

SBP issues instructions to banks on Technology Up-gradation Fund Scheme

The State Bank of Pakistan (SBP) has issued instructions to banks/ development finance institutions (DFIs) regarding processing of claims for provision of “Mark-up Support” and “Investment Support” to textile industry under the Technology Up-gradation Fund (TUF) Scheme of the Federal Government. This scheme, which has been notified by the Ministry of Textile Industry (MINTEX), will encourage investment for up-gradation of machinery and technology in textile industry.

Banks/DFIs shall process the claims for “Mark-up Support” and “Investment Support” from Textile Industry, duly registered with Ministry of Textile Industry (MINTEX). However, they have been instructed to forward the eligible claims after their scrutiny along-with Certificate of Commissioning of machines and commercial operations issued by MINTEX, separately for each Support, strictly in compliance with the terms and conditions prescribed in ministry’s notifications / TUF Scheme, to the offices of SBP-BSC.

Under the scheme, the claims for ‘Mark-up Support’ may be submitted on ‘Form TUF-I’ along-with the documents / papers prescribed in claim form. Only Loans disbursed on or after 01-09-2009, are eligible for Mark up Support. Maximum amount of loan eligible for calculating subsidy will be up to C&F value of eligible machinery/technology mentioned in LC retired through bank loan.

Under the scheme, the Federal Government may reimburse 50% of mark-up subject to a maximum of 5% p.a., whichever is less. However, one company registered as a separate legal entity will be eligible for a maximum mark-up support of Rs 50 million per annum for each sub-sector.

Mark-up Support shall be admissible on the principal amount of loans outstanding on reducing balance on daily product basis, as per Original Repayment Schedule. The Support shall not be extended to the borrowers having non-performing loans, classified under SBP Prudential Regulations unless the same are rescheduled / restructured by the financing bank(s). Further it will also make the borrowers ineligible for availing the support during remaining period of the loan if any of their loans (long /short term) are classified after introduction of this support.

Similarly, the claims for Investment Support may be submitted on ‘Form TUF-II’ along-with the documents / papers mentioned in the claim form. Federal Government may provide up-to 20% investment support to SMEs (as defined under SBP’s Prudential Regulations for SMEs) for import of new plant & machinery up-to Rs 10 million, through loans or from their own sources. Further, Federal Government may also provide 5% investment support to Non-

SMEs / other eligible projects, against imported new plant & machinery, through their own sources. However, maximum support to one company will be Rs 50 million only for each sub-sector.

Under the scheme, the equity investment means financing of imported machinery and technology through own sources and that will be determined from C&F value of eligible machinery/technology mentioned in LC retired for this purpose. SMEs can also import eligible machinery / technology through Contract. However, to claim Investment Support, such SMEs shall be required to produce reliable evidence about actual import of requisite machinery / technology and payment to the foreign supplier through banking channel.

For Investment Support, bank guarantee is to be obtained from the units other than SMEs, (acceptable to the banks/DFIs concerned), to safeguard the interest of Federal Government and concerned banks/DFIs.

State Bank has strictly instructed the concerned banks / DFIs that they should ensure as per their own arrangements, including an undertaking from the beneficiary of this scheme, that facilities are not availed in duplication [i.e. plants & machineries supported under TUF Scheme are not financed under SBP's Long Term Financing Facilities or beneficiaries have not availed any other support or concession of the Government against such plants & machineries]. Further, banks/DFIs should also ensure that the claim is strictly in compliance with the terms and conditions prescribed in the TUF Notification Nos. 3(18)TID/10-P-I, 3(18)TID/12-P-I, TUF Document and SBP's IH&SMEFD Circular No. 03 dated August 30, 2012.

Claims duly completed in all respects and countersigned by Compliance or Internal Audit of the concerned bank/DFI, shall be processed by the offices of SBP-BSC (Bank) subject to the condition that documents/papers as mentioned in prescribed forms have been enclosed with the claims, which shall be subject to subsequent detailed scrutiny. Eligible amount of Support shall be released / reimbursed to the banks / DFIs through credit to their accounts maintained with the office of SBP-BSC (Bank), subject to the availability of budgetary allocations.

SBP shall release / reimburse above Supports to the banks/DFIs on six monthly basis only after receipt of necessary funds in this regard from Government of Pakistan for the respective periods. SBP will make announcement in this regard separately, says IH&SMEFD Circular No. 03 issued to the Presidents/ Chief Executive Officers (CEOs) of all banks today.
