

CHAPTER 15

BORROWING ABROAD BY RESIDENTS

1. Borrowing abroad by private sector industrial enterprises

All proposals for borrowing from abroad by private sector industrial enterprises in Bangladesh (including supplier's credits, financial loans from institutions or individuals and debt issues in capital markets abroad) shall require prior authorisation of the Bangladesh Investment Development Authority (BIDA). Procedures in details for obtaining such credit facilities have been embodied in the Notification No. BOI/R&IM1/4(39)/81(Part)/1209 of Board of Investment (BOI, now BIDA) issued on 10th December, 1998 (Appendix 6/1).

Applications as per proforma at the Annexure-A of Appendix 6/1 for approval of proposals for borrowing from abroad should be submitted to the BIDA with the analyses and supporting documents.

In each case of supplier's credit/loan from abroad approved by BIDA, a copy of the loan agreement should be forwarded by the concerned AD to FEPD, FEID & Statistics Department, Bangladesh Bank, Head Office, Dhaka.

However, short term credit accommodations of up to one year duration from suppliers/buyers abroad are, however, subject to the guidelines/instructions issued by Bangladesh Bank in regard to settlements for current commercial transactions.

2. Remittance towards repayment

Repayment installments of interest and principal against the supplier's credits/loans from abroad availed of in terms of general/ specific authorisation of the BIDA as mentioned in the foregoing para may be remitted abroad by the ADs without prior reference to Bangladesh Bank provided that:

- (i) The amounts of interest and installments of principal repayment are remitted only by the AD through whom the foreign credit was originally received;
- (ii) In case of loan received in convertible foreign exchange, the AD while reporting to Bangladesh Bank the remittance of interest/principal repayment installment in the usual monthly return must furnish a certificate stating the date(s) and amount(s) of receipt of loan funds and mentioning the monthly returns/schedules in which those receipts were originally reported to Bangladesh Bank. A copy of the relevant credit agreement and a copy of the repayment schedule should also be forwarded;
- (iii) In case of foreign loan availed of in the form of supplier's credit the borrower must submit to the AD the attested copy/copies of bill(s) of entry evidencing actual arrival of the relative capital

goods in Bangladesh before any installment of interest/principal can be remitted. Attested copy/copies of the bill(s) of entry alongwith copy of the relative credit agreement and repayment schedule should be forwarded to the Bangladesh Bank by the AD while reporting remittance of installment of principal/interest in the usual monthly returns/schedules.

3. Borrowing abroad by public sector entities

Borrowing abroad by public sector entities requires approval of the Government. All such borrowings on commercial (non- concessional) terms also require specific approval of the Standing Committee on Non-Concessional Loan.

4. Guarantee towards repayments of foreign suppliers' credit

Issuance of repayment guarantees against foreign suppliers' credits shall be subject to the instructions at Para 9, Chapter 16.

5. Short term suppliers' credit from abroad

Availing of short term suppliers' credits from abroad in the form of imports under deferred payment LCs will be subject to compliance with the instructions at Para-33, Chapter 7 (Import).

6. Remittances towards repayment of interest and principal installments against past foreign loans/suppliers' credits

Remittances towards repayment of interest and principal installments against past foreign loans/suppliers' credits availed in terms of specific approvals other than those covered in the preceding paragraphs (such as past marine vessel procurements under the erstwhile Pay as You Earn Scheme) will be subject to such prior permission requirement as prescribed in the original approvals, until and unless decided otherwise by Bangladesh Bank on approach in each case.

7. Medium/long term external borrowing by industrial enterprises in Export Processing Zones/Economic Zones

The procedure outlined below will be followed in processing medium/long term external borrowing approval requests of industrial units in the EPZs/EZs.

(i) Industrial units in the EPZs/EZs. will submit borrowing approval applications and related documents as per proforma at Annexure-A, Appendix-6/1 through their nominated Authorized Dealer banks for onward referral via BEPZA/BEZA to Bangladesh Bank, Head Office. Besides documentation requirements indicated at Annexure-A, Appendix-6/1, approval application must also be supported by analyses and papers in regard to: (a) commercial viability of the project (b) the project's capacity to service the proposed debt from its earnings (c) cost competitiveness of the project's outputs in domestic and external markets (d) existing domestic output capacity in the sector to which the borrowing proposal relates, and the potential domestic and external

demand given the estimated output cost structure (e)existing indebtedness structure of the project sponsors, duly supported by reports of their bankers and of the CIB at Bangladesh Bank.

(ii) AD banks will forward the applications to BEPZA/BEZA, after satisfying themselves about completeness of the applications and accompanying documents, as also about prima facie correctness of data/information provided in the applications. While forwarding the applications onward, the Authorized Dealer banks may add such observations/remarks of their own as they may deem necessary to make.

(iii) The BEPZA/BEZA, after perusal of borrowing approval applications forwarded by ADs, will in turn forward these onward to General Manager, FEID, Bangladesh Bank Head Office, Dhaka; with such observations/remarks as deemed necessary.

(iv) The borrowing proposals forwarded to Bangladesh Bank by the BEPZA/BEZA will be scrutinized at the FEID. The decisions taken by Bangladesh Bank in this regard will be communicated simultaneously to the BEPZA/BEZA, the applicant EPZ/EZ units, and their ADs concerned.

8. Reporting of Foreign Loans approved by BIDA/Bangladesh Bank

The Concerned AD bank through their respective head office will have to submit a consolidated quarterly statement of all foreign loans (with providing specific information and comment on utilisation of each loan separately) received by their client under the title of 'The Quarterly Statement of Foreign Loan approved by BIDA/Bangladesh Bank to the General Manager, FEID, Bangladesh Bank through e-mail (gm.feid@bb.org.bd) in the prescribed format (Appendix 5/93) within 15 days of the end of the each quarter of a year.

9. Working capital loans from abroad by foreign owned/controlled companies

Foreign owned/controlled industrial enterprises in Bangladesh (as defined in Para 4A, Chapter 16) having urgent occasional necessity of short term borrowing for business needs other than inputs procurements, for which working capital financing from the local market has not yet been lined up, may access interest free loans from parent companies/shareholders abroad for upto one year without any prior approval, subject to post facto reporting through their AD banks to FEID, Bangladesh Bank Head Office within one week of availing each such loan. Repayments of these loans will likewise require no prior approval, but will have to be reported to FEID, Bangladesh Bank, Head Office through AD banks besides usual monthly report to Bangladesh Bank.