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# Impact of Export Financing Schemes on Export Performance-Qualitative Approach

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**ABSTRACT**

Export financing is one of the important tools of export promotion policy in developing economies. In Pakistan, Exports financing schemes are a form of government intervention for industry and in return exports have been thought as a consistent source of foreign exchange earnings. Pakistan tries to do efforts to make its economy more competitive and the country offered certain export financing schemes to support exporting firms and enhance country's exports. Export financing schemes are offered through FBR, SBP, TDAP, Commercial Banks and EXIM bank. The impact of export financing on exports appears to be minor as reflected by stagnant exports in the country. The study mainly compares the two main export financing schemes, one is offered by SBP through commercial banks and the other by FBR. It further evaluates the performance of the exports of Pakistan, and export financing schemes from the perspective of Commercial banks (as private entity) and exporters (as beneficiary). Both the SBP and FBR financing schemes intend to encourage exports by providing promising incentives. By availing these schemes, large exporters are motivated to enhance their export performance but the lengthy production process and the time lag between production and delivery impede performance of exporting firms. However, the study reveals that the export financing schemes primarily benefit large and some medium-sized exporting firms, while majority medium and small enterprises are not taking advantage of these schemes, possibly due to lack of awareness or concerns about the complexities involved. Unfavorable business environment, delays, legislation fear (due to involvement of money) has created trust deficit issues among commercial banks and exporters. Large firms tend to meet their export targets by utilizing the Export Financing Schemes (EFS) since they are bound by scheme agreements. This study suggests that export financing has a limited impact on Pakistan's exports and doesn't guarantee the effectiveness of export promotion policies. The State Bank of Pakistan (SBP) offers affordable financing to certain export segments, helping them stay competitive in global markets. However, export facilitation by the Federal Board of Revenue (FBR) is relatively new and will take time to influence exports. The study found no evidence that large firms are investing in their own upgradation, which also leads to stagnant export growth in the global market.

*Keywords:* Export Financing Schemes, Exporting Firms, Stagnant Export Performance, SBP, FBR, Commercial Banks

# 1. INTRODUCTION

Export financing is a key element in developing economies growth and their trade flow strategies. Governments usually provide export incentives to reduce the tax burden on export earnings, allowing exporters to lower prices while retaining net profits (Ahmad, 2015). These incentives have taken many forms over time, including tax breaks, export financing programs, subsidies and other initiatives to assist exporters. Increasing market incentives to attract investment in the export sector may be justifiable, but challenges for export incentives can sometimes overshadow their economic impact causing distortions.

Pakistan is facing multiple challenges in international trade which hinders its exports like low productivity, trade challenges, limited exports, and regulatory issues. When two countries trade there is risk of transaction (as trading countries have different currencies, different interest rates); complications in contractual agreements (different legal system, trade regulations); different economic & political environment; reliance on services of intermediaries (forwarders, shipping lines, customs, insurance companies, banks). In such scenario, trade financing is needed by exporters as "working Capital". In fact export financing accommodates complexities in payment & delivery process (that are typical of international trade transactions).

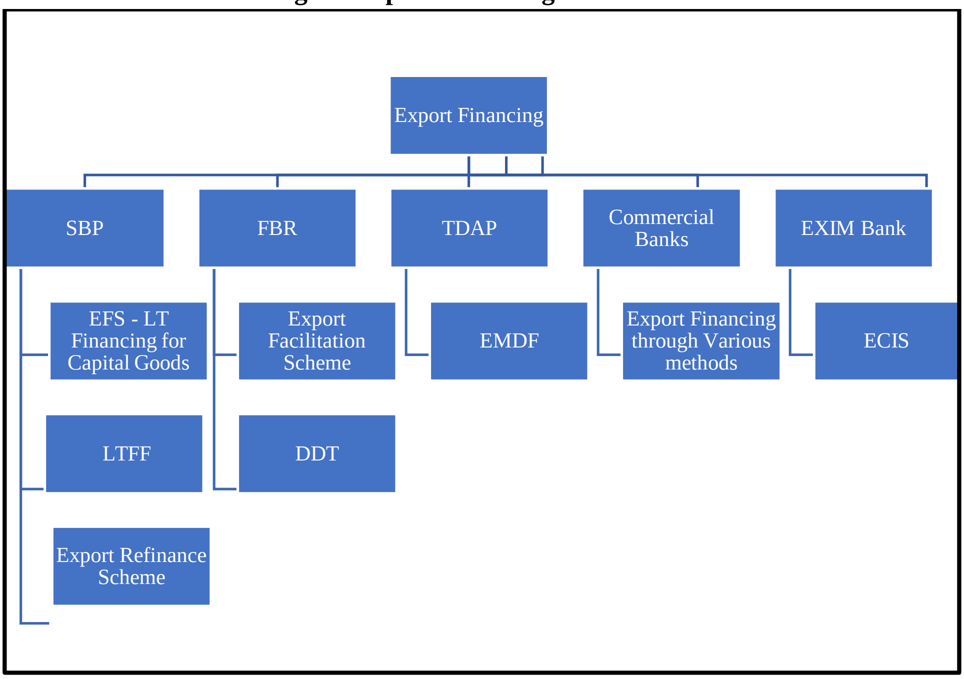
Literature also emphasise the need of export financing for countries. As stated by (Lopiz, et al. 2015) countries around the world rely heavily on foreign exchange incomes from exports to finance essential imports like machinery, technology, and infrastructure development. Export financing helps to protect these earnings by promoting and supporting export activities. Similarly, (IMF, 2018) indicated many developing countries face trade deficits, where their imports exceed their exports. Export financing can help narrow these deficits by encouraging domestic producers to sell their goods and services in international markets, thereby increasing export revenue. Pakistan always tries to promote export promotion and development strategy by focusing on trade liberalisation policies, strategic trade policy, export financing schemes, export promotion zones, duty drawback scheme, GSP plus status and free trade agreements. Therefore, realising the significance of export financing for exports, this study tries to find impact of EFS on exports in Pakistan.

## 1.1. Overview of Export Financing in Pakistan

Export finance programs have been the greatest and steadiest source of foreign exchange revenues in Pakistan. The Export Financing Scheme (EFS) was created in 1973 to boost the country's exports. Brief financing arrangements are made to exporters through financial institutions under the strategy for exports of all manufactured items, primarily valuation products (SBP, 2019-20).

Mainly export financing in Pakistan is channeled through State Bank of Pakistan (SBP), Federal Board of Revenue (FBR), Trade Development Authority of Pakistan (TDAP), Commercial banks and Export Import (EXIM) bank as shown in figure 1. The further breakdown shows SBP offers three main financing schemes: EFS for capital goods,[1] Long Term Financing Facility (LTFF) for industrial projects, and Export refinance scheme (ERF).[2] FBR offers two schemes: Export Facilitation scheme[3] and Duty Drawback of Taxes (DDT). TDAP offers Export Market Development Fund (EMDF). Moreover, commercial banks are offering some financing facilities on behalf of SBP such as letters of credit, pre-shipment and post-shipment financing, and export factoring. EXIM bank also offers Export Credit Insurance Scheme (ECIS). It is important to highlight the role of commercial banks that are "significant connectors" in providing finance to exporters. Everything is documented and banks start participating from the beginning (of the financing process). They easily provide financial services to exporters (in order to run their businesses smoothly).

