5 Export Finance & other Refinance Schemes

State Bank of Pakistan besides controlling inflation also formulates policies to foster export led growth and to promote activities that enhance foreign exchange earnings. Furthermore, SBP also facilitate to increase the flow of funds to the segments of industry and masses that require special attention of formal finance institutions. Implementation of these policies is the prerogative of SBP BSC (Bank) which implements through its country wide network.

5.1 Overview

State Bank of Pakistan (SBP) has been undertaking a wide range of development finance activities besides, its core functions, to promote export led growth in the country. For this purpose SBP consistently formulates and reviews its various short and long term refinance schemes to facilitate banks in meeting credit needs of their borrowers primarily exporters and export led industrialist. SBP Banking Services Corporation has been entrusted with the responsibilities to implement all SBP refinance schemes like Export Finance Scheme (EFS), Islamic Export Refinance Scheme (IERS), Long Term Financing Facility (LTFF) and recently introduced financing initiatives like Scheme for Modernization of Cotton Ginning Factories & Rice Husking Mills, Agri-loans Refinancing & Guarantee Scheme for War Effected Areas of Khyber Pakhtoonkhawa (KPK) and FATA, Scheme for Financing Power Plants Using Renewable Energy and Financing Facility for Storage of Agricultural Produce. Besides, the BSC offices also conduct onsite verification of EFS/IERS cases at commercial banks' branches located in the areas of their jurisdiction to ensure compliance of the provisions of the schemes. On-site verification is conducted to ensure proper utilization of funds disbursed to the banks under Part I & II of EFS/IERS. During FY10 forty two (42) consolidated (Bank-wise) EFS/ IERS On-Site Verification Reports for the monitoring period 2007-08 & 2008-09 have been prepared and sent to SME Finance Department SBP for onward submission to the higher management of concerned commercial banks. Pursuant to findings of these reports fine amounting to Rs.46.1 million has also been recovered from banks on account of various irregularities made by them in administering theses schemes.

5.2 Introduction of New Concessionary Credit Schemes:

During FY-10, a record number of refinance schemes were introduced by SBP in response to the recent developments in local and international scenario. Salient features of each of the schemes have been briefly discussed in the following paragraphs. The details of the schemes can be seen on the websites (*www.sbp.org.pk/smefd/circulars/index.htm*) of SME Finance Department SBP.

- *Scheme for Modernization of Cotton Ginning Factories & Rice Husking Mills:* With a view to encourage SME cotton ginners for modernizing their factories capable of producing quality ginned cotton for the textile value chain as well as to meet the shortage of electricity, financing facilities have been made available to them through all commercial banks and Development Finance Institutions (DFIs). Under the scheme, financing is available only for balancing, modernization and replacement (BMR) of cotton ginning factories and cotton seeds crushing machinery installed in the premises of ginning factories. Purchase of only new locally manufactured plant, machinery & equipment as also new power generators (up-to a maximum capacity of 500 KVA or in house energy requirements whichever is lower) is eligible under the facility. This scheme will remain valid only up to December 31, 2010 on first come first served basis and subject to availability of funds.
- To facilitate the sponsors of Rice Husking Mills/ Automatic Sella Plants to modernize their mills/units to produce quality rice, SBP introduced a new medium to long term financing scheme for import/ purchase of new Rice Husking Machines, Paddy Driers and Parboiling Plants. Financing under both the schemes is available for a maximum period of ten years. Financing rates shall be revised on annual basis effective from July each year and the rate of mark-up once fixed shall remain locked-in for the entire duration of the loan subject to on time servicing. Refinance is allowed to the Banks/ DFIs by the BSC offices on submission of requisite documents. In order to further incentivize the Banks/ DFIs to provide financing facilities under the schemes, their spread has been enhanced as compared to other Long term schemes of SBP.
- *Agri-loans Refinancing & Guarantee Scheme for War Affected Areas of KPK & FATA:* To facilitate farmers of war affected areas of KPK and FATA for obtaining fresh loans from banks to resume agricultural activities, the banks except Zarai Taraqiati Bank Limited (ZTBL) have been allowed to obtain refinance facility from SBP BSC offices against the production/ working capital loans provided to the farmers of Swat, Lower Dir, Upper Dir, Malakand, Bunner, Chitral and Shangla districts of KPK and FATA. SBP shall share up to 50% of bonafide losses of banks against the loans funded under the scheme. Under the scheme agricultural credit shall mean only farm and non-farm credit for meeting the production/ working capital requirements as defined in PRs for Agriculture Financing. All categories of farmers (owner, owner-cum-tenant and tenant) of the specified areas are eligible for agricultural loans under the scheme. Banks shall provide agri. loans to farmers as per their credit policy and SBP regulations. Banks have been encouraged to arrange for the insurance of loans provided under the scheme. Tenor of the crop production loans and its repayment is to be based on the cropping cycle. For other farming activities working capital will be provided for a maximum period of one year. The scheme does not prescribe any ceiling for financing facilities for each borrower, albeit banks have been allowed to cap maximum borrowings by each borrower according to its funding requirements, cash flows, repayment capacity and profile of the each borrower. Refinance under the scheme shall be provided to the banks at 6.0% p.a. whereas the banks are permitted to charge a maximum spread of 2.0% p.a. from the borrowers availing credit under the scheme.
- *Scheme for Financing Power Plants Using Renewable Energy:* To meet the growing electricity demand and to promote renewable energy projects in the country, SBP is providing refinancing to banks against funds provided by them to eligible

