

Indo-Cambodia Credit Agreement dated November 6, 2002 for USD 10 Million
A.P.(DIR Series) Circular No.85 (March 4, 2003)

Reserve Bank of India
Exchange Control Department
Central Office
Mumbai - 400 001

A.P.(DIR Series) Circular No.85

March 4, 2003

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

Indo-Cambodia Credit Agreement dated November 6, 2002 for USD 10 Million

The Government of India have extended a line of credit of USD 10 million (US Dollar Ten Million only) to the Royal Government of Cambodia under a credit agreement entered into, between the two Governments on November 6, 2002. The credit will be available to the Royal Government of Cambodia for import from India of 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 project and consultancy services connected with the project as specified in the Annexure. The contents of the Annexure 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 from India and their import into Cambodia 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 export contracts under the line of credit will be subject to the approval of the Government of India and the Royal Government of Cambodia and shall contain a clause to that effect. The contracts should be forwarded to the Ministry of Finance, Department of Economic Affairs, Government of India, New Delhi, for approval. The Royal Government of Cambodia and the State Bank of India, New Delhi, will be informed in respect of each approved contract by the Ministry of Finance, Government of India.
- b) The credit of USD 10 million will be available on f.o.b.(free on board) basis and will cover 90 per cent value of the eligible goods to be exported from India. The contracts should be expressed in U.S.Dollars. Ten per cent of the f.o.b. value should be paid by the importers in freely convertible foreign currency at the time of opening the letters of credit. Letters of credit should specify that the 10 per cent of f.o.b. value shall be met out of remittances from Cambodia while the balance 90 per cent shall be financed from the credit.

- c) All disbursements under the credit should be made under letters of credit opened by banks in Cambodia. All letters of credit shall be advised by banks in Cambodia to the State Bank of India, New Delhi, for onward transmission to the exporters 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 to ensure that the remaining 10 per cent of the amount of letter of credit is received in US Dollars. All claims to the State Bank of India for payment of 90 per cent of the f.o.b. value will need to be supported by a certificate of the negotiating bank that the 10 per cent directly payable has been received. Further, each letter of credit should be supported by a copy of the contract and should contain the following reimbursement clause:

"Reimbursement for 90 per cent of the f.o.b. value of the contract shall be provided by the State Bank of India, New Delhi, from USD 10 million credit extended by the Government of the Republic of India to the Royal Government of Cambodia. The letter of credit is negotiable after the State Bank of India has issued an advice that it is operative. The letter of credit will be made operative by the State Bank of India after verifying that the reimbursement from the credit is sought for 90 per cent of the f.o.b. value only and it will be responsibility of the negotiating bank to ensure that the remaining 10 per cent of the amount of the letter of credit is received in US Dollars. All claims to the State Bank of India for payment of 90 per cent of the f.o.b. value will need to be supported by a certificate of the negotiating bank to the effect that the 10 per cent directly payable has been received."

3. The contracts to be financed under the credit agreement for items in the Annexure should be signed and relative letters of credit established by December 31, 2003 and the full amount in respect of the contracts be drawn by December 31, 2004. If the full amount of the loan is not drawn by this date, the balance will be cancelled and the final instalments of the repayment to be made by the Royal Government of Cambodia shall be reduced accordingly, except, as may otherwise be agreed to, by the Government of India.

4. Shipments of goods covered by the credit agreement should be declared on GR/SDF Forms, with a prominent superscription reading 'Exports to Cambodia under credit agreement dated November 6, 2002 between the Government of India and the Royal Government of Cambodia'. The number and date of this circular should also be recorded on the GR/SDF Forms in the space provided therefor. On receipt of the full payment of the bills in the manner indicated above, authorised dealers should certify duplicate copies of the relative GR/SDF Forms.

5. Ordinarily, no agency commission shall be payable in respect of exports financed under the line of credit. However, Reserve Bank may consider on merit, requests for payment of commission upto a maximum extent of 5 per cent of the f.o.b. value in respect of goods which require after sales service. In such cases, commission will have to be paid in Cambodia by deduction from the invoice value of the relevant shipment and the reimbursable amount will be 90 per cent of the f.o.b. value minus the commission paid. Approval for payment of commission should be obtained before the relevant shipment is effected.

6. Authorised Dealers may bring the contents of this circular to the notice of their constituents engaged in exports to Cambodia.

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

Section 10(4)
(42 of 1999).

Yours faithfully,

Grace Koshie
Chief General Manager

ANNEXURE

[A.P. (DIR Series) Circular No.85
dated March 4, 2003]

Nature of goods referred to in Indo-Cambodian
Credit Agreement of 2002

Capital goods (along with original spare parts and accessories purchased with the capital goods and included in the original contract), project and consultancy services connected with the project likely to be set up from the credit.