**Fig. 1. Export Financing in Pakistan**[4]




The significance of export financing for exporters lies in provision of working capital,[5] managing timely cash flow, and reducing the risk of credit (Heiland & Yalcin, 2021). Export financing is vital for manufacturers to invest in technology, machinery, and to reach out new markets. It encourages exporters to improve performance and meet international standards. Its primary beneficiaries are mostly large and few medium firms, in Pakistan while SMEs are non-beneficiaries. SMEs usually face challenges in availing

[1]Long term financing for 10 years and grace period 2 years
[2]Short term financing at concessional rates
[3]Manufacturing Bond, the DTRE, and the Export-Oriented Schemes are merged in this scheme
[4]Letters of credit, pre-shipment and post-shipment financing, & export factoring are handled by commercial banks. Financing is also given by export credit guarantee companies.
[5]https://www.export.gov/article2?id=Trade-Finance-Guide-Chapter-7-Export-Working-Capital-Financing

schemes. Unfavourable business environment, incomplete documentation, licensing and collateral requirements hinder SMEs' access to financing. Moreover, export financing has potential for improvement in accessibility, application processes, and coordination.

This research examines the financing facility with the purpose of giving basic information and making the operations understandable to exporters. The Export Financing scheme of SBP, and Export facilitation scheme of FBR are reviewed and compared by taking into account their scope, intended beneficiaries, paperwork required, time span and procedures for getting them.

In this regard, the study objectives are as follows:

(a) Review of Export finance scheme of SBP, role of commercial banks, and Export facilitation scheme of FBR.
(b) Comparing the Export financing scheme of SBP and Export facilitating scheme of FBR.
(c) Evaluating the performance of the exports, and export financing schemes from the perspective of Commercial banks (as private entity) and exporters (as beneficiary).

## 2. STATE BANK OF PAKISTAN (SBP) AS A PROVIDER OF FINANCIAL SUPPORT

The Export Financing Program is an instrument for assisting the country's exports. To increase the country's overall exports, the SBP provides this financing option to exporters. The SBP plays an important role in facilitating international trade by providing exporters with financing and other assistance. The SBP has launched several schemes to support exports and to increase foreign exchange earnings, including the Export financing scheme, Long-Term financing facility, Export refinance scheme. Financial institutions also provide export funding to exporters both before and after shipping.

Export Financing scheme of SBP is divided into two parts: Part I – "transaction based facility" and Part II "performance based facility". The Export Financing Scheme is useful because of the government's commitment to supporting and expanding export-oriented enterprises. Markup rate is associated with SBP policy rate. If any change is observed in the policy rate, markup rate for EFS is automatically revised and the gap between policy rate and EFS rate is maintained at 3 percent (SBP website).[6]

### 2.1. Part-I EFS—Transaction-Based Facility by SBP

Transaction-based facilities are short-term financing facilities provided by the SBP to meet the temporary liquidity needs of commercial banks. They are used to manage short-term fluctuations in cash flows, and are designed to help banks maintain adequate liquidity levels (to support their daily operations). Under this facility, a commercial bank can borrow funds from the SBP for a short period of time (overnight or for a few days). The amount of the loan is based on the collateral provided by the bank (eg government securities, bills of exchange, and other financial instruments). The interest rate on transaction-based facilities is typically higher[7] than the SBP's policy rate, which is the rate at which the central bank

[6]https://www.sbp.org.pk/incen/Export.asp

[7]The higher interest rate reflects the short-term nature of the loan and the greater risk associated with providing temporary financing.

lends to commercial banks for longer-term periods. The commercial lenders provide export funding to exporters on a particular instance basis in exchange for solid export credit transactions. As proof of performance, the exporter must submit export proceeds equal to the loan amount. The facility has a maximum maturity of 180 days, with a 90-day rollover option if performance equals 117 percent of the loan amount (TDAP, 2020; SBP, 2012).[8]

### 2.2. Part-II EFS—Performance-Based facility by SBP

Performance-based facilities are short-term financing facilities provided by SBP to commercial banks based on their performance against certain criteria. These facilities are designed to incentivise banks to improve their performance (eg increasing lending to priority sectors, improving their risk management practices). Under this facility, a commercial bank can borrow funds from the SBP at a subsidised interest rate if it meets certain performance targets. The interest rate on performance-based facilities is typically lower than the SBP's policy rate, which is the rate at which the central bank lends to commercial banks for long term. The lower interest rate reflects the fact that banks are giving incentive to the borrower.

In performance-based facility, an exporter's access to revolving export financing is equal to fifty per cent of export revenues obtained via the shipment of eligible items in the preceding fiscal year. The export performance of an exporter has been compared yearly on a daily product basis to the total loan collected throughout the fiscal year. Except for exports for which funding is received under Part I of the scheme, the exporter must realise export earnings from the export of eligible items during the relevant period. The maximum loan length under Part II of the program is likewise 180 days, which can be extended by another 180 days subject to showing 70 percent shipment of a loan availed in 180 days (SBP, 2012).

## 3. FEDERAL BROAD OF REVENUE (FBR) EXPORT FACILITATION SCHEME 2021

The Federal Board of Revenue has announced the updated Export Facilitation Scheme 2021[9] (effective from August 14, 2021). The Federal Government adopted the new Export Facilitation Scheme as part of the Finance Act 2021. This scheme runs parallel to other initiatives[10] such as the Manufacturing Bond, the DTRE, and the Export-Oriented Schemes for two years and after that these other initiatives will be replaced by this new scheme. The scheme is focused to assist: exporters (manufacturers cum exporters, commercial exporters, indirect exporters), vendors, export houses, international toll manufacturers. The users of this scheme must be authorised by the Collector of Customs and the Director General of the Input-Output Coefficient Organisation (IOCO). A positive aspect is that this initiative has made international contract manufacturing viable in Pakistan. The applicants, users, and exporters must present basic important documentation

[8] https://www.sbp.org.pk/incen/BookGuidlines-EFS.pdf

[9] SRO-957 (1)/2021 was issued to announce this scheme.

[10] Schemes for exporters facilitation offered by FBR: Manufacturing Bond Rules (Warehousing) - Chapter XV of Customs Rule 2001-SRO450 (I)/2001; Export Oriented Units (EOUs) and Small and Medium Enterprises (SMEs) Rules -S.R.O. 327(I)/2008; Duty and Tax Remission for Exports (DTRE) - Sub-Chapter 7 of Chapter – XII of Customs Rule 2001- SRO 450(I)/2001; Temporary Importation -S.R.O. 492(I)/2009.

and security. By eliminating sales tax refunds and duty disadvantages for scheme participants, the Export Facilitation Scheme 2021 is expected to minimise corporate expenses, simplify tax compliance, boost businesses, reduce exporter's financial problems, and hence stimulate exports. The scheme is computerised and operated under WeBOC and PSW[11] (TDAP, 2021; FBR website).

Key features of FBR facilitation scheme are : minimum certification needed which motivates SMEs, includes the old schemes rules plus new features as well, online application procedure and simplification of system, EFS has no fixed targets[12] but time utilisation of scheme is fixed, audits and post-clearance compliance checks (TDAP, 2021).

## 4. COMMERCIAL BANKS' ROLE IN EXPORTS FINANCING SCHEMES

Commercial banks play an important role in export promotion by providing exporters with financing and other services. Many facilities have been given by commercial banks to exporters. First, the Export Credit Guarantee Scheme protects banks from the political and commercial risks of export financing. This allows banks to provide financing to exporters while avoiding the risk of nonpayment by foreign buyers. Second, commercial banks offer exporters letter of credit (LC)[13] facilities, a payment mechanism used in international trade transactions. Moreover, commercial banks offer exporters trade financing services such as pre, and post-shipment financing, and export bill discounting.