borrowers for establishment of new power projects using renewable energy (wind, hydel, biogas, biofuels, bagasse cogeneration, solar power and geothermal as fuel). Financing facilities are available for setting up of power projects with a maximum capacity of up-to 10 MW. The prospective borrowers are required to fulfill requirements of Alternative Energy Development Board (AEDB), the concerned regulatory authority and other relevant Government Department/ Authority as also banks/ DFIs. Preference shall be given to projects being established in the less developed areas of the country. Refinance may be provided up to 100% of financing provided by banks/DFIs to the eligible borrowers for the import/ local purchase of plant, machinery & equipment subject to adherence of other rules & regulations. The facility is available for a maximum period of ten years including a maximum grace period of 2 years. However, maximum period of financing shall not exceed the period of ten years (including grace and availability period), from the date of first disbursement. The rate of service charge at which SBP will provide refinance to the Banks/ DFIs is be determined on the basis of average of weighted average yields of last two auctions of 5 and 10 years PIBs. The service charges are announced for each fiscal year and remain valid for a period of one year from 1st July to 30th June. The rate of service charges once fixed shall remain locked-in for the entire duration of the loan subject to on time servicing.

- *Refinance Scheme for Revitalization of Small and Medium Enterprises (SMEs) in KPK, Gilgit-Baltistan (GB) and FATA*: With a view to revitalize SMEs in KPK, Gilgit-Baltistan (GB) and FATA, refinancing facilities from SBP have been allowed for banks to facilitate their financing to Small & Medium Enterprises (SMEs) only as defined under PRs of SMEs. Under the Scheme banks may provide short term facilities up-to a maximum period of one year to SME units of all categories, of above areas to meet working capital requirements. Rates of service charges shall be determined monthly on the basis of Weighted Average Yield of six months Treasury Bills. Under the Scheme banks may also provide medium & long term facilities for balancing modernization and replacement/up-gradation of existing SME units or installation/ setting-up of new SME units. The facility is also available for purchase/ import of plant, machinery and equipments and investment in construction of factory/ office/ warehouse; and allied infrastructure. The facilities shall be provided for a maximum period of 7 years including a grace period of six months. Rates of service charges at which funds shall be provided to commercial banks are determined on the basis of weighted average yields of PIBs of relevant tenors. These rates may be adjusted on six monthly basis.
- *Financing Facility for Storage of Agricultural Produce*: SBP introduced a scheme for Financing Facility for Storage of Agricultural Produce (FFSAP) to encourage private sector to develop the agricultural produce marketing and enhance storage capacity by establishing Silos, Warehouses and Cold Storages. The facility is available through banks/ DFIs on long term basis for establishment, expansion and balancing, modernization & replacement (BMR) of Steel/ Metal/ Concrete Silos, Warehouses & Cold Storage facilities for storing agricultural produce, purchase of new imported & locally manufactured plant & machinery, equipments and accessories thereof, to be used in Steel/ Metal/ Concrete Silos, Warehouses, Cold Storages and purchase of new generators up to a capacity commensurate with the in-house energy requirements of the Silos/ Warehouses/ Cold Storages. It is available for a maximum period of seven years including a maximum grace period of six months. Maximum

