

KARACHI: The State Bank of Pakistan on Wednesday announced raise in the rates of refinance under the Export Finance Scheme (EFS) and Long-Term Financing Facility (LTFF) by 0.50 percent and 1.10 percent, respectively, following IMF condition to eliminate subsidies on loans. The new revised financing rates, under EFS and LTFF, would be charged from April 1, 2010.

Sources said that under the Stand-by Arrangement, the government has assured the International Monetary Fund (IMF) to phase out subsidies on mark-up for export-oriented units and, as per agreement with the Fund, interest mark-up rates for EFS and LTFF will be increased in steps to the level of the weighted average yield on six-month T-bills and yields of the same tenor for Pakistan Investment Bonds by end of September 2011. At present, the central bank is operating special schemes comprising EFS and LTFF for the export-oriented units with the aim to boost the country's depleting exports and generate foreign exchange for external payment, sources said, and added that since September 2009 the SBP has been increasing interest rates of these schemes to meet one of IMF conditions. The SBP has revised the rates of refinance under the EFS to raised it by 0.50 percent from April 1, 2010 and onward till further instructions. The rate of refinance would be 8 percent per annum as compared to 7.5 percent previously. According to SMEFD Circular No 5, the commercial banks will ensure that where financing facilities are extended by them to the exporters for availing refinance facilities under the Export Finance Scheme, their maximum margin/spread does not exceed 1 percent pa.

Now exporters would borrow loans for export purpose under EFS at 9 percent mark-up, against 8.5 percent previously. It said the financing facilities under Part-B (Export Sales) of the scheme for financing locally manufactured machinery shall also attract similar mark-up rate structure.

The reimbursement of mark-up rates benefit to exporters, on excess performance under Part-II of the Scheme, as specified in SMEFD Circular No 15 dated October 31, 2009, will be adjusted accordingly keeping in view the revised mark-up rates, the Circular said.

In addition, SBP also revised the rates of service charges for participating financial institutions (PFIs) and the rates for end users under the Long Term Financing Facility (LTFF) from April 1, 2010.

Interest rate for end users under the LTFF has mounted to 10.50 percent on ten years financing.

SBP would provide financing at 8.80 percent for up to three years loans, while PFIs would charge 1.5 percent and end user rate would be 10.30 percent from April, which was previously 9.20 percent. The central bank has increased 0.7 percent mark-up on over three to five years financing and would provide financing at 7.90 percent, and PFIs speared will be 2.5 percent.

End user rate for up to five year financing would be 10.40 percent as compared to 9.70 percent previously. Over 5 years and up to 10 years, SBP rate would be 7.50 percent with 3 percent speared of PFIs end user rate would be 10.50 percent, previously stood at 10.25 percent.

Courtesy: Business Recorder

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