

SCHEME FOR FREIGHT SUBSIDY ON EXPORT

- With a view to ensuring timely payment of freight subsidy claims of the exporters, the Export Promotion Bureau has reviewed procedure and time lines for pre-audit and payment of freight subsidy claims under its Public No. 2(4)/2004-PPI dated 25th October, 2004, in consultation with the Commercial Banks and the Auditors. A number of amendments have been made in the aforementioned Public Notice.
- One of the principal amendments provides that the commercial banks, with whom the exporters file their subsidy claims, will send the claims found admissible, to the National Bank of Pakistan, FTC Branch, Karachi, instead of the Export Promotion Bureau or the Auditors. National Bank of Pakistan will forward the claims to the Auditors, within seven days. The Auditors will complete pre-audit within seven days. They will forward the accepted claims to the National Bank of Pakistan for payment to the exporters through their commercial banks, within two days. The commercial banks will make payment to the exporters on the same day or the following working day.
- A Public Notice dated 17th February, 2005 notifying the above amendments in the procedure and time lines has been issued and put on the EPB website www.epb.gov.pk. These amendments have also been incorporated in the original Public Notice No. 2(4)/2004-PPI dated 25th October, 2004 already available on the EPB website.

(JAMSHID KHAN)
Director General



Export Promotion Bureau
MINISTRY OF COMMERCE
GOVERNMENT OF PAKISTAN



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Partner in Prosperity
GOVERNMENT OF PAKISTAN
EXPORT PROMOTION BUREAU
No. 2(4) 2004-PPI

Karachi 18th February 2005

AMENDMENTS IN PUBLIC NOTICE DATED 25TH OCTOBER 2004

Scheme for Freight Subsidy on Exports

The Export Promotion Bureau has reviewed the procedure and time lines for pre-audit and payment of freight subsidy claims under its Public Notice No. 2(4)/2004-PPI dated 25th October 2004, in consultation with the Commercial Banks and the Auditors. As a result of the consultations held, following amendments are notified in the aforementioned Public Notice:

- a) In para 3, under the heading "Admissibility/Continuity of Freight Subsidy", in sub para(a), at the end, the date "30th June 2005" will be read as "30th September 2005".
- b) In para 4, under the heading "Documents Required for Claiming Freight Subsidy", at the end, the following new sub-para (h) will be added:

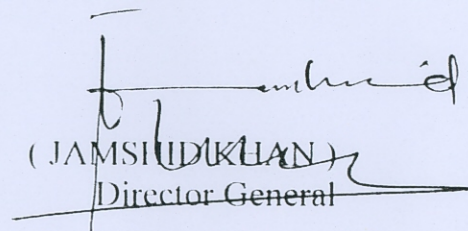
" (h) Check List of required documents as per Annexure VI".
- c) In para-5, under the heading "Procedure for Payment of Freight Subsidy", in sub-para (c), the words "Deputy Director(Freight Subsidy) Export Promotion Bureau(EPB)." will be substituted by the words "National Bank of Pakistan, FTC Branch." and the word "immediately" will be substituted by the word "within 07 days."
- d) In para 5, in sub-para (d), the words "within two working days" will be substituted by the words "within seven days".
- e) In para 5, in sub-para (e), the words "bank of the exporter" will be substituted by the words "National Bank of Pakistan" and the words "within ten days of receipt of the claims", will be substituted by the words "within seven days of receipt of the claims".
- f) In para-6, under the heading "Implementation of the Scheme", the words "Deputy Director (Freight Subsidy) in the EPB" occurring in sub-paras



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- (a) and (c) will be substituted by the words "Project Officer (Freight Subsidy)."
- g) In para 7. under the heading "Audit", sub-para (a) will be reworded as follows:
- "The National Bank of Pakistan will forward all subsidy claims directly to the Auditors for pre-audit".
- h) In para 7(b). the words "within two working days" will be substituted by the words "within seven days".
- i) In Annexure VI. in the list of documents. the following new entry will be inserted. as S. NO. 12. "Check list of documents". with the reference to Public Notice as "para 4 (h)".


(JAMSI LUD KHAN)
Director General

**Export Promotion Bureau
Government of Pakistan
Karachi**

No. 2(4)/2004-PPI

25th October 2004
(As amended on 18-02-05)

PUBLIC NOTICE

Scheme for Freight Subsidy on Exports

It is notified for the information of exporters that, in terms of the Trade Policy for 2004-05, the freight subsidy scheme has been continued, according to the following revised rules and regulations.

