

F.No.21/6/2008-CIE-II  
Government of India  
Ministry of Finance  
Department of Economic Affairs

North Block,  
New Delhi, the 23rd July, 2010

**Subject: Terms and Conditions and Procedure to be adopted in respect of Government of India (GOI) Supported Exim Bank Lines of Credit (LoC's)**

The Government of India (GOI), Ministry of Finance, Department of Economic Affairs (DEA) have been receiving a number of proposals, recommended by Ministry of External Affairs (MEA), Government of India for providing development/financial assistance, including lines of credit, to other developing countries. These proposals were hitherto being examined in the light of guidelines contained in this Department's O.M. No. 5/8/2002-CIE-II dated January 23, 2004. In order to streamline the terms and conditions and processing of LOC proposals; the following guidelines in supersession of the guidelines dated 23.1.2004 may henceforth be followed in implementation of the Indian Development and Economic Assistance Scheme (IDEAS) under which such LoC's are approved.

**Classification of countries**

2.1 Under these Guidelines, countries have been classified into the following three broad categories:

- a. Heavily Indebted Poor Countries (HIPC )
- b. Low Income Countries and LDC Countries  
(Other than those included in "a" above)
- c. Middle Income Countries

2.2 The classification of HIPC Countries, Low Income Countries and Middle Income Countries is as per the World Bank Classification of economies (July,2009) and the classification of LDC Countries is as per the classification done by the UN office of the high representative for the least developed countries, landlocked developing countries and small island developing states.

2.3 The countries falling in each of the categories is as per **Annex I**.

### **Terms of Credit**

3. The terms of credit that may be offered to any country will depend on its classification. The current terms are given in the following table:

	<b>Heavily Indebted Poor Countries</b>	<b>Low Income Countries and LDC Countries</b>	<b>Middle Income Countries</b>
RATE OF INTEREST	1.75	2.00	Libor+0.5% p.a.
MATURITY	20	10	8
MORATORIUM	5	3	2
<b>Grant Element*</b>	56.4	37.3	34.4

\* The grant element component has been calculated as per the OECD formula using the value of 0.60 % for LIBOR (6-months, US\$).

#### **4. The following is of importance while interpreting this table:**

- a. The Grant Element component is in-built into the terms of credit. It is defined as the difference between NPV of the loan repayments and the actual amount of loan. The Grant Element is not offered separately.
- b. These are the best terms that can be offered to any country.
- c. The Government of India (GOI) may revise these terms from time to time.

5. The borrowing country is fully responsible for repayment and servicing of the loan. The borrowing country must provide sovereign guarantee for repayment and servicing of the loan in case the loan is taken by its agency.

6. The Borrower shall pay interest on due dates to Exim Bank and repay the principal instalments to Exim Bank on due dates as per the agreed Repayment Schedule. The liability of the Borrower/Recipient of the LOC, for repayment of principal instalments and payment of interest and other dues under the LOCs, to Exim Bank, is absolute and irrevocable, and is, in no way, linked to repayment/payment by sub-borrowers or to the completion of the projects/contracts covered under the LOCs, or subsequent operation thereof.

## **7. Lending Agency**

Concessional Lines of Credit under the Indian Development and Economic Assistance Scheme (IDEAS) will be provided by Exim Bank and any other Public Sector Bank/entity approved as an agency for this purpose by the Government.

## **8. Requirement as to import of goods and services from India**

These loans are for importing goods and services and for Project Exports from India. As a rule, goods and services for minimum 75% value of the contracts covered under these loans must be sourced from India. A suitable relaxation not exceeding 10% may be considered on a case to case basis for exceptional reasons, especially in case of projects having civil construction. LOCs may finance upto 100% value of contract on FOB/CFR/CIF/CIP basis. Soft loans under the scheme shall be free from all kinds of taxes and duties of any nature whatsoever levied in the recipient country including all corporate/personal/Value added taxes, Import/Custom Duties, Special levies and social security contributions for temporary employees deputed by Indian exporters in relation to the project execution in the Recipient countries.

## **9. Terminal Disbursement Date:**

All LoC's will have terminal disbursement date which will mean the date falling on expiration of a period of 48 (forty-eight) months after the scheduled completion date in case of project exports and 72 (seventy-two) months of execution of Line of Credit (LOC) Agreement in case of supply contracts. Thus the unutilized portion of the line of credit will be cancelled at the end of 4 years after the scheduled completion date in case of project exports and 6 years of execution of the Credit Agreement in other cases.

## **10. Automatic annulment of non-operational LOC**

There shall be automatic annulment of an LOC which does not get signed for a period of 18 months from the date of its approval by DEA. However, for justifiable reasons, this period could be extended by a maximum 6 months on a one time basis on the recommendation of the concerned Mission and the MEA.

