HANDBOOK ON GOVERNMENT OF INDIA SUPPORTED LINES OF CREDIT OPERATED THROUGH EXPORT-IMPORT BANK OF INDIA

EXIM BANK

EXPORT-IMPORT BANK OF INDIA

HANDBOOK ON
GOVERNMENT OF INDIA SUPPORTED
LINES OF CREDIT
OPERATED THROUGH
EXPORT-IMPORT (EXIM) BANK OF INDIA

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LINES OF CREDIT GROUP

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LINES OF CREDIT (LOCS)

Government of India, with a view, inter-alia, to promoting India's trade and economic relations with developing countries in particular, launched the India Development Initiative (IDI), later renamed as the Indian Development and Economic Assistance Scheme (IDEAS), through General Budget for fiscal year 2003-04. Since then, the LOCs extended to foreign governments or their nominated agencies are being routed by the Government, through the Export-Import Bank of India (Exim Bank). These LOCs are extended to sovereign governments or their nominated agencies, to enable buyers in those countries, to import goods and services from India on deferred credit terms. The Indian exporters can obtain payment of eligible value from Exim Bank, without recourse to them, against negotiation of shipping documents/provision of services. Indian exporters realise full payment on shipment of goods, through Exim Bank, without being exposed to risk on the buyer or the buyer's country.

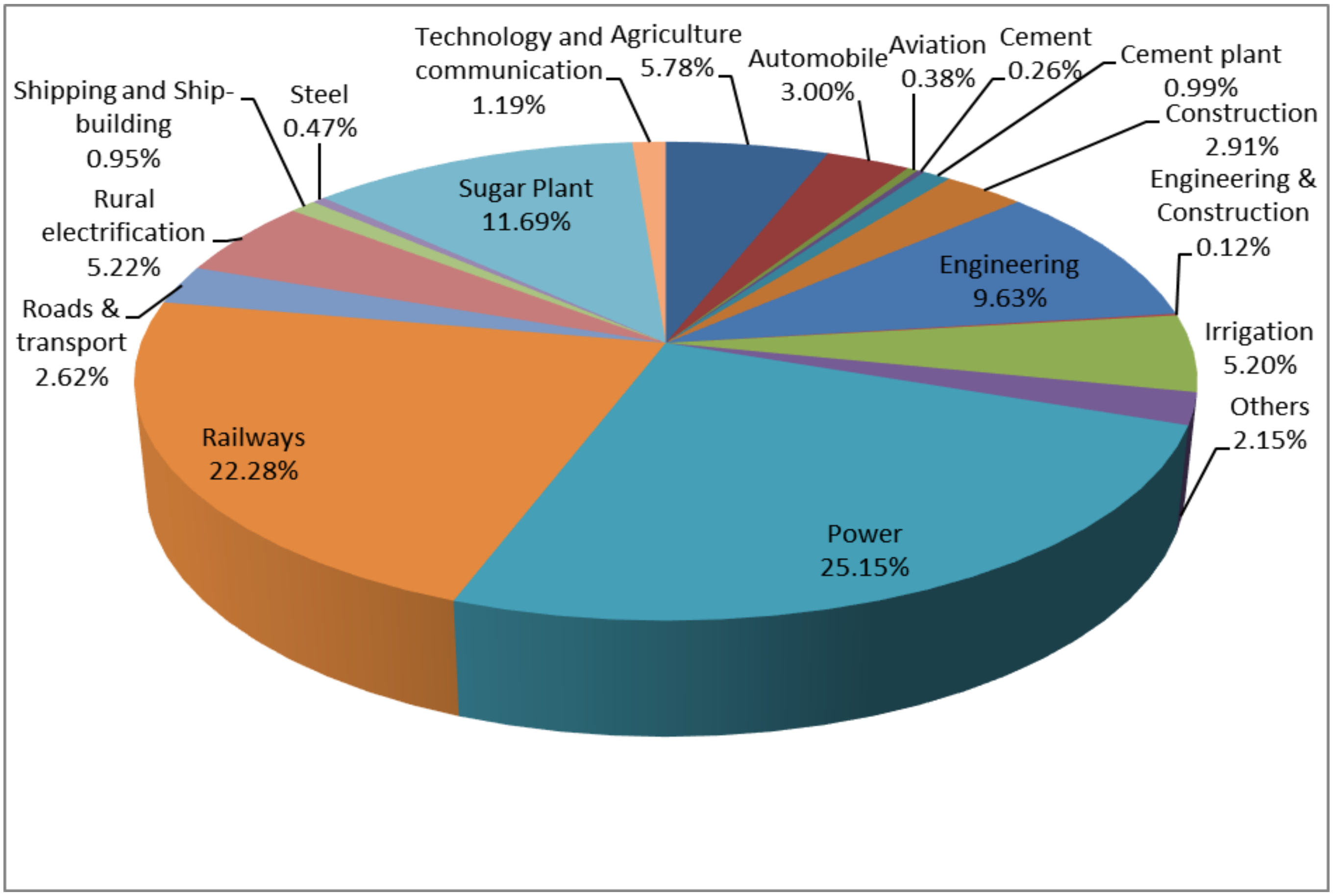
I. EXPORT-IMPORT BANK OF INDIA

Export-Import (Exim) Bank of India is an apex financial institution, fully owned by the Government of India. Exim Bank was set up in 1982 under an Act of Parliament of India, viz. Export-Import Bank of India Act, 1981, to finance, facilitate and promote India's international trade. Exim Bank has a range of financing and support programmes to achieve its mission. One such financing programme is Lines of Credit (LOCs). While the Government decides about the recipient of the LOC, the amount and terms of the LOC and the purpose thereof, Exim Bank funds, operates and monitors these LOCs on behalf of and with the support of Government of India.

II. BENEFITS OF LOCS

The LOCs enable the recipient countries to set up developmental projects in a variety of sectors e.g. agricultural mechanization, rural electrification, power generation, power distribution, sugar, cement, mini hydro-plants, transportation-rail and road, infrastructure. The recipient countries can acquire Indian equipment and technology, which are found to be appropriate, adaptive and affordable in developing countries of Africa, Asia, Latin America & the Caribbean and the CIS. LOC contributes to capacity building in countries where the projects are carried out, opens new market opportunities for Indian companies and generates goodwill for India.

SECTORAL UTILISATION UNDER LINES OF CREDIT AS ON MARCH 31, 2016



A brief Sector Profile for a few select sectors and Indian Capabilities in those sectors is enclosed at Annexure-I.

III. GOI GUIDELINES FOR LINES OF CREDIT (IDEAS)

Procedures and guidelines for LOCs have been issued by Ministry of Finance, Department of Economic Affairs (MOF-DEA) vide OM No. 21/3/2015-IDEAS dated December 07, 2015.

EXIM BANK
EXPORT-IMPORT BANK OF INDIA

CLASSIFICATION OF COUNTRIES:

The current Terms of the LOCs are as follows; GOI has classified countries into three broad categories viz. (i) Low and Lower Middle Income Countries (L & LMI) for which IMF has prescribed a minimum binding concessional requirement; (ii) Low and Lower Middle Income Countries (L & LMI) for which there is no minimum binding concessional requirement; (iii) Other Developing Countries. The countries falling in each of the categories is as per table below.

