



New  
Development  
Bank

CORPORATE-LEVEL  
EVALUATION

# NDB'S POLICY FRAMEWORK

INDEPENDENT  
EVALUATION OFFICE



AUGUST 2024

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# PREFACE

I am delighted to present this report which contains the findings and recommendations of corporate-level evaluation (CLE) undertaken by the Independent Evaluation Office (IEO) on NDB's Policy Framework.

Policies and their associated guidelines are the means to operationalise NDB's mandate as articulated in its Articles of Agreement (AoA) and guide the Bank's workforce in the implementation of corporate and operational activities. As a relatively young multilateral development bank, NDB has had to create a completely new policy framework in just a few short years. The initial urgency of developing and approving policies and guidelines did not initially leave adequate time to fully formalise this framework and establish a clear nomenclature for the regulatory and guiding documents.

However, over time an informal policy structure has been built up. One example of this is how a decentralised approach has been adopted to policy management, which is managed by individual departments as policy owners. This does have positive effects as it enhances ownership and draws on the considerable substantive knowledge in the originating divisions/departments. Nevertheless, as the Bank matures, more needs to be done to consolidate the policies' effectiveness, improve their coherence, and avoid the discretionary application of their provisions by individual divisions. Over time NDB also needs to consider developing a set of dedicated sector/thematic strategies and policies, at least in the areas of key priorities (e.g. infrastructure, water and sanitation, etc.) defined in the General Strategy.

Furthermore, it must be recognised that building and developing a policy framework is, as experience from peers shows, a continuous process that requires regular review and reflection so that it mirrors the evolution of the organisation and meets its emerging needs in the most effective manner.

Careful consideration needs to be given to managing this – and IEO encourages NDB Management to put in place an action plan on how to deal with these issues and to further strengthen the Bank's policy framework moving forward.

Finally, this is the first ever CLE published by IEO. CLEs assess Bank-wide corporate policies, strategies, business processes and organisational aspects, and they are expected to generate findings and recommendations that can be used for the formulation of new and more effective corporate policies and strategies. In my opinion, undertaking a CLE on this subject and at this point – after nearly 10 years of NDB's existence and in the halfway of implementing NDB's second General Strategy – was extremely timely. It is a great occasion to review and highlight the achievements in building a new policy system and signal areas where work may still be needed and changes required.



**Ashwani K. Muthoo**  
*Director General*  
*Independent Evaluation Office*



# ACKNOWLEDGEMENTS

The Independent Evaluation Office (IEO) would like to thank all those who have contributed to this evaluation. At the outset, IEO would like to thank the NDB Board of Directors for commissioning this evaluation and providing inputs at critical stages of the process including by reviewing and providing comments on the draft final report. IEO is thankful to the NDB President, the Vice-Presidents, and Bank staff more generally for their insights and comments at different junctures. Last but not least, appreciation is due to the members of the NDB High-Level Evaluation Advisory Committee, who provided inputs at the outset of the evaluation and also commented on the draft final report.

Moreover, as part of the benchmarking exercise conducted, valuable inputs were provided by colleagues in several peer international organisations regarding their overall experience, good practices and lessons on the topic.

The report was produced under the overall supervision of Mr. Ashwani K. Muthoo, Director General, IEO. He was ably supported by Mr. Chao Sun, Senior Professional IEO, who was the lead evaluator

for this report. Mr. Sun benefitted from the inputs of Ms. Dorte Kabell (Development and Evaluation Expert) and Mr. Heng Zhao, Research Analyst IEO. Ms. Jaqueline Rabelo Souza and Mr. John Laird, from IEO, were responsible for editorial quality assurance, proof reading, design and layout, and outreach of the publication.

IEO is exclusively responsible for the contents and quality of the evaluation report.

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# ABBREVIATIONS AND ACRONYMS

AoA	Articles of Agreement
ADB	Asian Development Bank
AfDB	African Development Bank
AIIB	Asian Infrastructure Investment Bank
ARC	Audit, Risk & Compliance Committee
BHRC	Budget, Human Resources, and Compensation Committee
CIC	Credit and Investment Committee
CLE	Corporate-level evaluation
CSD	Corporate Secretary Department
EC	Executive Committee
E&S	Environment and Social
ESG	Environmental, Social and Governance
FC	Finance Committee
FOP	Front Office of President
GCF	Green Climate Fund
IEO	Independent Evaluation Office
IFI	International Financial Institution
KPA	Key Performance Area
KPI	Key Performance Indicator
MDB	Multilateral Development Bank
PCC	Policy Coordination Committee
ROCs	Regional Offices and Centres
SPPD	Strategy, Policies and Partnerships Department
ToRs	Terms of Reference
VP & CAO	Vice-President & Chief Administrative Officer
VP & CFO	Vice-President & Chief Financial Officer
VP & CRO	Vice-President & Chief Risk Officer
VP & COO	Vice-President & Chief Operating Officer

# EXECUTIVE SUMMARY

## A. BACKGROUND

This corporate-level evaluation (CLE) of NDB's Policy Framework, requested by the NDB Board and included in the 2024 Independent Evaluation Office (IEO) work programme, aimed to: (i) assess the Bank's policy coherence; (ii) analyse the policy approval and implementation processes, and the systems for monitoring and evaluation; (iii) examine

the allocation of financial resources invested and the availability of technical expertise required for effective policy design and implementation; and (iv) assess the organisational structures in place to support and facilitate NDB's policy initiatives.

