No. 21/3/2015-IDEAS
Ministry of Finance
Department of Economic Affairs
Bilateral Cooperation Division
*****

North Block, New Delhi
December 7, 2015

Sub: Guidelines on Lines of Credit extended by the Government of India to various countries under the Indian Development and Economic Assistance Scheme (IDEAS).

In supersession of the guidelines issued by the Ministry of Finance, Department of Economic Affairs vide O.M. No. 21/6/2008-CIE-II dated 23rd July, 2010 on Lines of Credit extended by the Government of India to various countries under the Indian Development and Economic Assistance Scheme (IDEAS), **a new set of guidelines has been finalized with the approval of the competent authority. A copy of the new guidelines is attached.**

2. **The new guidelines come into force with immediate effect.**

Arun Sobti

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To

1. Foreign Secretary, Ministry of External Affairs, New Delhi.
2. Secretary, Department of Expenditure, New Delhi.
3. Secretary, Department of Financial Services, New Delhi.
4. Secretary, Department of Commerce, New Delhi.
5. CMD, Exim Bank of India, Mumbai.

TO BE UPLOADED ON THE WEBSITE OF MOF.

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Sub: Guidelines on Lines of Credit extended by the Government of India to various countries under the Indian Development and Economic Assistance Scheme (IDEAS).

The following guidelines and procedure shall be followed with immediate effect in processing the Lines of Credit under the Indian Development and Economic Assistance Scheme (IDEAS).

2. **Classification of countries:**

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

a. Low and Lower Middle Income (L& LMI) countries for which IMF has prescribed a minimum binding concessional requirement.

b. Low and Lower Middle Income (L& LMI) countries for which there is no minimum binding concessional requirement.

c. Other developing countries.

2.2 The list of countries falling in each of the categories is at **Annex I**.

3. **Terms of Credit:**

3.1 The terms of credit as given in the following Table may be offered to a country depending on its classification:

Country classification	L& LMI countries with minimum binding concessional requirement **(Category I)**	L& LMI countries with no minimum binding concessional requirement **(Category II)**	Other developing countries **(Category III)**
Rate of Interest	1.5%	1.75%	Libor+1.5%
Maturity	25 years	20 years	15 years
Moratorium	5 years	5 years	5 years
Grant Element*	37.48%	31.37%	24.31%

*Grant element is calculated as per IMF prescribed formula.

3.2 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.

3.3 The Government of India (GoI) may revise these terms and the classification of specific countries from time to time.

3.4 In case the minimum binding concessional requirement as per IMF is more than that is offered under these guidelines to any country, the same would be considered as deemed to have been prescribed under these guidelines.

3.5 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 mentioned above, may be granted for projects in the below mentioned areas:

i) Infrastructure projects costing USD 200 million or more.

ii) Projects of strategic importance costing USD 100 million or more.

3.6 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.

3.7 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.

3.8 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. 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.

4. Lending Bank:

Concessional Lines of Credit under the Indian Development and Economic Assistance Scheme (IDEAS) will be provided by Exim Bank or any other Public Sector Bank / lending agency approved for this purpose by the Ministry of Finance, Government of India.

5. Requirement of import of goods and services from India:

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.

6. Duties and Taxes:

Soft loans under the scheme shall be free from all kind of taxes and duties of any nature whatsoever 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 finalized prior to any utilization under the Line of Credit. If the domestic laws/ rules 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.

7. Terminal Disbursement Date:

Terminal disbursement date of a Line of Credit (both project exports and supply contracts) will be 60 months after the scheduled completion date of a project. **The unutilized portion of a contract will stand cancelled at the end of 60 months.**

8. Automatic annulment of non-operational LOC:

There shall be automatic annulment of a 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 period of six months with the approval of GoI.

9. 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.

10. Administrative Charges:

(i) Commitment Fee :

Commitment fee shall be payable at the rate of 0.50% per annum to the lending agency on the amount of credit remaining undrawn in respect of each eligible contract. Further, commitment fee begins to accrue only after expiry of 12 months from the date of each commercial contract in respect of Category – I countries listed in Annex–I and two months in respect of all other countries. Hence, if withdrawal/disbursement occurs within the stated periods of each contract covered under the LoC, the borrowing Government is not required to pay any commitment fee.

(ii) **Management Fee**:

Management fee @ 0.50% for countries other than those listed under Category-I in Annex-I have to be paid by the LoC borrowing Government/ entity to the lending Bank as a one-time payment on the amount of the eligible value of the contracts covered under the LoC.