1. Short Title and Commencement: The scheme will be called "Scheme for Freight Subsidy on Exports", hereinafter referred to as "the scheme". The scheme is designed to leverage our market and product diversification efforts. The freight subsidy scheme was last notified for the fiscal year 2003-04. It covered export shipments upto 30th June 2004. Freight subsidy scheme will continue from 1st July 2004 upto 30th September 2005. Freight subsidy claims in respect of export shipments upto 30th June 2004 will continue to be entertained according to the EPB Public Notice No. 2(2)/2003-PPI dt. 11th November 2003. Freight subsidy claims in respect of export shipments from 1st July 2004 upto 30th September 2005 will be entertained according to this Public Notice.

2. Definitions:

- (a) "New products" are defined as those whose annual exports were not more than \$5 million in any one of the last three fiscal years from 2001-02 to 2003-04. New products are identified at the HS 6-digit level, but where a number of products are clubbed at the 6-digit level under the category "Others", these are differentiated at the HS 8-digit level for the purpose of eligibility for freight subsidy.
- (b) "New markets" are defined as those countries where Pakistan's total exports had been less than \$10 million as an average of the last three fiscal years.
- (c) "Last three fiscal years" will be the years 2001-02, 2002-03 and 2003-04.
- (d) "National Bank" means the National Bank of Pakistan, FTC Branch, Karachi.
- (e) "Bank" means the commercial bank which processes the freight subsidy claim and which also handled export documents connected with the freight subsidy claims.

3. Admissibility/Continuity of Freight Subsidy:

- (a) Exporters will be allowed 25% freight subsidy on exports of 'new products' and exports to 'new markets', in respect of shipments from 1st July 2004 upto 30th September 2005.

- (b) Annexure I to this Public Notice is a Negative List of countries not eligible for freight subsidy. All other countries are eligible.
- (c) Annexure II to this Public Notice is the list of eligible products, in terms of the definition of new products in para 2 above. Exporters may approach the Export Promotion Bureau for inclusion of any product not included in Annexure-II, and are claimed to be eligible as per definition in para 2 (a).
- (d) Export shipments upto 30th June 2004 will be eligible for freight subsidy, according to the lists of eligible products and eligible countries as already notified for 2003-04.
- (e) Freight subsidy will be available for eligible products and eligible countries on all C&F/CIF shipments. In case of FOB shipments, freight subsidy will be limited to airfreight or sea freight on containerized cargo. FOB shipments in bulk form will not be eligible for freight subsidy. For exports by land route, subsidy will be available for eligible products and for eligible countries on the basis of actual freight paid, from the exit point in Pakistan to the destination, as per Truck Receipt/Railway Receipt, limited to benchmarks determined by the Technical Committee in the Export Promotion Bureau.
- (f) Where a shipment is carried upto a port and then carried further to a land locked country by land route, freight subsidy will be allowed upto the first port of discharge.
- (g) Where freight paid relates to several products some of which are eligible and some not eligible for subsidy, the freight paid for eligible products should be worked out on the basis of the commercial invoice.

4. Documents Required For Claiming Freight Subsidy: Exporters will lodge their claim of subsidy with their Banks (issuing BCA) within 60 days of realization of export proceeds of shipments concerned, on the prescribed form as per Annexure-III, accompanied by a summary of the claim as per Annexure-IV, supported by the following documents, to be listed as per Check List in Annexure VI:

- (a) A copy of Commercial Invoice.
- (b) Fourth copy of Shipping Bill / Goods Declaration (GD) in original, which must bear the exporter's rubber stamp "Under Freight Subsidy Claim", with one photo-copy set which will be certified by the Manager of the dealing Bank and retained. The original fourth copy of Shipping Bill/GD will be returned to the exporter after making an endorsement "Freight Subsidy Claimed" in hand or rubber stamp. Where original fourth copy is not available, a photocopy attested by the Assistant Collector of Customs concerned may be accepted.
- (c) Copy of the Bill of Lading/Airway Bill certified by the Shipping Company/Shipping Agent/Airline. In case of freight booked by a Freight Forwarder/Air Cargo Agent, a certificate from the concerned Association of Freight Forwarders/Air cargo Agents on their letterhead certifying the freight paid on the shipment.

- (d) Original freight paid receipt issued by the Shipping Company/Shipping Agent/Airline or by the Freight Forwarder/Cargo Agent.
- (e) In case of FOB shipments, certificate by the Shipping Company/Airline of the freight paid on the shipment, description of goods, destination and confirmation (for the sea cargo) that the cargo was containerized.
- (f) In case of land route freight, the original Truck Receipt / Railway Receipt.
- (g) A copy of Bank Credit Advice (BCA).
- (h) Check List of required documents as per Annexure VI.

5. Procedure for Payment of Freight Subsidy: A separate account will be maintained out of EDF funds by the Government with the National Bank of Pakistan (FTC Branch, Shara-e-Faisal, Karachi). This account will be replenished by the Government as and when necessary. The process of application, approval and disbursement of freight subsidy will be as follows:

- (a) Exporter lodges claim with his bank, in the prescribed form as per Annexure III, alongwith a summary of claim as per Annexure IV, within 60 days of realization of export proceeds, alongwith necessary supporting documents. In case of advance payment, the period of 60 days for claiming the freight subsidy will be counted from the date of shipment instead of the date of realization of export proceeds.

