

**Handbook on
Long Term Financing Facilities
of State Bank of Pakistan**

(February -2014)

Foreword

State Bank of Pakistan is continuously in process of designing medium and long term refinancing facilities/schemes for the investment sector to boost long term growth through capacity development of industries. Until now numbers of facilities/schemes have been formulated with special focus on growth of export oriented sectors. Further, State Bank had been taking number of steps to facilitate the business community through its credit Schemes. These Schemes have been playing vital role in offsetting the impact of global financial crises, economic development in the country, enhancing fixed industrial investment and easing the issue of liquidity squeeze faced by banks in recent past.

Presently four long-term refinancing schemes i.e. Long Term Financing Facility (LTFF); Modernization of SMEs; Financing Facility for Storage of Agriculture Produce (FFSAP); and Scheme for Financing Power Plants Using Renewable Energy are available for capacity development of the industrial sector. Keeping in view recent pick up in overall economic activity in the country necessitating positive growth in banks' credit, these facilities/schemes will play vital role in streamlining the flow of credit to private sector as against ongoing trend wherein public sector emerged a leading user of banks credit.

This handbook describes the mentioned facilities/schemes in detail but keeping in mind that these guidelines are the minimum conditions for financing prescribed by SBP. The banks/DFIs may take appropriate modus operandi to ensure that the process of allowing financing is undertaken in a prudent manner. The guidelines contained in this handbook will not supersede the instructions issued by SBP from time to time with regard to financing facilities extended by banks/DFIs. SBP will, as always, keep a close liaison with banks/DFIs / other stakeholders and will modify and update these facilities/schemes, whenever necessary.

For further information / clarification in this regard, the borrowers / banks / DFIs may visit our website www.sbp.org.pk

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Disclaimer:

This document is prepared as general information for the stakeholders only. The information provided in this document is subject to change, from time to time. Further, this document should not be used as a substitute for terms & conditions issued by the SBP through circulars / circular letters in respect of each Scheme.

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1- Introduction

This handbook focuses on the four long-term refinancing facilities / scheme namely Long Term Financing Facility (LTFF); Refinance Facility for Modernization of SMEs; Financing Facility for Storage of Agriculture Produce; and Scheme for Financing Power Plants Using Renewable Energy, developed for capacity building of industrial units. The formulation of this handbook was necessitated to facilitate the stakeholder's by consolidating the guidelines of each facility and to ease the dissemination process.

To facilitate export led growth through setting up export oriented projects LTFF was introduced to provide funds on long term basis (up to 10 years) for import of machinery and purchase locally manufactured plants.

Similarly, focusing on development of SME sector, Refinance Facility for Modernization of SMEs was launched to encourage the sponsors of SMEs to modernize their mills/units to produce quality products. Under the Facility long term financing (upto 10 years) is provided for procurement of plant and machinery.

In order to develop agricultural produce marketing & enhance storage capacity, SBP has introduced long term refinancing Scheme (up-to 07 years) to encourage Private Sector to establish Silos, Warehouses & Cold Storages.

To meet the growing demand of power supply in the country a scheme for Financing Power Plants Using Renewable Energy on long term basis (up-to 10 years) was also introduced. Funds will be provided for establishment of new Power Projects Using Renewable Energy with a capacity of up-to 20 Mega Watts. Sponsors of power projects can avail financing facility through banks/DFIs for new imported and locally manufactured plant, machinery and equipment. However, preference shall be given to projects being established in the less developed areas of the country.

2- Long Term Financing Facility (LTFF) for Plant & Machinery

i). **Scope and Eligibility**

- a) Under this facility, Participating Financial Institutions (PFIs) can provide long term local currency finance for imported and locally manufactured new plant and machinery to be used by the export oriented projects (see list of sectors eligible for financing under this facility).
- b) The facility shall be available to the export oriented projects only if their annual export is equivalent to US \$5 million or at least 50% of the sales whichever is lower.
- c) Financing shall be available through banks / DFIs approved as PFIs; list of which is given in Annexure-I. Other banks/ DFIs can also lodge their requests to I.H. & SME Finance Department of SBP for seeking the status of a PFI which shall be processed as per SBP's criteria. Further, for the provision of facility through Islamic Banks SBP will issue separate instructions regarding Shariah Compliant Product of LTFF.
- d) Maximum borrowing limit for a single export oriented unit is Rs 1.5 billion under LTFF.
- e) Financing shall be available for a maximum period of 10 years including a maximum grace period of 2 years.

ii). **Rates of Service Charges**

- a) The rate of service charge at which SBP will provide refinance to the banks/DFIs shall be determined on the basis of/ reference to the average of weighted average yields of last two auctions of 3, 5 and 10 years PIBs subject to the following;
 1. The rate of service charges once fixed shall remain locked-in for the entire duration of the loan, provided the borrowers continue to repay all scheduled installments at the respective due dates.
 2. In cases where the loan amount has not been disbursed in full during the validity of an applicable rate, the un-disbursed amount shall attract the new rate of finance/refinance applicable on the date of its disbursement by the bank/DFI.
- b) Current rates are as under:

Period of financing	Rate of Refinance	PFI Spread	End User's rate
Up-to 3 years	8.80%	1.50 %	10.30%
3-5 Years	8.40%	2.50 %	10.90%
5-10 Years	8.40%	3.00 %	11.40%

iii). Sectors Eligible For Financing Under LTFF Scheme

Only new plant, machinery & equipments to be used by the export oriented projects in following sectors for producing exportable goods shall be eligible for financing under the Facility:

Core Categories

1. Textile & Garments
 - a. Fabrics
 - b. Garments
 - c. Made up
 - d. Towels
 - e. Art silk & synthetic textiles
2. Rice Processing
3. Leather & Leather products
4. Sports goods
5. Carpets & Wools
6. Surgical Instruments

Developmental Categories

1. **Fisheries**
(Plant & machinery used for boat manufacturing / modifications including chilling equipment).
2. **Poultry & Meat**
(Plant & machinery used for hatching purposes and equipments for preservation / packing / canning chicken & meat).
3. **Fruits/Vegetable & Processing, Cereals**
(Plant & machinery used for setting up of units for the purpose of preservations/ packaging / canning of fruits / vegetables & producing cereals as well as plant & machinery required for producing material exclusively used in packaging / preservation of food items).
4. **I.T. – Software & Services**
(Hardware & equipments for IT & Services sector exports).
5. **Marble & Granite**
(Plant & equipments used for cutting and polishing of Marble & Granite products for export and manufacturing of handicrafts thereof).
6. **Gems & Jewellery**
(Plant & equipments used for cutting and polishing of Gems and machinery for making jewellery).

7. **Engineering Goods**
(Plant & machinery required for producing engineering products / goods).
 8. **Generators / Captive Power Plants**
(Import of generators/captive power plants, to be used in the eligible sectors / sub-sectors).
 9. **Ethanol**
(Plant & machinery to be used by the export oriented projects for producing exportable Ethanol).
 10. **Furniture and Pharmaceutical**
(Plant & machinery to be used by the export oriented projects in Furniture and Pharmaceutical Sectors for producing exportable goods).
 11. **Six Sub-Sectors Of Spinning Sector**
(Refinancing to the extent of fifty percent of financing provided for plant & machinery used in six export oriented sub-sectors of Spinning Sector including doubling, twisting, combing, slubbing, lycra, and yarn dyeing).
 12. **Regeneration Of Textile Waste**
(Refinancing to the extent of fifty percent of financing provided for plant & machinery used in export oriented projects for regeneration of textile waste into usable fiber for producing value added exportable products).
 13. **Glass Sector**
[Plant, machinery & equipment to be used by the export oriented projects in **Glass Sector** for producing exportable goods]
 14. **Dairy Sector**
[Plant, machinery & equipment used for storage, chilling, processing and packaging of **Dairy Products** including machinery used in the conversion / preservation of milk into powdered form]
 15. **Soda Ash**
[Plant, machinery & equipment to be used by the Export Oriented Projects for producing **Soda Ash**].
- iv). **Terms & Conditions**
- a) All LCs (sight as also usance) established after December 31, 2007 shall be eligible for financing.
 - b) The cost of insurance, transit insurance, erection and commissioning charges and other incidentals (including transportation charges, in case of locally manufactured machinery) etc; shall not be financed under the facility.
 - c) The PFIs can also consider the requests of new export oriented projects on the basis of projected exports. A criterion in this regard is given in SMEFD Circular Letter No 05 dated February 14, 2011 read with SMEFD Circular Letter No 05 dated April 22, 2010.
 - d) Further, in case of new projects, sponsor will be required to contribute their equity share in an escrow account maintained with the PFI. The proceeds in

the said account shall be used by the sponsors only for the purpose of setting up of the project/payment to the supplier etc; representing his equity share in the project. However, where sponsor(s) of the project have already invested their entire share of equity in the project in the form of land, construction of building etc., the same shall be treated as 'equity' of the sponsor and the condition of maintaining an escrow account may not be required provided overall debt/equity ratio is met. The lending PFI should place a certificate on record in this regard in the relevant credit file for subsequent inspection by our BID.

- e) Export oriented SME borrowers (as defined in Prudential Regulations for SMEs), may purchase imported machinery from the commercial importers or authorized dealers of the foreign manufacturers in Pakistan and authorized suppliers in case of locally manufactured machinery and plant.