CLASSIFICATION OF COUNTRIES

	(Category-I) Countries with minimum binding concessional requirement as per IMF	(Category-II) L & LMI Countries with no minimum binding concessional requirement as per IMF		(Category III) Other Developing Countries not mentioned in Category I and Category II
1	Afghanistan	1. Armenia	29. Mauritania	
2	Bangladesh	2. Benin	30. Micronesia, Fed	
3	Burkina Faso	3. Bhutan	31. Moldova	
4	Burundi	4. Bolivia	32. Mongolia	
5	Central African Republic	5. Cambodia	33. Morocco	
6	Chad	6. Comoros	34. Myanmar	
7	Cote d'Ivoire	7. Congo, Democratic Republic of	35. Nepal	
8	Gambia, The	8. Cape Verde	36. Nicaragua	
9	Ghana	9. Cameroon	37. Nigeria	
10	Guinea	10. Congo, Republic of	38. Pakistan	
11	Grenada	11. Djibouti	39. Papua New Guinea	
12	Honduras	12. Egypt, Arab	40. Paraguay	

		Republic		
13	Kenya	13. El Salvador	41. Philippines	
14	Kyrgyz Republic	14. Eritrea	42. Samoa	
15	Liberia	15. Ethiopia	43. Seychelles	
16	Malawi	16. Georgia	44. South Sudan	
17	Mali	17. Guatemala	45. Sri Lanka	
18	Mozambique	18. Guyana	46. Sudan	
19	Niger	19. Guinea Bissau	47. Swaziland	
20	Rwanda	20. Haiti	48. Syrian Arab Republic	
21	Sierra Leone	21. Indonesia	49. Somalia	
22	Sao Tome and Principe	22. Kiribati	50. Tajikistan	
23	Senegal	23. Kosovo	51. Togo	
24	Solomon Islands	24. Korea, Democratic Republic of	52. Timor Leste	
25	Tanzania	25. Lao PDR	53. Ukraine	
26	Uganda	26. Lesotho	54. Uzbekistan	
27	Republic of Yemen	27. Madagascar	55. Vanuatu	
		28. Maldives	56.Vietnam	
			57.West Bank and Gaza	
			58. Zambia	
			59. Zimbabwe	

TERMS OF CREDIT:

Group	Credit terms		
	Interest (Fixed)	**Credit Period (Inclusive of moratorium)**	**Moratorium**
Low and Lower Middle Income Countries (L & LMI) for which IMF has prescribed a minimum binding concessional requirement (Category-I)	1.50%	25 years	5 years
Low and Lower Middle Income Countries (L & LMI) for which there is no minimum binding concessional requirement (Category-II)	1.75%	20 years	5 years
Other Developing Countries (Category-III)	Libor + 1.50%	15 years	5 years

As a special dispensation, additional tenor of 5 years and moratorium of 2 years over and above the terms offered under each of the three categories maybe granted for projects in below mentioned areas:

a. Infrastructure projects costing USD 200 million or more
b. Projects of strategic importance costing USD 100 million or more

If a borrowing country wishes to take a LOC from India to finance the equity of that Government in a Special Purpose Vehicle/ Joint Venture/ Subsidiary for project execution, the same can be considered provided the contractor/partner selected through competitive bidding is an Indian entity.

INDIAN CONTENT:

Goods and services for minimum 75% value of the contracts covered under these loans must be sourced from India. A relaxation not exceeding 10% may be considered on a case to case basis for projects involving significant civil construction work. Further, this exemption should be sought before the project is tendered. LOCs may finance up to 100% value of contract on FOB/CFR/CIF/CIP basis.

EXEMPTION OF TAXES AND DUTIES:

The LOCs will be free from all kinds of taxes and duties levied in the Borrowing 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 borrowing countries. However, the tax exemption for eligible services to be rendered locally will be mutually agreed and finalised prior to any utilisation under the LOC. If the domestic rules/laws of the borrowing country prohibits exemption of any taxes to bilateral partner/multilateral institution extending development assistance to it, the same have to be paid by the contractor from its own resources and should be reimbursed by the buyer to the contractor. No tax is liable to be paid from the LOC.

COMMITMENTS OF BORROWER COUNTRIES:

The borrower 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 an agency nominated by it. 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 of the LOC for repayment of principal instalments and payment of interest and other dues to the lending Bank is absolute and irrevocable, and is in no way linked to the repayment/payment by sub-borrowers or to the completion of the projects/ contracts covered under the LOCs or subsequent operation thereof

Borrower Government/Institution is also required to pay commitment fee @ 0.50% p.a. on unutilized credit after 2 months (12 months in the case of Category-I countries) from the date of contract approval and a one-time management fee of 0.50% of the eligible amount of contract covered under the LOC. Category-I borrowers are not required to pay management fees.

CANCELLATION AND ANNULMENT OF AN LOC:

The unutilised portion of the LOC is liable to be cancelled at the end of 60 months after the scheduled completion date of a project. The unutilised portion of a contract will stand cancelled at the end of 60 months.

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 MOF-DEA. However, for justifiable reasons, this period could be extended by a period of 6 months with the approval of GOI.

FINALIZATION OF THE CONTRACT:

The contract should be finalized within 18 months after signing of the LOC, failing which the LOC shall lapse unless extended by GOI.

ETHICS AND INTEGRITY:

Borrowers, bidders, contractors, suppliers, agents, consultants, sub-contractors, service providers, and any personnel thereof are expected to observe the highest standard of ethics during all LOC project preparation, bidding, procurement and execution processes. A suitable Integrity Clause for this purpose will be included in the LOC Agreement between the Overseas Borrowers and Exim Bank and all contracts to be financed under the LOCs.

All borrowers, bidders, contractors, suppliers, agents, consultants, sub-contractors, service providers, and any personnel thereof shall allow the GOI/Exim Bank to inspect all accounts, records and other documents relating to submission of bids and contract performance, and to have them audited by the auditors appointed by GOI/Exim Bank.

IV. STAKEHOLDERS IN THE LOC PROCESS

The following are the key stakeholders:

I. Ministry for External Affairs, Govt. of India

II. Ministry of Finance, Govt. of India

III. Indian Diplomatic Missions overseas

IV. Diplomatic Missions of Overseas Borrower Governments in India

V. Export-Import Bank of India (Exim Bank)

VI. Indian contractors/suppliers of goods and services.

VI. Governments/Governmental authorities/Designated executing agencies in the recipient country or regional development banks

VII. Credit recipients/end-users/final beneficiaries

V. STEPS INVOLVED IN SETTING UP, UTILIZING AND REPAYING AN LOC

Once it is determined that an LOC is to be extended, the steps involved are as follows:

(i) Application & Approval of an LOC
(ii) Signing of LOC Agreement and making the Agreement effective
(iii) Preparation of the Detailed Project Report (DPR)
(iv) Broad Guidelines for the Borrower Govt./Institution
(v) Appointment of Project Management Consultant (PMC)
(vi) Procurement / Bidding Process
(vii) Approval of Contracts under the LOC.
(viii) Disbursements & Repayments under the LOC
(ix) Monitoring
(x) LOC Closure

(i) Application and Approval of an LOC:

Details of activities for Application and Approval of LOC are as under:

1. The country desirous of availing of an LOC from India, may, through its Ministry of Foreign Affairs, request for an LOC from the Government of India and forward its request through the Indian Diplomatic Mission in the applicant country or through their Diplomatic Mission in India. The applicant country should provide a proposal indicating the projects/products that it would be interested in importing from India, under the LOC

along-with its national priorities. In the case of projects, the Detailed Project Report (DPR) should be made available for appraisal before according approval for the LOCs.