financing of banks/ DFIs to a single project shall not exceed Rs.500 million under the scheme. However, banks/ DFIs may provide financing facilities over and above the said maximum limit from its own sources. However entire financing shall be subject to the adherence of all rules & regulations issued by SBP from time to time. The rate of service charges at which SBP will provide refinance to the banks shall be determined on the basis of average of weighted average yields of last two auctions of 3, 5 and 7 years PIBs , subject to the following:

- The service charges shall be adjusted on six monthly basis.
- The rates once fixed shall remain locked-in for the entire duration of the loan, provided the borrowers continue to repay on due dates as per repayment schedule. In case new rates are lower, then benefit will be passed on to the borrowers.
- Where financing to a project is provided on staggered basis, each installment shall attract the rate of finance/ refinance applicable on the date of disbursement of installment by the bank.

5.3 Major Modifications/ Changes in Existing Schemes

During FY10, the SBP introduced a number of modifications in EFS and LTFF, which have been briefly discussed in the following paragraphs:

5.3.1 Modifications in Export Finance Scheme

- *Export Proceeds of Eligible Goods sold at International Fairs/ Exhibitions in Performance/ entitlement Under Part-II:* The export performance of eligible goods sold in the international fairs/exhibitions has been taken into account for performance/ entitlement purpose under Part-II of the EFS provided that exporters have not already availed loan(s) under Part-I on post shipment basis there-against as well as on fulfillment of the requirements as prescribed by EPD in category 'B' of para 31 of Chapter XVII of FE Manual.

- *Extension in Period under Part-I:* In order to facilitate domestic rice procurement process for exports, the rice exporters can now get financing up-to 100% instead of 85% of the value of firm export order/ contract/ letter of credit and are required to make shipments equivalent to 100% instead of 117% against refinance availed for 270 days for the export of eligible commodities under Part-I (pre-shipment). This relaxation is available to rice exporters for FY10.

- *Performance Based Mark-up Rates:* Performance based mark up rates under Part II of EFS were introduced by SBP last year in terms of which incentive in the form of lower mark up on higher performance was offered to the exporters. To facilitate the exporters instructions were further modified this year and the exporters who availed export refinance facility from more than one banks/BSC Offices were required to submit their request for refund of mark-up rate benefit through any one bank to the respective BSC office supported by claim form duly authenticated/ verified by each bank. Moreover, refund claim of high performers would be considered within one year (i.e. up-to June 30) from the close of performance period provided that exporter has no export overdue proceeds at the time of submission of claim to BSC office.

- *__Enhancement of Token Fine on Late/ Non submission of Export Proceed Realization Certificate__:* Under Part-I of the EFS a token fine of Rs.5,000/- was being imposed on banks on failure to submit Export Proceed Realization Certificate (EPRC) within the prescribed time period and the same was liable for refund on subsequent submission of EPRC. It was observed by BSC teams during on site verification of export refinance cases that in a good number of cases banks/ exporters are not following time frame prescribed for submission of Export Proceed Realization Certificate (EPRC). Therefore, in order to make the monitoring of the scheme more effective, the SBP on the recommendations of its subsidiary decided to enhance fine on account of non submission of EPRC from Rs.5,000/- to Rs.20,000/-. Further, 25% of this fine i.e. Rs.5,000/-, would be non refundable even on subsequent submission of EPRC.

- *__Inclusion of Polyethylene Terephthalate (PET) Resin in the Negative List__:* The commodity "Polyethylene Terephthalate (PET) Resin" (HS Code 3907.6020) has been included in the Negative List of EFS. Therefore, banks shall no more allow financing facilities against said commodity under EFS. However, export performance against the commodity will be taken into account under Part-II of the scheme for borrowing during 2009-10 and for the purpose of entitlement of limit for the year 2010-11.

