

**F.No.5/7/2019-IDEAS
Government of India
Ministry of Finance
Department of Economic Affairs
Bilateral Cooperation Division**

**North Block, New Delhi
Dated March 31, 2022**

Office Memorandum

Subject:- Guidelines on Concessional Financing (CF) under IDEAS 2022 to support Indian Entities bidding for strategically important overseas infrastructure projects.

Pursuant to the approval of the Cabinet in respect of **Indian Development and Economic Assistance Scheme on Lines of Credit (LOCs) and for Concessional Financing to support Indian entities bidding for Strategically important overseas infrastructure projects (IDEAS 2022)**, the undersigned is directed to convey that vide this Department's Office Memorandum of even number dated March 31, 2022, the Concessional Financing Scheme has been subsumed in IDEAS 2022 as Part B of the IDEA Scheme.

2. The following guidelines shall be applicable for implementation of Concessional Financing (CF) to support Indian Entities bidding for strategically important overseas infrastructure projects abroad under IDEAS 2022. These guidelines are in supersession of the guidelines issued by this Department vide O.M. No. 5/58/2017-IDEAS, dated August 10, 2018 on Concessional Financing Scheme to support Indian Entities bidding for strategically important infrastructure projects abroad.

3. The procedure laid down below shall be followed with immediate effect for implementation of Concessional Financing (CF) under IDEAS 2022:

A. Modalities

- (i) Government of India (hereinafter referred to as GoI) may provide counter guarantee and interest equalization of 2 % to the Exim Bank of India to offer concessional finance to any Borrowing Government or an entity owned or controlled by the Borrowing Government to support Indian Entities bidding

for strategically important overseas infrastructure projects, if the said Indian entity succeeds in getting contract for the execution of a project tendered by such foreign entity and the project is considered strategically important.

- (ii) The strategic importance of a project to be eligible for this financing will be decided by Gol, on case to case basis.
- (iii) Eligibility to avail this financing shall comply with extant Gol rules and is limited to Indian entities registered in India and/or incorporated/established under any law in force in India. Such Indian entities may be engaged as Project Management Consultants /Contractors for implementation of the project (including for supply of goods and services).

B. Selection of Projects

- (i) The strategic importance of a project to be eligible for this concessional financing, will be decided by an Empowered Committee, chaired by Secretary, Department of Economic Affairs (DEA) and with members from Ministry of External Affairs (MEA), Department for Promotion of Industry and Internal Trade (DPIIT), Department of Commerce (DoC), Department of Expenditure (DoE), Department of Financial Services (DFS) and Ministry of Home Affairs (MHA). The Deputy National Security Adviser will also be a member of this Committee.
- (ii) MEA, while sending such proposals to DEA, will indicate the strategic importance of the project and ensure that entities whose ownership or control rests with nationals of countries considered inimical to Indian interests are excluded. MEA will also place complete details about the ownership and control before the Empowered Committee so as to eliminate completely the chances of any entity considered inimical to Indian interests getting benefits under the CF. MEA will also inform the Empowered Committee regarding the performance of the Borrowing Government in repaying loans, such as under Gol supported concessional LOCs, etc.

- (iii) The Borrowing Government owned or controlled entity is one that has not less than 50% of its share owned by the Borrowing Government. However, the Empowered Committee may, on case-to-case basis, relax such requirement and allow: -
- (a) Any entity in which Borrowing Government has not less than 24% share and is according special concession to the project; or
 - (b) Any entity modelled on Public Private Partnership (PPP) basis.

C. Implementation

- (i) Exim Bank shall extend credit at a rate not exceeding LIBOR (6M) + 1%¹. While the US Dollar would be the usual currency, in projects which are considered of greater strategic interest by the Empowered Committee, finance in any acceptable freely convertible currency or even in the Indian Rupee may be allowed by the Empowered Committee. Since the said currency and pricing, unlike the US Dollar, cannot be known in advance, the applicable rate of interest equalization support to Exim Bank would remain unchanged, unless such financing is offered on Exim Bank's commercial terms, in which case Gol's support will be limited only to the extent of the guarantee/counter guarantee to the Exim Bank.
- (ii) The repayment of the loan would be guaranteed by the Borrowing Government, in case the borrower is the Borrowing Government owned or controlled entity. Gol shall provide guarantee in case the borrower is the Borrowing Government and counter guarantee in case the borrower is a Borrowing Government owned or controlled entity.
- (iii) The Empowered Committee may insist on sourcing of at least 75% (by value) of the project requirements from India, if it is found compatible with the request for bids. However, the Empowered Committee may relax the Indian content requirement by another 25% (by value) (other than material and machinery), on

¹ or an equivalent rate based on Alternate Reference Rate, approved by Gol in the transition away from USD LIBOR, as per extant Regulatory Guidelines.

case-to-case basis, in respect of projects involving significant civil work or state-of-the-art technology not available in India.

- (iv) The Empowered Committee may also consider supporting associated contracts awarded to entities in the borrower's country subject to the condition that the contractors of the borrower's country must be owned and controlled by resident citizens of the borrower's country and must be producing goods/providing services to the extent of at least 75% of the value of their contract.
- (v) While competitive bidding shall be a preferred route, the Empowered Committee may consider negotiated contracts or nomination on merits, in case of entities or PSUs owned and controlled by Gol.
- (vi) The Empowered Committee will also consider financing strategic projects through Public Sector Banks other than Exim Bank on the same terms.

D. Monitoring and Evaluation of projects

- (i) The projects financed under these terms will be reviewed by the Empowered Committee periodically.
- (ii) The Lending Bank may appoint a Lenders Engineer for independent monitoring of the project and the cost thereof shall be borne by the Borrowing Government and/or Gol, as mutually determined.
- (iii) The Indian Mission shall also provide inputs to the Gol on the long-term economic benefits of the CF provided to the Borrowing Government (a) on completion of project/s under the CF; and (b) after 5 years of signing of CF or both.
- (iv) On completion of the project, the Indian 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 MEA and the Lending Bank by the Indian Mission. MEA shall place a copy of the report and documentation along with its observations to Empowered Committee. The cost of the Project Completion Report will be borne under the CF.

- (v) The experience with the projects financed through CF will be evaluated after five years to assess impact and need for modifications of these Guidelines, if any.

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(Parvathy Kataria) 31/3/2022

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To

1. Finance Secretary & Secretary Expenditure
2. Foreign Secretary
3. Secretary Financial Services
4. Commerce Secretary
5. Managing Director, Exim Bank of India, Mumbai

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2. PPS to Secretary (ER), MEA

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1. Guard File

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