2. In case the country is unable to prepare the DPR on its own, then the LOC can be approved with a condition that an amount not exceeding 1% of the LOC will be utilised first for the preparation of the DPR. Further utilisation of the LOC will be subject to the approval of the DPR by GOI.

3. In the case of goods and services exports, details regarding the products/nature of service, the quantity required and the estimated cost are to be indicated.

4. Regional proposals submitted jointly from 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 Indian Missions should be fully apprised of the proposal and need to support the project.

5. Apart from sovereign guarantee to be provided by the borrowing country to cover repayment of principal and payment of interest, providing additional comfort through re-insurance, securitizing the loans, finding third party guarantees/escrow accounts, linkage with export of commodities etc., may also be explored and included in the proposal.

6. The Indian mission will forward the proposal received from the applicant country, with its comments/ recommendations, to the Ministry of External Affairs (MEA), GOI. MEA may also receive applications from the Diplomatic Missions of the applicant countries based in India, in which case, MEA may seek inputs from the Indian mission in the applicant countries.

7. MEA shall, after receipt of due appraisal and assessment of the project/DPR conducted by the Exim Bank or an independent agency employed by it at its cost, or entrusted by MEA to the line Ministry or their agencies, convene a meeting of the Standing Committee comprising officers of MEA, DEA, lending bank(s) and other stakeholders as special invitees (as considered necessary by the Committee) who would examine the proposal for grant of LOC in detail and would make its recommendations.

8. Commitments made on the occasion of high level visits or summit/ministerial meetings for extending support through LOC

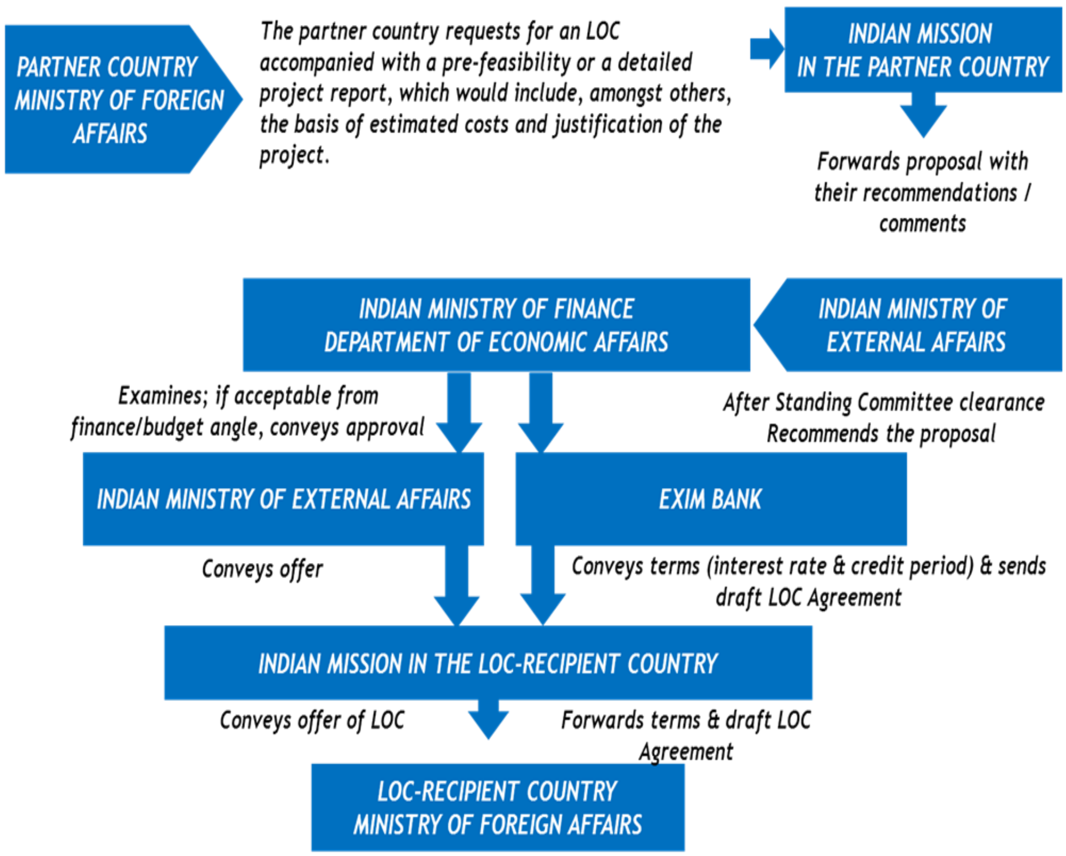
9. s may be treated as 'in-principle' approvals. In such cases and with a view to early fulfillment of commitments made at the political level, the concerned Indian Mission and borrower government will work closely to develop proposals and Detailed Project Reports for further processing of the case.

10. The proposal will then be examined by the Department of Economic Affairs (DEA), Ministry of Finance, GOI. If found acceptable from finance/budget angle, Department of Economic Affairs, Ministry of Finance, GOI will then convey approval of LOC indicating the LOC amount and terms including interest rate, credit period, the purpose of the LOC (whether it is for general purpose, for an identified projects or for a project with the contractors also having been identified in exceptional cases) to Exim Bank and Ministry of External Affairs, GOI. DEA will also advise the quantum and nature of support to be made available to Exim Bank.

11. The final decision regarding the quantum and terms and conditions of the LOC will rest with the Government of India. The Standing Committee shall also meet and deliberate upon the revision of terms and conditions of LOCs granted on the specific request of a Borrowing Government depending upon individual circumstances and all other matters related to LOCs etc.

12. Exim Bank after seeking internal approval, will convey the offer of the LOC and the terms thereof, followed by a draft of the LOC Agreement to be signed between Exim Bank and the LOC recipient Government (or its nominated agency, in which case, the LOC recipient Government will provide a separate sovereign guarantee) through the Indian Diplomatic Mission to the Borrower Government.