- *__Reduction in Export Performance Requirements under Part-II for Hand Knotted Carpets for 2009-10__*: The required performance for financing facilities availed under Part II of EFS during 2009-10 has been fixed at 1.50 times as against existing performance requirements of 2.0 times for hand knotted carpets.

- *__Time Limit for Claiming of Refund of Fine Recovered on Various Defaults__:* In order to ensure timely disposal of cases and to avoid difficulties in processing of refund of fine claims it has been decided that no request(s) for refund of fine(s) shall be entertained after expiry of 3 years from the date of recovery of fine on account of various violations under the EFS.

- *__Relaxations to Exporters under Part-II__*: In order to address the problems faced by the exporters, an additional period of one month was allowed to the exporters having shortfall in required performance under Part-II for the monitoring year 2009-2010. Accordingly, they could include entries showing realization of export proceeds during July, 2010 in their EF-1 statements for the year 2009-2010. However, exporters having met the performance requirements of the scheme would submit EF-1 statement for the purpose of verification to Foreign Exchange Operations Department, BSC HOK during July-August, 2010 as usual.

5.3.2 Modifications in Long Term Financing Facility

- *__LTFF for Plant & Machinery-Modifications thereof__:* In terms of earlier instructions 50% refinancing was eligible against Letter of Credits (LCs) established before the announcement of the LTFF and retired after June 30, 2007 with the condition that such LCs had not been retired through own sources of the sponsors of the export oriented industries. To further facilitate the export oriented industries, above condition was waived and banks/ DFIs could also avail refinance under LTFF to the extent of 50% of the value of LCs of above referred period only, even though these LCs had been retired through own sources/ short term bank loans. This relaxation had been allowed against LCs established during the period referred to above only and was valid only up to December 31, 2009.

In terms of earlier instructions LCs established up-to December 31, 2009 were eligible for refinancing under LTFF. On the representation of stakeholders it was decided that LCs established for import of second hand machinery up-to June 30, 2010 would also be eligible for refinancing under the scheme.

In view of growing demand, diversify financing & risk and to accommodate larger number of borrowers, it has been decided that henceforth maximum financing limit to a single export oriented project under LTFF shall not exceed Rs.1,000 million. However, banks/ DFIs may continue to provide financing facilities as per their credit policies over and above the said maximum limit from their own sources subject to adherence of PRs.

- *Rates of Fine on Shortfall in Projected Exports under LTFF:* In case projections made by the borrowers in respect of export sales are not met, following rates of fine will be applicable. Further, financing banks/ DFIs shall continue to keep track of borrower's export performance; and submit the position to the SBP at the time of their inspection, if so desired.

S #	Description	Rate of fine
i	In case actual exports sales are short up-to 10% of projected exports which has been reported by the borrowers, to the financing bank/DFI, at the time of availing the financing under LTFF.	No fine
ii	In case actual exports sales are less than 50% of projected exports.	Paisa 37 per day per Rs 1000/- or part thereof, on adjusted value of outstanding refinance under LTFF.
iii	In case actual exports sales are 50% or more than 50% of projected exports.	Paisa 28 per day per Rs 1000/- or part thereof, on adjusted value of outstanding refinance under LTFF.
Note: Adjusted value will be derived by multiplying the percentage of shortfall in export sales with outstanding amount of refinance under the scheme. e.g. outstanding refinance as of 30-06-2010 is Rs.500 million and borrower exported equivalent to US$ 2.5 million during FY 2009-10, instead of projected exports of US$ 5 million, the adjusted value of outstanding refinance would be Rs 250 million [500×50%]. However, no fine shall be charged in case the borrower achieve minimum export target prescribed under LTFF (viz. 50% of annual sales or US$5 million, whichever is lower).		