Provided that the exporters who have not filed claims of freight subsidy, in respect of shipments made during 2004-05, will be allowed to submit their subsidy claims within 60 days of the realization of export proceeds, or within 30 days of the date of this public notice, whichever date is later.

- (b) Bank examines documents to ensure eligibility and validity of the claim on the basis of list of eligible countries and products. Banks will ensure that there is no discrepancy between the product description in the export documents, the application for freight subsidy and the claim summary and that the HS codes claimed match with those given in the list of eligible products. Doubtful cases will be referred to Export Promotion Bureau, Head Office, Karachi, for advice.
- (c) If claim is valid, the Bank forwards the claim within 10 days, alongwith all supporting documents, to the National Bank of Pakistan, FTC Branch, FTC Building, Shara-e-Faisal Karachi, who sends on the claims within seven days to the auditors for pre-audit.
- (d) The Auditors will audit each claim and forward the acceptable claims to the National Bank, within seven days, with a covering letter in the form as per Annexure V.
- (e) If claim is not valid, the Auditors will return the claim to the National Bank of Pakistan under covering letter giving reasons for non-acceptance of the claim within 07 days of receipt of the claim. If a claim filed in time is thus returned

by the Auditors, it will not be treated as time barred when re-presented later, after removing the objection by the Auditors, within 30 days of the objection memo by the Auditors, unless the time limit is extended by EPB on the request of the exporter.

- (f) Bank will maintain record of all claims received, paid and refused (with reasons). Auditors will maintain a database on all freight subsidy payments, by products and by countries, on a monthly basis and provide copies to the Export Promotion Bureau.
- (g) National Bank will ensure payment of the subsidy to the Bank within two working days of the receipt of the audited claims from the auditors.
- (h) The bank, on receipt of the funds, from the National Bank, would make the payment of the subsidy to the exporter on the date of receipt of the funds or latest by the next working day.

6. Implementation of the Scheme:

- (a) Implementation of the scheme will be monitored by a Steering Committee, in the EPB comprising

1. Chairman EPB / Vice Chairman EPB
2. Director General (PPI) EPB
3. Director General (Supply Management) EPB
4. Consultant (Policy) EPB
5. Collector of Customs (Exports), Karachi
6. Director Foreign Exchange, State Bank of Pakistan, Karachi
7. Manager, National Bank of Pakistan, FTC Branch, Karachi
8. Representative of Pakistan Banking Association
9. Representative of Pakistan Shipping Association
10. Representative of Air Cargo Agents Association
11. Representative of Freight Forwarders Association
12. Chairman Fruits and Vegetables Exporters Association

Project Officer (Freight Subsidy) in the EPB will act as the Secretary of the Steering Committee. The Steering Committee may co-opt any person to assist the Steering Committee.

- (b) The Steering Committee will:
 - (i) Monitor the working of the scheme;
 - (ii) Review the rules and implementation of the scheme and to make such modifications, as it considers necessary for the purpose;
 - (iv) Determine admissibility of freight subsidy in individual cases referred to it;
 - (v) Advise recovery of the subsidy payment that may have been made wrongly to any exporter.
- (c) The Steering Committee will be assisted by a Technical Committee comprising Director General (PPI) EPB, Consultant (Policy) EPB, Additional Collector of Customs (Exports), Karachi, a representative of the Federation of Pakistan Chambers of Commerce and Industry, Karachi.

Chairman of the Air Cargo Agents Association, a representative of the Freight Forwarders Association, Chairman of the Fruits and Vegetables Exporters Association and Manager National Bank. Project Officer (Freight Subsidy) in EPB will act as Secretary of the Technical Committee.

- (d) The Technical Committee will deliberate on requests for freight subsidy on products not already covered in the list of eligible products and make recommendations to the Steering Committee.
- (e) The Technical Committee will determine the maximum land freights for distances for which land route freight subsidy is admissible.
- (f) The Technical Committee will handle all references received in EPB for advice from the Commercial Banks, the National Bank and the Auditors.

7. Audit

- (a) The National Bank of Pakistan will forward all freight subsidy claims directly to the Auditors for pre-audit.
- (b) The auditors will carry out pre-audit within seven days and send the accepted claims to the National Bank for payment.
- (c) All payments of freight subsidy will also be subject to post-audit. At least 10% of the claims will be selected on a random basis, for detailed scrutiny by the Technical Committee.

8. Appeals: Exporters who are not satisfied on any matter relating to a freight subsidy claim, may file an appeal with the Steering Committee whose decision will be final.

Dr. Masroor Anwar Memon
Deputy Director (Freight Subsidy)