

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3880

ANSWERED ON:31.07.2009

REVIEW OF ECBS

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Will the Minister of FINANCE be pleased to state:

- (a) the details of guidelines governing External Commercial Borrowings (ECBs) for the purpose of developing Special Economic Zones (SEZs);
- (b) whether the Government proposes to review External Commercial Borrowing Guidelines;
- (c) if so, the details thereof; and
- (d) the provisions envisaged for approvals under automatic route?

Answer

MINISTER OF STATE FOR FINANCE(SHRI NAMO NARAIN MEENA)

(a) to (c): The ECB policy is regularly reviewed and modified by the Government in consultation with Reserve Bank of India, keeping in view the evolving macroeconomic condition, sectoral requirements and investment demand. The policy was reviewed in June, 2009. As per the extant ECB guidelines, units in the SEZ are permitted to access ECBs for their own requirements. However, based on review effective from June 30, 2009, SEZ developers have been permitted to avail of ECB under the Approval route for providing infrastructure facilities also, as defined in ECB policy, within the SEZ. However, ECB shall not be permissible for development of integrated township and commercial real estate within the SEZ. The infrastructure facilities as defined in the extant ECB policy include

- (i) power,
- (ii) telecommunication,
- (iii) railways,
- (iv) road including bridges,
- (v) sea port and airport
- (vi) industrial parks
- (vii) urban infrastructure (water supply, sanitation and sewage projects) and
- (viii) mining, refining and exploration.

(d) ECB can be accessed under two routes. Viz.

- (i) Automatic Route as outlined in Section I(A) and
- (ii) Approval Route as outlined in Section I (B) of Master Circular dated July 1, 2009 on ECB issued by RBI under FEMA. Under the Automatic Route, the eligible borrowers may enter into loan agreement with recognized lender for raising ECB complying with the amount, maturity, all-in-cost, and end use etc. conditions in the ECB guidelines without prior approval of the Reserve Bank. However, the borrowers are required to obtain a Loan Registration Number (LRN) from the Reserve Bank before drawing down the ECB. The procedure for obtaining LRN has been outlined in Section II(i)(b) of Master Circular on ECB and Trade Credits issued by RBI under FEMA.