## **11. Administrative Charges**

### **i. Commitment Fee**

Commitment fee shall be payable at the rate of 0.50% per annum to the lending agency, only on the amount of credit remaining undrawn in respect of each eligible contract. Further, commitment fee begins to accrue only after expiration of 12 months from the date of each commercial contract, in respect of HIPC countries and 2

months in respect of Non-HIPC countries. Hence, if withdrawal/disbursements occur within the stated periods of each contract approval, the LOC recipient Government is not required to pay any commitment fee.

ii. **Management Fee:**

Management fee @ 0.50% for Non-HIPC countries has to be paid by LOC recipient Country/ borrowing Entity to EXIM Bank as a one-time payment on the amount of the eligible value of the contracts.

**12. Monitoring mechanism**

- i. Borrowing governments are requested to set up suitable monitoring mechanism with representatives of borrowing government, EXIM Bank and Indian Mission concerned to ensure that the work on the project is executed as per the detailed project report without time or cost over-runs.
- ii. Regular progress reports on the utilization of GOI supported LOCs, implementation of the projects covered under such LOCs and servicing of the LOCs should be made available to MEA every 6 months through the concerned Indian Missions.
- iii. A status report on project execution will be submitted at 6 months interval till completion of the project by the executing authorities.
- iv. There shall be a periodic (bi-annual) monitoring of all LOCs issued under this scheme by a committee comprising officers of MEA, DEA and EXIM Bank.
- v. In case of signs of delay in a particular project or on receipt of specific complaint the concerned Indian Diplomatic Mission should coordinate with the borrowing Government to organize a joint site visit to ascertain the reasons for delay or complaint and to initiate suitable redressal by the borrowing Government for smooth and timely project completion.
- vi. On completion of the project, the Indian Diplomatic Mission must obtain from the recipient government/executing agency, project completion report covering the benefits derived/ to be derived from the project and its socio-economic impact on the country/region where it was implemented.
- vii. The missions may also provide to the GOI, inputs on long-term economic interests that these LOCs have resulted in creating in the recipient countries.

**13. Recovery of Overdues**

Exim Bank will inform the Indian Mission of overdues, if any, under an LOC. Every effort must be made for early recovery of all due amount whether fees, interest or principal. The Indian Diplomatic Missions shall provide all necessary assistance for recovery and maintain a close follow up with borrower governments and institutions for this purpose.

**14. Periodical review of the projects done under the Lines of Credit**

After completion of a project, a comprehensive report along with visual documentation must be submitted to the Ministry of External Affairs, EXIM Bank and DEA, by the LOC recipient Government and Indian exporters. Where necessary, an independent agency may also be engaged to assess the Performance of the LoC for the purpose for which it has been approved.

15. These new guidelines shall come into force with immediate effect and shall be applicable, as appropriate, to the LoCs which have already been approved and also to special initiatives such as support to NEPAD, TEAM-9 and the ASEAN.

**Grants**

16. GOI may consider providing grant funds for project identification, preparation and appraisal. This may include consultancy charges to be paid to professionals/organizations.

**17. Operational Guidelines**

For the convenience of the recipient countries as well as Indian exporters and Indian missions abroad, the operational guidelines and Bidding and Procurement Procedure, to be read in conjunction with guidelines as above, are provided and are placed at **Annex II:**

Yours faithfully  
Sanjay Kumar  
Director  
Ph: 2309 2378

**Annex I**  
**CLASSIFICATION OF COUNTRIES**

<b>S.N</b>	<b>a. HIPC COUNTRIES</b>	<b>b. Low Income Countries and LDC countries</b>	<b>c. Middle Income Countries</b>	
1	Afghanistan	Angola	Albania	Namibia
2	Benin	Cambodia	Algeria	Palau
3	Bolivia	Djibouti	Armenia	Panama
4	Burkina Faso	Kenya	Azerbaijan	Papua New Guinea
5	Burundi	Kiribati	Belarus	Paraguay
6	Cameroon	Korea, Dem. Rep.	Belize	Peru
7	Central African Republic	Lao PDR	Bosnia and Herzegovina	Philippines
8	Chad	Lesotho	Botswana	Russia
9	Comoros	Maldives	Cape Verde	Serbia
10	Congo, Dem. Rep.	Myanmar	Chile	Seychelles
11	Congo, Rep.	Nigeria	Colombia	South Africa
12	Côte d'Ivoire	Pakistan	Costa Rica	Sri Lanka
13	Eritrea	Samoa	Cuba	St. Kitts and Nevis
14	Ethiopia	Solomon Islands	Dominica	St. Lucia
15	Gambia, The	Tajikistan	Dominican Republic	St. Vincent and the Grenadines
16	Ghana	Timor-Leste	Ecuador	Suriname
17	Guinea	Tuvalu	Egypt, Arab Rep.	Swaziland
18	Guinea-Bissau	Uzbekistan	El Salvador	Syrian Arab Republic
19	Guyana	Vanuatu	Fiji	Thailand
20	Haiti	Vietnam	Gabon	Tonga
21	Honduras	Yemen, Rep.	Georgia	Tunisia
22	Kyrgyz Republic	Zimbabwe	Grenada	Turkmenistan
23	Liberia		Guatemala	Ukraine
24	Madagascar		Indonesia	Uruguay
25	Malawi		Iran, Islamic Rep.	Venezuela, R.B.
26	Mali		Iraq	West Bank & Gaza
27	Mauritania		Jamaica	
28	Mozambique		Jordan	
29	Nicaragua		Kazakhstan	
30	Niger		Lebanon	
31	Rwanda		Libya	
32	São Tomé and Príncipe		Macedonia, FYR	
33	Senegal		Marshall Islands	
34	Sierra Leone		Mauritius	
35	Somalia		Mayotte	
36	Sudan		Micronesia, Fed. Sts.	
37	Tanzania		Moldova	
38	Togo		Mongolia	
39	Uganda		Montenegro	
40	Zambia		Morocco	

