

**Indo-Sri Lanka Credit Agreement dated
July 3, 2002, for US\$ 31 Million**

**RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI -400 001**

A.P.(DIR Series)Circular No.29

October 10, 2002

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**Indo-Sri Lanka Credit Agreement dated
July 3, 2002, for US\$ 31 Million**

The Government of India have extended a line of credit of US\$ 31 million (U.S.Dollar Thirtyone million only) to the Government of the Democratic Socialist Republic of Sri Lanka under a credit agreement entered into between the two Governments on July 3, 2002. The credit of US \$ 31 million will be available to the Government of Sri Lanka for importing from India upto 3,00,000 tonnes of wheat or any other item as may be mutually agreed to between the two Governments. The credit will not cover third country imports. The export of wheat from India and their import into Sri Lanka under the line of credit shall take place through normal commercial channels and will be subject to the laws and regulations in force in both the countries.

2. The broad terms and conditions of the line of credit are as under:
- (a) All contracts will be subject to the approval of the Government of India and the Government of Sri Lanka or any agency authorised for this purpose by the Government of Sri Lanka and shall contain a clause to that effect. All contracts shall be sent to the Ministry of Finance, Department of Economic Affairs, Government of India for approval. After each contract has been approved, intimation thereof will be sent to the Government of Sri Lanka and to the State Bank of India, New Delhi by the Ministry of Finance, Government of India.
 - (b) The credit will be available for 100 per cent of the f.o.b. value of the eligible goods to be exported from India. The value of the contract shall be expressed in U.S. Dollars.
 - (c) All disbursements under the credit shall be made under letters of credit opened by banks in Sri Lanka. All letters of credit will be advised by banks in Sri Lanka to the State Bank of India, New Delhi, for onward transmission to the exporter/s either direct or through another bank in India, if any, nominated by the exporters.

Normal commercial practices followed in respect of advising payments under letters of credit will be adopted. The letters of credit should be supported by a copy of the contract and should contain the following reimbursement clause:

" Reimbursement for 100 per cent of the f.o.b. value of the contract shall be provided by the State Bank of India, New Delhi out of US\$ 31 million credit extended by the Government of India to the Government of Sri Lanka. The letter of credit is negotiable after State Bank of India has issued an advice that it is operative."

3. Contracts to be financed under this agreement for export of the eligible goods should be signed and relative letters of credit established on or before December 31, 2003, and the full amount be drawn under the credit on or before December 31, 2004. If the full amount is not drawn by the aforesaid dates, the balance will be cancelled and the final instalment of the repayment to be made by the Government of Sri Lanka shall be reduced accordingly, except as may otherwise be agreed to by the Government of India.

4. Shipments under the credit agreement should be declared on GR/SDF Form with prominent superscription reading "Exports to Sri Lanka under Credit Agreement dated July 3, 2002, between the Government of India and the Government of Sri Lanka". The number and date of this circular should be recorded on the GR/SDF Form in the space provided therefor. On receipt of the full payment of bills in the manner indicated above, authorised dealers should certify duplicate copies of the relative GR/SDF Forms.

5. Authorised Dealers may bring the contents of this circular to the notice of their constituents engaged in exports to Sri Lanka.

6. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,
Grace Koshie
Chief General Manager