

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>
<b>RATE OF INTEREST</b>	1.75	2.00	Libor+0.5% p.a.
<b>MATURITY</b>	20	10	8
<b>MORATORIUM</b>	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.

