

Frequently Asked Questions (FAQs) on National Export Insurance Account (NEIA)

1. *What are the objectives of NEIA?*

National Export Insurance Account (NEIA) has been set up by the Government of India to facilitate medium and long-term exports, which are commercially viable, considering the limitations of the ECGC Limited in providing adequate cover on its own and non-availability of reinsurance cover to such exporters. Keeping in view the above said objective, NEIA aims to ensure the availability of credit risk cover for projects and other high-value exports, which are desirable from the point of view of national interest, but which ECGC is unable to underwrite at terms which will not affect the competitiveness of the exports.

2. *What types of export transactions are eligible for inclusion under NEIA?*

The following types of export transactions are eligible for inclusion under NEIA:

- Only such medium and long-term export projects which are viable and for which reinsurance is not available. Medium and long-term project exports involving civil constructions, turnkey projects, supply of equipments and services would come under these contracts.
- Exports to countries which are not likely to be covered on purely commercial considerations or are beyond country-exposure limits, acceptable credit terms/period prescribed by ECGC or countries currently facing economic/political difficulties, but where Indian presence is required to be maintained as a part of the long-term strategy of the Government of India.
- These transactions could be in the nature of a Buyer's credit, Line of Credit, Supplier's Credit, and those involving deferred terms of

payments. This apart, transactions involving investments by Indian companies in overseas markets can be covered for the protection of their investments against expropriation risks and limited recourse covers (insolvency risks) against such joint venture entities in favour of banks when they seek funding from international banks.

3. *What is the Committee of Directions (COD)?*

Government of India has set up a High-Powered Committee called the Committee of Directions (COD) under the Ministry of Commerce & Industry to ensure proper and effective utilisation of NEIA scheme, monitoring of its operations and to provide guidance, supervision and necessary approvals for the projects to be brought under the scheme. The Ministry of Commerce & Industry is the competent authority to make suitable changes in the composition of the committee as and when considered necessary.

4. *What is the composition of COD?*

- (i) Commerce Secretary, Chairman
- (ii) Secretary, Economic Affairs, Member
- (iii) Secretary, Ministry of External Affairs, Member
- (iv) Additional Secretary and Financial Adviser, Department of Commerce, Member
- (v) Chairman & Managing Director, ECGC Ltd, Member
- (vi) Chairman and Managing Director, EXIM Bank of India, Member
- (vii) Joint Secretary, E&MDA Division, Dept of Commerce, Member - Secretary.

5. *What is NEIA Trust?*

A Trust by the name of National Export Insurance Account Trust has been set up for maintaining and operating NEIA and will be subject to the directions that would be issued by the Govt. of India from time- to- time. The Trust primarily deals with the funds made available for NEIA and the investments keeping in view the funds requirement for meeting the immediate obligations. The interest derived from the investments, premium received and the recoveries in respect of claims paid out of NEIA is credited

to the NEIA account. The Corpus is invested as per the guidelines for investment of surplus funds by public sector enterprises issued by the Department of Public Enterprises. The Trust submits quarterly reports to COD and the Ministry of Commerce & Industry (MOCI).

6. *What is the cap on the Maximum Liability (Exposure Cap) for the Trust?*

The Cabinet has approved increase in the authorised corpus of NEIA Trust from Rs.2000 cr to Rs. 4000 cr and also approved increase in risk underwriting capacity up to 20 times of the actual corpus against the earlier leverage of 10 times. The Maximum Liability Permissible of the Trust at any point of time would be 20 times of the actual corpus.

7. *What are the Country, Project and Exporter-level Exposure Caps?*

As a prudential risk management measure, certain caps have been fixed on exposure of NEIA on a single country, project or exporter. Broadly, the country caps are in the range of 10 to 20% of Maximum Liability Permissible. However, for SAARC countries, the caps are in the range of 30-40%. The cap for supply contracts projects ranges between 5 to 10% of Maximum Liability Permissible and for other than supply contracts it is 10 to 15%. The Exporter –wise exposure cap is 15% of the Maximum Liability Permissible and the buyer cap is between 5 to 20% of the Maximum Liability Permissible.