3- Refinance Facility for Modernization of SMEs

i). Scope and Eligibility Criteria

- a) Financing shall be available to wide range of SME Clusters / Sectors. An illustrative list is given at Para (iii) below.
- b) Only SME borrowers, as defined in Prudential Regulations for SMEs, shall be eligible to avail financing facilities under the Scheme.
- c) Financing shall be available for purchase of new imported/local plant & machinery for BMR of existing units and setting up of new SME units.
- d) Financing shall also be available for import/ local purchase of new generators up-to a maximum capacity of 500 KVA under the Scheme. The capacity of generator shall, however, not be in excess of SME Unit's in-house energy requirements or up-to 500 KVA, whichever is less.
- e) Financing facilities shall be available through all commercial banks and Development Finance Institutions (DFIs).
- f) Financing shall be available for a maximum period of ten years including a maximum grace period of six months.
- g) Financing under the Facility will be available till further instructions.

ii). Rates of Service Charges

- a) The rate of service charge at which SBP will provide refinance to the banks/DFIs shall be determined on the basis of / reference to the average of weighted average yields of last two auctions of 3, 5 and 10 years PIBs subject to the following:
 1. The rate of service charges once fixed shall remain locked-in for the entire duration of the loan, provided the borrowers continue to repay all scheduled installments by the respective due dates.
 2. In cases where the loan amount has not been disbursed in full during the validity of an applicable rate, the un-disbursed amount shall attract the new rate of finance/refinance applicable on the date of its disbursement by the bank/DFI.
- b) Current rates are as under:

Tenor	Rate of Refinance	Banks'/DFIs' Spread	End Users' Rate
Up-to 3 years	5.50%	2.50%	8.00%
Over 3 years and up-to 5 years	6.25%	2.75%	9.00%
Over 5 years and up-to 10 years	7.00%	3.00%	10.00%

iii) Illustrative List of SME Clusters/Sectors

- (i) Rice Husking,
- (ii) Cotton Ginning,
- (iii) Power Looms,
- (iv) Dairy & Livestock,
- (v) Cutlery & Stainless Utensils,
- (vi) Surgical Instruments,
- (vii) Marble & Granite,
- (viii) Engineering Goods, (Electronic),
- (ix) Fisheries,
- (x) Packaging / Processing of Fruits / Vegetables,
- (xi) Furniture,
- (xii) Gems & Jewellery,
- (xiii) Sports Goods,
- (xiv) Agro-based Industry

4- Scheme for Financing Power Plants Using Renewable Energy

i). Eligibility Criteria

- a) Financing shall be available to the prospective sponsors desirous of setting up of Power Projects with a capacity of up-to 20 MW, who have completed prescribed requirements of Alternative Energy Development Board (AEDB), the concerned regulatory authority and other relevant Government Department / Authority, in compliance with the prevalent Renewable Energy Policy of the Government of Pakistan.
- b) Financing shall be available only for purchase of new imported and locally manufactured plant, machinery and equipment to establish new Power Plants of up-to 20 MW installed capacity using alternative / renewable energy sources (wind, hydel, biogas, biofuels, bagasse cogeneration, solar power and geothermal as fuel).
- c) Financing shall be available for a maximum period of 10 years including a maximum grace period of 2 years.
- d) Financing facilities shall be available through all commercial banks and Development Finance Institutions (DFIs).
- e) Refinance may be provided up-to 100% of financing provided by banks/DFIs to the eligible borrowers for the import/ local purchase of plant, machinery & equipment subject to adherence of other rules & regulations.
- f) Maximum Borrowing Limit for a single Renewable Power Project is Rs 3 billion under the Scheme.
- g) LCs established up-to **June 30, 2014** shall be eligible for financing under the Scheme.

ii). Rates of Service Charges

- a) The rate of service charge at which SBP will provide refinance to the Banks/DFIs shall be determined on the basis of average of weighted average yields of last two auctions of 5 and 10 years PIBs, subject to the following:
 - 1) The rate of service charges once fixed shall remain locked-in for the entire duration of the loan, provided the borrowers continue to repay on due dates as per repayment schedule.

- 2) In cases where the loan amount has not been disbursed in full during the validity of an applicable rate, the un-disbursed amount shall attract the new rate of finance/refinance applicable on the date of its disbursement by the bank/DFI.

- b) Current Rates are as under:

Tenor	Rate of Refinance	Banks'/DFIs' Spread	End Users' Rate
Up-to 5 years	8.40%	2.50%	10.90%
Over 5 years and up-to 10 years	8.40%	3.00%	11.40%

iii). Terms & Conditions

- a) Captive power projects which have already availed financing facilities under LTFF Scheme shall not be eligible for financing under this Scheme.
- b) Fixed term loans which have been extended prior to the announcement of this Scheme shall not be eligible for refinance.
- c) The sponsors of the project shall be under obligation to ensure that the benefits of the concessionary finance earned through the scheme are passed on to the consumers in terms of competitive rates.
- d) Banks/DFIs may impose any specific condition(s), considered appropriate by them in such type of transactions, while sanctioning loan under the Scheme to protect their interests.
- e) Banks/DFIs may also ensure that firm commitments for the portion of funding not to be financed by SBP (in the form of equity, conventional bank finance etc.) are available for the project being financed by them under the Scheme, so that the project does not eventually suffer due to any funding gap. Firm equity commitment from the sponsors may be made in the form which is satisfactory for the financing bank/DFI. The State Bank would, however, not insist on fulfillment of this condition by a specified mode but would let the bank/DFI to satisfy itself in this regard.

