

**GOVERNMENT OF INDIA
MINISTRY OF EXTERNAL AFFAIRS**

**LOK SABHA
UNSTARRED QUESTION NO.746
TO BE ANSWERED ON 26.06.2019**

CFS FOR INDIAN ENTITIES

746. SHRI HIBI EDEN:

Will the Minister of EXTERNAL AFFAIRS be pleased to state:

- (a) whether the Government has approved first extension of Concessional Financing System (CFS) for another five years from 2018 to 2023 to support Indian Entities bidding for strategically important infrastructure projects abroad;**
- (b) if so, the details thereof;**
- (c) whether the scheme also has been liberalized, allowing any Indian company irrespective of ownership, eligible to benefits of it; and**
- (d) if so, the details thereof?**

ANSWER

**THE MINISTER OF STATE IN THE MINISTRY OF EXTERNAL AFFAIRS
[SHRI V. MURALEEDHARAN]**

- (a) Yes.**
- (b) The Concessional Financing Scheme (CFS) to support Indian Entities bidding for strategically important infrastructure projects abroad has been extended for another five years from 2018 to 2023. The revised guidelines dated 10 August 2018 are Annexed.**
- (c) No.**
- (d) Does not arise.**

Guidelines on Concessional Financing Scheme (CFS) to support Indian Entities bidding for strategically important infrastructure projects abroad.

In supersession of the guidelines issued by Department of Economic Affairs, Ministry of Finance vide O.M.No.16(6)/2015-MR III, dated 16-9-2015 on Concessional Financing Scheme (CFS) to support Indian Entities bidding for strategically important infrastructure projects, abroad, a new set of guidelines have been finalized on CFS with the approval of the competent authority and same are being issued as below:-

(i) The scheme envisages Government of India (hereinafter referred to as GoI) to provide counter guarantee and interest equalization of 2% to the EXIM bank to offer concessional finance to any foreign Govt. or foreign Govt. owned or controlled entity; If any Indian Entity succeeds in getting contract for the execution of a project tendered by such foreign entity and the project is considered strategically important. Indian Entity, should be constituted, incorporated, registered in and operating in accordance with the provisions of the laws of India, as evidenced by its articles of incorporation and its registration documents. Such Indian entities may be engaged as Project Management Consultants/Contractors for implementation of the project (including for supply of goods and services).

(ii) The strategic importance of a project to deserve financing under this Scheme, will be decided, on a case to case basis, by a Committee (hereinafter referred to as Empowered Committee) chaired by Secretary, Department of Economic Affairs (DEA) and will have members from Department of Expenditure (DoE), Ministry of External Affairs (MEA), Department of Industrial Promotion and Policy (DIPP), Department of Commerce (DoC), Department of Financial Services (DFS) and Ministry of Home Affairs (MHA). The Deputy National Security Adviser will also be a member of this Committee.

(iii) MEA while submitting such proposals to DEA will ensure that entities whose ownership or control rests with nationals of countries considered inimical to Indian interests are excluded. While submitting such proposals, MEA will place full 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 CFS. MEA will

also inform the Empowered Committee regarding the performance of the foreign Govts. in repaying Indian loan [such as under Gol supported Lines of Credits (LoCs) etc.].

(iv) The foreign government owned or controlled entity is one that has not less than 50% of its share owned by the foreign govt. However, the Empowered Committee may relax, on case to case basis, minimum 50% foreign govt. ownership/control norm and allow:-

(a) Any entity in which foreign Govt. has not less than 24% share and is according special concession to the project; or

(b) Any entity modelled on PPP.

(v) EXIM Bank shall extend credit at a rate not exceeding LIBOR (avg. of six months) + 100 bps. While the US Dollar would be the normal 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 Govt. of India's support will be limited only to the extent of the guarantee/counter guarantee to the EXIM Bank.

(vi) The repayment of the loan would be guaranteed by the foreign govt., in case the borrower is the foreign govt. owned or controlled entity. Gol shall provide guarantee in case the borrower is the foreign govt. and counter guarantee in case the borrower is a foreign govt. owned or controlled entity.

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

(viii) 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.

(ix) 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 Govt. of India.

(x) The projects financed under these terms will be reviewed by the Empowered Committee periodically.

(xi) The Empowered Committee will also consider financing strategic projects through Public Sector Banks other than EXIM Bank on the same terms.

(xii) The experience with the scheme will be evaluated after five years and the scheme will be continued if found useful with the approval of the competent authority, subject to such modifications as may be deemed appropriate.

Source: OM No.5/58/2017-IDEAS issued by Bilateral Cooperation Division, Department of Economic Affairs, Ministry of Finance on 10 August 2018