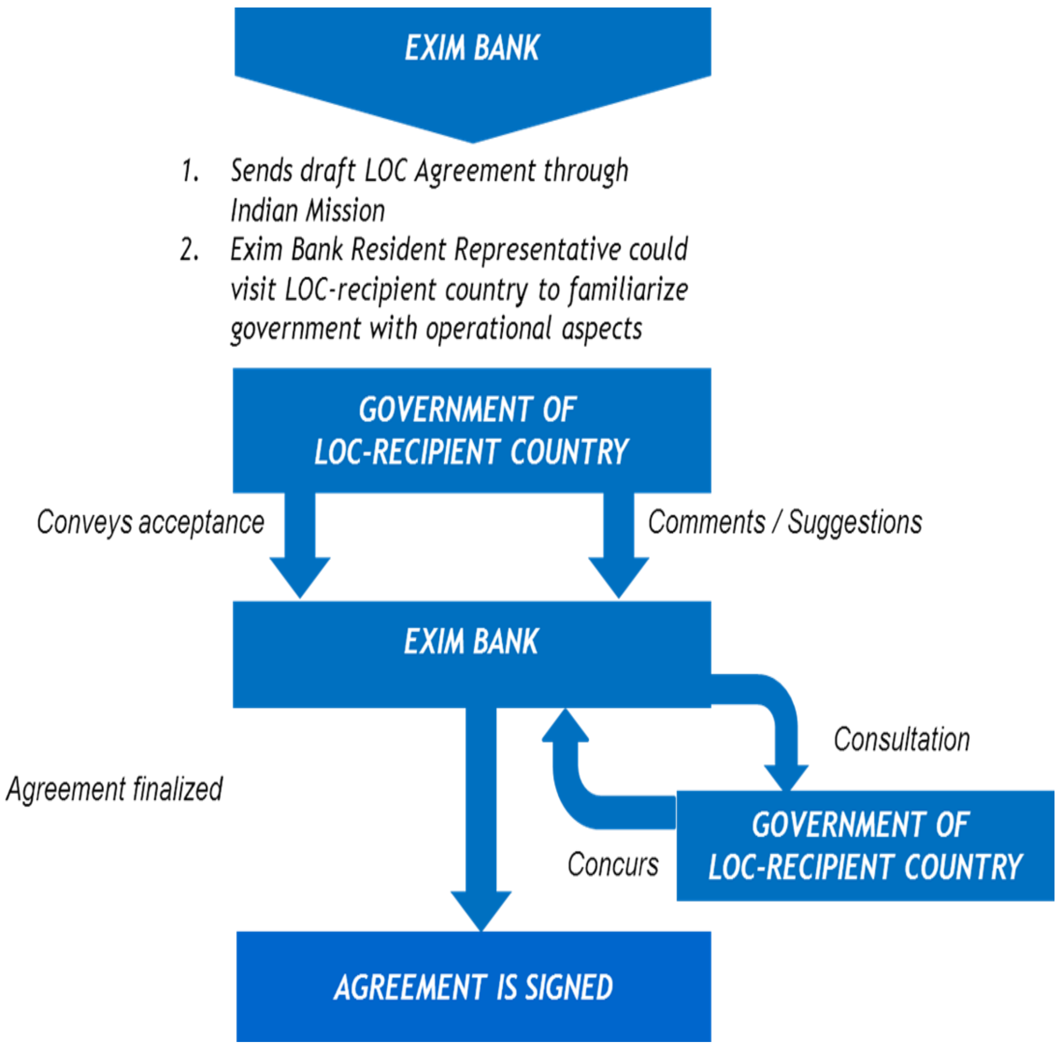
13. The Flow chart below depicts the various stages in Approval of the LOC:



(ii) Signing of LOC Agreement and Making the Agreement Effective:

The steps involved are:

1. The borrower government accepts the terms of the LOC and finalizes the Agreement in consultation with Exim Bank.
2. The Agreement is signed at mutually convenient date and venue or through exchange of documents.
3. On receipt of documents such as legal opinion of the borrower's legal counsel and a list of authorized signatories along with their specimen signatures, the Agreement will be made effective and a suitable announcement will be made to the effect that the LOC is effective and available for utilization.


EXIM BANK
1. Sends draft LOC Agreement through Indian Mission
2. Exim Bank Resident Representative could visit LOC-recipient country to familiarize government with operational aspects
GOVERNMENT OF LOC-RECIPIENT COUNTRY
Conveys acceptance
Comments / Suggestions
EXIM BANK
Consultation
Agreement finalized
GOVERNMENT OF LOC-RECIPIENT COUNTRY
Concurs
AGREEMENT IS SIGNED

(iii) Preparation of DPR

While preparing the DPR, the following guidelines shall be observed:

1. A detailed cost break-up along with detailed justification under each head.

2. Identification of the land for the proposed project, as also, details of access/right of way to the site.

3. Availability of basic resources viz. water and electricity etc.

4. Availability and continuous supply of raw material post commissioning in close proximity of the site.

5. Commitment from various Ministries of the host country for implementation of the project, such as tax exoneration, allotment of land, environmental clearances, security to Indian personnel, clearance of goods from the port authorities and its transportation to the site.

6. The DPR would need to evaluate the technical and financial sustainability plan of the proposed project, the developmental benefits arising from the project and the capability of the host Government to ensure smooth handling of the project post implementation.

7. The DPR may also specify the financial contribution (if any) of the borrower government and how it is proposed to be met.

8. The DPR should not be more than six months old prior to the approval of LOC to ensure that there are no major deviations from the assumptions of the DPR.

9. Major deviations, if any, in DPR viz. change of site/ location, scope of the project and other commercial terms may be considered prior to the approval of GOI.

10. The currency of the DPR should be uniform with the contract (preferably in USD).

(iv) Broad Guidelines for the Borrower Government/Institution

1. Objectives:

The objective of these guidelines is to inform those carrying out a project, which is financed in whole or in part under the LOC from Exim Bank of India, of the arrangements to be made for procuring the goods and works including related services required for the project. These guidelines are applicable to procurement of goods and services for the project(s) covered under the LOC. The rights and obligations of the Borrower Govt/Institutions and the providers of goods and services for the project(s) are governed by the contracts signed by the Borrower Govt/Institutions or Buyers/Executing Agencies in the Borrower's Country and the providers of goods and works, and not by the these Guidelines or the LOC Agreement between Exim Bank of India and the Borrower Govt/Institution. With the aim of ensuring economy and efficiency in the implementation of the project, these Guidelines seek to assist Borrower Govt/Institutions to procure good quality goods and works at best prices through a transparent procurement process.

2. Eligibility:

Indian entities registered in India and/or incorporated/ established under any law in force in India only will be eligible to participate under the LOC funded projects. However, such an entity if blacklisted by any multilateral agency or any authority in India or the borrowing country will not be eligible to participate for the period it is blacklisted.

3. General Considerations:

a) Transparent process of selection of Indian company that would implement the project. The borrower Government should ensure that it gets a competitive price and should go in for a competitive bidding process, providing eligible Indian bidders timely and adequate notification of the project requirements and an equal opportunity to bid for the required goods and services.

b) A firm which has been earlier engaged by the borrower country to provide consulting services for the preparation of a project should not generally be considered for subsequently providing goods or works for the same project. This provision does not apply in cases where such consultancy services are not on a standalone basis but an integral part of a package of supplies, works and services to be provided by the contractor.

c) Where the host country, executing agency and the Indian project exporter are willing and the successful running of the project so warrants, a joint venture may be envisaged, wherein the Indian project exporter takes an equity stake in the project.

d) Where proposals envisage acquisition of equipment or products (e.g. vehicles, machinery, tractors, pumps) as opposed to turnkey/construction projects, contracts should normally be awarded direct to the original equipment manufacturers (OEMs) in

India, after being satisfied with proper after sales maintenance service in the importing countries.

e) In case of turnkey projects, aspects such as maintenance, after-sales service, training may be built in the proposal, where required and possible.

f) Borrower should ensure that civil infrastructure for the project is in place, where such civil works are required to be undertaken by the Borrower Govt./Institution.

g) Pre-shipment inspection of equipment/ goods should preferably be stipulated in the commercial contract.

(v) APPOINTMENT OF PMC:

a) Where considered necessary by GOI/Exim Bank, an independent Indian Project Management Consultant (PMC) for the project should be appointed through fair and transparent bidding, including for preparation of DPR. If the borrower wants to appoint the PMC on nomination basis, the PMC charges have to be borne by the Borrower. However, this condition can be considered for relaxation on the request of the borrowing Government supported by detailed justifications.

b) If the Borrowing Government requests MEA or the lending bank to nominate/ appoint a PMC on its behalf, MEA may do so based on extant GOI rules and procedures.

c) The borrowing country can also appoint a Consultant of international repute as per their need/policy. However, in such a case the charge of the Consultant will be borne by the LOC borrower. The PMC scope of work should cover the design, bidding (including preparation of tender documents and evaluation of bids), monitoring of implementation, evaluation of operations and maintenance, and post-commissioning stages of a project.