The SBP has launched several initiatives aimed at increasing financial inclusion in Pakistan (eg The National Financial Inclusion Strategy, branchless banking regulations, and the Financial Literacy Program). The SBP's goal in promoting financial inclusion is to increase access to financial services, which in turn supports economic growth. The SBP is ultimately responsible for the Export Financing Program, its policy formulation and monitoring process. Every year, the SBP limits banks' capacity to refinance and examines them regularly. ERF is allowed at cheaper rates to specific segments of exports thus enabling them to remain competitive (price wise) in the international market. SBP and Banking Services Corporation (BSC) field offices[14] around the nation conduct on-site audits of bank refinancing situations. Banks make payments and demand repayment from SBP BSC field offices by focusing on SBP regulations.

The SBP helps commercial banks with liquidity through a variety of channels, including open market operations, standing facilities, and rediscounting. This enables commercial banks to meet the funding needs of businesses and households, thereby boosting economic activity. The field offices of SBP BSC manage operational matters of EFS. Under the EFS, commercial banks after disbursing the loan to the exporter approach the field office of BSC for reimbursement of the same loan Commercial banks charge borrowers an extra 3 percent for the EFS. It is imperative to recall that under this scheme;

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[11]PSW -a digital platform that allows parties involved in trade to lodge standard information and documents with a single-entry point. This includes all import, export, and transit-related regulatory issues).

[12]Allows two different venders 1) direct venters, and 2) manufacturer.

[13]LC is a bank guarantee that the exporter will pay once the goods have been shipped and the required documents have been submitted.

[14]13 field offices in Islamabad, Lahore, Karachi, Peshawar, Faisalabad, Gujranwala, Hyderabad, Multan, Muzaffarabad, Quetta, Rawalpindi, Sialkot and Sukkur.

commercial banks can access SBP refinancing at 2 percent for all other exporters and 1 percent for SMEs. Moreover, commercial banks are entitled to charge a maximum spread of 1 percent on loans to all other exporters and 2 percent on loans to SMEs. Apart from the products on the scheme's negative list, EFS funding is available for all major Pakistani value-added exports. As a result, any exporter who fits in the lending conditions of a bank can obtain financing for qualifying products (SBP, 2012).

## 5. REGULATORY STRUCTURE

### 5.1. Government Interventions

This section explains the role of government and regulatory structure of financing in Pakistan. The exports in country are mainly taken care by Ministry of Commerce.

Government can provide exporters with insurance and guaranty programs in addition to direct concessionary loans. At the OECD's insistence, export credit guarantees have replaced direct subsidised financing in wealthy countries since the 1980s. Subsidised export loans, on the other hand, remain prevalent in developing countries. It's worth considering whether subsidised loans for short and long-term working capital requirements can improve export performance (Defever, Riano and Varela, 2020).

In Pakistan government is intervening through SBP and FBR schemes. No formal policy was there in Pakistan but time to time several measures are taken to boost exports.

- A **rebate of taxes paid on goods** exported between 1 July 2018 - 30 June 2021
- The **drawback rates range 3 percent to 4 percent** (with an additional 2 percent for exports made to non-traditional markets). Source: Export Policy Order 25-09-20
- FBR **issued the SRO-957 (1)/2021 on 9th July 2021** to announce the Export Facilitation
- In current economic situation-**shortage of dollars in economy,** and **due to IMF pressure**-impact is shifted to Financing schemes. SBP has instructed gradual phasing out of EFS till further new arrangement (The News, August, 2023).

### 5.2. Regulation of Export Financing Scheme by SBP

In Pakistan, export financing schemes are regulated by the SBP as the bank provides its guidelines for the export financing facilities for exporters. The EFS aims to provide exporters with financing to improve their export business. The scheme covers a range of export financing options (SBP, 2012) which includes:

- pre-shipment financing
- post-shipment financing
- export refinance
- export bill discounting

The eligibility criteria is determined by SBP for exporters to access financing facilities on meeting certain performance standards.

The SBP has established monitoring arrangement to assess the utilisation of export financing facilities (SBP,2006) to ensure that the rules/ regulations are followed:

- periodic audits
- BSC field office visit
- report on the utilisation of export financing facilities
- performance of export portfolio

### 5.3. Regulation of Export Facilitation Scheme by FBR

Export facilitation scheme in Pakistan is a new scheme and regulated by the Federal Board of Revenue (FBR) which is responsible for formulating / implementing policies and regulations related to trade facilitation and financing (including export facilitation schemes).

These schemes provide:

- financing to exporters at concessional rates
- guidelines for exporters to avail the facility
- Exporters must meet certain criteria to be eligible for the facility which may include:
- export performance
- compliance with tax laws
- meeting the timeline for exports
- other factors related to the export process

To ensure compliance with the law/ regulations, the FBR conducts audits and investigations of exporters who participate in these schemes (FBR website).[15]

## 6. EXPORTS OUTLOOK

Pakistan's export has shown a stagnant path in recent years. According to the Pakistan Bureau of Statistics (PBS), the exports during FY2022 totaled $ 31,782 million against $ 25,304 million during the corresponding period of last year showing an increase of 25.60 percent. The highest increase during FY2022 is observed in the month of June which was $2911 million (PBS, 2023).

Pakistan's export performance has been affected by various factors, including global economic conditions, domestic energy shortages, security challenges, and trade barriers. Despite having many challenges, Pakistan has been working to diversify its export base and explore new markets. The government has launched various initiatives to support exporters, such as the Strategic Trade Policy Framework (STPF) and the Prime Minister's Export Package.[16] The government has also been negotiating Free Trade Agreements (FTAs) with various countries to increase market access for Pakistani exporters.

Diversification of products and markets remained a key component of the second Strategic Trade Policy Framework (STPF) for the years 2012-2015. The STPF received funding totaling 275 million dollars. This strategy exempted several non-traditional industries from capital expenditure and export financing, including leather, fish, sporting goods, cutlery, electrical fans, and medical items. Some incentives were provided to encourage businesses to invest in exporting activities and goods. Mineral and agricultural

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[15]https://fbr.gov.pk/fbr-issues-draft-rules-for-new-export-facilitation-scheme-2021/163069

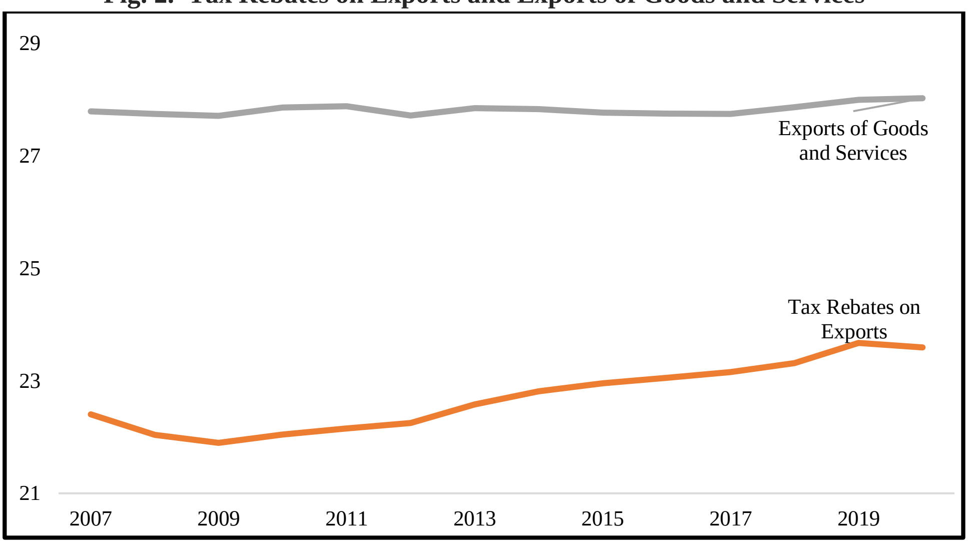
[16]Announced package for industry to attract investment.

products were prioritised for small businesses in low-income areas of Pakistan, such as Khyber Pakhtunkhwa, Gilgit, and Baluchistan.