5.4 Role of BSC in credit disbursement under EFS and other concessionary schemes

The management and implementation of SBP concessionary financing schemes i.e., EFS (Part I & II), IERS, LTFF and other concessionary schemes introduced during the year 2009-10 is an important task assigned to BSC. The BSC offices are providing refinance facility to the commercial banks/ DFIs against financing provided by them under EFS and IERS (Part I&II) to the exporters for the export of eligible commodities as well as to the borrowers under other SBP concessionary schemes to the extent of limits assigned to them by SMEFD, SBP. These offices also ensure recovery of principal and the markup/share of profit from commercial banks/ DFIs on the respective due dates. Besides, the BSC offices are also entrusted with the responsibility of carrying out on-site verification of EFS cases under Part-I&II at the branches of commercial banks located in the areas of their jurisdiction to ensure compliance of the provisions of the schemes in letter & spirit. During FY10, the performance of BSC offices towards the implementation of SBP concessionary credit schemes is discussed in the following paragraphs.

5.4.1 Conventional Export Finance Scheme Part I & II

The EFS primarily targets the export sector which is a substantial contributor in foreign exchange earnings of the country. This scheme is one of the source of working capital finance to the exporters. Under the scheme, financing facilities are available to small, medium and large size enterprises for eligible commodities. The EFS operates in two parts viz Part-I and II. The BSC offices process refinance requests within 48 hours from the date of receipt of the claims and maintain the loan accounts. Consequently, the banks are required to repay the refinance on realization of export proceeds in full or part thereof as the case may be, within three working days from such realization or from their own sources on expiry of the maturity period of the loan. Otherwise the concerned field office of BSC recovers the same on due date by debit to banks' account maintained with them. This financing facility under EFS is provided to the exporters for a period of 180 days and for 270 days for hand-knotted carpets and exports to South America.

During 2009-10, a total of 107,290 cases relating to grant, repayment and remuneration (share of profit) were processed by the BSC offices under EFS (Part I&II) as compared to 96,832 cases processed during 2008-09 which shows increase of about 10.80% during the current financial year Table 5.1 & 2.

Table 5.1: Transactions Executed/ Processed Relating to Flows under EFS (Part I & II)

	Grant		Repayment		Remuneration	
Office	**FY09**	**FY10**	**FY09**	**FY10**	**FY09**	**FY10**
Faisalabad	2,646	2,985	2,579	3,278	5,864	6535
Gujranwala	365	337	534	398	375	326
Hyderabad	8	4	11	4	19	4
Islamabad	110	106	163	151	252	294
Karachi	12,271	12,834	15,193	16,236	28,151	28,799
Lahore	4,142	4,544	3,721	6,597	6,538	10,851
Multan	55	58	36	59	92	140
Peshawar	46	47	46	47	127	144
Quetta	7	4	4	4	14	11
Rawalpindi	50	64	43	60	88	164
Sialkot	2,117	1,994	2,246	2,015	6,638	5,945
Sukkur	598	560	602	561	1,081	1,130
Total	**22,415**	**23,537**	**25,178**	**29,410**	**49,239**	**54,343**

Table 5.2: Transactions Executed/ Processed Relating to Fine & Refund under EFS (Part I & II)

	Fine		Refund	
Office	**2008-09**	**2009-10**	**2008-09**	**2009-10**
Faisalabad	3,286	4,092	207	190
Gujranwala	137	231	27	74
Hyderabad	10	4	1	1
Islamabad	35	111	2	22
Karachi	12,598	11,933	1,772	2,371
Lahore	5,680	5,268	878	2,371
Multan	40	70	-	2
Peshawar	21	16	4	-
Quetta	7	2	-	-
Rawalpindi	78	68	29	13
Sialkot	1166	1,102	11	186
Sukkur	216	66	15	8
Total	**23,274**	**22,963**	**2,946**	**5,238**

5.4.2 Islamic Export Refinance Scheme

The Islamic banking in Pakistan introduced in FY02 has witnessed a remarkable growth and acceptance from the stakeholders. The Islamic Export Refinance Scheme (IERS) of SBP aims to provide the level playing field to the Islamic banks and dedicated Islamic branches of conventional banks as also to facilitate the exporters having preferences for the Sharria based working capital finance.

The IERS operates in a similar fashion as the conventional EFS works except the rate of refinance, which is not fixed under IERS, however the Islamic Banks are required to ensure that the profit under IERS does not exceed the rates prescribed by SBP under the conventional EFS.

During FY10 the Islamic banks and Islamic branches of conventional banks availed refinance facilities under the scheme from seven BSC offices. A total of 5,077 transactions regarding grant, repayment of loan and remuneration (share of profit) under IERS were processed by the field offices of BSC during FY10 as against 3,349 cases during FY09 Table 5.3 & 4 and Figure 5.1.