## Annex II

### **Operational guidelines and Bidding and Procurement Procedure to be followed for LoC's**

#### **A. Operational Guidelines**

- (i) Each country may provide a proposal indicating the projects/ goods and services that it would be interested in importing from India, in line with its national priorities, to the concerned Mission.
  - a. In the case of projects, the Detailed Project Report should be provided. However, if it is not ready, then an outline Project Proposal, indicating estimated project cost, start up and expected completion dates must be submitted. Project details to be fully developed before according approvals for the LOCs.
  - b. In the case of goods and services exports, details regarding the product, the quantity required and the estimated cost are to be indicated.
- (ii) GOI's priorities would broadly be as follows:
  - a. The first priority would be to fund economic and infrastructural projects in recipient countries.
  - b. The second priority will be to exports in specific sectors to create bridgeheads for bilateral trade.
  - c. The third priority would be export of goods and services required in the markets of the recipient country, in which India does not have a presence.
  - d. Support by way of credit lines for setting up adequate network of servicing facilities by exporters
- (iii) Regional proposals submitted jointly by two or more countries may also be considered. In this case, details regarding the implementing agency, and share of each country in the total credit envisaged, may be indicated. The concerned Missions should be fully apprised of and support the project.
- (iv) Apart from sovereign guarantee to be provided by the borrowing country to cover repayment of interest and principal, providing additional comfort through re-insurance, securitizing the loans, finding third party guarantees/escrow accounts, linkage with exports of commodities etc., may also be explored and included in the proposal.
- (v) MEA shall, after due appraisal and assessment, forward the proposal with their recommendation to DEA.

- (vi) Commitments made on the occasion of high level visits or summit/Ministerial meetings for extending support through LOCs may be treated as “in principle” approvals. In such cases and with a view to early fulfillment of commitments made at the political level, the concerned Indian Mission and borrowing Government would be expected to work closely to develop detailed project report/proposal for further processing of the case.
- (vii) The Final decision regarding the quantum and terms and conditions of the LOC will rest with the Government of India.

**B. Bidding and Procurement Procedure**

- i The project may be put to bid under a competitive bidding process by the borrowing Government/its agency. For bidding process under the LoCs, eligibility of participation is limited to Indian entities registered in India and/or incorporated/established under any law in force in India.<sup>1</sup>
- ii. A list of project exporters, and exporters of goods and services, may be made available by industry associations through a web based system. Bids may be invited from these or any other Indian exporters. Additionally, the information on projects sought to be undertaken through LOC financing could be disseminated on the websites of the borrowing Governments, EXIM Bank and industry associations to give wide publicity.”
- iii. Transparency in the award of contracts to Indian companies under LOC financing is extremely critical. However, it is important to note that the contract is between the borrower Government/its nominated agency/ buyer/executing agency and the supplier or contractor from India whose selection is the prerogative of the borrower. GoI and EXIM Bank are not responsible for such selection.
- iv. LOC Borrower Governments/nominated agencies are expected to conduct transparent and fair bidding process and advise Exim Bank about the procedure followed for selection of Indian contractors/suppliers and the names of the bidders etc.
- v. Should there be any deviation from this procedure; the Borrower Government/Agency must provide detailed justification for the same, to Exim Bank, which, in turn, will seek the decision of Ministry of External Affairs and DEA, Government of India, regarding the approval of such contracts.

---

<sup>1</sup> Substituted vide GOI-MOF-DEA’s OM – Ref. F.No.21/6/2008-CIE-II (Vol.III) dated September 23, 2011

- vi. Borrowing countries may follow bidding process in accordance with their own procurement laws, rules, regulations and procedures which should be clearly defined and details of which should be provided to GOI in advance to ensure that the award of contract is made in a fair and transparent manner.”
- vii. Sponsoring Missions may be vigilant without being overtly intrusive to ensure transparency and due scrutiny in the award of contracts by the borrowing Government.
- viii. Bid price may be expressed in US\$ only.

//////