

Export Finance Scheme - Amended Procedure for Refund of Fine

Introduction

The Export Finance Scheme (EFS) is a short term financing facility available to the exporters since 1973 with the objective to boost the exports growth of the country. It operates in two parts i.e. Part-I (Transaction based) and Part-II (Performance based). It is mandatory for the exporters to show specific performance; viz shipments to the extent of 100% of the total loan amount availed under Part-I and matching export performance on daily borrowing basis under Part-II of the Scheme. The non-performance by the exporters results in a Fine as per policy of the Scheme. However, exporters having reasons beyond their control for their non-performance can apply to SBP for consideration of refund of Fine charged on them. For this purpose the existing procedure has been amended with a view to bring more objectivity in deciding different refund cases.

In view of the spirit of the Scheme and refund of Fine policy, force majeure event shall be considered as the fundamental factor for non-performance in deciding refund cases. Under the revised refund procedure, exporters are required to submit their request for refund of Fine charged on account of non/short/delayed shipment under Part-I and short/non-performance under Part-II along with documentary evidence clearly indicating the reasons of failure through the bank concerned. The documentary evidences will support in determining the force majeure event. A detailed procedure to be followed in this regard by exporter and concerned bank is given hereunder:-

I. Submission of Request Along with Documentary Evidences by Exporter:

1. The exporter shall lodge his request for refund of Fine through the dealing branch of his bank. Exporter should explicitly mention causes of his failure for non/short/delayed shipment or short/non performance in the request.
2. The request should be supported by valid documentary evidence(s) in respect of the cause(s) of failure to achieve the target performance/shipment.
3. The documentary evidence would include confirming cancellation of orders or L/Cs by the importers, supported with cogent reasons, as to why the goods could not be exported to alternate buyer. Other documentary evidences may include relevant sector/market report issued by any authentic source or any public sector organization, autonomous body that can independently satisfy the position.
4. Cancellation of orders received through e-mails on addresses of free webs like Hotmail, Yahoo mail, AOL shall not be acceptable [It may be noted that State Bank would prefer a

verification of order cancellations by the banker of the importer through the banker of the exporter, if so desired, in cases involving large amounts of refund. The said verification should reach SBP within a maximum period of two months from the date called for, failing which case will be closed on account of non receipt of response from the foreign buyer of the exporter].

5. In addition to above, the exporter shall also submit the following documents with the request:-
 - a) Audited financial statements of the exporter for the relevant year.
 - b) In case of sole proprietor or a partnership, the exporter shall arrange verification of the financials from the financing bank, the bank will verify the financials of the exporters on the basis of the fact(s) which generally come to their knowledge during the course of banker- customer relationship.
 - c) Monthly stock reports duly certified by the concerned bank for the last twelve months (on July-June basis) under Part-II and for last six months under Part-I showing the stock position.
 - d) The exporter shall submit assurance that he has not utilized the export finance for purposes other than export.
6. The exporters shall continue to be liable for repayment of EFS loan on its due date. The banks are already entitled to charge normal mark up in case of exporter's failure to settle their export finance loan on expiry of the loan period prescribed under the Scheme.

II. Actions Required to be Taken by Disbursing / Main Branch of the Bank:

1. The disbursing branch of the bank within a maximum period of 7 days shall verify the facts cited in the refund request by the exporter and forward the request to the main branch of the bank through which refinance was availed from SBP BSC (Bank) along with the following documents/information.
 - a) Financials of the exporter, based on their banking relationship, where the exporter is not required to have its accounts audited by the External Auditors.
 - b) Usage of export finance in the work in process and inventories of finished goods. The financing bank shall verify the same on the basis of the stock reports for the concerned period duly verified by authorized surveyors / representatives of the bank.
 - c) Amount of financing extended to the exporter viz-a-viz Fine charged thereagainst on account of short shipment/performance under the Scheme, if any.
 - d) A certificate to the effect that the refinance obtained by the exporter has not been utilized in generating any remunerative deposits.

- e) Annexure-R, attached to this procedure should be duly completed and audited by Internal Audit Department/ compliance office of the bank or his authorized representatives.
2. On receiving the request along with required information/documents, the Main branch has to ensure that all the requirements prescribed herein above have been complied with by the exporter & duly verified by the disbursing branch and submit the same to Director, SME Finance Department, State Bank of Pakistan Karachi within two working days.

III. Others

Following additional guidelines shall also be observed, in dealing with the cases for refund.

- a) No request for refund of Fine shall be entertained after expiry of 3 years, from the date of recovery of Fine, which has been prescribed as a maximum period for maintaining record of cases involving recovery of Fine.
- b) While the request for refund of Fine in respect of Part-I cases may be considered at any time, the request for refund of Fine in respect of Part-II shall be considered once the actual shortfall has been arrived at on the basis of the EF-I statement to be submitted by the Exporter as per time schedule prescribed in the Scheme.
- c) The existing system of recovery of Fine under Part I i.e. after 37 days from expiry of loan or its adjustment by the exporters, which ever is earlier and time period prescribed for submission of EF-1 statement (performance under Part II) i.e. by the 31st August each year shall continue as at present.
- d) In case any necessary information/documents are called by this department from the exporter/banker, the required information/documents must reach the department within maximum period of two months otherwise the case will be considered as declined.

Attachment to Annexure-R

Value of Stock Held by the Exporter as on the date of EFS

[for last 12 months under Part-II & last 6 Months under Part-I]

Month	Raw materials (Rs)	Work In process (Rs)	Finished Goods (Rs.)
July			
August			
September			
October			
November			
December			
January			
February			
March			
April			
May			
June			

Annexure-R [for Refund of Fine]

Particulars of Loans in Respect of

M/s _____

As on _____

Rs in '000

Partition of Loan availed	EFS facility availed during the year July-June basis			EFS Facilities out standing as on the referring date			Up-to-date Shipment made as per reported in Annexure –D and EP Form			Export overdues, if any	Value of Stock held by the exporter as on the date of EFS (Attachment to Annexure-R)
1	2			3			4			5	6
	Part-I	Part-II	Total	Part-I	Part-II	Total	Part-I	Part-II	Total	(please specify period)	Attached
Refinance availed from SBP BSC											
*Bank's own Source											
Total											

*[In case of shared disbursement of loan under EFS from SBP and Bank's own sources].

Bank's comments regarding credit rating/worthiness of the exporter:-

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- Certified that the information given above are correct to the best of our knowledge and shell be verifiable later by inspector of State Bank of Pakistan.
 - It is further certified that the said exporter has not utilized funds borrowed under EFS in any remunerative accounts with our bank.
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Prepared By:-----

Checked By:-----

Counter signed by-----