Over the past years, the STPF has spent millions on trade policy initiatives. There was a lot of emphasis on non-traditional businesses like leather, medicine, fishing, and surgical equipment. Importing new technology to improve product quality and competitiveness is eligible for up to 50 percent financial assistance, as is a 50 percent markup on export activities in the aforementioned industries. Small and medium-sized businesses were to be prioritised, according to the policy announcement. Trade talks with Korea, Jordan, and Kazakhstan were also initiated to gain access to a broader range of markets. This time, the same few non-traditional commodities were given incentives, with the same emphasis on regional trade. Such policy measures appeared good for export diversification (Siddiqui, 2006).

Pakistan's Economy faces trouble due to low exports, ongoing IMF program, challenges after pandemic, recent drought and current flooding. Pakistan's economic growth turned negative (-0.5 percent) in 2019-20. Industrial production contracted and observed growth of 7.2 percent in FY22 is not impressive. As compared to 7.8 percent in last year (Economic Survey, 2021-22), services sector contracted by 0.6 percent, Total investment also declined to 15.3 percent of GDP from 15.6 percent. Similarly, exports have shown no prominent role in the economic growth and development of Pakistan. In the fiscal year 2021, exports equal $25.3 billion, up from $21.4 billion in the fiscal year 2020.

**Fig. 2. Tax Rebates on Exports and Exports of Goods and Services**




*Source:* SBP.

The Figure 2 above shows two different series of "exports of goods and services" and "Tax rebate on exports". Although tax rebate is low but over time increase in this rebate has minor effect on exports with tax rebate. There has been a slight increase in the tax rebate of exports after 2009 which shows minor impact on the exports of the country. The export growth in Pakistan is not very impressive whereas government policies, and subsidies and export financing schemes have played a minor role in export growth. This has also been confirmed in (SDPI, 2023) that export volumes gains are not enough for exporters who are availing financing schemes.

Quantitative evidence has been incorporated by taking time series on exports from WDI, and export financing from SBP. On applying simple OLS technique on data ranging (2007-2021) the estimated coefficient shows small significant impact of about 0.09 (small magnitude) when export financing was regressed on exports.[17]

After reviewing Export Financing schemes by SBP, Export Facilitating Scheme of FBR, and Exports of Pakistan, this research moves towards its second & third objectives i:e Comparing the Export Financing scheme of SBP and Export Facilitating scheme of FBR and evaluating the export financing schemes from perspective of Commercial banks (as private entity) and exporters (as beneficiary).

## 7. METHODOLOGY

Qualitative methodology and secondary data facts are used in this study. The research first conducted a comprehensive review and explored the literature, including reports, and policy documents related to Pakistan's export finance. The study then discussed the current status and policy framework of export finance programs in Pakistan. To meet the objective, the study reviews and compares the performance of the two finance schemes of SBP and FBR. Informal Interviews/discussions were conducted with key stakeholders such as: policymakers (SBP, FBR), facilitators (commercial banks) and business groups (exporters). The study utilised thematic analysis to examine their perspectives and gain insight into their views on FBR policies, obstacles, and SBP policymaking related to export financing schemes. Stakeholders are questioned about FBR export financing policies & obstacles, and SBP export financing policymaking to investigate and better understand export financing schemes. Qualitative data were collected from FBR, SBP, exporters, and commercial banks. The method used to analyse each factor in this study is described in the following points.

- Review of export financing schemes in Pakistan operated by two different institutions: SBP and FBR
- Comparison of "SBP Export Financing Scheme" and "FBR Export Facilitation scheme"
- Export outlook in presence of financing, Regulations, and Facilitation of export financing schemes in Pakistan:(secondary information from websites, Document analysis like export annual reports)
- Interviews with Stakeholders-Insights from SBP, FBR, Commercial banks & Exporters

### 7.1. Sample Selection

Export financing is used as a policy tool to assess export promotion policy in Pakistan. For this the two export finance programs separately launched by the FBR and SBP are selected. The stakeholders are chosen through convenient sampling. Researchers approached SBP, FBR, commercial banks, and exporters. Exporters who are not availing

[17] Regression equation: $Ex = c + \beta EFS + €$

the schemes are also interviewed to find out the problems at their end. The targeted respondents of SBP, FBR, Commercial banks and exporters are contacted through personal visits, phone calls, key informants' interviews, and meetings with key stakeholders (either in person or on Zoom). For contacting exporters, the request was made to Commercial banks who identified few exporters (who availed EFS). Then, through chambers & personal contacts, we found few exporters who didn't ever availed any EFS and they were included in sample to explore the reasons of no usage of financing scheme.

### 7.2. Data Collection and Analysis

The analysis is based on three dimensions: Secondary information/analysis; Comparative analysis of SBP vs FBR scheme; and Findings of the interviews. Open-ended and discussion-based questions have been used to collect interview data from various stakeholders. Each questionnaire was customised to the nature of the stakeholder's operation and function in the export finance programs.[18] The questions posed to authorities (policymakers, facilitators of export finance schemes, and exporters) were divided for three groups: SPB/FBR, commercial banks, and exporters. The themes of the export financing scheme questionnaires included the SBP's status, the challenges faced by the SBP, FBR, and commercial banks, as well as exporters' perspectives on the future challenges posed by export financing schemes, as well as awareness and utilisation of export financing schemes. The interview data were analysed using a "thematic analysis". While conducting interviews and analysing data, ethical concerns are addressed. The responders' identities are kept anonymous. Information is collected around following points: assessment criteria of exporter, process of financing, regulations, taxes, time frame, impact on exports, sectors in which these schemes are given, eligible entities, financing limit, penalty on exporter, awareness about the scheme and avoidance factors. Moreover, challenges faced by exporters and commercial banks are also explored.

## 8. FINDINGS & DISCUSSION

This Section is based on two dimensions: (1) Comparative analysis of SBP vs FBR scheme, and (2) Findings from the interviews.

### 8.1. Comparative Analysis of FBR vs SBP Scheme

The Table 1 below compares both FBR facilitation scheme and SBP financing scheme. It highlights few differences along with some similarities.

The FBR's Export Facilitation Program is largely intended to reduce the cost of doing business for exporters by allowing them to import machinery, raw materials, and other inputs duty-free.

The SBP's financing schemes are concessional schemes (Export Finance Scheme and the Long-Term Financing Facility, Export Refinance Scheme), on the hand, are aimed at providing financing support to exporters to boost export competitiveness, diversification of exports, and the expansion of export-oriented sectors.

[18]Questions from SBP and FBR were similar but different for commercial banks, and exporters.