11. Monitoring mechanism:

(i) Borrowing governments are required to set up suitable monitoring mechanism with representatives of borrowing government, lending 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 LOCs, implementation of the projects covered under such LoCs and servicing of the LoCs should be made available by borrowing Governments to MEA on quarterly basis through the concerned Indian Missions.

(iii) A status report on each project execution will be submitted on quarterly basis till completion of the project by the executing authorities of the borrowing Governments to MEA and lending Bank.

(iv) There shall be bi-annual monitoring of all LoCs issued under this scheme by the Standing Committee comprising officers of MEA, DEA and lending Bank.

(v) In case of signs of delay in a particular project or on receipt of specific complaint, the concerned Indian Diplomatic Mission will coordinate with the borrowing Government to organize 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) Lending 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.

12. Evaluation and Review:

(i) On completion of the project, the Indian Diplomatic Mission must obtain from the borrowing government/executing agency a comprehensive Project Completion Report covering the benefits derived/ to be derived from the project, its socio-economic impact on the country/region where it was implemented, along with visual documentation. This report must be submitted to the Ministry of External Affairs and the lending Bank by the Mission. MEA shall send a copy of the report and documentation along with its observations to DEA. The cost for the Project Completion Report will be borne by the LoC borrower.

(ii) The Mission shall also provide inputs to the GoI on the long-term economic benefits of the LoC provided to the borrowing Government.

(iii) For all projects of USD 50 million or more, there shall be evaluation of the projects on completion by the lending Bank or an independent agency employed by it. The evaluation should 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.

13. Recovery of Overdues:

Lending Bank will inform the borrowing Government, MEA and Indian Mission of overdues, if any, under a LoC. Every effort must be made for early recovery of all due amounts, whether fees, interest or principal. Indian Missions and MEA shall provide all necessary assistance for recovery, and maintain a close follow up with the borrowing government/institution for this purpose.

14. Grants:

GOI may consider providing grant funds for project identification, preparation and appraisal as well as evaluation and assessment of projects. This may include consultancy charges to be paid to professionals/organizations.

15. Ethics and Integrity:

(i) Borrowers, bidders, suppliers, contractors, agents, consultants, sub-contractors, service providers, and any personnel thereof are expected to observe the highest standard of ethics during all GoI LoC project preparation, bidding, procurement and execution processes. A suitable Integrity Clause for this purpose will be included in the LoC Agreement that borrowing Governments sign with the lending Bank, and will also be required to be incorporated in all contracts to be financed under a LoC.

(ii) All borrowers, bidders, suppliers, contractors, agents, consultants, sub-contractors, service providers, and any personnel thereof, shall allow the GoI/lending 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/lending Bank.

16. Operational Guidelines:

For the convenience of borrowing Governments as well as Indian exporters and Indian Missions abroad, the Operational Guidelines **(Annex-II)** are to be read in conjunction with the above Terms and Conditions.

17. These new guidelines shall come into force with immediate effect and shall be applicable to all new LoCs. The LoCs which stand sanctioned under the previous guidelines shall not be impacted by any change thereupon incorporated in the new guidelines. However, projects under already sanctioned LoCs, which have not yet been tendered out, will be executed under the revised Bidding, Procurement and Tendering procedures prescribed in Operational Guidelines.

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Annex-I

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 Republic	40. Paraguay	
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	Yemen, Republic of	27 Madagascar	55. Vanuatu	
		28 Maldives	56.Vietnam	
			57.West Bank and Gaza	
			58. Zambia	
			59. Zimbabwe	

*Minimum Grant Element over 35%

Annex- II

Operational Guidelines

Selection of Projects, Bidding and Procurement Procedure:

A. Selection of Projects

(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 case of projects, the Detailed Project Report [DPR] should be made available for appraisal before according approvals for the LoC.

b) In case the country is unable to prepare a DPR on its own, it should provide as many details as possible through a Project Outline, Feasibility Study etc. to enable consideration of LoC approval. In such cases, LoC may be approved with the condition that an amount not exceeding 1% of the LoC will be utilised first for preparation of the DPR. Further utilisation of the LoC will be subject to the DPR appraisal, findings and approval thereof.

c) 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.

