

**IH&SME Finance Department**  
(Refinance Division)

**FAQs - Export Finance Scheme (EFS) &  
Islamic Export Refinance Scheme (IERS)**

<b>Q.1</b>	<b>How can an exporter avail financing facilities under Export Finance Scheme (EFS) of SBP?</b>
<b>Ans.</b>	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.
<b>Q.2</b>	<b>From where an exporter can find detailed instructions relating to EFS of SBP?</b>
<b>Ans.</b>	Instructions on EFS are available on State Bank's web site viz. <a href="http://www.sbp.org.pk">www.sbp.org.pk</a> at URL <a href="http://www.sbp.org.pk/incentives/efs.htm">http://www.sbp.org.pk/incentives/efs.htm</a>
<b>Q.3</b>	<b>What is meant by Part I &amp; Part-II under the Export Finance Scheme?</b>
<b>Ans.</b>	<p>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.</p> <p>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.</p>
<b>Q.4</b>	<b>What is meant by performance by exporters?</b>
<b>Ans.</b>	<p>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.</p> <p>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:-</p>

<b>Financing Facility availed under Part-II</b>				
	<b>Period(days)</b>	<b>Amount borrowed (Rupees in millions)</b>	<b>Formula (period multiplied by amount)</b>	<b>Borrowing Product</b>
I	180	100	180X100	18,000
II	90	100	90X100	9,000
III	90	100	90X100	9,000
<b>A)</b>	<b>Total Performance Product</b>			<b>36,000</b>
<b>Export Proceed Realized as EF-1 Statement (Defined at Q.6 below)</b>				
	<b>Amount Realized (Rupees in millions)</b>	<b>Formula (Amount Realized X180)</b>	<b>Performance Product</b>	
I	50	50X180	9,000	
II	85	85X180	15,300	
III	110	110X180	19,800	
<b>B)</b>	<b>Total Performance Product</b>			<b>44,100</b>
<b>Excess Performance (B-A)</b>				<b>8,100</b>
<b>Q.5</b>	<b>What is the EE-1 statement?</b>			
<b>Ans.</b>	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			
<b>Q.6</b>	<b>What is the purpose of EF-1 statement?</b>			
<b>Ans.</b>	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 31 <sup>st</sup> August each year.			
<b>Q.7</b>	<b>Who are the Direct and Indirect Exporters?</b>			
<b>Ans.</b>	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.			
<b>Q.8</b>	<b>Can an Exporter avail both Part-I and Part-II facilities against one export order / Letter of credit?</b>			
<b>Ans.</b>	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.			
<b>Q.9</b>	<b>Can an Exporter having a limit under Part-II of the Scheme, shift its borrowings under the said limit from one bank to another?</b>			
<b>Ans.</b>	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.
<b>Q.10</b>	<b>What is substitution?</b>
<b>Ans.</b>	In case Direct Exporter fails to make shipment under the relevant Firm Export Order / Export Letter of Credit/Contract on the basis of which finance / refinance has been availed by him, he shall be under obligation to produce shipping documents evidencing shipment of the export of same or any other eligible commodity valuing the amount of loan, in respect of another Firm Export Order / Export Letter of Credit. The Direct Exporter will, however, undertake and confirm separately that he has neither availed any finance under EFS against any such new export order/contract / letter of credit nor has reported or would report any entry of relevant "E" Forms already utilized by him under Part II of the EFS. The Bank concerned is authorized to accept such substitution offered by the Direct Exporter. A request in this regard shall be submitted by DE to his bank along-with submission of shipping documents.
<b>Q.11</b>	<b>What would be the rate of mark-up on financing facility extended by the commercial banks under the Scheme using their own funds?</b>
<b>Ans.</b>	Commercial banks cannot charge mark-up to the eligible exporters in excess of the rate announced by SBP under the Scheme.
<b>Q.12</b>	<b>What rate of finance shall be charged by the bank on financing provided by it if Exporters fail to repay the loan on expiry of 180 days period?</b>
<b>Ans.</b>	The bank will be free to charge its commercial rate of mark up from such exporters for the period exceeding 180 days. However the bank will not be entitled to charge fine for non performance in excess of the 180 days period.
<b>Q.13</b>	<b>Does facilities under the EFS are available for all commodities exported from Pakistan?</b>
<b>Ans.</b>	No. State Bank has prescribed a list of items called "Negative List" which items are not eligible for financing under the Scheme. Banks, can however finance export of these commodities from their own resources and subject to their own lending policies.
<b>Q.14</b>	<b>Does the exporters are required to observe all Prudential Regulations?</b>
<b>Ans.</b>	Lending is a relationship between the bank and the borrowers. State Bank has prescribed Prudential Regulations and other measures to strengthen its regulatory regime to ensure that banks are utilizing deposits generated by them from public in a fair manner. Though Our PRs have some inbuilt relaxations for the export finance provided by the banks under EFS but the decision to allow such benefit to the borrowers entirely rest on the banks, as they assume the credit risk.
<b>Q.15</b>	<b>Does State Bank undertake any dissemination to the end users of Export Finance Scheme?</b>
<b>Ans.</b>	Though the information about various schemes is available on our website, the State Bank has been participating in various exhibitions for giving information to the prospective users of its Scheme. Occasionally seminar/ tutorial are also held for briefing the exporters, bankers about various features of the Schemes.
<b>Q.16</b>	<b>How the fines charges under Export Finance Scheme are refunded?</b>
<b>Ans.</b>	State Bank has prescribed a complete procedure for seeking refund of fine charged under Export Finance Scheme, which is available on its website at Link to be mentioned here. <a href="http://www.sbp.org.pk/smeffd/circulars/2008/C5.htm">http://www.sbp.org.pk/smeffd/circulars/2008/C5.htm</a> and <a href="http://www.sbp.org.pk/smeffd/circulars/2012/CL5.htm">http://www.sbp.org.pk/smeffd/circulars/2012/CL5.htm</a> . Exporters and banks are