Table 1

*Comparative Analysis of FBR, SBP Financing Schemes (Part I and II)*

| Themes | FBR scheme features | SBP scheme features | Difference |
|---|---|---|---|
| Assessment Criteria for Exporter/ exporting Firm | • Facilitate in export of capital goods, and give duty exemptions | • Scheme operates in two parts: Part I & part II.<br>• **Part 1:** Pre shipment and post shipment stage against export contract.<br>• Exporter has to show export performance equal to loan amount.<br>• Before extending loan, they check the exporter's past performance.<br>• Exporters must show a "twofold" increase in shipments. (Annually)<br>• Exporters are allowed to take out another 180-day loan if they prefer.<br>• **Part II**: exporters get export finance- limit equal to 50 percent of exports of previous year<br>• Exporters must show two times export performance | • SBP scheme needs some annual increase in shipment. |
| Process of Financing /Regulations | • FBR "provide the financing scheme to exporters directly".<br>• Fresh exporters can apply.<br>• Those exporters can apply who are getting benefit of DTRE, EOU, MB schemes[19] | • Financing is "provided through banks".<br>• Commercial banks rely on SBP to provide finance. | • FBR scheme finance exporters directly and SBP financing is provided to exporters through banks.<br>• FBR scheme provide facility to fresh exporters if the exporter has export contract |
| Scheme Performance | • Growth in exports is not observed.<br>• This scheme is covering wide range and providing incentives (duty drawbacks. | • Export finance programs are good for encouraging exports.<br>• Exporters trust this scheme due to the process carried by commercial banks.<br>• Offered for value added goods<br>• Offered for some export of services | |
| Impact on Export Performance | • Export of finished goods is more recommended to expand Pakistan's export industry.<br>• Positive impact on exporters as the scheme offers several incentives | • SBP provides exporters with financing packages.<br>• Based on previous export growth, monitoring is executed.<br>• Positive impact on exporters' performance. | |

*Continued—*

[19]DTRE, EOU and MB scheme will be merged in EFS-FBR on August 13, 2023.

Table 1—(*Continued*)

| | | | |
|---|---|---|---|
| Policy Role/Implementation/Regulation | • To increase exports in volume<br>• Increase the country's exports by putting policies in place that reward exporters.<br>• Online quick processing | • To increase national exports by giving the incentives for exporters.<br>• Regulation is done by SBP and Commercial banks | |
| Tax Imposition | • Duty-Free<br>• Taxes are exempted in scheme by certain conditions | Old: 3 percent Mark-up Rate<br>• 1 percent Banks<br>• 2 percent SBP<br>Update: 4.5 percent Markup rate[20] | No duty on FBR scheme while SBP scheme has markup rate |
| Time Framework | • 180 days | **Part I:**<br>• 180 days-rollover 90 days<br>• If rollover needed for 90 more days then exporter has to show 117 percent export performance.<br>**Part II:**<br>• Exporters entitle for export finance limit equal to 50 percent<br>• Exporters required to show increased export performance annually[21]<br>• 180 days rolled over for more days (if at least 70 percent shipment of loan availed in initial 180 days) | |
| Targets Of EFS | • Raise the value & volume of exports<br>• Facilitating exporter<br>• Simplification of procedure<br>• Growth of Economy | • Raising exports<br>• Addressing exporter credit needs<br>• Proper checks and collaterals<br>• Growth of Economy | • FBR scheme is facilitating exporters<br>• SBP scheme is addressing credit needs of exporter |
| Beneficiaries | • Manufacturer cum exporter<br>• Manufacturer<br>• Commercial exporter<br>• Indirect exporter<br>• Common export house<br>• International toll manufacturer | • Direct exporters<br>• Indirect exporters | • FBR scheme covers broad range of exporters<br>• SBP scheme selects carefully from Direct and indirect exporters |
| Sectors availing facility | • Textile, cooking oil, spices, surgical goods, rice, leather, sports, carpets, footwear, engineering goods, metal products etc. | • Textile, surgical goods, rice, leather etc.<br>• Goods in negative list are not considered. | • SBP scheme is covering big exporters of capital goods.<br>• FBR scheme has tried to cover a wide range of products and exporting firms |

*Source: Based on Stakeholder's View, SBP (2012), TDAP (2020), FBR Scheme Information.*

[20]Markup rate changes with policy rate. It may differ as it is reported when interviews were conducted.
[21]For eligible commodities under the scheme.

Both the FBR and SBP funding schemes have improved Pakistan's export performance. According to the State Bank of Pakistan, the country's exports scaled up by 7.2 percent in February 2021 to reach $2.3 billion, compared to the same month the previous year. In addition, Pakistan's exports mounted by 4.2 percent during the first eight months of the fiscal year 2020-21, reaching $13.68 billion. The FBR program has reduced the cost of doing business for exporters, whilst the SBP's financing schemes have promoted export competitiveness, diversification of exports, and the expansion of export-oriented sectors.

The comparison of the two schemes show some similarities in both schemes like both examine the exporter's previous records before making another loan, exempts the exporter from paying duty and provide incentives, time frame is 180 days and sectors availing the subsidy are mainly textile, surgical goods, rice, leather, cooking oil spices etc. On the other hand, differences are identified as FBR scheme finance exporters directly (require full documents from exporter) and SBP financing is provided to exporters through commercial banks (requirement from exporter is: annual increase in shipment, use of loan in time). FBR scheme provide facility to fresh exporters if the exporter has the export contract whereas SBP scheme selects carefully from direct and indirect exporters. SBP scheme is covering big exporters of capital goods while FBR scheme has tried to cover a wide range of products and exporting firms. Lastly, there is no duty is to be paid on FBR scheme while SBP scheme imposes a markup rate (varies with policy rate 3 percent, 4.5 percent, 10 percent).

### 8.2. Interview Insights on SBP Financing & FBR Facilitation Scheme

The information received from persons in the department of FBR and SBP respondents is shown in the following Tables 2 and 3. Open-ended inquiries and discussions were done to gather information. Secondary information was correspondingly collected. The importance of the chosen stakeholder's viewpoint, financial agencies such as the FBR, SBP, exporters, and other commercial banks have been involved in the analysis.

Exporters and experts had different views (Table 2 and 3) to the SBP financing and FBR facilitating programs. Large exporters have commended the plan for lowering exporter's costs and increasing their competitiveness in foreign markets. They have praised the online application procedure, which has made it easier for them to take advantage of the scheme's benefits.

On the other hand, medium and small exporters have criticised the initiative for its limited reach. Their view is that the SBP system only allows duty-free imports of machinery, raw materials, and other inputs for a six-month period, which may not be long enough to make a substantial impact on export performance. Furthermore, small exporters have claimed delays and difficulty in acquiring the requisite licenses, certificates and online procedure to take advantage of the scheme's benefits.

