

FAQs - Export Finance Scheme & Islamic Export Refinance Scheme

Q. 1 How can an exporter avail financing facilities under Export Finance Scheme (EFS) of SBP?

Ans. Any exporter can avail the Export Finance Facility through any of commercial bank, after fulfilling collateral requirements of the bank. The decision to lend shall be taken by the bank under its own internally approved credit policy.

Q. 2 From where an exporter can find detailed instructions relating to EFS of SBP?

Ans. Instructions on EFS are available on State Bank's web site viz. www.sbp.org.pk at URL <http://www.sbp.org.pk/incentives/efs.htm>

Q. 3 What is meant by Part I & Part-II under the Export Finance Scheme?

Ans. Part-I. Financing under Part I of the Scheme is a transaction-based facility. The finance is granted by the bank to the exporter on the basis of a Firm Export Order / Export Letter of Credit, for a maximum period of 180 days. The financing facility can be availed at pre-shipment stage for procuring inputs and manufacturing the goods to be exported. Financing at Post Shipment stage is also granted against goods already shipped to the importer abroad, for the period up-to realization of export proceeds or 180 days, whichever is earlier.

Part-II: Under Part-II of the Scheme, a revolving finance limit is sanctioned to the exporter equivalent to 50% of his export performance during the previous year on July - June basis. Exporters can avail this financing facility for a period of 180 days. Facility once availed needs to be repaid in totality. Exporters having availed Part-II facilities have to export / ship eligible goods and realize export proceeds and submit the evidence of performance on the prescribed statement within two months from close of each financial year.

Q. 4 What is meant by performance by exporters?

Ans. Part-I: Performance under Part-I means shipment of the eligible goods / commodities equivalent to the value of the amount of finance availed under the Scheme and realization of the export proceeds.

Part-II: Under Part-II, performance means realization of proceeds of exports, made during the monitoring year (July-June basis) that should be equivalent to the daily product of the facilities availed from SBP. For the purposes of arriving at rupee value of exports, the export proceeds realized by the exporter during the FY are multiplied by 180 to bring its

notional value in line with the “daily products” of rupee value of refinance. To make it clear a sample calculation is made in the following table:-

Financing facility availed under Part-II:

	Period (days)	Amount borrowed (Rupees in million)	Formula (period multiplied by amount)	Borrowing Product
I	180	100	180 X 100	18,000
II	90	100	90 X 100	9,000
III	90	100	90 X 100	9,000
A)	Total Borrowing Product			36,000

Export proceed realized as per EF-1 statement (**defined at Q.6 below**)

	Amount Realized (Rupees in million)	Formula (amount realized X 180)	Performance Product
I	50	50 X 180	9,000
II	85	85X180	15,300
III	110	110X180	19,800
B)	Total Performance Product		44,100

Excess performance (B-A)			8,100
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Q. 5 What is the EE-1 statement?

Ans. EE-1 Statement is a statement containing details of exports proceeds realized from the exports of eligible goods by the exporter during the previous fiscal year. Realization of proceeds under Part I is also admissible to be included for entitlement of limit under Part II.

Q. 6 What is the purpose of EF-1 statement?

Ans. An exporter is required to show his performance on a statement namely “EF-I” to match his borrowings during fiscal year. The said statement showing realized value of exports duly verified from concerned area office of Foreign Exchange Operations Department (FEOD) is to be submitted by exporter through his bank to Refinance Unit of concerned SBP BSC office by 31st August each year.

Q. 7 Who are the Direct and Indirect Exporters?

Ans. Direct Exporters are those who are exporting the goods & services directly. The indirect exporters are those who are contributing in the exports by supplying the inputs / finished goods to the direct exporter.

Q. 8 Can an Exporter avail both Part-I and Part-II facilities against one export order / letter of credit?

Ans. Normally the exporter cannot do it. However, if multiple shipments are made against such order/LC each covered by separate E-Form, the exporter can avail facilities under both parts against one export order / Export LC provided the overall facilities availed do not exceed the value of the said export order / LC.

Q.9 Can an Exporter having a limit under Part-II of the Scheme, shift its borrowings under the said limit from one bank to another?

Ans. Yes, Export Refinance Facility availed through one bank can be shifted to other bank, if both banks are availing the facilities from same office of the BSC-BSC, provided that the bank from where the facilities are being shifted gives its NOC; Shifting only means availing fresh refinance against the unutilized limit fixed under Part-II through other banks. This should not be construed as shifting of outstanding finance / refinance from one bank to another bank as SBP recovers refinance from the bank to which it has granted.

Q.10 What is substitution?

Ans. This is a facility whereby the Exporters can avail Export Finance Facilities against Firm Export Order /Export Letter of Credit from Importer “A” and submit shipping documents in respect of shipment against Firm Export Order /Export Letter of Credit from Importer “B”. However both the commodities have to be eligible commodities and such substitution needs to be exercised within the validity of the refinance facility i.e. 180 days. This facility is available under Part-I only.

Q.11 How are the lending rates (mark-up rates) under EFS worked out?

Ans.

- Rates of mark-up have been benchmarked with the weighted average yields of six months T-Bills. Current rates are as under:
 - Rate of finance to be charged to the borrower 7.5% p.a.
 - Rate of refinance by SBP 6.5% p.a.
 - Banks’ spread 1.0% p.a.
- Rates of mark-up are adjusted on monthly basis.

Q.12 What is the Islamic Export Refinance Scheme (IERS) and how can an exporter avail funds under IERS?

Ans. The IERS is a refinance scheme that SBP has developed to cater to the requirements of the banks and exporters who wish to avail finances under Shariah compliant modes. Exporters can avail the scheme from participating Islamic Banks or Islamic Banking branches of Commercial banks, if the exporter fulfills the criteria stated in the scheme for Musharika Pool.

Q.13 What is Musharika Pool under IERS?

Ans. A pool consisting on Blue Chip Companies to whom the Islamic Bank have provided financing facilities on shariah compliant modes including IERS, have been given a name of ‘Musharika Pool’ on the basis of the fact that the refinance by SBP is granted to Islamic Banks under Musharika arrangements. The criteria of Blue Chip companies is explained under **Q. 14** below.

Q.14 What are the criteria for selection of blue chip companies?

- Ans. The criteria for selection of blue chip companies for the Musharika Pool is as under:-
- (a) Such companies should not have any adverse CIB report or export over dues that are not realized over a period of more than one year; and
 - (b) should fulfill *at least one* of the following three conditions;
 - i) a good record on the stock exchange, or
 - ii) a credit rating of B+, or
 - iii) an average ROE higher than the rates on EFS

Q.15 How much should the Islamic Bank's contribution be to the Musharaka Pool?

The banks contribution to the pool from its own sources, shall be upto (at least equal to) the amount of IERS availed.

Q. 16 What is the rate of finance to the exporters under IERS?

- Ans. The refinance rate is not fixed under IERS, as this will be against Shariah. However, in order to provide a level playing field to the exporters, the Islamic Banks have to ensure that at the time of entering into an agreement the profit charged by them from the exporters should not exceed the rates prescribed by the SBP under the conventional EFS.
