

# Islamic Export Refinance Scheme (IERS)

## Objective

To boost the export of value added commodities by ensuring liquidity to exporters availing financing facilities from Islamic Banking Institutions (IBIs).

## The Scheme - Salient Features:

IERS is available to exporters through IBIs under Islamic modes of finance. The scheme has two parts with the following features:

### Part I:

Part I is a Transaction based facility with the following features;

- Refinance to the extent of 100% of the Export Order / Contract / Letter of Credit (LC) through banks.
- Facility available for 180 days for Direct Exporters (DE) And 120 days for Indirect Exporters (IDE).
- Substitution of export contract permissible to DE.

### Pre-requisite Documents

#### A. Direct Exporters (DE):

- i. Application/Undertaking for Finance
- ii. Financing agreement between DE & IBI

- iii. Copy of Export Order/Letter of Credit
- iv. Demand Promissory Note

#### B. Indirect Exporters (IDE):

- i. Application and Undertaking for Finance
- ii. Financing agreement between IDE & IBI
- iii. Inland Letter of Credit/Standardized Purchase Order
- iv. Demand Promissory Note

### Part II:

Part II is a limit based facility provided on the basis of export performance of previous financial year (July-June basis).

- Annual revolving limits upto 50% of previous year's export performance.
- Maximum Tenor for financing is 180 days.
- Facility can be rolled over/taken again upon meeting 70% shipment requirement of financing already availed.
- Export performance is to be achieved annually against total financing availed during the financial year on daily product basis.

### Eligibility Criteria for Exporter:

Exporters who manufacture or trade in value added commodities and services are eligible to avail financing against their exports.

Exporters who fit the following 'blue chip companies' criteria are eligible for financing under IERS

- Have good track record on the stock exchange; or have a credit rating of minimum B + or equivalent; or have a Return on Equity (ROE) higher than the mark up rates prescribed on Export Finance Scheme (EFS).
- Do not have adverse CIB report.
- Total amount of overdue export bills at the time of availing the facility (under Part I/Part II) is not more than 5% of the previous year's export performance.

### Negative List:

Finance under the scheme will not be available against exports of commodities notified in the Negative List issued and updated from time to time under this scheme. These commodities, identified by their H.S.Codes in the Negative List, are generally raw materials such as raw cotton, wool, animal hair, hides, food grains, etc. unless exceptions have been stated therein.

### Rates of Profit for the exporters:

The rates of profit charged from the exporters by IBIs cannot exceed the prevailing mark up rates on Export Finance Scheme.



## Musharaka Arrangement with Banks

The scheme operates on profit and loss sharing basis with IBI based on Musharaka principle between IBI & SBP. IBIs' sanctioned limit for IERS create a Musharaka Pool containing financing to exporters through IERS and their own financing. The Musharaka Pool should meet the following conditions:

- The Pool should consist of financing to minimum 10 blue chip companies.
- The Pool's exposure to one sector should not exceed 50%.
- The Pool's exposure to GoP Ijarah Sukuk should not exceed 50% of IBI's contribution.
- The overall profits of the Pool will be shared between SBP & IBI.
- Losses suffered on the Pool, on the basis of annual audited accounts, will be shared by SBP & IBI in proportion to their investment.
- IBIs shall have a special audit of the affairs of the Musharaka Pool by its external auditors, certifying that the terms and condition of the Scheme have been adhered to in totality and that the annualized earnings of the Pool have been worked out correctly.

Detailed instructions are available at the following link

<http://www.sbp.org.pk/inc entives/iers.htm>

## *Islamic Export Refinance Scheme* (IERS)



**State Bank of Pakistan**  
Infrastructure, Housing & SME  
Finance Department

I.I Chundrigar Road, Karachi  
Tel: 92-21-32453590  
Fax No. 92-21-99213985