

Importation of Essential Items under Indian Credit Facility

Operating Guidelines

**Indian Credit Facility Coordinating Unit (ICFCU)
Ministry of Finance
Sri Lanka
2022**

1. Introduction

The Government of India has agreed to provide a USD 1,000,000,000 (United States Dollar one billion) credit to the GOSL. Accordingly, a credit facility agreement was signed with the State Bank of India (SBI) to obtain up to an aggregate sum of USD 1 billion for the purpose of importation of essential items from India.

This facility will enable registered importers to import essential food items, essential pharmaceuticals and raw materials for local industries from India. The Ministry of Finance together with the Ministry of Trade will take necessary steps to implement this facility.

Once the importers are selected by the Ministry of Trade to import assigned quantities of selected items, they can place orders with the identified Indian suppliers. The importers are required to secure their order by placing a deposit at the General Treasury through their respective banks and once the imports are arrived and cleared by the customs, the Indian suppliers shall be paid with equal Indian Rupees through the SBI.

2. Objectives of the Facility

- 2.1.1 Cater the demand for essential items.
- 2.1.2 Supply of essential items in the market without a shortage.
- 2.1.3 Minimize the pressure on foreign exchange reserves.

3. Implementing Units and Committees

The Ministry of Finance in collaboration with the Ministry of Trade shall form the following units and committees to ensure smooth functioning of the facility;

3.1 Indian Credit Facility Coordinating Unit (ICFCU)

The ICFCU established under the Ministry of Finance will manage the imports under this credit facility and will oversee and coordinate all activities related to this loan facility in close collaboration with all committees and units established under this facility. The decisions of the ICFCU shall be considered the final.

3.2 Committees Established under the Ministry of Trade for this facility

- a) Main Committee to select importers and Imports

- b) Subcommittee to provide recommendations to the main committee on essential food items/ animal feed
- c) Subcommittee to provide recommendations to the main committee on essential pharmaceuticals
- d) Subcommittee to provide recommendations to the main committee on cement, apparel, special fertilizers and raw material for industries.

3.3 Special Investigation Unit (SIU) at Sri Lanka Customs

This unit will investigate goods imported under this facility and issue clearance. This unit will also provide recommendations to the ICFCU with regard to Customs clearance to facilitate the payments.

4. Implementation Mechanism

- 4.1 The importers who are willing to import essential items from India will be selected through a paper advertisement published by the Ministry of Trade and registered under the Ministry of Trade. Each importer will be allocated an import quantity (Quota) for specific items..
- 4.2 The registered importer/s shall submit the Performa Invoice/s along with the relevant documents to the Ministry of Trade and a recommendation letter will be issued to the respective importer with a copy to the ICFCU providing details of selected essential items to be imported from India and the quota allocated for respective importer.
- 4.3 Importer shall then submit the Performa Invoice along with relevant documents (Form A, B, C, D, E and F) to the ICFCU and the ICFCU will assign a Unique Identification Number (UNI) for the particular import bill. This UNI together with the relevant information will be shared with the importer, importer's bank, Indian High Commission and Sri Lanka Customs by the ICFCU for any further correspondence.
- 4.4 ICFCU shall send supplier's information to the High Commission of India for their approval and submit the approved Performa Invoice along with approval of ICFCU to the respective importer's Bank with a copy to the importer.
- 4.5 Importer's bank shall facilitate the importer to open LC under the standard payment procedure (CIF value + reasonable margin to cover the exchange rate loss).
- 4.6 When opening a LC, following conditions should also be specified.

