

SBP launches new Financing Facility for boosting exports

The State Bank of Pakistan (SBP) has decided to introduce the Export Finance Facility for Locally Manufactured Machinery (EFF-LMM) with a view to promoting the export of Locally Manufactured Plant & Machinery. This new financing Facility shall be effective from January 03, 2013 and remain valid till further instructions.

The exporters can avail long term financing facilities through banks for export of eligible Plant & Machinery and Engineering Goods under the Facility. Financing facilities shall be available both at pre-shipment and post-shipment stages for a maximum period of five years.

The salient features of the new financing Facility are as under:-

- Financing for 5 years (including 1 year grace period) will be available for export of Plant & Machinery of the value of US\$10 million or more. Further, Specified Plant & Machinery of the value less than US\$10 million will be eligible for 3 years (including six months grace period) financing. Other machinery items will be eligible for financing up-to 01 year.
- Financing shall be available through banks, which are approved as Participating Financial Institutions (PFIs) under the Long Term Financing Facility (LTFF). Requests of new banks shall be processed as per SBP's criteria.
- Financing shall be available against Letter of Credit (LC). However, financing will also be available against export contract for tenor upto one year.
- Refinancing shall be available to the extent of total value of Letter of Credit/Contract less advance payment, or 80% of the value of Letter of Credit/Contract, whichever is lower.
- Finance to the exporters will be available at the rates applicable under the Long Term Financing Facility (LTFF) viz. 10.30% p.a. and 10.90% p.a. for 3 & 5 years respectively.

- However, as compared to LTFF, banks' spread under this Facility is being increased by 0.5% for 3 years financing to encourage the banks to extend financing to the non-traditional exporters i.e. Engineering Goods.
- The repayment of principal amount of loan shall be made in equal half yearly or quarterly installments after grace period, if any. Mark up shall be paid on quarterly basis.

This new financing Facility will supersede the instructions concerning Part-B –Export Sales of LMM Scheme as contained in ICD Circular No. 1 dated 27th April, 1987 read with subsequent amendments made from time to time, says IH&SMEFD Circular No. 4 of January 03, 2013.

The complete details and terms & conditions of the new financing Facility are available at SBP website: www.sbp.org.pk