The FBR reported that traders are mostly more involved in importing raw material (as raw material is used in exports) as compared to exporting which is the main reason of stagnant exports in the country. In the study conducted by Abeysinghe and Yeok (1998), it was reported that variations in exchange rates have a diminished impact on exports when those exports contain a higher proportion of imported components. In the context of

Table 2

*Exporters View (SBP Financing Scheme)*

| **Themes** | |
|---|---|
| Criteria Assessment | SBP examine the previous performance of the exporter before making another loan.<br>Facility available to direct exporters (including commercial exporters & trading companies) & Indirect Exporters (manufacturers) |
| Financing Limit | The exporter is given loan for "up to ten lacs" that can be used for 180 days. |
| Assessment criteria for giving the next loan | Exporters must "double" their shipments in the next year.<br>The loan has a utility limit of 180 days, although exporters can take it again if they need. |
| Time Duration of availing EFS | Direct exporters can avail the finances for 180 days<br>A rollover option is for a further 90 days, making the maximum financing available 270 days |
| Monitoring of Exporter on availing EFS | SBP provides loans to exporters, which help raising the country's total exports. |
| Tenure of Financing Scheme | Maximum duration of loan is "ten years". |
| Loan Disbursement decisions | The majority of loan related meetings are conducted in SBP offices in Karachi, Faisalabad, and Lahore. |
| Penalty on exporter if deadline not met | SBP don't offer private loans to exporters. In fact the commercial banks are involved in making these loans. Exporter are charged through banks if they are penalised.<br>If exporters fail to fulfil the deadline, they will be charged per day. |
| Post EFS achievements | Revenue generated through exports<br>Employment opportunities in a country by promoting export-oriented and export-related enterprises<br>Achieving optimum utilisation of resources by the increasing production |
| Policy implementation<br>Performance of EFS<br>Impact of EFS on Export | • SBP properly implement its policies. It gives more incentives to the exporters, thus increasing Pakistan's export levels.<br>• The performance of EFS is positive to enhance the level of export<br>• Impact of EFS varies with the exchange rate variations<br>• An increase in export leads to more participation of industries thus enhancing the level of employment.<br>• Export marketing strategy is positively related to product and export market characteristics |

*Source: Exporters interviews and secondary information collection about EFS*

Table 3

*Exporters View (FBR Facilitation Schemes)*

| Themes | Informant Key Points |
|---|---|
| Policy Role | • Main role is to increase revenue over time.<br>• The FBR's role is to provide exporter duty-free financing. |
| Schemes Performance<br>Monitoring<br>Policy<br>Regulation/Implementation | • Supports "complete product export" not the raw material export (export of commodities—surgical, leather, textile, etc.)<br>• As the exports grow, there is appreciation of domestic currency, causing trade surplus.[22] |
| Impact on Exports | • Enhance exports and increases the involvement of industries, hence increasing employment.<br>• Offer simple procedures (no duty)<br>• Exemption from sales tax on exported goods<br>• Refund process is easy and quick<br>• Low level of output due to lack of advanced technology, lesser resources; difficulty competing in the free market and failure to meet deadlines. |
| Government intervention | • The FBR implements policies by providing additional incentives to exporters, hence improving national export levels. Luxuries are prohibited. |
| Public and Private Sector | • Exports of completed goods should be encouraged. There is a need to reduce production costs in export industry.<br>• The government should establish institutes of training in advanced technology, thereby improving product quality. Involve private sector to train workforce.<br>• The government must provide the basic necessities to the industry.<br>• The private sector plays a major role in national exports. |
| Exporters view | • The scheme has lowered the export costs as they get claimed finances.<br>• Competing in foreign markets is possible now.<br>• Easy online procedure, to take advantage of the scheme |

*Source: Based on Interviews, Discussions and Secondary Information Collection.*

[22]Number of factors influence exchange rate so Impact on exchange rate may not be immediate.

industries oriented towards export, such as manufacturing, adjustments in exchange rates directly benefit them. Consequently, while exchange rate risk remains a critical factor in international competitiveness, it is also linked to the sluggish growth of export-focused industries, as highlighted by Zia and Mahmood (2013). Nevertheless, despite the complains of exporters, FBR has continued to assist the export industry through a variety of programs, including:

- tax breaks
- facilitation of export-oriented firms
- trade liberalisation advocacy

*Other initiatives:* The government also announced intentions to implement new financing programs, such as the Export Credit Guarantee Plan (Export Credit Insurance Scheme), to promote export development in Pakistan. Export Credit Insurance Scheme, is a major export promotion and support initiative. The Export-Import Bank of Pakistan (EXIM Bank) is responsible for overseeing the program that provides exporters with insurance against the commercial and political risks associated with exporting.

Table 4

*Exporters—Not Availing Export Financing EFS-SBP*

| **Themes** | **Key Informants (Exporters)** |
|---|---|
| **Challenges** | • Exporters who never availed this facility showed a lack of awareness of financing schemes.<br>• Exporters who were aware of this facility and never used it as they fear too much documentation or the complexity of the system.<br>• Large industries avail such schemes as they have finances, market power and they have already established systems. They don’t face problems. Medium term and SMS don’t have chances to avail the schemes.<br>• Commercial banks have a set criteria for exporting firms. Sometimes they refuse Medium scale and small scale firms.<br>• Trust and access issues. Banks demand collateral and they trust only large exporters/companies.<br>• Trust issue is from exporter side also. Bank may create problem if we need some time to grow our exports.<br>• Exporters don’t prefer to take loan from Banks (limited access to banks, financing is given on limited items),[23] rather they get finances from family members or by friends.<br>• Small number of exporters avail pre shipment and post shipment financing schemes. |

*Source: Exporters Interviews & Discussions.*

[23]Not all products included. List can be provided on request.

Table 5

*Commercial Banks View (Financing Schemes of SBP)*

| **Themes** | **Informant Key Points** |
|---|---|
| Loan Duration | • Commercial banks make long-term loans to exporters. |
| Provision of the loan | • Exporters do not approach SBP directly for loans. The process is done through commercial banks.<br>• Commercial banks need collateral from small customers.[24] If exporter do not provide it, he will not be accommodated by bank.<br>• Collateral is not demanded from Pvt. Ltd or Public Ltd companies<br>• Commercial banks hold all of the exporters' legal information, provide the papers to the SBP, and then reroute the funds to the exporters.<br>• ERF is allowed at cheaper rates to some selected segments of exports. |
| Tenure for Loan | • Exporters must demonstrate performance conditioned with the loan amount.<br>• The loan term is 180 days with a 90-day rollover.<br>• The corporate sector receives a benefit of 0.5-1.5 percent, while small and medium-sized enterprises (SMEs) accessing financing through export financing schemes receive a benefit of 1-2 percent. |
| Challenges | • Exporters face delays and difficulty in acquiring the requisite licenses and certificates<br>• Lack of awareness of the process and incomplete documentation<br>• The bank doesn't agree to provide financing if exporter's documentation is incomplete.<br>• Delays due to approval processes (Exporters face delays and difficulty in acquiring the requisite licenses and certificates)<br>• Careful attitude of banks (unwillingness to provide finance) due to legislation related issues<br>• Legislations issues remain unsolved for years (eg 15 years, 30 years).<br>• Legislation fears create a market gap. Business environment suffers. |

*Source: Information Collected Based on Discussions, Visits & Secondary Sources.*

[24]Small customers case- where accepted bills are not of A rated banks or unaccepted bills or discrepant bills, there mortgage is demanded by bank. Mortgaged properties may be related to business or personal properties of proprietor/partner/directors.

Concluding the responses of exporters mentioned in Table 4, the financing schemes are mostly availed by big exporters, while medium and small exporters are either reluctant to use the facility or they are not accommodated by commercial banks as these banks have a set criteria for exporting firms. The bank refuses to finance the exporting firms when they are unable to meet required standards.

EFS by SBP has expanded exporters' access to credit, particularly for small and medium-sized firms (SMEs), who previously had difficulty obtaining financing from commercial banks. EFS has aided exporters' cash flow by providing finance for pre- and post-shipment activities (TDAP, 2020). This has enabled exporters to better manage their cash flows and lower their financial risks. EFS has aided exporters' export competitiveness by providing finance for export-related operations such as working capital, capital expenditures, and export-related fees.

