



**New Development Bank**  
**Policy on Loans to International Organisations**

**Owner:** Operations Divisions

**Version:** 2019 V1

**Approval Date:** September 12, 2019

All rights reserved.  
Any unauthorized use, duplication or disclosure is prohibited.

---

## Policy on Loans to International Organisations

---

### Change Log

Revision Date	Chapter revised	Revision Details

## Policy on Loans to International Organisations

---

### Table of Contents

#### Contents

Abbreviations.....	2
A. Introduction.....	3
B. International Organisations and Eligible Projects .....	3
C. Forms of NDB Financing.....	4
D. Special Requirements for Financing International Organisations.....	4
E. Exposure Limits.....	5
F. Assessment of International Organisations by NDB and Loan Processing .....	5
G. Procurement.....	5
H. Environment and Social Impact Management.....	6
I. Retroactive Financing .....	6
J. Monitoring.....	6

## Policy on Loans to International Organisations

---

### Abbreviations

<b>AoA</b>	Articles of Agreement of NDB as Annex to the Agreement on NDB
<b>BOD</b>	Board of Directors of the New Development Bank
<b>NDB</b>	New Development Bank

**Policy on Loans to International Organisations****A. Introduction**

1. Article 1 of the Articles of Agreement (“AoA”) between the Federative Republic of Brazil, the Russian Federation, the Republic of India, the People’s Republic of China and the Republic of South Africa dated July 15, 2014 (“Agreement on NDB”), establishing the New Development Bank (“NDB” or the “Bank”), provides that “to fulfill its purpose, the Bank shall support public or private projects through loans, guarantees, equity participation and other financial instruments. It shall also cooperate with international organizations and other financial entities, and provide technical assistance for projects to be supported by the Bank.”
2. In accordance with Article 3 (ii) of the AoA, “to fulfil its purpose, the Bank is authorized ... to cooperate as the Bank may deem appropriate, within its mandate, with international organizations, as well as national entities whether public or private...”.
3. International organizations are organizations established by a treaty or other instrument governed by international law and possessing their own international legal personality. International organizations may include as members, in addition to States, other entities.
4. This Policy allows for certain transactions with international organizations as further described in the Policy.

**B. International Organisations and Eligible Projects**

5. International organisations that fall within the scope of this Policy shall:
  - i. have the legal capacity to borrow, and to finance projects that are eligible for NDB funds according to the Agreement on NDB; and
  - ii. have as a member country(ies)/shareholder(s) one or more of the member countries of NDB.
6. To be eligible for NDB financing under this Policy, the project(s) (“Eligible Project(s)”) proposed by an international organization must be:
  - i. in line with NDB’s General Strategy as amended from time to time, and
  - ii. located in one or more borrowing member countries of NDB and not in a Disputed Area as this term is defined in NDB’s Policy on Operations in Disputed Areas and/or Involving International Waterways.

## Policy on Loans to International Organisations

---

### C. Forms of NDB Financing

7. Under this Policy, NDB may support Eligible Projects by extending loans to an international organisation. The international organisation selected by NDB on-lends NDB loans as sub-loans to finance one (back-to-back loan) or more (two-step loan) Eligible Projects, identified as sub-projects.
8. NDB and the international organisation shall agree, during the appraisal of the loan, on criteria for selection of sub-projects and also on a “free limit” below which the international organisation approves sub-loans meeting the selection criteria without taking prior approval from NDB and submits to NDB only the necessary information as per the legal agreements governing the loan. The free limit is determined taking into account appraisal capacity and processes of the international organisation, prior experience in administering similar loans, sub-loan size, and environment and social risks. Sub-loans above the free limit need prior NDB approval to qualify for NDB financing under the loan.
9. NDB and the international organisation may agree on an “appraisal floor” above which NDB will appraise the sub-project either independently or jointly with the international organisation before the same is presented by the international organisation to its governing bodies for approval.
10. NDB provides foreign exchange denominated loans or local (in respect of the location of the Eligible Project) currency loans at floating or fixed interest rates. The availability period and repayment period will be determined based on requirements of the Eligible Project. Pricing of NDB loans is cost of funds of NDB plus an applicable lending spread. The lending spread covers operational costs and provides a reasonable “risk adjusted return” on capital adopting a market-based approach. NDB levies a front-end fee to recover the processing and administration cost of loans, and a commitment charge to defray the cost of keeping adequate liquidity to meet the disbursement needs of its clients.

### D. Special Requirements for Financing International Organisations

11. The international organisation shall be required to: (i) be recognized as having a juridical personality in the member country in which the Eligible Project is located, and by the common member country(ies) of NDB and the international organisation, (ii) waive in favour of NDB its immunities from all form of legal processes; and (iii) consent to allow any proceedings in connection with the enforcement or execution against any property

## Policy on Loans to International Organisations

---

or assets whatsoever of any order or judgment which may be made or given in the proceedings.

12. NDB extends financing under this Policy only if the government of the member country on whose territory the sub-projects are implemented, has no objection. The government's no-objection is to be obtained before the transaction is submitted to the BOD for approval.
13. To ensure a causal link (nexus) between the international organisation and the member country on whose territory the Eligible Project(s) is/are implemented, NDB will only disburse loan funds to bank accounts of the international organisation held in that member country.

### **E. Exposure Limits**

14. NDB's total exposure to each international organisation shall not exceed USD 500 million (or as this threshold may be amended from time to time by NDB's Credit Risk Management Policy).

### **F. Assessment of International Organisations by NDB and Loan Processing**

15. NDB will carry out an assessment of the international organisation including: (i) institutional suitability of the international organisation to engage with NDB; (ii) financial soundness of the international organisation reflected in capital adequacy, asset quality, liquidity, and profitability; (iii) management policies and standards of corporate and financial governance, including, among other things, exposure limits, and transparent financial disclosure policies and practices; (iv) internal procedures for project assessment, risk management and project approval; (v) capabilities to assess the social and environmental impact of sub-projects and monitor the compliance in managing the impacts in accordance with national standards of NDB member countries; (vi) soundness of business strategy, plans, and track record in the sectors targeted by NDB; (vii) adequacy of pricing models; and (viii) anti-money laundering mechanisms.
16. Loans to the international organisation will be processed using the procedure outlined in the Policy on Transactions without Sovereign Guarantee (Part 2: Processes and Responsibilities).

### **G. Procurement**

17. The international organisation is required to make adequate arrangements for effective supervision of procurement under sub-projects and in accordance with requirements of

## Policy on Loans to International Organisations

---

the NDB's Procurement Policy. Arrangements for procurement management will be assessed and agreed during appraisal of the facility.

### H. Environment and Social Impact Management

18. The international organisation needs to have suitable systems to manage the environment and social impact of activities financed with NDB funds to comply with principles of NDB's Environment and Social Framework. Arrangements for managing environment and social impacts will be assessed and agreed during appraisal of the facility.

### I. Retroactive Financing

19. NDB may finance amounts disbursed by the international organisation to sub-projects up to 20% of the loan amount and not earlier than 12 months prior to the signing of the loan agreement between NDB and the international organisation, unless otherwise decided by the BOD.

### J. Monitoring

20. NDB and the international organisation will establish in transaction documents a system to (i) ensure NDB resources are used in accordance with the criteria indicated in the loan agreement; and (ii) monitor the quality of portfolio of sub-projects financed by the international organisation. NDB also (i) monitors the financial soundness, solvency, profitability, and regulatory compliance of the international organisation; and (ii) requires submission of audited financial statements that are prepared in accordance with internationally acceptable standards and audited annually by independent auditors acceptable to NDB.