Payment currency as INR

Financing Bank as SBI

- 4.7 Importer's bank will send the LC documents to the relevant Exporter's bank in India (if any other payment terms such as DP terms etc are applied, relevant bank procedures should be followed).
- 4.8 Exporter's bank in India will send the order confirmation to the Supplier, in case the transaction is performed under LC terms.
- 4.9 Upon receiving the order confirmation the supplier will export goods and send import clearance documents to the importer's bank through the Exporter's bank.
- 4.10 After receiving the import clearance documents the Importer's bank shall transfer LKR equivalent to the invoice value (should be in CIF or any other standards shipment payments) converted at the rate of TT selling rate at the fund transfer day as published by the CBSL to the **Account No 7041549 of Director General, Department of Development Finance, Indian Credit Line Facility (Collection Account) opened at the Taprobane Branch of Bank of Ceylon (BOC)** and inform the ICFCU accordingly.
- 4.11 The importer's bank shall hand over import clearance documents to the importer.
- 4.12 The importer will submit the import clearance documents to Sri Lanka Customs.
- 4.13 Sri Lanka Customs will release imported essential commodities to the importer after the clearance process is over.
- 4.14 Sri Lanka Customs will send a set of clearance documents with the recommendation specified in Paragraph 3.3 to the ICFCU.
- 4.15 ICFCU, through Department of External Resources (ERD) will issue the disbursement advice to the High Commission of India. Accordingly, the High Commission of India shall send the payment order to SBI to release funds to the Exporter's bank.
- 4.16 SBI will top up the loan account of the GoSL.
- 4.17 The GoSL will update relevant loan transaction in loan accounts.
- 4.18 Exporter's bank will make the payment to the supplier in Indian Rupee terms (INR).

5. Transactions and Conversion Rates

- 5.1 As there will be a time difference between releasing of the import documents and the SBI disbursement to the GOSL, importers are allowed to hold the margin balance in Savings Accounts in respective Importer's bank until settlement to hedge any adverse fluctuations of foreign exchange rates as per the para 4.18 above.
- 5.2 The exact amount of the invoice value in LKR terms will be informed to the importer's bank once the disbursement is made by the SBI.

6. Duration of the Importation Process under the Indian Credit Facility and Termination

- 6.1 The importation process is in force with effect from 17th March 2022 and shall be terminated once the USD 1 billion is fully utilized.

7. Import Destination

- 7.1 Only the essential items identified by the Ministry of Trade can be imported from India under the facility subject to the approval of Government of India.

8. Importer's Banks

- 8.1 The scheme will be implemented through the Licensed Banks registered under the CBSL.

9. Special Conditions

- 9.1 Importer's banks are required to ensure the financial feasibility of the importers before opening LCs / starting other payment terms under the respective bank.
- 9.2 If an importer is unable to complete the importation process within 60 days not due to a reason beyond the importer's control or is unable to import the essential items in required quality standards not due to a reason beyond the importer's control, such importers shall not be eligible to import essential items under this facility thereafter.

10. Functions and Responsibilities

10.1 ICFCU

The ICFCU shall perform the following functions in its capacity as the coordinating Unit to ensure the successful implementation of the facility;

- (a) Issue Operating Instructions time to time to Importer's banks and other relevant parties (ie: importers, Sri Lanka Customs, Ministry of Trade) in respect of the facility.
- (b) Provide a UNI to the importers for each invoice.
- (c) Coordinate with relevant parties to ensure proper functioning of the facility.
- (d) Preparation of progress reports.
- (e) Provide required information to government agencies as and when necessary.

- (f) Maintain a comprehensive database with requisite information which is essential for analyzing progress etc.
- (g) Ensure timely transactions of DST account.

10.2 Bank of Ceylon

BOC act as the Banker of the Treasury and the facilitator for the transactions under this scheme.

- (a) Maintain the designated account opened for this purpose.
- (b) Provide daily reports to Department of Development Finance and ICFCU on the transactions performed under this scheme.
- (c) Ensure the transferring of funds on time from importer's bank to the designated account mentioned in 10.2 (a).

10.3 Importer's Banks

Importer's bank is responsible to ensure that general banking terms and instructions are followed when opening L/C and other payment terms pertaining to approved transaction under this scheme. Fund transactions from the importer's bank to BOC account maintained by the Treasury are taken place in two stages. Further the importer's bank is required to coordinate with BOC and ICFCU to carryout interbank transactions on time.