The exporters experience has led this study to conclude that EFS(SBP) and Export facilitation scheme by FBR, both tried to involve exporters but only few exporting firms meet the financing criteria. It appears that Pakistan's exporting firms seriously need to bring themselves unto the standards offered by SBP and FBR. The textile and garment industry, for example, has long been a substantial contributor to Pakistan's exports. Problems are faced by them due to high policy rate and makes them reluctant to set targets for export expansion as reported by APTMA. The sector's competitiveness must be improved further by investing in technology, increasing efficiency, and eliminating supply chain bottlenecks. Agriculture products exports have high-quality crops including mangoes, citrus fruits, and grains having great export potential. Certain industries have significant growth potential and might benefit from export finance packages to help them expand and compete. For this the EFS can be beneficial if low interest facilitation is offered.

The Commercial banks are involved in financing process by SBP. These banks work through a set criteria for exporters who need financing. Banks reported increased demand for export finance, with some claiming a rise in their export financing portfolio. Some difficulties and challenges are highlighted in executing funding to exporting firms. These challenges include assessing potential borrower's credit worthiness, delays in acquiring the requisite licenses/certificates, lack of awareness of the process and incomplete documentation, and delays due to approval processes. The commercial banks, according to their set criteria, don't agree to provide financing if exporter's documentation and collateral requirement is incomplete.

Commercial banks have typically reacted favourably to these financing schemes, which have helped them boost lending possibilities, decrease risks, and improve portfolio quality. A UNCTAD report also supported the role of banks in providing long-term financing directly from their own funding sources, by tapping into new sources and by leveraging additional resources, including private, through the co-financing of projects with other partners (UNCTAD, 2016).

### 8.3.1. *Insights of the Commercial banks on Part I and Part II*

Commercial banks are involved by SBP to carry on EFS Part-I Transaction-Based Facility and EFS Part-II Performance-Based Facility.

(a) Export Finance Scheme (EFS Part-I - Transaction-Based SBP Facility)

While providing funding under the EFS Part-I Transaction-Based Facility, commercial banks must follow specific norms and restrictions established by the SBP. These rules include:

- maintaining minimum credit standards
- securing enough collateral
- monitoring the use of the granted money

Before granting funding, commercial banks must assess the exporter's creditworthiness. This involves examining the exporter's:

- financial accounts
- credit history
- repayment capabilities

Banks must assess the legitimacy and likelihood of fulfilment of export orders received by the exporter. Banks may also assess the importer's reputation and the market circumstances for the exporter's product. Under the EFS Part-I Transaction-Based Facility, the SBP also provides incentives to commercial banks for attaining export financing objectives. This contributes to the continued expansion and development of Pakistan's export economy as reported by (TDAP, 2020; SBP, 2012).

(b) Export Finance Scheme (EFS Part-II - Performance-Based facility)

Providing funding under the EFS Part-II Performance-Based Facility, commercial banks must follow specific standards and restrictions established by the SBP. These standards include:

- reviewing the exporter's creditworthiness
- assessing the exporter's export performance
- ensuring that money supplied is used for export-related operations

Commercial banks are also expected to continuously monitor the exporter's export performance and report any deviations from the export objectives to the SBP. Furthermore, the SBP incentivises commercial banks to fulfil export financing objectives through the EFS Part II Performance-Based Facility. Commercial banks' roles in providing funding under the EFS Part-II Performance-Based Facility are critical in assisting Pakistan's export growth (TDAP, 2020; SBP, 2012).

## 9. SUM UP DISCUSSION

Pakistan faces several challenges, including low productivity levels, low exports and limited access to financing. With the right policies and incentives, the country has significant potential to develop its manufacturing and export sectors. Export financing is an important tool in providing manufacturers and exporters with the necessary capital to invest in modern technology and machinery, expand production capacity, and access new international markets. This study concludes the impact of export financing on exports is quite low in case of Pakistan and does not provide reliability of export promotion policy (incase when export financing is used as policy tool). Export financing by SBP is provided at cheaper rates to specific segments of exports thus enabling them to remain competitive (price wise) in the international market while export facilitating by FBR is a bit new to influence exports. The results are consistent with claim of (Haque and Kemal, 2007) that export subsidy scheme do not seem to work in Pakistan. Moreover, the study by Ahmad (2015) rightly identifies export incentive scheme is less liberal as compared with its competitors.

Pakistan exerts significant effort to make its economy more competitive and offered certain export financing schemes to support exporting firms and enhance country's exports. Export financing schemes are offered through FBR, SBP, TDAP, Commercial Banks and EXIM bank. The impact of this export financing has shown minor impact reflected by stagnant exports in Pakistan. The study mainly compares the two main export financing schemes offered by SBP through commercial banks and FBR. It further evaluates the performance of the exports, and export financing schemes from the perspective of Commercial banks (as private entity) and exporters (as beneficiary). In spite of highlighting importance of EFS in export process, the study finds various issues in business environment that discourages exporters and hinder export growth in Pakistan.

Using qualitative approach and secondary data facts, the study highlights the experience of exporters and shows big exporters are availing financing but they are unable to expand their export output. They own family businesses and have no desire to grow due to unfavourable business environment. The findings show few medium level firms are also availing the financing facility. While small exporting firms are not availing the facility as the firms are not encouraged to boost their capacity (technology, standards) due to unfavourable business environment in country. They cannot meet the documentation & collateral requirement standards set by commercial banks and hence, are unable to get export financing offered by SBP. In case of FBR facilitation (direct financing-no role of commercial banking), it is noted that the scheme offers financing to a wide range of exporters, still the medium and small firms are unable to meet international standard criteria and documentation. Due to these constraints the firms are not encouraged to boost their capacity (technology, standards). Consequently, big exporters in the market are availing the export financing schemes and find export cost effective.

Both SBP and FBR schemes are targeting to facilitate exports and offering favourable incentives. The financing programs have given much-needed finance to exporters with incentives. The exporters who avail these schemes are encouraged to improve export performance by increasing shipment in due time. Due to a longer production process and lag between the production and delivery of goods and services, firms involved in international trade are particularly dependent on export finance for their working capital needs. In addition, with export markets being relatively more sophisticated and competitive than domestic ones, keeping up with global demand requires constant investments in their upgradation. The study finds that "large" and "medium" exporting firms are mostly the beneficiary of the export financing schemes while SMEs are not availing the schemes either due to unawareness, or they fear the complication of the process. Large firms achieve the target of export after availing of the EFS as they are bounded in the agreement. The results are consistent with (Defever, et al. 2020) also finds that the SBP financing is not available for all firms and all sectors. In fact, this study finds no evidence for large firms investing their own expansion / upgradation and hence the demand of our exports is not increasing in the global market and this keeps our exports stagnant. Moreover, commercial banks are trying to adopt a careful approach in selection of firm for finances due to the complexities of legislation. Market is not competitive for the new entrant firms. This creates a "market gap" as due to strict assessment conditions & demand of collateral by commercial banks, new exporters are deprived of the financing. A discouraging business environment is created for a trader who wants to export. Traders find it more useful to shift towards importing activity instead of exporting and trade deficit takes place.