## B. EVALUATION SCOPE AND APPROACH

The broad objective of this evaluation is to evaluate the overall robustness of NDB's overarching policy framework in supporting the Bank to meet the main provisions laid out in its Articles of Agreement and General Strategies. Therefore, it does not assess the results or impact of individual policies that have been adopted by the Bank, which would entail a different methodology and would have to be done on a case-by-case basis.

This evaluation analyses regulatory and guiding documents adopted from July 2015 until the end of 2023. It focuses on formally approved policies that are registered by the Bank's Corporate Secretary Department, and the guidelines that have been officially circulated by NDB's Policy Coordination Committee.

More specifically, the evaluation reviews the Bank's experience to date regarding the development process of policies (and associated guidelines), for example with regard to the organisational set-up and quality assurance mechanism to ensure their relevance, coherence and consistency. It examines the policy implementation and monitoring system and identifies policy gaps. It presents findings and conclusions drawing, where relevant, on good practice at peer organisations. Finally, it presents recommendations aimed at improving NDB's policy framework, institutional effectiveness and governance.

## C. KEY FINDINGS

As a relatively young multilateral development bank (MDB), NDB has had to create a completely new policy framework consistent with its Articles of Agreement.<sup>1</sup> The Bank can be commended for its relatively comprehensive coverage of topics relevant to its mandate in its policy suites, which allowed, for example, for the speedy commencement of operations by using member countries' systems. Nevertheless, there are some issues relating to the policy suites and their management that need to be highlighted.

NDB does not yet have a clear framework and an agreed nomenclature and definitions for its guiding documents. This lack of clarity at the Bank has practical implications, for instance, in terms of policy implementation, oversight and accountability.

Moreover, the Bank has not yet adopted standardised formats for its different regulatory document types. NDB policies vary with respect to length, content, scope and technical detail, and some are not only developed at a broad principal level, but also include references to organisational responsibility and operational procedures. Processes around document management, peer review and consultation are not formalised. Multiple policies also include the requirement for an annual review; and all revisions (even minor amendments) to some are submitted to the Board for approval, as is also the case for few guidelines, which does not favour the efficient use of time and resources of a non-resident Board.

The evaluation finds a decentralised (or somewhat "informal") approach has been applied to policy management, which is managed by individual departments as policy owners. This does have positive effects as it enhances ownership and draws on the considerable substantive knowledge in the originating divisions/departments. Nevertheless, without a dedicated centralised owner of the entire policy management cycle, there are risks – and actual cases – of contradictions, overlaps and gaps. Decentralised responsibility for development, implementation and maintenance of policies without the benefit of a centralised coordination and quality assurance mechanism to ensure oversight opens the Bank's regulatory framework to the discretionary application of its provisions.

While the Bank has a Strategy, Policies and Partnerships Department, its specific role and mandate in policy management needs further development and clarity, and this evaluation notes that no peer MDB has assigned a centralised function to unilaterally create and revise all of its organisational policies. The anchoring of responsibility for policy framework coordination and oversight therefore remains somewhat unclear in NDB.

The Policy Coordination Committee is currently under Management review and in need of updated terms of reference, formalised processes and re-consideration of its organisational anchoring. In terms of ensuring the continued relevance and high quality of policies, and buy-in from across the organisation, comprehensive consultation is essential. The initiative to revisit its mandate and activities is welcome and should involve a comprehensive consultation process that would include all relevant stakeholders within the Bank and result in clearer terms of reference for the committee.

An easy-to-navigate repository for NDB's policies and guidelines is still to be developed. This has had practical implications for staff seeking to apply the many documents to their work, and indeed for Management to ensure the documents' application and continued relevance. Limitations in dissemination and accessibility have also been found by this evaluation.

Effective policy implementation is constrained by issues found with regard to key aspects of implementation support (supporting documents, practical guidelines, training and resources), which are frequently not made available or adequate. There are both examples of policy and regulatory gaps, where no policy or guideline has yet been developed, as well as cases of inconsistency of applied practice vis-à-vis an existing policy – both issues that jeopardise effectiveness. Furthermore, as the Bank's engagement grows, the lack of specific, detailed sector strategies to operationalise the overarching General Strategy is likely to constrain consistency and impact.

<sup>1</sup> See here: <https://www.ndb.int/wp-content/uploads/2022/11/Agreement-on-the-New-Development-Bank.pdf>.

## D. CONCLUSIONS

### Relevance

NDB's policy universe largely covers the Bank's most important areas although some gaps are identified. The policy architecture is implicit rather than clearly defined, which poses challenges in terms of fully understanding the purpose and implications of policies and associated guiding documents, further aggravated by lack of training.