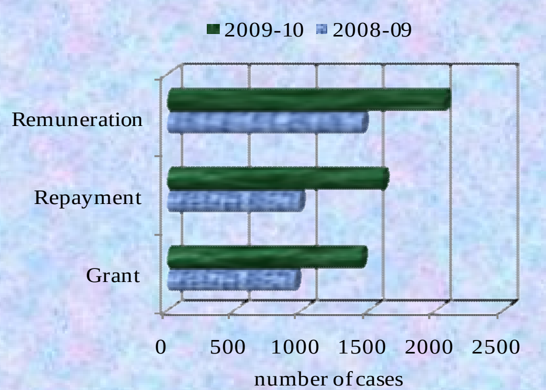
Table 5.3: Transactions Executed/ Processed Relating to Flows under Islamic Export Re-finance Scheme (Part I & II)

	Grant		Repayment		Remuneration	
Office	**FY09**	**FY10**	**FY09**	**FY10**	**FY09**	**FY10**
Faisalabad	162	187	134	173	445	586
Gujranwala	9	6	13	7	-	-
Islamabad	3	-	2	1	7	1
Karachi	359	729	476	777	171	246
Lahore	298	331	226	436	555	719
Rawalpindi	4	4	4	4	14	14
Sialkot	103	176	116	195	248	485
Total	**938**	**1,433**	**971**	**1,593**	**1,440**	**2,051**

Table 5.4: Transactions Executed/ Processed Relating to Fine & Refund under Islamic Export Re-finance Scheme

Office	Fine		Refund	
	FY09	**FY10**	**FY09**	**FY10**
Faisalabad	-	-	-	-
Gujranwala	2	3	1	1
Islamabad	-	-	-	-
Karachi	57	79	3	16
Lahore	56	40	4	54
Rawalpindi	-	-	-	-
Sialkot	24	23	-	-
Total	**139**	**145**	**8**	**71**

Figure 5.1: Summary of Cases Processed under IERS at Field Offices of BSC



5.4.3 Long Term Financing Facility

The long-term financing facility introduced by SBP provides necessary finance to exporters for adoption of new technologies and modernizing their plant and machinery in line with the international competitive environment. Exporters (including SMEs) can avail financing under this facility through Participating Financial Institutions (PFIs) for new imported and locally manufactured plant and machinery.

The facility is available to the export oriented projects with at least 50% of their sales constituting exports or annual exports equivalent to US$ 5 million, whichever is lower. Islamic Banks are eligible for offering LTFF subject to availability of Shariah compliant compatible product duly approved by the banks and SBP's Shariah Advisor and cleared by SBP's Shariah Board. The loans availed under the facility are repayable within a maximum period of 10 years including a maximum grace period of 2 years from availment date. The BSC field offices processed a total of 3,284 transactions relating to Grant, Repayment, and Remuneration (share of profit) under LTFF during the period under review as against 847 transactions processed during the corresponding year. Tables 5.5 and Figure 5.2.

Table 5.5: Transactions Executed/ Processed Relating to Flows under LTFF

Office	Grant		Repayment		Remuneration	
	FY09	FY10	FY09	FY10	FY09	FY10
Faisalabad	24	34	-	28	438	678
Gujranwala	-	1	-	-	-	1
Islamabad	4	2	-	10	5	25
Karachi	248	411	35	96	45	1,685
Lahore	12	43	2	38	15	143
Multan	6	21	-	2	11	66
Sialkot	1	0	-	-	1	-
Total	**295**	**512**	**37**	**174**	**515**	**2,598**