(vi) PROCUREMENT / BIDDING PROCESS:

1. Tender documents which are prepared by the Borrowing Government need to be complete in all aspects. Payment terms are required to be linked to milestone achievements under the project. The lending Bank may restrict the advance payment up

to 20% of the contract value. 10% of the contract value should be retained and disbursed only after the installation and commissioning of equipment supplied under the project. Payment terms shall include liquidated damages in the range of 1-5% of the contract value for delays. Bid price should be expressed in USD only.

2. The complete set of tender documents for goods, works and services should be forwarded to Exim Bank for vetting. The bidding documents should contain all information necessary for a prospective bidder to prepare a bid for the goods and works to be provided. While the detail and complexity of these documents may vary from the size and nature of the project, they generally include: invitation to bid; instructions to bidders; form of bids; form of contract; conditions of contract; specifications and drawings; list of goods or bill of quantities; delivery time or schedule of completion and necessary annexures. The basis for bid evaluation and selection of the lowest evaluated bid shall be clearly outlined in the instructions to bidders.

3. Once the documents are approved by Exim Bank, Exim Bank will invite Expression of Interest from Indian Companies/entities and undertake a pre-qualification exercise for each project. The list of pre-qualified companies will be provided to the Borrowing Government. Thereafter, the project will be put to bid under a competitive bidding process by the Borrowing Government / its agency. Participation should be limited to Indian Entities registered in India and/or incorporated/established under any law in force in India. However, such an entity if blacklisted by any multilateral agency or any authority in India or the borrowing country will not be eligible to participate for the period it is blacklisted.

4. The responsibility for award and administration of contracts to be covered under the LOC rests with the Borrower Government who may, in a transparent manner, invite and receive bids from the pre-qualified Indian companies, evaluate bids and award contracts.

5. The borrowing Government may arrange to make available the tender documents through its Mission in India for purchase by potential Indian bidders.

6. On receipt of the bids, the borrower country or its nominated agency will proceed with evaluation as per criteria laid down in the bidding documents and decide on the award

of contract. The borrower country should prepare a report on the evaluation and comparison of bids setting forth the specific reason on which the recommendation is based for the award of contract. The same needs to be forwarded to Exim Bank for vetting.

7. Any deviation in the above procedure is to be reported to Exim Bank by the Borrower Government, who in turn will seek the approval of MEA and DEA for approval of the contract.

(vii) <u>APPROVAL OF CONTRACTS UNDER THE LOC:</u>

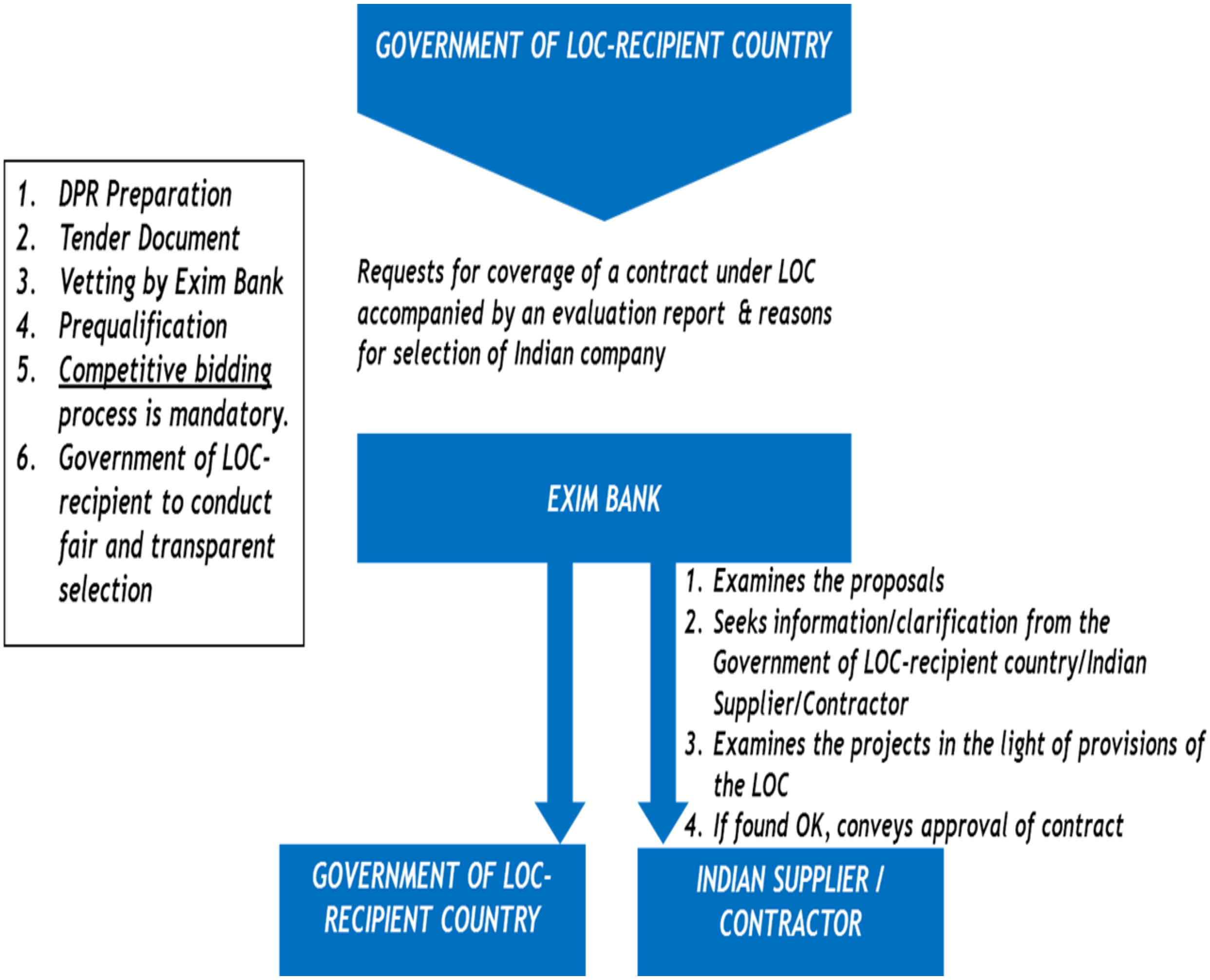
1. Based on the bids submitted by Indian companies, the Borrowing Government/Agency shall award the contract in accordance with fair and transparent evaluation criteria and procedures.

2. After the bidding process the Borrower shall submit a copy of the draft contract and the Bid Evaluation Report to Exim Bank for its concurrence. Exim Bank reserves the right to keep in abeyance all contracts that violate the norms of transparency and fair competition. The draft contract terms need to match with those in the tender documents and the DPR. Any deviations in the contract vis-à-vis the DPR and tender documents should be supported with detailed justification for such deviations.

3. Exim Bank will examine the draft contract, and in case of any deviations will refer the same to GOI. On GOI's instructions, Exim Bank shall convey its decision to the Borrower.

4. All confirmations regarding the availability of land, right of way, basic resources, clearances, tax and duty exemptions, financial closure and other commitments from the Borrowing Government should be forwarded along with the contract or prior to the release of advance payment.

The procedure for approval of contracts under the LOC and flow chart of activities is as under:



(viii) <u>Disbursements & Repayments under the LOC</u>

1. The buyer/importer’s bank opens a Letter of Credit in favour of Indian seller/contractor, which states that the contract is covered under Exim Bank's LOC to the Borrower and that the disbursement will be by Exim Bank for the Eligible Value of Credit.

2. Indian seller/contractor executes the contract/ships the goods/ provides services.

3. Exim Bank negotiates shipping documents and pays the Indian seller/contractor and debits the amount paid to the LOC account of the Borrower.