Under FBR export facilitation, financing is directly given to exporter inform of tax rebate and there is no role of commercial banks. The scheme offers financing to a wide range of exporters, but still there are firms that are unable to meet international standard criteria, licencing requirements and documentation. Consequently, big exporters in the market are availing the export financing schemes but they unsatisfied due to regulations and fear of FBR. FBR scheme is recent, offering incentives to all exporters, providing direct financing. It is expected to be more effective and covering wide range of incentives. As the FBR scheme is relatively new, the exporters are more relying on SBP scheme.

While these export finance schemes have been a step forward, there is some potential for improvement in terms of boosting access to working capital, streamlining the application and approval processes, and improving coordination between the public and private sectors. Overall, the regulatory framework for export financing schemes in Pakistan is designed to promote the growth of the exports while ensuring compliance with regulatory requirements. The regulatory framework also ensures receipt of valid and complete documentation of the exporters. As mitigating the risk of default is the responsibility of government, so time to time policy changes have not given fruitful export growth and trust environment as it was expected.

## 10. CONCLUSION

Two main export financing schemes, one offered by the State Bank of Pakistan (SBP) through commercial banks and the other by the Federal Board of Revenue (FBR), have been evaluated. Large and medium-sized exporters are the primary beneficiaries of these schemes, while small and medium-sized enterprises (SMEs) face barriers such as stringent documentation and collateral requirements.

In conclusion, Pakistan faces significant challenges including low productivity, limited access to financing, and stagnant exports. While export financing has been promoted as a tool to boost the manufacturing and export sectors, this study finds that its impact on exports in Pakistan is relatively low and doesn't provide a reliable export promotion policy.

The study reveals that a discouraging business environment, complexity of legislation, and market barriers deter new entrants from accessing export financing. This leads to a trade deficit as traders may shift towards importing instead of exporting.

The FBR scheme, which provides tax rebates directly to exporters, is relatively new and has not gained significant traction compared to the SBP scheme. While both schemes aim to incentivise exports, there is room for improvement in terms of streamlining processes and enhancing coordination between the public and private sectors.

Overall, Pakistan's regulatory framework for export financing schemes is designed to promote export growth and ensure compliance but has not yet yielded the expected results in terms of export expansion and trust within the business environment.

### 10.1. Recommendations

The recommendations based on the findings are:

- Competitive environment must be created. The SBP should get engage with the commercial banks to remove legislation fears, to broaden the scope of the initiatives and make financing available for all viable exporters.
- Redesigning of Export policy is recommended which must address Pakistan's market gaps, incentivise firm's upgradation so that they can meet financing requirements, licensing & international standards of exporting. The policy must address and resolve trust issues of both parties (banks & exporters)
- While significant effort has been desired in broadening Pakistan's export basket, the country's reliance on a few items and markets remains high. Some responsibility lies on exporter part also. Significant use of financing should be done by exporters. They should focus on growth of business, emphasise export diversification by discovering new items/ markets with significant financing scheme offerings.
- Large exporting firms must be encouraged to invest in their upgradation so that they can compete internationally well and the demand of our exports increase in the global market.
- Upgradation of firms is needed to meet in house financing criteria & international standards for exporting. A favourable business environment should be created as priority by addressing in policy. Private sector (PBC, chambers) should draft some criteria of advocacy for upgrading exporting firm in terms of technology, standard, quality of documents and maintenance.

# ANNEX 1

## Information Extracted by Stakeholders Around Following Questions & Discussion Points

| Category/Functions Assessments | FBR | SBP | Exporter | Banks/Financial Institutes |
|---|---|---|---|---|
| Criteria Assessment | What are the criteria/requirements of SBP and FBR to initiate the export financing schemes? | What are the criteria/requirements of SBP and FBR to initiate the export financing schemes? | Whether Financing schemes are accessible? Enlist the criteria you experienced | What are the criteria/requirements of the Bank to initiate the export financing schemes? |
| Different Scheme | Difference between SBP and FBR schemes?<br>FBR offers Things/ included in schemes | What is the difference between SBP and FBR schemes? | Which scheme is more supportive of the industries? | How is the Financing scheme for banks/institutions? |
| Regulatory Framework<br>Time Framework | Whether the mission goals being fulfilled?<br>The targeted period of these Financing schemes | Whether the mission goals being fulfilled?<br>The targeted period of these Financing schemes | Whether the mission goals being fulfilled?<br>The targeted period of these Financing schemes | Whether the mission goals being fulfilled?<br>The targeted period of these Financing schemes |
| Policy Role | Do you think recent policy needs expansion/ changes?<br>Flaws in the recent policy | Do you think recent policy needs expansion/ changes? | Do you think recent policy needs expansion/ changes? | Do you think recent policy needs expansion/ changes? |
| Monitoring | How Monitoring is the being carried out in the scheme? | How Monitoring is the being carried out in the scheme? | How Monitoring is the being carried out in the scheme? | How Monitoring is the being carried out in the scheme? |
| Schemes Performance | How export financing schemes are performing in Pakistan? | How export financing schemes are performing in Pakistan? | How export financing schemes are performing in Pakistan? | How export financing schemes are performing in Pakistan? |
| Policy Regulation | What are the export policy regulations and facilitation of export financing schemes? | What are the export policy regulations and facilitation of export financing schemes? | What are the export policy regulations and facilitation of export financing schemes? | What are the export policy regulations and facilitation of export financing schemes? |
| Impact Of Export Financing Scheme | What is the significant boost in the country's foreign exchange earnings regarding export schemes? | What is the significant boost in the country's foreign exchange earnings regarding export schemes? | What is the significant boost in the country's foreign exchange earnings regarding export schemes? | What is the significant boost in the country's foreign exchange earnings regarding export schemes? |
| Related Sector | What is the important sector of the economy the SBP has related to the export finance schemes? | | | |
| Targeted Industries | Export financing scheme targeting the industries which industries are mostly benefiting from this scheme? | Export financing scheme targeting the industries which industries are mostly benefiting from this scheme? | Export financing scheme targeting the industries which industries are mostly benefiting from this scheme? | Export financing scheme targeting the industries which industries are mostly benefiting from this scheme? |
| Key Challenges | What Challenges are being faced? | What Challenges are being faced? | What Challenges are being faced? | What Challenges are being faced? |

## ANNEX 2

### Eligible Goods & Services under the Scheme

All major value-added commodities exported from Pakistan are eligible for financing under the scheme, except those mentioned in Negative List. Any exporter who meets the lending criteria of a bank can avail of financing under EFS for the export of eligible commodities.

EFS facility can be availed for the exports of Gold Jewelry (embedded with or without precious/semi-precious stones)/gemstones/precious and semi-precious stones on self-consignment.

Financing under the Scheme is also available for consultancy services of various sectors of the economy where foreign earning is remitted into Pakistan. Such sectors include; medical, pharmaceutical, engineering, accountancy, management, financial services, wholesale distribution and retail trade, transportation, storage and communication, telecommunication services, educational services and real estate consultancy services

**List of Commodities not Eligible for Export Refinance under the EFS-SBP**

| | |
|---|---|
| Raw Cotton (Excluding Surgical Bleached / Absorbent) | Fertilizer Crude |
| All Types of Yarn | Jewelry exported under the Entrustment Scheme. |
| Mutton and Beef other than frozen & preserved | Live Animals |
| Crude Vegetable materials n.e.s. | Hides & Skins |
| Wool & Animal Hair | Leather Wet Blue |
| Crude Animal Material | Antiques |
| Waste & Scrap of all kinds | Fur Skins |
| Stone, Sand and Gravel | Wood , rough or squared |

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