(ii) Government of India [GOI]'s priorities would broadly be as follows:

a. The first priority would be to fund economic and infrastructural projects in borrowing 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 borrowing 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, has to be indicated. The concerned Missions should be fully apprised of the proposal and needs to support the project.

(iv) Apart from sovereign guarantee to be provided by the borrowing Government 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 receipt of due appraisal and assessment of the project/DPR conducted by the lending 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.

(vi) Commitments made on the occasion of high level visits or Summits/Ministerial meetings for extending support through LoC to any country may be treated as "in principle" approvals. In such cases and with a view to early fulfilment of commitments made at the political level, the concerned Indian Mission and borrowing Government would be expected to work closely to develop proposals and Detailed Project Reports (DPR) 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. 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 relating to LoCs etc.

B. Preparation of DPR

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

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

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

iii) Availability of basic resources viz. water and electricity etc.

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

v) 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.

vi) 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.

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

viii) 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.

ix) 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.

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

C. Bidding and Procurement Procedure

(i) Information on projects sought to be undertaken through LoC financing will be displayed on the website of the Lending Bank and also disseminated by it to industry associations to give wide publicity. Borrowing Governments should be encouraged to do the same.

(ii) The lending Bank will invite Expression of Interest from Indian companies / entities and undertake a pre-qualification exercise for each project at its cost. The list of pre-qualified companies/entities 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. 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. 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.

(iii) Complete transparency and fairness in the award of contracts by borrowing Governments to Indian companies under LoC financing is extremely critical. Borrowing Governments and their nominated agencies are expected to conduct transparent and fair bidding process which should be clearly defined and details of which should be provided to Lending Bank in advance. They are also required to advise lending Bank about the procedure followed for evaluation and selection of Indian contractors/suppliers, details of all bids received, etc.

(iv) Should there be any deviation from this procedure, the borrowing Government/Agency must provide detailed justification for the same to the lending Bank, which, in turn, will seek the decision of Ministry of External Affairs and DEA, Government of India, regarding the approval of such contracts.

(v) Indian Missions must remain vigilant to ensure transparency and due scrutiny in the award of contracts by the borrowing Government.

(vi) Bid price may be expressed in US dollars only.

D. Tendering Procedure

(i) Tender documents will 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.

(ii) Full set of tender documents will be forwarded to GoI and lending Bank by the LoC borrowing Government prior to the start of the tender process. The lending Bank will have the same vetted by an independent consultant to ensure that all tender conditions are relevant and not restrictive in nature so as to ensure greater participation from Indian companies. The lending Bank will propose changes to the tender documents, if required to be made. Final approval of the tender documents will be made by the lending Bank.

(iii) Once the tender document is approved, the lending Bank will undertake the pre-qualification exercise described in C (i) above.

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

E. Award/Approval of Contracts

i) 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. The lending Bank would reserve the right to keep in abeyance all contracts that are violative of the norms of the transparency and fair competition.

ii) After the bidding process, the Borrower will submit a copy of the draft contract and the Bid Evaluation Report to the lending Bank for its concurrence. Lending Bank shall analyse the Bid Evaluation Report to ensure that the contract is being awarded in a fair and transparent manner.

iii) The LoC borrowing Government may draft the contract with scope of works and price and payment schedules on lines similar to the DPR and the tender documents. Under the broad expenditure heads generally stated in DPR, the contract should include suitable sub-headings of the expenditure to define the costs more precisely. Any deviation in the contract vis-à-vis DPR and the tender documents should be supported with detailed justifications for such deviations.

iv) The lending Bank shall analyse the draft contract to ensure that the same is in line with the DPR and the tender documents. In case of any discrepancy, the same will be referred to the Government of India after obtaining clarifications from the borrower on the same. Based on GoI's instructions, if any, lending Bank shall convey its decision to the borrower.

v) 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.

vi) Based on the experience of handling complex projects as also based on the opinion of domain experts on various projects, lending Bank may, if required, submit its inputs to the borrowing Government on how to draft contracts. Terms and conditions of International Federation of Consulting Engineers (FIDIC) guidelines may be considered while drafting such contracts. Lending Bank may also seek the assistance of domain experts for the drafting of the technical parameters under the contract. The cost of such services of domain experts may form a part of each LOC.

F. **Appointment of PMC through fair bidding process:**

(i) Where considered necessary by GoI / Lending 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 LoC borrower.** However, this condition can be considered for relaxation on the request of the borrowing Government supported by detailed justifications.

(ii) 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.

(iii) 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.