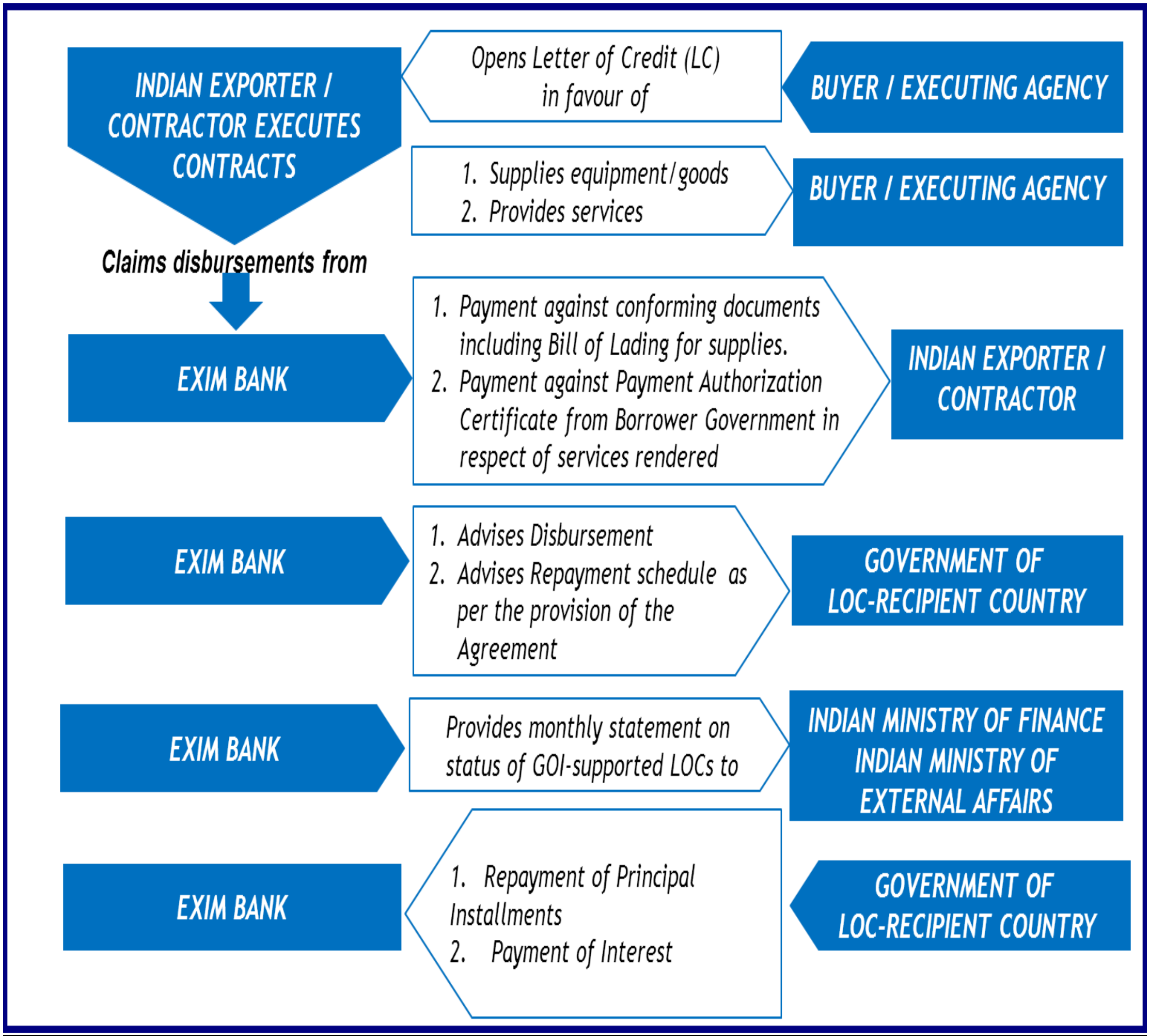
4. The Borrower issues Payment Authorisation certificate to Exim Bank duly signed by an authorized official under the LOC, accompanied by a bill raised by the Indian seller/contractor and accepted by the Buyer/Executing Agency for every disbursement.

5. Borrower pays interest on due dates to Exim Bank and repays the principal instalments to Exim Bank on due dates as per the agreed Repayment Schedule.

6. Borrower is also required to pay commitment fee on unutilised credit after 2 months (12 months in the case of Category I countries) from the date of contract approval and management fee on the eligible amount of contract covered under the LOC. Borrowers whose countries fall under Category I are not required to pay management fee.

NOTE:

While the above Parameters, which are aimed at assisting LOC borrower Governments/nominated agencies in the procurement of projects/equipment/goods/ services from India, may be followed, as and where feasible, it is to be noted that 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 projects/contracts covered under the LOCs, or subsequent operation thereof.


INDIAN EXPORTER / CONTRACTOR EXECUTES CONTRACTS
Opens Letter of Credit (LC) in favour of
BUYER / EXECUTING AGENCY
1. Supplies equipment/goods
2. Provides services
BUYER / EXECUTING AGENCY
Claims disbursements from
EXIM BANK
1. Payment against conforming documents including Bill of Lading for supplies.
2. Payment against Payment Authorization Certificate from Borrower Government in respect of services rendered
INDIAN EXPORTER / CONTRACTOR
EXIM BANK
1. Advises Disbursement
2. Advises Repayment schedule as per the provision of the Agreement
GOVERNMENT OF LOC-RECIPIENT COUNTRY
EXIM BANK
Provides monthly statement on status of GOI-supported LOCs to
INDIAN MINISTRY OF FINANCE
INDIAN MINISTRY OF EXTERNAL AFFAIRS
EXIM BANK
1. Repayment of Principal Installments
2. Payment of Interest
GOVERNMENT OF LOC-RECIPIENT COUNTRY

(ix) MONITORING AND EVALUATION:

1. Borrowing Government may be requested to set up suitable monitoring mechanisms with representatives of the borrowing government, Exim Bank and Indian Mission concerned to ensure that the work on the projects is executed as per the detailed project report without time or cost overruns.
2. A status report on project execution will be submitted quarterly basis till completion of the project by the executing authorities of the Borrower countries to MEA and Exim Bank.
3. There shall be a periodic (bi-annual) monitoring of all LOCs by a committee comprising officers of MEA, DEA and Exim Bank.
4. In case of signs of delay in a particular project or on receipt of specific complaint from the overseas borrower, 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.
5. Exim Bank may appoint a Lender's Engineer at its cost for independent monitoring of a project, if considered necessary. Borrowing governments and all contractors and consultants engaged with the project shall provide necessary support and assistance to the Lender's Engineer.
6. On completion of the project, the Indian 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 along with visual documentation. The report should be submitted to MEA, DEA and Exim Bank by the Indian Mission and the cost for the report will be borne by the LOC Borrower. Where necessary, an independent assessment agency may also be engaged to assess the performance of the LOC for the purpose for which it was granted.
7. The Missions may also provide to the GOI, inputs on long-term economic benefits that these LOCs have resulted in creating in the recipient countries.
8. For all projects of USD 50 million or more, there shall be evaluation of the projects on completion by Exim Bank or an independent agency employed by it. The evaluation shall be on the net export/benefit accruing to the Indian economy and effectiveness of the project in the target area. The study will look into the relevance, effectiveness, efficiency,

overarching developmental impact and sustainability of the project. It will also assess the performance of the LOC for the purpose for which it was approved.