Figure 5.2: Summary of Cases Processed under LTFF

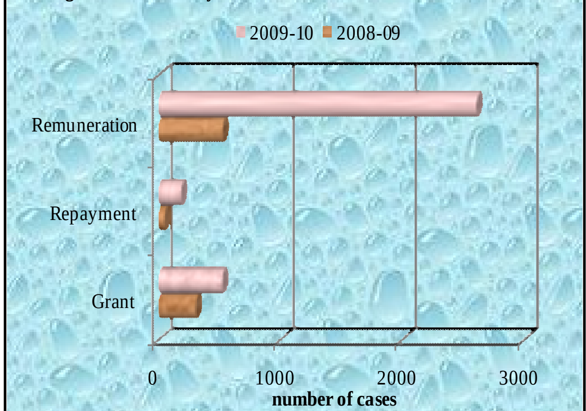
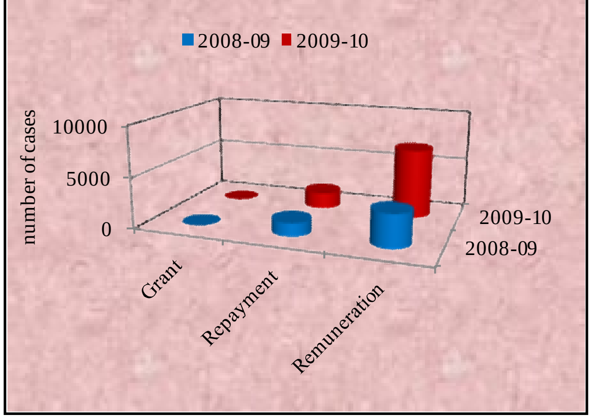


Figure 5.3: Summary of Cases Processed Under LTF-EOP



5.4.4 Long Term Financing for Export Oriented Projects

The LTF-EOP scheme became non-operational on introduction of the LTFF, as such 8,619 repayment and remuneration (share of profit) transactions in respect of already outstanding loans were processed during the year under review as against 4,743 transactions processed in the last year Figure 5.3.

5.4.5 Amount Outstanding under SBP Financing Schemes

The aggregate amount of loans outstanding under different SBP concessionary financing schemes increased by about 5% from Rs.219,998 million as of 30th June, 2009 to Rs.231,820 million as on 30th June, 2010. The increase is mainly attributable to the significant increase in the amount outstanding under LTFF from Rs.5,603 million as of 30th June, 2009 to Rs.16,883 million as on 30th June, 2010 Table 5.6 & 5.7.

Table 5.6: Summary of Amount Outstanding Against SBP Concessionary Financing Scheme

(Rupees in millions)

S #	Description of transaction	2008-09	2009-10
1	Conventional EFS (Part I & I)	175,411	178,340
2	Islamic Export Refinance Scheme	6,595	10,818
3	Long Term Financing Facility	5,603	16,883
4	Long Term Financing for Export Oriented Projects	32,389	25,779
	Total	**219,998**	**231,820**

Table 5.7: Office wise Detail of Amount Outstanding under SBP Concessionary Financing Scheme

(Rupees in millions)

	Conventional EFS (Part I & II) & LMM		Islamic Export Refinance Scheme		Long Term Financing Facility		Long Term Financing for Export Oriented Projects	
Office	**30-06-2009**	**30-06-2010**	**30-06-2009**	**30-06-2010**	**30-06-2009**	**30-06-2010**	**30-06-2009**	**30-06-2010**
Faisalabad	31,889	32,423	1,863	2,090	762	1,230	4,337	3,353
Gujranwala	4,461	4,535	9	50	-	36	-	-
Hyderabad	2	2	-	-	-	-	-	-
Islamabad	894	2,610	90	-	34	111	43	32
Karachi	90,800	86,681	3,358	6,788	4,036	12,657	16,148	13,355
Lahore	34,147	38,491	960	1,446	451	2,073	7,897	5,572
Multan	760	647	-	-	319	775	3,859	3,401
Peshawar	734	803	-	-	-	-	45	26
Quetta	180	87	-	-	-	-	-	-
Rawalpindi	1,411	2,088	100	85	-	-	46	27
Sialkot	9,888	9,734	215	359	1	1	14	13
Sukkur	245	239	-	-	-	-	-	-
Total	**175,411**	**178,340**	**6,595**	**10,818**	**5,603**	**16,883**	**32,389**	**25,779**

