

**Indo-Lao Credit Agreement dated November 6, 2002, for USD 10 Million**  
**A.P. (DIR Series) Circular No.81 (February 27, 2003)**

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

February 27, 2003

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To  
All Authorised Dealers in Foreign Exchange

Madam/ Sirs,

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

The Government of India have extended a line of credit of an amount of USD 10 million (US Dollar Ten Million only) to the Government of the Lao People's Democratic Republic under a credit agreement entered into between the two Governments on November 6, 2002. The credit will be available to the Government of the Lao People's Democratic Republic, (Lao PDR), for importing from India capital goods of Indian manufacture including original spare parts and accessories purchased along with the capital goods and included in the original contract as also consultancy services and consumer durables as mentioned in the { [HYPERLINK \l "anx" }](#). The contents of 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 and services from India and their import into Laos 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. The broad terms and conditions of the line of credit are as under :-

- i) All contracts will be subject to the approval of the Government of India and the Government of the Lao PDR and shall contain a clause to that effect. All contracts should be sent to the Ministry of Finance, Department of Economic Affairs, Government of India, New Delhi for approval. After each contract has been approved, intimation thereof will be sent to the Government of the Lao PDR and to the State Bank of India, New Delhi, by the Ministry of Finance, Government of India.
- ii) The credit will be available for 90 per cent of the f.o.b. value of the eligible goods and services to be exported from India. The 10 per cent of the f.o.b. value shall be paid by the importer in freely convertible foreign currency at the time of opening of the letter of credit. Accordingly, letters of credit should specify that 10 per cent f.o.b. value shall be met out of the remittances from Lao PDR while the balance 90 per cent shall be financed from the credit. The value of the contract should be expressed in US Dollars.
- iii) All disbursements under the credit shall be made under letters of credit opened by the banks in Lao PDR. All letters of credit will be advised by banks in Lao PDR 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 exporter/s. 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 amount directly payable has been received. 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 India to the Government of the Lao PDR. 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 the 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 10 per cent directly payable has been received.”

2. Contracts to be financed under the credit agreement should be signed and relative letters of credit established by December 31, 2003, and the full amount be drawn under the credit by December 31, 2004. If the full amount is not drawn by the aforesaid date, the balance will be cancelled and the final instalment of the repayment to be made by the Government of the Lao PDR shall be reduced accordingly, except as may otherwise be agreed to, by the Government of India.
3. Shipments of goods and export of consultancy services covered by the credit agreement should be declared on GR/SDF/SOFTEX Form with prominent superscription reading “Exports to Lao PDR under Credit Agreement dated November 6, 2002 between the Government of India and the Government of the Lao PDR. The number and date of this circular should be recorded on the GR/SDF/SOFTEX Form 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/SOFTEX Forms.
4. 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 capital goods which require after sales service. In such cases, commission will have to be paid in Laos 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.
5. Authorised Dealers may bring the contents of this circular to the notice of their constituents engaged in exports to Lao People’s Democratic Republic.
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

**Annexure**

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dated February 27, 2003]

**Nature of goods referred to in India- Lao PDR  
Credit Agreement of 2002**

Capital goods (along with original spare parts and accessories purchased with the capital goods and included in the original contract), consumer durables and consultancy.