5- Financing Facility for Storage of Agricultural produce (FFSAP).

i). Scope and Eligibility Criteria

- a) SBP has introduced the FFSAP to encourage Private Sector to establish Silos, Warehouses & Cold Storages in order to enhance storage capacity and develop agricultural produce marketing.
- b) Financing is available for establishment / expansion / BMR of Silos, Warehouses & Cold Storages facilities for storing agricultural produce.
- c) Financing is available for local purchase/import of new machinery, equipment and accessories thereof used in Steel/metal/Concrete Silos, warehouses and cold storages. Purchase of new generators also eligible, for meeting in-house energy requirements of Silos/Warehouses / Cold Storages. Further, up-to 65% cost of entire civil works is also eligible under the Facility.
- d) Maximum financing of Banks/DFIs to a single project is Rs. 500 million under the Facility.
- e) Financing is available through all commercial banks and Development Finance Institutions (DFIs).
- f) Financing is available for a maximum period of seven years including a maximum grace period of six months. In case financing is provided on staggered basis, maximum period of financing shall start from the date of disbursement of 1st installment.
- g) In case of financing for civil works the bank/DFI concerned shall monitor as per its own mechanism that the funds are utilized strictly for the construction purpose as per approved plan. Banks/DFIs may open an escrow account where borrower's share is deposited for making matching disbursements for civil works.
- h) Financing is available only against LCs in case of financing against imported plant & machinery / raw material to be used for construction of the Silos/Cold Storage.
- i) Financing under the Facility will be available till further instructions.

ii). Rates of Service Charges

- a) The rate of service charges at which SBP will provide refinance to the banks shall be determined on the basis of average of weighted average yields of last two auctions of 3, 5 and 7 years PIBs, subject to the following:-
 - 1) The rates once fixed shall remain locked-in for the entire duration of the loan, provided the borrowers continue to repay on due dates as per

repayment schedule. In case new rates are lower, then benefit will be passed on to the borrowers.

- 2) Where financing to a project is provided on staggered basis, each installment shall attract the rate of finance / refinance applicable on the date of disbursement of installment by the bank.

b) Current rates are as under:

Tenor	Rate of Refinance	Banks'/DFIs' Spread	End Users' Rate
Up-to 3 years	5.50%	2.50%	8.00%
Over 3 years and up-to 5 years	6.25%	2.75%	9.00%
Over 5 years and up-to 7 years	6.50%	3.50%	10.00%

6- Common Procedures & Requirements Under Long-Term Facilities/Scheme

i). Availability of Funds/Sanction of Limits to Banks/DFIs

- a) Under LTFF, SBP sanction yearly limits (July-June basis) in favour Participating Financial Institutions (PFIs), keeping in view the requests made by the PFIs, in line with internal criteria of SBP. PFIs may lodge their requests to I.H. & SME Finance Department of SBP for allocation of annual limits in June each year along-with details of cases being sanctioned; application(s) in process under LTFF; detail(s) of LC(s) established and their expected date(s) of retirement(s).
- b) Limits sanctioned under “Refinance Facility for Modernization of SMEs” and “Financing Facility for Storage of Agriculture Produce (FFSAP)” in favour of selected banks/DFIs shall remain valid till further instructions. They can apply for enhancement of limits after utilization of their existing limits. Further, other interested banks/DFIs, may also apply to IH&SME Finance Department for sanctioning of fresh limits under the Facilities.
- c) Under Scheme for Power Plants, financing shall be provided by the banks/DFIs on first come first served basis within the overall amount earmarked for the purpose. While adequate funds have been earmarked for the Scheme the banks/DFIs shall, however, be required to approach I.H. & SME Finance Department, State Bank of Pakistan, after their internal approval of financing to each unit/project for confirming the availability of funds. State Bank will respond to the concerned bank/DFI with a copy to the concerned office of the SBP BSC (Bank) from where it will avail refinance. In case banks/DFIs have not disbursed 1st installment / opened LC / made firm contract with down payment, the confirmation / approval of availability of funds from SBP should lapse within a period of three months.

ii). Grant of Refinance

- a) The State Bank shall provide refinance to each bank/DFI on service charge (mark-up) basis in terms of Section 17 (2) (d) read with section 22 of State Bank of Pakistan Act 1956.
- b) Refinance shall be allowed to the Banks/DFIs by the concerned offices of SBP BSC (Bank) on submission of following documents:
 - i) Refinance Application
 - ii) Repayment Agreement
 - iii) DP Note of Bank/DFI
 - iv) DP Note of Borrower
 - v) Undertaking of Borrower

Note: Documents mentioned at (ii) & (iii) will be submitted only once to the extent of the amount sanctioned to the bank/DFI. Formats of above documents are attached with each scheme which are available at SBP's website.

