

IMF condition to eliminate subsidies

SBP raises EFS/LTFF mark-up rates

RECORDER REPORT

KARACHI: The State Bank of Pakistan on Saturday announced to raise mark-up rates up to 1.20 percent for the Export Finance Scheme (EFS) and Long Term Financing Facility (LTFF) following IMF condition to eliminate subsidies on these schemes.

Sources said that the central bank would phase out the subsidies on mark-up for export-oriented units as the government had assured the International Monetary Fund (IMF) in its last

negotiations.

"IMF, enhancing Pakistan's stand-by loan programme by \$4 billion to \$ 11.2 billion for current account payment, has imposed some new conditions, including removal of subsidies on export-oriented loans. The conditions have to be met by the country for regular payment of Fund's loan tranches," they said.

At present, the central bank is

operating special schemes comprising EFS and LTFF for export-oriented units with the aim to boost the country's depleting exports, and to generate foreign exchange reserves for external payments, sources said.

Under EFS scheme, SBP was providing funds to the banks at a minimum mark-up rate of 6.5 percent, and banks with one percent services charges/margin were providing loans to the exporters at a maximum rate of

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7.5 percent. However, under the plan to eliminate the subsidies, the SBP on Saturday enhanced the EFS rate by 0.5 percent to 8 percent. Now exporters would borrow loans for export purpose at 8 percent mark-up as against 7.5 percent previously. The new revised financing and service charges rates under EFS and LTFF would be charged from November 1, 2009. The rate of refinance under EFS applicable for the month of November, 2009 and onward till further instructions shall be 7 percent per annum, says circular SMEFD Circular No.15 issued by the State Bank on Saturday.

The commercial banks shall ensure that where financing facilities are extended by them to exporters for availing refinance facilities under EFS, their maximum margin/spread does not exceed 1 percent per annum.

According to the circular, the financing facilities under Part-B (Export Sales) of the Scheme for financing Locally Manufactured Machinery shall also attract similar mark-up rate structure.

Based on revised rate, following benefit will be allowed to exporters, based on their export performance against borrowing from SBP under Part-II of EFS as per already laid down procedure:-

Performance Requirement	Mark-up Rate for Borrower	Reimbursement Benefit to Borrower
2.00 to 3.00 times	8% p.a. (Standard EFS Rate)	Nil
3.01 to 4.00 times	7.5% p.a.	0.5%
4.01 to 5.00 times	7% p.a.	1%
Above 5.0 times	6.5% p.a.	1.5%

Similarly, under a different circular, SMEFD Circular No.16, the State Bank announced that the rates of service charges for participating financial institutions (PFIs) and rates for end users under the Long Term Financing Facility (LTFF) effective from November 1, 2009, have also enhanced to 10.25 percent. SBP would provide financing at 7.70 percent for up to three years loans, while PFIs would charge 1.5 percent and end user rate would be 9.2 percent from November 1, which was previously stood at 8 percent.

SBP has increased 0.7 percent mark-up on over three to five years financing, as SBP would provide financing at 7.2 percent and PFIs spared will be 2.5 percent. End user rate for up to five-year financing would be 9.7 percent from November 1, 2009 as compared to 9 percent in October.

Over 5 years and up to 10 years, SBP rate would be 7.25 percent with 3 percent spared of PFIs, while end user would be 10.25 percent, previously was stood at 10 percent.

SBP revises rates of financing, service charges

KARACHI: State Bank of Pakistan has revised financing and service charges rates under the Export Finance Scheme (EFS) and Long Term Financing Facility (LTFF) with effect from Nov 1.

The rate of refinance under EFS applicable for the month of November and onwards till further notice shall be seven per cent per annum, says a circular (SMEFD Circular No 15) issued by the SB on Saturday.

The commercial banks shall ensure that where financing facilities are extended by them to exporters for availing refinance facilities under the EFS, their maximum margin does not exceed one percent per annum.

According to the circular, financing facilities under Part-B (Export Sales) of the scheme for financing locally manufactured machinery shall also attract similar mark-up rate structure.

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Increase in export refinance rate

SBP's decision flayed

RECORDER REPORT

KARACHI: Chairman, Site Association of Industry (SAI), Saleem Moosa Parekh here, on Saturday, strongly flayed the State Bank of Pakistan (SBP)'s decision to increase 0.5 percent export refinance rates. Talking to Business Recorder, he said that carrying out business and industrial activities have become impossible due to extremely high yarn prices, ever-increasing gas and power tariffs and oil prices, which are likely to be increased soon.

He urged the government to persuade the State Bank of Pakistan to review its decision and revise export refinance rates downward.

Moreover, frequent power outages, deteriorating law and order situation, depreciation of rupee against dollar and high interest rates are causing sharp decline in industrial production, hence, industrialists would fail to meet export target, he maintained. He further said that if the situation persists then no one could rule out the possibility that it will further enhance current account deficit.