9. **Repayment of Principal, Interest and other dues**:
The Borrower shall pay interest on due dates to the lending Bank and repay the principal instalments to the lending Bank on due dates as per the agreed Repayment Schedule. Exim Bank shall forward the estimated Interest Advice to the Borrowers approximately a month before the due date and the final advice shall be sent after the due date if there is any additional amount payable after adjusting the payments received from the Borrower. Along with the final interest advice Exim Bank shall also send the details of commitment fees due from the Borrower. The Borrower shall be charged a penal interest of 2% as per the LOC Agreement in case of delay in payment of Principal or Interest dues.

10. **Recovery of Overdues:** Exim Bank will inform the Borrowing Government, Indian Missions and MEA of overdues, if any, under an LOC. Every effort is to be made for early recovery of all due amount whether fees, interest or principal. The Indian Missions shall provide all necessary assistance for recovery and maintain a close follow up with borrower governments and institutions. Should there be persistent default and overdue amounts are not recovered, GOI Guarantee may be invoked by Exim Bank.

(x) <u>LOC Closure</u>

On receipt of all the principal repayment instalments, interest dues and fees in respect of an LOC, a 'No Dues Certificate' will be issued by Exim Bank and the borrower will be informed of the closure of the LOC Account in Exim Bank's books.

Annexure-I

SECTOR PROFILES

POWER

I. Overview

Power systems remain one of the most important element of energy supply which underpins economic growth and prosperity of a region. Industrialization, rising incomes and expanding population are pushing rapid demand growth in emerging economies. Developing economies of South East Asia, Middle East, CIS countries and Africa are emerging as important markets for Indian companies.

The energy demands for South East Asian countries are growing substantially and the growth in near term is not just expected to emanate from China and India. Other South Asian countries such as Indonesia, Vietnam, Thailand and Malaysia are expected to need substantial amount of generation and transmission capacity in the near future. Another emerging growth pole is Africa. With around 600 million people without electricity in the continent, there is considerable potential for capacity addition. The CIS countries are also an important market as there are growing demands for renovation and modernization of ageing power plants, along with exploration of untapped hydro potential. With strong execution capabilities, cost competitiveness, and superior manufacturing skills Indian players are tapping a larger share in the Power market.

II. INDIAN CAPABILITIES

EPC Segment

In the power sector, the first large turnkey project export by an Indian company was done by Bharat Heavy Electricals Limited (BHEL) in Libya in 1977, and since the past few decades, several Indian companies have been expanding their operations in the field of exports.

In the generation segment, a majority of Indian BTG manufacturers have forayed into the EPC segment as a forward integration of their capabilities. Most Indian BoP players have evolved from general civil contractors, leveraging their competence in civil works.

In the T&D segment, transmission tower EPC players offer a range of integrated services including designing, manufacturing, erection, testing and commissioning of transmission line towers. They have significant overseas presence as well, especially in South American, African and Middle-Eastern markets.

Indian companies are also increasingly bidding for projects funded by Multilateral Development Banks (MDBs). In fact, of the contracts secured by India in projects funded by African Development Bank, Asian Development Bank, and World Bank, power sector accounts for the largest share in value terms. Due to their technical expertise and relevant experience in such sectors, Indian companies are often well placed to secure contracts in projects funded by MDBs.

Electrical Machinery Industry

The electrical machinery sector consists of generation, transmission and distribution machinery. Indian manufacturers export a wide array of equipment, and are increasingly becoming more competitive with respect to their product designs, manufacturing and testing facilities. This is evident from the fact that investments in Research and Development in this sector are among the largest in India’s corporate sector[1]. As a result, India has significant exports of these products with the USA, Singapore, Bangladesh, China and Japan being the top export destinations.

[1] India Brand Equity Foundation

LOC SUCCESS STORIES IN THE POWER SECTOR

SUDAN

LOC AMOUNT	PURPOSE	REMARKS
USD 350.00 million	Setting up 4 x 125 MW Kosti Combined Cycle Power Plant in Sudan	• Um Dabakir Power Station (Kosti), a 4x125 MW combined cycle power plant set up by BHEL under the LOC of USD 350 mn to the Government of Sudan. • It is the largest thermal power plant commissioned in Sudan. The power plant caters to one-sixth of the total power demand of Sudan. The electricity generated from the plant is also supplied to sugar and cement factories.

RWANDA

LOC AMOUNT	PURPOSE	REMARKS
USD 20.00 million USD 60.00 million	Nyaborongo Hydropower Project in Rwanda	• 28 MW Nyaborongo Hydropower Project in Rwanda supported through two Lines of Credit of USD 60 mn and USD 20 mn to the Government of Rwanda. The project is Rwanda's biggest hydroelectric power plant and is a boost to Rwanda's national power grid. • The project was executed by consortium of Bharat Heavy Electricals Ltd. and Angelique International Ltd. The plant caters to 25 per cent of total electricity demand of Rwanda.

ZAMBIA

LOC AMOUNT	PURPOSE	REMARKS
USD 29.03 million	Itezhi-Tezhi Hydro power project	• 120 MW Itezhi Tezhi Hydro power project of value USD 240 million developed by Itezhi Tezhi Power Corporation (ITPC) was a first-of-a-kind public private partnership (PPP) in the power sector in Zambia. • Currently owned by Tata Power Company, India and ZESCO, a Zambian power utility, on a 50:50 basis funded jointly by African Development Bank [AfDB] and Exim Bank of India alongwith other lenders. • Critical equipment for the project viz. Turbines, Generators, Main Inlet Valves, Speed Governors and Excitation System have been supplied by Alstom India Limited under the LOC. • The project is generating the power at its full capacity. This is first PPP hydro power project in Africa.

RAILWAYS

I. OVERVIEW

Rail networks are vital elements in the infrastructure of developed economies and play a key role in the development of emerging economies. The rail supply market comprises all systems, subsystems, and components applied in urban, conventional, and high-speed rail systems, including infrastructure, rolling stock, rail control and the services required to install the systems and maintain the infrastructure and rolling stock.

Developing economies in Africa, and corridors linking South East Asia and South Asia are embarking on new and expansion projects in the Rail transport sector, presenting significant opportunities for the Indian companies. The anticipated spending on rail networks in Africa (incl. stations/terminals) by 2025 is expected to be around US$ 78 billion, with South Africa contributing US$ 32 billion, Ethiopia US$ 25 billion, and Ghana US$ 86 billion.

There are numerous railway projects in development or construction, in Asia as well. The scheduled investment in identified rail network projects in South East Asia is estimated to be around US$ 200 bn.

II. INDIAN CAPABILITIES

Having a legacy of preparing detailed viability of railway projects, building rail coaches and engines, amongst other things under the Indian Railways as a singular organization, India has the wherewithal to look abroad.

RITES Ltd. has been one of the key export arm of Indian Railways and has been exporting locomotives, coaches, wagons, Diesel Multiple Unit (DMU) train sets and other related equipment to Bangladesh, Myanmar, Sri Lanka, Mozambique and other African countries. Indian engineering and construction capabilities in this sphere has been found to be of particular relevance in other developing countries. IRCON International Ltd. has been executing projects in countries like Malaysia, Sri Lanka, Algeria, Bangladesh and Nepal, while RITES has been providing diversified and comprehensive array of consultancy and engineering services in transport infrastructure sector under a single roof.

Currently, exports account for nearly 17 percent of the operating income of RITES Ltd. Nearly 50 percent of the turnover of IRCON International Ltd. is also from overseas projects.