iii). Repayment of the Loans

- a) Principal amount of loans shall be repayable in equal quarterly / half yearly installments after prescribed grace period, if any.
- b) If a borrower will repay the loan amount or its installment, in part or in full, before the due date(s), the banks/DFIs shall be under obligation to repay the amount(s) so received within three working days to the concerned office of SBP-BSC (Bank) failing which fine for late adjustment of loan will be recovered from the concerned bank/DFI, at the rate specified by the State Bank.
- c) The refinance granted by SBP-BSC offices to the Banks/DFIs shall be recovered on the due dates as reported in the original repayment schedule from the account of the banks/DFIs maintained with the respective office of the SBP BSC (Bank).
- d) In case the borrowers fail to make repayment of the amount of installment as per the original repayment schedule, the bank/DFI will be entitled to charge normal rate of mark up on such overdue principal amount besides taking other actions to recover the same as are incidental to such defaults. In no case the liability of banks/DFIs to pay/repay to SBP BSC the principal amount of refinance, or mark up or any other charges or penalty thereon shall be dependent upon the recovery from the borrower nor shall such liability be affected by any default on the part of the borrower.
- e) Mark-up shall be paid on quarterly basis.

iv). General Terms & Conditions

- a) Financing under the Facilities shall be subject to compliance with all rules and regulations including Prudential Regulations for each types of borrowers.
- b) Financing shall be available to the extent of the C&F value and ex-factory/showroom price of the new imported and locally manufactured plant & machinery respectively.
- c) Advance payment shall be eligible to the extent of 20% of the C&F value / ex-factory /showroom price of plant & machinery.
- d) Disbursements by PFIs should not be made to the borrower directly; instead payments shall be made to the manufacturers / suppliers of plant & machinery through Letter(s) of Credit(s) as per payment/delivery schedule agreed to between the manufacturer and the purchaser.
- e) PFIs shall consider financing based on the debt to equity requirements as prescribed in applicable Prudential Regulations for each type of the borrower. The financing PFI may, however, ask for higher contribution of equity from the borrowers keeping in view individual risk profile.
- f) Financing banks/DFIs shall ensure fulfillment of requisite pre-disbursement formalities by the borrower through due diligence as per their own internal arrangements to avoid malpractices and mis-utilization of facilities

- g) In case of consortium financing, the payment to the importer / supplier of plant & machinery shall be made by the leader of the consortium, who shall therefore, be under obligation to certify the share of each member bank/DFI and the amount disbursed by it, to enable the consortium members to avail refinance from State Bank to the extent of their share subsequent to the actual payment made by the consortium leader.
- h) Banks/DFIs shall make necessary arrangements to ensure that the amount of refinance availed by them from State Bank and outstanding as on the date of preparation of their financial statements is shown separately in Annual Audited Accounts, under appropriate heads, vis-à-vis their claims (principal amounts only) against their constituent to whom the financial facilities were sanctioned by them.
- i) State Bank shall have the right to appoint independent consultants to verify the use of the refinance facilities. In case the report of the consultant points out irregularity on the part of the financing bank/DFI or the borrower, State Bank reserves the right to recover the amount of refinance granted to the bank/DFI along-with fine at the prescribed rates including the cost of such verification.
- j) In case of the import of plant and machinery, the foreign currency required for making payment to the machinery manufacturer or the suppliers abroad, against LC, shall be purchased by the bank/ DFI of the borrower from the inter-bank market at prevailing rates. The quantum of the loan amount in equivalent Pak rupees shall be determined on the basis of the rupees resources required for purchase of the foreign currency on the actual date of retirement of LC and shall be released in accordance with the payment terms.
- k) Banks/DFIs shall evaluate applications for financing, within two/three months (as prescribed under each Scheme) from the date of receipt of complete information from the borrower. Where the request is declined, the bank/DFI will explicitly apprise the reasons for rejecting the application to the prospective borrower.
- l) Refinance shall be provided on the basis of certification by the Internal Audit of the financing bank/DFI with regard to confirmation that the loan is within the terms and conditions laid down in the Facilities. A copy of the said Internal Audit Certificate shall also be submitted to the concerned office of SBP BSC at the time of availing the refinance facility. However, condition Internal Audit's Certificate is not required in the cases of LTFF.
- m) Second-hand machinery shall not be eligible under the Facilities.
- n) Financing shall not be available for the purpose of acquisition of land, construction of building etc. However, up-to 65% cost of civil works is allowed under FFSAP.
- o) Financing shall be checked/verified by SBP's Banking Inspection Department (BID) during inspection of the banks/DFIs to ensure that the same have been allowed as per the terms and conditions of the Facilities.

- p) Where a bank/DFI considers the requests of their borrowers for rescheduling of loans granted under the Facilities, the principal amount of refinance shall only be rescheduled in a way that total tenor of refinancing does not exceed maximum period prescribed under each Facility from the date of original disbursement made by the banks/DFIs. Further, the borrower shall be liable to make payment of mark-up at the rate applicable on the date of such rescheduling, or the original rate whichever is higher.

v). Fines

- a) In case of violation of the terms & conditions of the Facilities, the State Bank shall reserve the right to recover the amount of refinance granted to the banks/DFIs along-with fine at the rate of Paisa 60 per day per Rs 1,000/- or part thereof.
- b) In case, a borrower will make early repayment(s) of the amount of loan/ installment(s) and bank/DFI fails to repay the same to concerned office of SBP-BSC within three working days, late adjustment fine will be charged from the concerned bank/DFI at the rate of Paisa 60 per day per Rs 1,000 or part thereof [Paisa 70 per day per Rs 1,000 or part thereof in case of LTFF] or prospectively at such rate as may be announced by the State Bank from time to time.
- c) Fine shall be recovered through bank/ DFI who availed refinance under the Facilities. Therefore, it will be the responsibility of the bank/ DFI to secure its interest in this regard, however, in no case fine imposed on bank/ DFI due to its negligence shall be passed on to the borrower. In case they pass on the fine so recovered from them to the borrower, the bank/ DFI shall be under obligation to justify the same to ensure that the fine is not passed on to the borrower merely on the strength of the action of SBP.