10.3.1 In case the transaction is performed under LC terms.

- (a) Importer's bank shall facilitate the importer to open LC under the standard payment procedure (CIF value + reasonable margin to cover the exchange rate loss).
- (b) Importer's bank shall transfer the LKR equivalent to the CIF value of invoice, converted at the rate of TT selling rate at the fund transfer day as published by the CBSL to the **Account No 7041549 of Director General, Department of Development Finance, Indian Credit Line Facility (Collection Account) opened at the Taprobane Branch of Bank of Ceylon (BOC)**, and the bank shall release the LC clearance documents to the importer.
- (c) Send the above credit transfer notification to ICFCU (Fax No 0112386849, email – indiancredit@mo.treasury.gov.lk.)

10.3.2 In case of Other standard Payment Terms i.e. DP Terms; etc.

- (a) Importer's bank shall facilitate the importer to proceed the other standard payment terms under the standard payment procedure.
- (b) Importer's bank shall transfer the LKR equivalent to the CIF value of invoice, converted at the rate of TT selling rate at the fund transfer day as published by the CBSL to the **Account No 7041549 of Director General, Department of Development Finance, Indian Credit Line Facility (Collection Account) opened at the Taprobane Branch of Bank of Ceylon (BOC)**, and the bank shall release the LC clearance documents to the importer.
- (c) Send the above credit transfer notification to ICFCU (Fax No 0112386849, email – indiancredit@mo.treasury.gov.lk.)

10.4 Importers

Importers must ensure prompt distribution of items imported under this scheme throughout the country without any unfair profit margin.

- (a) Coordinate with the supplier until essential items are imported.
- (b) Once the importers are assigned to import through this facility, submission of a complete set of documents (Form A, B, C, D, E, F) along with the Performa Invoice.
- (c) Timely importation of essential items maintaining high quality standards.
- (d) Prompt distribution of imported items.

11. Procedure for already imported consignments from India

The Government of India has agreed that the credit line can be utilized to clear the consignments already imported from India and landed in ports in Sri Lanka subject to the approval of High Commission of India. The following procedure should be followed by the Importer in this regard;

1. Importer shall, in coordination with the respective Exporter, cause the Exporter's Bank to send a SWIFT message to importer's bank, with following confirmations;
 - Consent to process the export bill under this Indian Line of Credit
 - Consent to accept INR equivalent of export bill

2. Importer shall provide the aforementioned SWIFT message together with the Commercial Invoice and other necessary documents (Form A, B, C, D, E, F) to ICFCU for approval for respective consignment.
3. ICFCU will assign a Unique Identification Number (UNI) for the particular import bill. This UNI together with the relevant information will be shared with the High Commission of India, importer, importer's bank, and Sri Lanka Customs for further correspondence.
4. ICFCU, through ERD will obtain the approval from the High Commission of India to include the particular import under the Indian Line of Credit (ILC).
5. ICFCU will notify the importer's bank to transfer the LKR equivalent to the invoice value (should be in CIF) converted at the rate of TT selling rate at the fund transfer day as published by the CBSL to the **Account No 7041549 of Director General, Department of Development Finance, Indian Credit Line Facility (Collection Account) opened at the Taprobane Branch of Bank of Ceylon (BOC)**, and to release the relevant documents to Importer, enabling him to clear the goods at Customs, after settling due taxes and levies.
6. The importer's bank shall hand over import clearance documents to the importer.
7. The importer will submit the import clearance documents to Sri Lanka Customs.
8. Sri Lanka Customs will release imported essential commodities to the importer after the clearance process is over.
9. Sri Lanka Customs will send a set of clearance documents with the recommendation specified in Paragraph 3.3 to the ICFCU.
10. ICFCU, through ERD will issue the disbursement advice to the High Commission of India. Accordingly, the High Commission of India shall send the payment order to SBI to release funds to the Exporter's bank.
11. SBI will top up the loan account of the GoSL.
12. The GoSL will update relevant loan transaction in loan accounts.
13. Exporter's bank will make the payment to the supplier in Indian Rupee terms (INR).

Reputed Importers should submit the above form to:

Indian Credit Facility Coordinating Unit (ICFCU)

Room No. 322

Ministry of Finance

Colombo 01.

Tele: 011-2484600 Ext. 2135, 2106

Email: indiancredit@mo.treasury.gov.lk