

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

A.P.(DIR Series) Circular No. 56

December 23, 2003

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**Indo-Sri Lanka Credit Agreement dated
October 15, 2003 for USD 30 Million**

The Government of India have made available the second tranche of USD 30 million (U.S .Dollar Thirty Million only) out of the line of credit of USD 100 Million extended to the Government of the Republic of Sri Lanka under the credit agreement entered into between the two Governments on January 29, 2001. An agreement to this effect has been signed by the two Governments on October 15, 2003. The credit of USD 30 million will be available to the Government of Sri Lanka for importing from India capital goods of Indian manufacture including original spare parts and accessories purchased together with the capital goods and included in the original contract as also consultancy services, consumer durables and food items - sugar, wheat flour, rice, red split lentils, wheat grains, which may be modified by way of additions, deletions or substitutions from time to time as may be mutually agreed to between the two Governments. The credit will not cover third country imports. The export of goods and services 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 State Bank of India, New Delhi, by the Ministry of Finance, Government of India.
 - (b) The credit will cover 100 per cent f.o.b. value of the eligible goods, services and food items to be exported from India as mentioned in the Annexure. The value of the contract should be expressed in USD.

- (c) All disbursements under the credit agreement shall be made under letters of credit opened by banks in Sri Lanka. All letters of credit shall be advised by banks in Sri Lanka to State Bank of India, New Delhi for onward transmission to the exporters, either directly 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 from USD 30 million credit extended by the Government of India to the Government of Sri Lanka. The Letter of Credit is negotiable after the State Bank of India has issued an advice that it is operative."

3. Contracts to be financed under the agreement dated October 15, 2003 for export of eligible goods and services mentioned in the Annexure should be signed and letters of credit established by December 31, 2004 and the full amount be drawn under the credit on or before December 31, 2005. If the full amount is not drawn by the aforesaid date, the balance will be cancelled and the final instalments 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. No agency commission should be allowed in respect of exports under this credit.
5. Shipments under the credit agreement should be declared on GR/SDF/SOFTEX Form with prominent superscription reading "Exports to Sri Lanka under Credit Agreement dated October 15, 2003, 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/SOFTEX Form in the space provided therefor.
6. Authorised Dealers may bring the contents of this circular to the notice of their constituents concerned.
7. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

F.R.Joseph

Chief General Manager