7- Terms & Conditions At A Glance

Sr #	Features	Long Term Financing Facility (LTFF) for Plant & Machinery			Refinance Facility for Modernization of SMEs			Scheme for Financing Power Plants Using Renewable Energy		Financing Facility For Storage of Agricultural Produce (FFSAP)		
1.	Scope & Coverage of the Schemes	<ul style="list-style-type: none"> Financing for procurement of new local and imported machinery used in export oriented projects pertaining to Eligible Sectors [list given in Para 2 (iii) Pages 3-4 and other sectors to be approved from time to time]. Projects with annual export of USD 5 million or 50% of total sales, whichever is lower. Maximum Borrowing Limit Rs 1.5 billion for a single project. Financing available through approved banks / DFIs (List given at Annexure-I) 			<ul style="list-style-type: none"> Financing is available for local purchase/import of new machinery for BMR of existing SME units and setting up of new SMEs units and for purchase of new Generators up-to 500 KVA. SMEs as defined in Prudential Regulations for SMEs. Financing available through all banks / DFIs. 			<ul style="list-style-type: none"> Financing for procurement of new local & imported machinery to be used in New Power Projects with a capacity of up-to 20 MW using renewable energy sources (wind, hydel, biogas, biofuels, bagasse cogeneration, solar power and geothermal as fuel). Financing available through all banks/DFIs. Maximum financing Rs 3 billion for a single project. 		<ul style="list-style-type: none"> Financing available for establishment of Silos, Warehouses & Cold Storages to enhance storage capacity and develop agricultural produce marketing. Financing available for local purchase /import of new machinery, equipment & Generators. Further up to 65% cost of entire civil works is also eligible under the Facility. 		
2.	Tenors	upto 3 Yrs	3-5 Yrs	5-10 Yrs	upto 3 Yrs	3-5 Yrs	5-10 Yrs	Up-to 5 Yrs	5-10 Yrs	upto 3 Yrs	3-5 Yrs	5-7 Yrs
3.	Grace Period	1 year		2 years	6 months			2 years		6 months		
4.	Mark up (End User rates)	10.30%	10.90%	11.40%	8.00%	9.00%	10.00%	10.90%	11.40%	8.00%	9.00%	10.00%
5.	Repayment of Loans	Semi-Annually or Quarterly.										
6.	Mechanism to Extend Funds	<ul style="list-style-type: none"> Banks/DFIs to evaluate financing requests of their borrowers – [within lending policies-terms & conditions of respective Facilities/Schemes] Banks/DFIs to provide funds to the eligible borrowers. Financing banks/DFIs approach concerned office of SBP-BSC for availing refinance along-with documents prescribed in respective Facilities/Scheme. 										

8- Annexures

Annexure-I**I. List of Participating Financial Institutions (PFIs) Under LTFF****Banks**

1. Allied Bank Limited
2. Askari Bank Limited
3. Bank Alfalah Limited
4. Bank Al-Habib Limited
5. The Bank of Punjab
6. The Bank of Khyber
7. Barclays Bank PLC
8. Citibank, N.A.- Pakistan Operations
9. Faysal Bank Limited
10. Habib Bank Limited
11. Habib Metropolitan Bank Limited
12. HSBC Bank Middle East Limited - Pakistan Operations
13. KASB Bank Limited
14. MCB Bank Limited
15. National Bank of Pakistan
16. NIB Bank Limited
17. Samba Bank Limited
18. SILKBANK Limited
19. Soneri Bank Limited
20. Standard Chartered Bank (Pakistan) Limited
21. Summit Bank Limited
22. United Bank Limited
23. Sindh Bank Limited

Development Finance Institutions (DFIs)

24. Pak Oman Investment Company Limited
25. Saudi Pak Industrial & Agricultural Investment Company Limited
26. Pak Libya Holding Company Limited
27. Pak Kuwait Investment Company Limited
28. Pak Brunei Investment Company Limited
29. Pak China Investment Company Limited

