

Terms of an on-lent loan:

Very often, the terms in the DCA may differ from the terms in the SLA for on-lent loan. Generally the terms and conditions of an on-lent loan is given in the light of the terms and conditions in the DCA of the loan. The repayment of a loan depends on the terms and conditions between the government and the lender. The repayment period usually does not exceed the date stipulated in the Direct or Main loan.

Why it is called debt service liability:

When the government (ERD) borrows fund from an external organization, the ERD should record it as an external debt liability. After receiving it, when the government (the Finance Division) re-lends the fund to any SOE, it is classified as a domestic claim/liability. As the government is liable to the lenders and the SOEs are liable to the government, the institutions through which these loans are received and disbursed have some responsibilities for the management of individual loan accounts properly. Co-operation among the institutions is very much needed for proper maintenance of related data.

Basic details to look for while reading a Development Credit Agreement (DCA)

1. Identify the loan:

- a) Loan reference number/ number given by the creditor
- b) Loan reference number/number given by the borrower (ERD).
- c) Date of signature of the DCA;
- d) Loan name;
- e) Purpose of the loan;
- f) Loan amount;
- g) Loan currency;
- h) Repayment currency;
- i) Disbursement currency;
- j) Project implementer;
- k) Effective date;
- l) Drawing limit;