



External Relations Department

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SBP takes measures to support exporters affected by loss of demand due to COVID-19

SBP has a strategic objective to support exports for sustained improvement in Pakistan's balance of payments and growth. To this end SBP provides refinance to banks to provide cheap credit at interest rates that vary between 3 to 6 percent to exporters for working capital and new projects under Export Finance Schemes (EFS) and Long Term Financing Facility (LTFF) schemes. The total subsidized credit to exporters outstanding under both these schemes is currently approximately Rs. 660 billion.

Due to the COVID-19 pandemic Pakistan's exporters are facing declining demand in overseas markets and problems in executing existing orders. To support exporters in these circumstances and to prevent current liquidity problems from turning into solvency problems amongst exporters, SBP has announced following several measures today.

Relaxation in matching amount. Availing cheaper credit under EFS is linked with the export performance. Currently, exporters are required to export twice the amount of borrowed funds. In case of failure in meeting the requirement penalties are imposed and the credit limit for the next year is also reduced accordingly. SBP has reduced the performance requirement from twice to one-and-a-half times that will be effective for the current year as well as for FY21.

Extension in time period to meet performance requirements. Exporters were required to show performance under the EFS schemes by end-June 2020. This period has been extended by 6 months to end Dec. 2020. Since the additional period will also be counted towards setting new limits, this will help the exporters in availing higher limits for FY21.

Extension in time period to ship goods. Exporters availing the subsidized credit schemes are required to ship their goods within 6 months of availing credit under EFS. In case of failure, penalties are imposed. This period has been extended from six to twelve months. Therefore, exporters will not be liable to pay penalties due to breach of this condition during January to June 2020.

Relaxation in conditions for Long Term Financing Facility. Exporters who want to avail credit under Long Term Financing Facility (LTFF) are required to have exports worth 50 percent, or USD 5 million, of the total sales to become eligible. This limit has been reduced to 40 percent or USD4 million for all the borrowings under LTFF during the period January 01, 2020 to September 30, 2020. Moreover, under the requirement of annual projected exports performance for four years to avail LTFF for new or BMR projects has been extended by another one year. Now the projected exports performance will be measured in 5 years.

Other relaxations. Another major relaxation has been provided to the exporters on foreign exchange side. Keeping in view the difficulties faced by the exporters, SBP has also allowed banks to enhance the time period for realization of exports proceeds from existing requirement of 180 days to 270 days on a case by case basis where the delay is related to COVID-19. This would help exporters to provide extended time to their buyers in making payment due to above pandemic. Likewise, to



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facilitate importers, SBP has extended the time period for import of goods into Pakistan against advance payment from existing requirement of 120 days to 210 days.

The above measures are expected to facilitate exports. The SBP stands ready to take additional measures as the situation related to COVID-19 and its impact on the economy evolves.