5.4.6 On-site Verification of Export Finance Cases

The BSC offices have also been entrusted with the responsibility of on-site verification of EFS cases under Part-I & II of the scheme. During the process the verification teams of BSC offices examine the EFS loan cases along with the allied documents at the concerned branches of commercial banks in accordance with the schedule approved by the Central EFS Verification Division at BSC HOK. The verification exercise has been initiated with a view to ensure that the funds availed by the exporters are not misutilized and the banks are observing the SBP instructions in letter and spirit while extending the finance to the exporters. Earlier this exercise has been carried out on half yearly basis, but after the enhancement of the scope of verification to the cases under Part II, the process is being carried out on annual basis in order to make it more effective. The Central EFS Verification Unit at DFSD, BSC HOK manages and monitors the entire process right from issuance of the verification schedule till the finalization and submission of consolidated bank-wise reports to SMEFD SBP.

Table 5.8: On-site Verification of EFS Cases

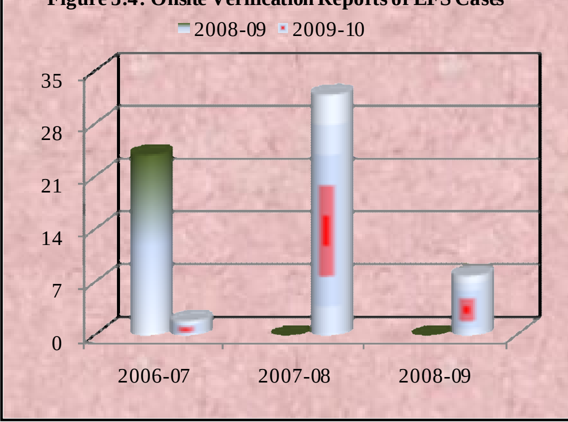
				Under EFS Part-I				Under EFS Part-II	
		Bank Branches Visited		Number of Cases Verified		Fine Recovered (Rupees)		Number of Cases Verified	Fine Recovered (Rupees)
S #	Office	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2009-10	
1	Faisalabad	24	47	781	991	1,143,931	862,149	1,641	537,000
2	Gujranwala	12	48	109	92	51,588	309,791	315	255,118
3	Hyderabad	2	3	7	29	-	-	-	-
4	Islamabad	5	16	63	108	1,146	31,900	39	35,460
5	Karachi	84	167	5,740	14,498	10,292,254	13,383,485	2,184	1,109,420
6	Lahore	68	109	2,831	3,006	10,108,139	6,411,841	1,012	485,997
7	Multan	1	10	8	3	-	1,000	27	24,000
8	Muzaffarabad	-	1	-	-	-	-	1	121,212
9	Peshawar	1	17	2	-	-	-	89	-
10	Quetta	-	5	-	-	-	-	7	19,600
11	Rawalpindi	3	12	21	60	5,000	345,530	39	-
12	Sialkot	5	46	35	6	401,229	6,001	1,852	22,154,520
13	Sukkur	4	8	145	558	15,763	17,294	125	-
Total		**209**	**489**	**9,742**	**19,351**	**22,019,050**	**21,368,991**	**7,331**	**24,742,327**

The verification teams of BSC offices visited 489 bank branches across the country during FY10 as compared to 209 bank branches visited last year. They examined 19,351 cases under EFS Part-I during 2009-10 as against 9,742 cases during the corresponding period leading to imposition of penalty on various lapses amounting to Rs.21.4 million during 2009-10 as against Rs.22 million during 2008-09. Moreover, after inclusion of EFS Part-II in the scope of on-site verification, the teams examined 7,308 cases and recovered penalty amounting to Rs.24.7 million on account of various irregularities during the current year 2009-10 under Part II. Table 5.8 & 5.9.

Table 5.9: Summary Showing the Verification Data

S#	Description	2008-09	2009-10
1	Bank Branches Visited	209	489
2	Cases Verified under Part-I	9,742	19,351
3	Fine Recovered under Part-I in million	22.019	21.368
4	Cases Verified under Part-II	-	7331
5	Fine Recovered under Part-II in million	-	24.742

Figure 5.4: Onsite Verification Reports of EFS Cases



Forty two (42) consolidated bank-wise EFS verification reports were prepared and compiled by the Central EFS Verification Division, DFSD HOK in the light of the findings of verification teams of BSC offices and sent to SME Finance Department SBP as on 30th June, 2010.