

## AN EXPORT CREDIT INSURANCE CORPORATION FOR SRI LANKA

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The main purpose of this study is to outline proposals for an Export Credit Insurance Corporation in Sri Lanka and indicate terms and conditions under which the proposed Corporation (ECIC) should function as a means of promoting exports. The work of ECIC is mainly two-fold. One is to issue export credit insurance policies to exporters to protect them against non-payment of proceeds by the buyers abroad due to commercial and political risks. The other is to issue guarantees to the banks against non-payment of advances by exporters.

Export credits and bank guarantees are examined against the perspective of Sri Lanka's economic and financial prospects. This will show how present pre-shipment and post-shipment credit needs are inadequate for the promotion and diversification of exports. The proposed ECIC should be self-supporting and commercial. The objectives of ECIC are many. In addition to those mentioned above, it will also (a) help exporters to find new markets, (b) grant financial and other facilities, (c) provide a flexible and comprehensive refinancing scheme, (d) undertake market studies abroad, (e) obtain credit intelligence information and (f) effect institutional changes in the country's export finance structure. Principles with regard to premium rates, spread of risks, voluntary insurance, type of cover, payment of claims, bank guarantees, policy assignment and recourse are formulated for the guidance of policy makers.