8. *What is role of the Committee of Directions (COD)?*

All proposals for providing cover under NEIA are referred to the Committee of Directions for its consideration which periodically reviews the progress of the exports covered under NEIA and also decides on the budgetary requirements as well as annual ceiling with regard to maximum cap, cap on country/project etc. It is a high- powered committee and the Approving Authority. Its main function is to ensure proper utilization of NEIA, to monitor operations, to provide guidance and approve the operational guidelines.

9. *What is the Role of ECGC?*

ECGC has a significant role to play in the administration of NEIA Trust. It carries out the following duties:

- Receives, examines and processes proposals
- Submits proposals to COD for approval
- Issues credit covers on behalf of NEIA Trust
- Receives premium and credits them to NEIA Trust
- Receives, examines and settles claims as per decisions of COD
- Undertakes recovery action as per decisions of COD
- All expenses for recovery are debited to the Trust
- It is entitled to 5% of premium towards administrative expenditure

10. *What are the criteria applied by ECGC to examine proposals for NEIA support?*

- (i) Capability & experience of project Exporter
- (ii) Nature of project
- (iii) Project country
- (iv) Total value of project
- (v) Terms of payment
- (vi) Securities available
- (vii) ECGC underwriting policy
- (viii) ECGC experience
- (ix) Importance of such project export from the national point of view and recommendation by the Ministry of External Affairs.
- (x) Availability of reinsurance support
- (xi) Other factors like the current economic development in project country and related issues.
- (xii) Experience of other Berne Union members towards the country and exposure on projects of similar nature.

11. *What is Buyer's Credit Scheme?*

In order to provide further impetus to project exports from India, especially in the infrastructure sector, the NEIA Trust, in April 2011, in conjunction with Export-Import Bank of India (Exim Bank), introduced a new product / initiative, viz. Buyer's Credit under Government of India (GOI)'s National Export Insurance Account (NEIA), under which the Exim Bank finances and facilitates project exports from India.

Buyer's Credit under NEIA is a unique financing mechanism that provides a safe mode of non-recourse financing option to Indian exporters and serves as an effective market entry tool to traditional as well as new markets in developing countries, which need deferred credit on medium or long-term basis.

Buyer's Credit under NEIA is extended by Exim Bank of India to the governments of recipient countries or to the parastatal project authorities backed by sovereign guarantee. NEIA, through ECGC, provides cover up to 100% for the facility and also cover for exchange rate fluctuation till repayment of the credit, as the insurance cover is denominated in Indian Rupees at the start of the cover. Presently, a positive list of 51 countries has been prepared by ECGC for which Indian exporters can avail themselves of Buyer's Credit under NEIA. The list could be suitably expanded/ modified on receipt of credit requests for projects from other countries.

Broad Terms and Conditions Programme

Eligible Borrowers	Sovereign governments and their nominated government-owned entities for financing their import of eligible goods and services from India on deferred payment terms.
Eligible Goods	Project Exports from India
Eligible Indian companies	Indian exporters with satisfactory track record and sound financials.
Quantum of Credit	The Buyer's Credit would not normally cover more

	than 85% of the contract value, with the balance 15% being paid by the project authority as advance or down payment. Higher credit amount can be considered on case -to -case basis.
Guarantee Fee	6% for 150% of coverage (additional 50% for exchange rate fluctuation) and 4% for 100 % coverage. For interest, guarantee fee will be charged @ 1% per annum for annual renewal.
Tenor / Repayment (Credit) Period	Credit period would normally be limited to 12 years. However, longer credit period will be considered exceptionally on merits of the proposal.
Security	Sovereign guarantee in the event the borrower is other than the Ministry of Finance of the borrowing country.