	required to observe the modalities prescribed therein for early disposal of requests for refund.
<b>Q.17</b>	<b>What relief State Bank can provide to the borrowers who are refused financing Facilities by the banks?</b>
<b>Ans.</b>	Lending is a commercial decision of the bank and State Bank does not normally interfere in the same, as it is the bank who assumes the credit risk. However in cases where the bank has denied facilities on reasons other than merit, State Bank may ask the bank to provide facility to the borrower, on fulfillment of requirements prescribed by the bank.
<b>Q.18</b>	<b>What criteria would be followed to evaluate the performance of the borrower?</b>
<b>Ans.</b>	Exporters availing financing facilities under Part-II of the scheme shall continue to submit EF-1 statement duly verified by the respective offices of FEOD, SBP-BSC within two months from the completion of the financial year, as at present. However, while applying for rollover of loans under Part II after completion of the initial 180 days or at an earlier date, exporters shall be required to submit a statement showing details of shipments of eligible goods [as per Form - EP ] to the extent of 70% of the refinance already availed against which roll over is being sought. SBP-BSC shall not allow the rollover facility unless shipments to the extent of 70% of refinance availed is established. Banks will be required to forward duly authenticated copy of the said statement of shipments to the concerned Office of the SBP-BSC along-with the loan application for roll over. Compliance to this requirement shall invariably be checked by the verifying teams of the concerned office of the SBP-BSC, which shall not substitute for the normal inspection by Banking Inspection Department of the State Bank.
<b>Q.19</b>	<b>What is the Islamic Export Refinance Scheme (IERS) and how can an exporter avail funds under IERS</b>
<b>Ans.</b>	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.
<b>Q.20</b>	<b>What is Musharika Pool under IERS?</b>
<b>Ans.</b>	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 are explained under <b>Q. 21</b> below.
<b>Q.21</b>	<b>What are the criteria for selection of blue chip companies?</b>
<b>Ans.</b>	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 <i>at least one</i> 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

<b>Q.22</b>	<b>How much should the Islamic Bank's contribution be to the Musharaka Pool?</b>
<b>Ans.</b>	The banks contribution to the pool from its own sources, shall be upto (at least equal to) the amount of IERS availed.
<b>Q.23</b>	<b>What is the rate of finance to the exporters under IERS?</b>
<b>Ans.</b>	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.

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