

## **SBP enhances refinancing limit to banks under EFS**

KARACHI: In order to further facilitate exporters, State Bank of Pakistan (SBP) has enhanced the limit of refinancing provided to the banks under Exports Finance Scheme (EFS) by Rs100 billion.

Hence, banks will now have overall limits of Rs 700 billion for exporters for FY21. Moreover, to promote export-oriented investment, Rs 90 billion have also been allocated under Long Term Financing Facility (LTFF) for the FY 21.

This amount is in addition to limit of Rs 100 billion already allocated to banks/DFIs under Temporary Economic Relief Facility (TERF) - a concessionary refinance scheme for setting up of industrial units.

Export Finance Scheme and Long Term Financing Facility are two of the oldest schemes of the SBP under which concessionary financing is provided to the exporters. EFS is operational since 1973 to meet short-term financing needs of exporters, while LTFF has been available 2008. For both the schemes, their Shariah compliant versions are also available.

Since the emergence of Covid-19, SBP has taken several measures to counter its impact on the economy and safeguarding country's exports has been a key priority. SBP has provided a number of relaxations under EFS and LTFF since March 2020.

Under these relaxation additional period of six months was granted for making shipment against loans availed under EFS Part-I. Additional period of six months was given for meeting required export performance against loans availed under EFS Part-II.

As per relaxation the export performance of this extended period will also be considered for calculating the entitlement limit for FY21. Reduction in showing export performance from 2 times to 1.5 times against financing availed during FY20 and FY21.

Relaxation in the eligibility criteria was also granted for availing finance under LTFF. In addition SBP allowed deferment of principal amount for one year and/or rescheduling/restructuring of loans under LTFF.

It is expected that with the above already provided relaxations, which were widely appreciated by business community; above enhancement of around Rs190 billion in limits will cater to exporters' cheaper liquidity requirement. SBP is closely monitoring the situation and is ready to take any further actions required to support the export sector.