Annexure -II**II. List of Circulars / Circular Letters****(i) Circulars – LTFF**

Sr. No.	Circular No. & date	Brief
1.	MFD Circular No. 07 dated 31-12-2007	Introduction of Long Term Financing Facility – LTFF) for Plant & Machinery. http://10.0.100.190/mfd/2007/C7.htm
2.	MFD Circular No. 04 dated 24-06-2008	Eligibility of generators / captive power plants under LTFF. http://10.0.100.190/MFD/2008/C4.htm
3.	MFD Circular No. 05 dated 02-07-2008	Re-fixation of Rates under LTFF http://10.0.100.190/MFD/2008/C5.htm
4.	SMEMFD Circular No. 04 dated 12-11-2008	Reinstatement of 100% refinancing under LTFF. (Earlier it was restricted to the extent of 70% of banks'/DFIs' financing) http://10.0.100.190/smeffd/circulars/2008/C4.htm
5.	SMEFD Circular No. 01 dated 22-01-2009	Instructions on One Year Grace Period Facility under LTF-EOP/ LTFF). (This facility was available up-to May 11, 09). http://10.0.100.190/smeffd/circulars/2009/C1.htm
6.	SMEFD Circular No. 02 dated 23-01-2009	Eligibility of Ethanol Industry under the Facility. http://10.0.100.190/smeffd/circulars/2009/C2.htm
7.	SMEFD Circular No. 07 dated 16-03-2009	Eligibility of Furniture and Pharmaceutical Sectors under the Facility. http://10.0.100.190/smeffd/circulars/2009/C7.htm
8.	SMEFD Circular No. 08 dated 21-04-2009	Eligibility of six value added sub-sectors of Spinning (viz. doubling, twisting, combing, slubbing, lycra, and yarn dyeing) under the Facility. (Refinance will be restricted to the extent of 50% of banks'/DFIs' financing) http://10.0.100.190/smeffd/circulars/2009/C8.htm
9.	SMEFD Circular No. 09 dated 21-04-2009	Instructions about One Time Opportunity to the exporters (excluding Textile & Garments) to refinance their outstanding long term commercial loans, for import/purchase of plant & machinery, with loans under SBP's LTFF. (This facility was available upto 30 th June 2009). http://10.0.100.190/smeffd/circulars/2009/C9.htm
10.	SMEFD Circular No.11 dated 26-06-2009	Instructions about 50% re-financing against LCs established before the announcement of the LTFF; and eligibility of plant/machinery used for regeneration of textile waste into usable fiber. http://10.0.100.190/smeffd/circulars/2009/C11.htm
11.	SMEFD Circular No. 16 dated 31-10-09	Re-fixation of Rates under LTFF. http://10.0.100.190/smeffd/circulars/2009/C16.htm
12	SMEFD Circular No. 06 dated 31-03-10	Re-fixation of Rates under LTFF. http://10.0.100.190/smeffd/circulars/2010/C6.htm
13	SMEFD Circular No.14	Re-fixation of Rates under LTFF.

	dated 30-09-2010	http://10.0.100.190/sme/d/circulars/2010/C14.htm
14	IH&SMEFD Circular No. 06 dated 01-07-2011	Re-fixation of Rates under LTFF. http://10.0.100.190/sme/d/circulars/2011/C6.htm
15	IH&SMEFD Circular No. 05 dated 10-09-2012	Re-fixation of Rates under LTFF. http://10.0.100.190/sme/d/circulars/2012/C5.htm
16	IH&SMEFD Circular No. 02 dated 01-01-2013	Re-fixation of Rates under LTFF. http://10.0.100.190/sme/d/circulars/2013/C2.htm

(ii) Circular Letters – LTFF

Sr. No.	Circular Letter No. & Date	Brief
1.	SMEFD Circular Letter No. 01 dated 27-02-09	Clarifications on One Year Grace Period, which was allowed vide SMEFD Circular No. 01/09. http://10.0.100.190/sme/d/circulars/2009/CL1.htm
2.	SMEFD Circular Letter No. 03 dated 11-03-2009	Instructions about eligibility of second hand machinery under the Scheme. (LCs established up-to December 31, 2009 were eligible for refinancing). http://10.0.100.190/sme/d/circulars/2009/CL3.htm
3.	SMEFD Circular Letter No. 06 dated 27-04-2009	Further clarifications on One Year Grace Period, which was allowed vide SMEFD Circular No. 01/09. http://10.0.100.190/sme/d/circulars/2009/CL6.htm
4.	SMEFD Circular Letter No. 07 dated 08-06-2009	Instructions about 50% refinancing against imported generators, used in export oriented units / projects otherwise not eligible under LTFF. http://10.0.100.190/sme/d/circulars/2009/CL7.htm
5.	SMEFD Circular letter No.09 dated 20-06-2009	Extension in PFIs' limits for the financial year 2009-10. http://10.0.100.190/sme/d/circulars/2009/CL9.htm
6.	SMEFD Circular Letter No. 13 dated 14-09-2009	Clarifications were issued about refinancing of LCs established before introduction of LTFF. (This facility was available up-to December 31, 2009 only) http://10.0.100.190/sme/d/circulars/2009/CL13.htm
7	SMEFD Circular Letter No. 03 dated 06-04-2010	Extension in date for financing Second Hand Machinery up-to 30-06-2010. http://10.0.100.190/sme/d/circulars/2010/CL3.htm
8	SMEFD Circular Letter No. 04 dated 12-04-2010	Maximum borrowing limit of Rs 1 billion per unit. http://10.0.100.190/sme/d/circulars/2010/CL4.htm
9	SMEFD Circular Letter No. 05 dated 22-04-2010	Rates of fine on shortfall in projected export. http://10.0.100.190/sme/d/circulars/2010/CL5.htm
10	SMEFD Circular Letter No. 08 dated 16-06-2010	Extension in limits. http://10.0.100.190/sme/d/circulars/2010/CL8.htm

