

SECTION - II

CREDIT FACILITIES TO INDUSTRIES IN EXPORT PROCESSING ZONES

17. (A) 100 (hundred) percent foreign owned enterprises in the EPZs known as Type A industries may obtain short term foreign currency loans from overseas banks and financial institutions subject to the following conditions:

- (i) The loan shall be received through an AD in Bangladesh; and the loan proceeds will be credited to the FC account maintained by the AD in the name of the Type A unit, to be used for financing import of capital machinery and raw materials, payment of interest/service charges, repayment of loans and for crediting Taka account for meeting local expenses;
- (ii) Only assets fully owned by the Type A industry may be lodged as collaterals for such loans;
- (iii) Repayment of principal and interest on the loan shall be remitted out of the balances available in the FC account without prior Bangladesh Bank approval. No fund may be provided from the AD's own resources for such repayment except with prior approval of Bangladesh Bank;
- (iv) In case the loan is called up by the creditor, the assets charged to foreign lender will be allowed to be sold only in foreign exchange and proceeds, after paying off all local liabilities in Bangladesh, may be remitted abroad with Bangladesh Bank's approval;
- (v) No Taka loan against repatriable short term foreign currency loan will be allowed to a Type A industry.

(B) Type A industries in EPZs may access short term foreign currency loans from parent companies/shareholders abroad and other Type A subsidiaries/associates operating in EPZs of Bangladesh. In the context of such short term loans within subsidiaries/associates operating in EPZs, ADs shall, before transferring the fund, satisfy themselves that the fund is unencumbered.

(C) Type B industries (joint venture projects) may also obtain such loans subject to conditions applicable to Type A industries as indicated above, except that Type B industries will not be permitted to mortgage/hypothecate their fixed assets, raw materials in favour of any non-resident. The ADs may, however, issue guarantee to overseas banks/ financial institutions for short term foreign currency loans brought into Bangladesh by Type B industries, subject to prior approval of the Bangladesh Bank.

18. Taka loans to Type B units

Taka loan may be granted to a joint venture (Type B) industrial unit in EPZ upto 100 (hundred) percent of short term foreign currency loan brought in and encashed to Taka. Loan in Taka for procurement of capital machinery for setting up a Type B industry, not exceeding the local partners' share of ownership of the unit, may be extended on normal banker-customer

relationship. Repayments of the Taka loans along with interests should be received out of the foreign exchange earnings of the unit.

19. In the case of joint venture (Type B) projects in the EPZs, the foreign partners will have to arrange their contributions in foreign exchange from own or borrowed sources outside Bangladesh and the local partners shall contribute their shares in local currency. In the event, however, the contributions as per joint venture project agreements made by the foreign partners and authorised foreign loan are not sufficient to cover the cost of machinery and equipment, the shortfall may be made up by conversion of Taka into foreign currency upto an amount not exceeding the local partners' shares/contributions and authorised local loan for procurement of capital machinery as mentioned in Para 18 of this Chapter.

20. Taka loans to Type C units : ADs may extend credit facilities to Type C industries [100 (hundred) percent locally owned] as admissible to such industries outside EPZ. Authorised loan received in local currency and equity may be converted into foreign exchange to settle obligations for importing capital machinery.

21. Opening of import LCs on account of EPZ units

In establishing import LCs on account of Type A, B and C units in the EPZs ADs shall bear in mind the position that the import payments may be made only out of the foreign exchange earnings of the concerned units or out of their borrowings abroad credited in their FC accounts, and that no funds from the AD's own foreign exchange resources can be used for this purpose except in the cases as mentioned in Paras 19 and 20 of this chapter.

Before opening inputs import LC against an export LC or export order received by an EPZ unit the AD should satisfy itself completely about the clarity of the conditions in the export order/LC, the standing and credit of the foreign buyer and the ability of the exporting unit for timely execution of the export order. In opening inputs import LCs on account of Type B and Type C units, domestic value addition requirements prescribed for the respective items by the Ministry of Commerce should also be abided by.

Import payments against the LCs should be scheduled in a manner that payment obligations do not fall due before receipt of export proceeds. In all cases of opening inputs import LCs on accounts of units in the EPZ, ADs should satisfy themselves that necessary arrangements have been made by the opener that in case of shortfall or delay in export receipts, foreign exchange would be made available from external sources.

22. Discounting of accepted usance bills of EPZ units (Type A and B)

Balances in NFCD accounts may be utilised for discounting usance bills drawn by Type A and Type B units of EPZs for supplying raw materials under back to back (BTB) arrangement and accepted by ADs operating outside EPZs. However, utilisation of NFCD fund for the above

purpose including payment for BTB sight LCs (as mentioned in Chapter 7) will not exceed 50(fifty) percent of total NFCD balance of the concerned bank.

23. Working capital loan to B and C Type units

For working capital, in addition to pre-shipment non-funded facility through BTB LC and post shipment finance through bill discounting as mentioned in para 22 of this chapter, an AD may grant working capital loan from its own source on banker customer relationship considering repayment capacity of the B and C type units up to the extent of value of inputs required for four months production. However, loans so advanced should be adjusted from export receivables within shortest possible time. The amount of importables is to be determined on the basis of export performance of the concerned unit during the previous year while for the new concern the AD should refer to the production capacity as determined by BEPZA.

For Type C units, this facility will include discounting of direct/deemed export as mentioned in Para 25, Chapter 8 of this Guidelines.

24. Discounting of direct/deemed export bills

Discounting of direct/deemed export bills as mentioned in Para 25, Chapter 8 shall be applicable for the Type C units of EPZs also under the stipulations mentioned in Para 23 above.

25. Credit facilities to the enterprises of EZs and industries of private export processing zones.

The above instructions of Section -II shall be applicable for the enterprises of EZs and units of the private EPZs including KEPZ established under Private Export Processing Zone Act, 1996 also.

26. Medium/long term external borrowing by industrial units in EPZs/EZs

Procedures for obtaining medium/long term external borrowing by industrial units in EPZs/EZs are described in Para 7, Chapter 15 of this Guidelines.