. This makes the CE marking recognizable worldwide even to people who are not familiar with the European Economic Area. It is in that sense similar to the FCC Declaration of Conformity used on certain electronic devices sold in the United States. It consists of the CE logo and, if applicable, the four digit identification number of the notified body involved in the conformity assessment procedure. The CE marking is the manufacturer's declaration that the product meets the requirements of the applicable EC directives.
ISO 14001	The ISO 14000 family addresses various aspects of environmental management. It provides practical tools for companies and organizations looking to identify and control their environmental impact and constantly improve their environmental performance. ISO 14001:2004 focuses on environmental management systems. It applies to those environmental aspects that the organization identifies as those which it can control and those which it can influence. It does not itself state specific environmental performance criteria. ISO 14001:2004 is applicable to any organization that wishes to establish, implement, maintain and improve an environmental management system, to assure itself of conformity with its stated environmental policy, and to demonstrate conformity with ISO 14001:2004.
SASO Certification	SASO is a certificate issued by the Saudi Standards, Metrology and Quality Organization (SASO) which is the sole body responsible for standardization, certification, quality assurance etc of imports coming to the KSA.
UL Certification	UL operates under its own authority as an independent, not-for-profit, nongovernmental organization for manufactured products. To establish certification, samples of a product submitted by manufacturers for certification are tested and evaluated. If UL decides the product fulfils all applicable requirements it authorizes the manufacturer to apply a certification mark to production of the samples submitted, or issues a certificate or notification that the product is now certified by UL. A report of the evaluation is provided to the manufacturer. Before the manufacturer releases products with a certification mark, UL must initiate Follow-up Service in which periodic audits of products at the factory are completed by UL Field Representatives. For some products, factory samples are selected for retesting at UL. Certification continues until the manufacturer requests termination or fails to fulfil a requirement. UL must evaluate modifications to certified products before the modified product is authorized to bear the Mark or be considered certified.

Standards	Short Description and Key Features
SABS APPROVED	SABS provides independent third-party auditing and certification services. The certification mark is issued when both product and quality management system of the organization are in compliance with the SABS standards.
MS SIRIM	The SIRIM certification scheme was established in 1972. Standards used for the certification of the regulated products are determined by the regulatory body. EC (Energy Commission) specifies MS (Malaysian Standard) to be used for the certification. In the absence of MS, IEC and BS are the preferred standards.