11.	SMEFD Circular Letter No. 02 dated 20-01-2011	Eligibility of Glass Sector under LTFF http://10.0.100.190/smeafd/circulars/2011/CL2.htm
12.	SMEFD Circular Letter No. 04 dated 14-02-2011	Revised Maximum Borrowing Limit from 1 billion to 1.5 billion per Unit. http://10.0.100.190/smeafd/circulars/2011/CL4.htm
13.	SMEFD Circular Letter No.05 dated 14-02-2011	Requirement of Projected Exports http://10.0.100.190/smeafd/circulars/2011/CL5.htm
14.	IH & SMEFD Circular letter No. 11 dated 21-06-2011	Extension in Annual Limit http://10.0.100.190/smeafd/circulars/2011/CL11.htm
15.	IH&SMEFD Circular Letter No.12 dated 27-06-2011	Eligibility of Packaging / Preservations of Food Items http://10.0.100.190/smeafd/circulars/2011/CL12.htm
16	IH&SMEFD Circular Letter No. 04 dated 16-03-2012	Eligibility of Dairy Sector under LTFF http://10.0.100.190/smeafd/circulars/2012/CL4.htm
17.	I.H. & SMEFD Circular letter No. 08 dated 22-06-2012	Extension in Annual Limits http://10.0.100.190/smeafd/circulars/2012/CL8.htm
18.	IH&SMEFD Circular Letter No. 10 dated 19-07-2012	Inclusion of Soda Ash under LTFF http://10.0.100.190/smeafd/circulars/2012/CL10.htm
19.	IH & SMEFD Circular letter No. 07 dated 21-06-2013	Extension in Annual Limits http://10.0.100.190/smeafd/circulars/2013/CL7.htm

(iii) Circulars- Modernization of SMEs:

Sr. No.	Circular No. & date	Brief
1	SMEFD Circular No.07 dated 06-05-2010 read with SMEFD Circular No. 14 & 17 dated 04-09-2009 & 02-11-2009 respectively.	Refinancing Facility for Modernization of SMEs. Consolidated instructions available at SBP's website at following link: http://www.sbp.org.pk/incentives/ltf-eop/ConsolidatedScheme.pdf
2	IH&SMEFD Circular Letter No. 16 dated 05-12-2012	Refinance Facility for Modernization of SMEs- Extension in Validity Period of the Facility. http://www.sbp.org.pk/smeafd/circulars/2012/CL16.htm

(iv) Circulars/Circular Letters- Scheme for Financing Power Plants

Sr. No.	Circular No. & date	Brief
1	SMEFD Circular No. 19 dated 01-12-2009	Introduction of Scheme for Financing Power Plants Using Renewable Energy with a capacity of up-to 10 MW. http://10.0.100.190/smeafd/circulars/2009/C19.htm

2	IH&SMEFD Circular No. 07 dated 1-07-2011	Re-fixation of Rates of Service Charges. http://10.0.100.190/smeffd/circulars/2011/C7.htm
3	IH&SMEFD Circular Letter No.01 dated 18-01-2012	Enhancement in Financing Limit up-to 20 MW for the Projects of Biomass/Biogas. http://10.0.100.190/smeffd/circulars/2012/CL1.htm
4	IH&SMEFD Circular Letter No.06 dated 06-06-2012	Extension in Validity Period of the Scheme http://10.0.100.190/smeffd/circulars/2012/CL6.htm
5	IH&SMEFD Circular No. 06 dated 10-09-2012	Re-fixation of Rates of Service Charges http://10.0.100.190/smeffd/circulars/2012/C6.htm
6	IH&SMEFD Circular Letter No.11 dated 30-07-2012	Enhancement in Financing Limit up-to 20 MW & Fixation of Maximum Borrowing Limit for a Single Project. http://10.0.100.190/smeffd/circulars/2012/CL11.htm
7	IH&SMEFD Circular No. 03 dated 01-01-2013	Re-fixation of Rates of Service Charges http://10.0.100.190/smeffd/circulars/2013/C3.htm

(v) Circulars/Circular Letter- Financing Facility for Storage of Agriculture Produce

Sr. No.	Circular No. & date	Brief
1	SMEFD Circular No. 08 dated 04-06-2010	Introduction of Scheme for availing Financing facility for enhancing the storage capacity of agricultural produce. http://10.0.100.190/smeffd/circulars/2010/C8.htm
2	IH&SMEFD Circular Letter No.15 dated 05-12-2012	Extension in Validity Period of the Facility. http://10.0.100.190/smeffd/circulars/2012/CL15.htm
3	IH&SMEFD Circular Letter No. 02 dated February 04, 2014	Extension in the Validity of Financing Facility for Storage of Agricultural Produce (FFSAP) and Refinance Facility for Modernization of SMEs http://www.sbp.org.pk/smeffd/circulars/2014/CL2.htm