LOC SUCCESS STORIES IN THE RAILWAYS SECTOR

SRI LANKA

LOC AMOUNT	PURPOSE	REMARKS
USD 416.39 million	Track laying, Setting up of signalling and telecommunications systems and other projects in Sri Lanka	• Rehabilitation of three Railway Lines in Northern Province of Sri Lanka executed by IRCON International Ltd. • The railway projects have enhanced the accessibility, safety and speed of train travel in Sri Lanka. The railways provide a comfortable and safe mode of transport.
USD 382.37 million		

ANGOLA

LOC AMOUNT	PURPOSE	REMARKS
USD 40.00 million	Railway rehabilitation	• Modernization and upgradation of workshop, supply of 41 coaches, 3 locomotives, 2 Diesel Multiple Units and pick-up vehicles and buses supplied by RITES Ltd. was covered under the LOC. • Coaches are operating between Namibe and Matala (434 km) carrying, both passenger and freight traffic. • It also facilitated exploration of Kassinga Mines Deposit bed in the Municipality of Jamba Huila Province.

CONSTRUCTION

I. OVERVIEW

Construction covers the creation, renovation, repair, or extension of fixed assets in the form of buildings, land improvements of an engineering nature, and other similar engineering constructions, such as roads, bridges, dams, and so forth. It also includes related installation and assembly work, site preparation and specialized services.

A World Bank study[2] indicates that the annual infrastructure investment requirement for emerging markets and developing economies is a staggering US$ 836 billion per year over 2014-2020.

According to the Asian Development Bank (ADB), during the ten year period of 2010-2020, the largest infrastructure investment needs are in the countries of SAARC and ASEAN region with investment needs of US$ 8 trillion.

Further, a study by the World Bank (Africa's Infrastructure – A Time for Transformation, 2010) estimated that Africa needs around US$ 93 billion annually for the next ten years for its infrastructure sector development. The role of construction services is expected to remain pivotal.

II. INDIAN CAPABILITIES

Most construction contracts are of high value and Indian exporters undertaking them are required to offer competitive credit terms to be able to secure orders from foreign buyers in the face of stiff competition. It is therefore noteworthy that civil works constituted around 78.20% in value terms, and represented nearly 33.20% of the aggregate number of World Bank contracts awarded to Indian Construction Companies during the period 2010-15.

India's growing prowess in the sector is proven by the infrastructure projects Indian exporters are executing in various countries of Africa, Asia and Latin America.

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[2] Source: Ruiz Nunez, Fernanda and Wei, Zichao, Infrastructure Investment Demands in Emerging Markets and Developing Economies (September 17, 2015). World Bank Policy Research Working Paper No. 7414

LOC SUCCESS STORIES IN THE CONSTRUCTION SECTOR

GAMBIA

LOC AMOUNT	PURPOSE	REMARKS
USD 10.00 million	Construction of National Assembly Building Complex.	The Assembly Complex was constructed by Shapoorji Pallonji & Co. Ltd. comprises meeting rooms for VIPs, offices for majority and minority leaders, a chamber that can accommodate 400 guests as well as an auditorium with a capacity for 150 persons.
USD 16.88 million		

MOZAMBIQUE

LOC AMOUNT	PURPOSE	REMARKS
USD 25.00 million	To finance IT Park Project	• The project which was executed by Jaguar Overseas Ltd., involved setting up of and developing a science and technology park as well as a technological development and innovation centre. • The IT Park has imparted training in hardware and software to more than 500 students. Many entrepreneurs have set up their own ventures after using the facilities of the IT Park.

GHANA

LOC AMOUNT	PURPOSE	REMARKS
USD 60.00 million	Construction of Presidential Office	A landmark structure to house Seat of the Government and Presidency has been constructed by Shapoorji Pallonji & Co., Mumbai, financed under the GOI-supported LOC of USD 60 mn to Ghana.

GUYANA

LOC AMOUNT	PURPOSE	REMARKS
USD 19.00 million	Construction of a cricket stadium in Georgetown, Guyana	• The cricket stadium was constructed by Shapoorji Pallonji & Co. Ltd. • The Stadium is a major venue for large audiences in Guyana and is used not only for cricket but also for other big audience events.

AGRICULTURE AND IRRIGATION

I. OVERVIEW

Agriculture plays a vital role in India's economy along with fisheries and forestry, it is one of the largest contributors to the Gross Domestic Product. Agricultural export constitutes 10% of the country's exports and is the fourth-largest exported principal commodity. Alongside, India has a robust ancillary industry of agrochemicals, farm machinery, seed and biotech, irrigation equipment, and implements of different kind.

Agricultural mechanization levels (i.e. the use of machinery in farming) differ dramatically across the globe: while, on average, 700 and 850 tractors are used per 1,000 farmers in Europe and Northern America, exceptionally low levels of mechanization persist in many developing countries: a mere 3-6 tractors are in operation per 1,000 farmers in China, Africa or India. As countries increase mechanisation levels to propel farm productivity, the agricultural equipment segment is expected to witness an increase in demand.

II. INDIAN CAPABILITIES

India is a leading producer of tractors and is also noted for manufacturing of farm equipment such as irrigation pumps, sprayers and dusters, power tillers, post-harvest and processing machinery. Indian manufacturers are increasingly establishing in-house R&D centres to provide technologically advanced machines to the farmers. They are also expanding their marketing and business networks to increase the accessibility of these machines.

The tractor industry in India has shifted its focus towards the international market, as companies make India an export hub. While the USA is the largest export market for India, a significant share of India's exports of tractors is to African and ASEAN countries where soil and agro-climatic conditions are similar to India.

India also has a sizeable production base for food processing machinery, of which nearly 17 percent of the production is currently exported.

LOC SUCCESS STORIES IN AGRICULTURE AND IRRIGATION SECTOR

GHANA

LOC AMOUNT	PURPOSE	REMARKS
USD 35.00 million	Refurbishment of Komenda Sugar Plant in Ghana	• The plant has increased the production of sugar & its related products for the local and international markets. • The sugar plant has helped in creation of approximately 1300 direct jobs and about 5000 auxiliary jobs in Ghana.

MALI

LOC AMOUNT	PURPOSE	REMARKS
USD 27.00 million	Rural electrification and setting up of agro machinery and tractor assembly plant	Farm mechanization has led to a 30 per cent increase in productivity and income of farmers and enhanced food security in Mali. "Made in Mali" tractors have also reduced dependence on costly imports.

BENIN

LOC AMOUNT	PURPOSE	REMARKS
USD 15.00 million	Tractor assembly plant and farm equipment manufacturing unit	Mechanized farming has been made possible with the availability of tractors and Implements. There has been substantial improvement in the agricultural land for cultivation of about 40,000 Hectares, providing benefit to 1 million people in Benin.

EXIM BANK
EXPORT-IMPORT BANK OF INDIA

MALI

LOC AMOUNT	PURPOSE	REMARKS
USD 15.00 million	Agriculture and food processing projects	• A Mango & Tomato processing plant was set up in Mali under the Line of Credit extended to the Government of Mali. • The Plant has resulted in increase in shelf life of the products, off-season availability, reduction in wastage, easy storage etc.

SENEGAL

LOC AMOUNT	PURPOSE	REMARKS
USD 27.00 million	Irrigation Projects in Senegal	• Coverage area under irrigation has increased more than two fold and rice production in the region has also gone up due to the project. • It has reduced the import bill of food products and also generated employment as field workers (particularly women farmers).

ANNEXURE

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