### Effectiveness

Shortfalls in support (tools, training and resources) constrain NDB's ability to ensure effective policy implementation. There are also limitations in dissemination and accessibility.

### Efficiency

The lack of a clearly defined policy framework and absence of consolidated lists of regulatory/ guiding documents and searchable IT platforms is a constraint on the Bank's institutional and operational efficiency.

### Coherence and consistency

There is no one unit responsible for ensuring the quality and coherence of the policies, systems to track consistency in application of policies and guidelines and monitoring and evaluation systems to track policy outcomes, resulting in cases of contradictions, overlaps and gaps.

## E. RECOMMENDATIONS

### Recommendation 1.

Develop, for approval by the Board of Directors, an explicit framework for all regulatory documents.

### Recommendation 2.

Develop an institutional process for the review of the policy and regulatory framework to ensure their continued relevance and applicability.

### Recommendation 3.

Reconsider the approval authority and process for the Bank's regulatory documents. Policies and strategies for approval should normally first be presented to the relevant Management Committee for discussion and endorsement, and then to Board Committees for review.

### Recommendation 4.

Develop sectoral strategies or policies for prioritised areas.

### Recommendation 5.

Ensure appropriate institutional anchoring of policy management in all the phases of the policy cycle. Clearly assign authority, responsibility and adequate resources for policy oversight, quality assurance and management processes.

### Recommendation 6.

Strengthen transparency and accessibility. Consider IT options for establishing one dedicated platform for all mandatory and regulatory documents of NDB and make them more navigable and accessible to both internal and external stakeholders.

### Recommendation 7.

Identify resources, skills, and support needed for effective and consistent policy implementation, compliance and accountability.

# NDB MANAGEMENT RESPONSE

The NDB Management is appreciative of the IEO's evaluation of the NDB's Policy Framework and recognizes the importance of examining NDB's Policy Framework. The IEO's work brings attention to several aspects of the policy framework, including governance, communication, implementation, training, enforcement, and change management.

Nonetheless, the Management expresses some concerns about the quality of the evaluation. Most of the recommendations are based on limited and generic benchmarking and lack specificity to NDB's context. On the topic of organisational structure and benchmarking against peers, the evaluation does not seem to reflect a deep understanding of the practices of the main MDBs.

Regarding the PCC, following the transition of the previous administration, its activities have been under Management review. As noted in the evaluation, an interdepartmental meeting was held in May 2024 to discuss improving the PCC's effectiveness, which included revising the Terms of Reference (ToRs) and the "Operational Guidance for the NDB Policies and Guidelines" document. Subsequently, a meeting with the committee members was held on June 26, 2024, to review the PCC's activities. Currently, the initial outputs of the first actions taken are:

- A report with the summary of the guidelines pipeline.
- The guidelines inventory.
- 42<sup>nd</sup> PCC meeting agenda on August 16.
- Updated shared folder with the documents and records of the PCC project.
- A PCC committee members' distribution list to ensure the sending of official committee documents, invitations, and instructions, promoting effective communication.

Also, according to the agreements during those meetings, Director Generals have nominated their representatives to compose the PCC Project Working Group and seek the next steps related to the "Operational Guidance for NDB Policies and Guidelines" review by Management.

Management notes that the evaluation makes references to some documents that have not been approved internally. Documents that are either work in process or that are not approved should be treated with caution. Finally, some of the terminology repeatedly employed in the recommendations (e.g. "regulatory documents" and "regulatory framework") are not well defined within the context of NDB, which could lead to confusion during review.

## SPECIFIC COMMENTS

### **Recommendation 1:**

**Develop, for approval by the Board of Directors, an explicit framework for all regulatory documents.**

To strengthen transparency, accountability and effectiveness it is recommended that the Bank firstly: (i) develops a coherent framework that includes nomenclatura, definitions, classification, regulatory hierarchy and requirements with clear approval authority, separately for policies, strategies, guidelines and other regulatory documents; and (ii) develops a standardised format for such documents to ensure consistency and comparability in terms of scope and detail. The framework should provide a clear purpose and broad guidance on what each type of document needs to contain and set criteria for updating. This clear policy architecture could be based on a tiered or "pyramid" approach, distinguishing between instruments that: (i) set strategic directions for the work of the Bank; (ii) establish principles or standards designed to regulate the delivery of NDB's operations; and (iii) provide operational or administrative guidance on implementation aligned with approved policies.

## Management Response

The Management appreciates the recommendation but would like to recall that the elaboration of a policy framework, including standard templates, is currently under discussion at the PCC and this information has been passed along to the IEO. The Management would also like to clarify that strategies should not be part of discussions regarding the policy framework.

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### Recommendation 2:

**Develop an institutional process for the review of the policy and regulatory framework to ensure their continued relevance and applicability.**

Given the continuing evolution and expected expansion of the Bank, the regulatory framework, including the General Conditions of operations, will need to be periodically reviewed and be sufficiently flexible to accommodate change. Furthermore, it is recommended to discontinue the current practice of standard inclusion of annual reviews in individual policies and/or strategies (once developed). Fundamental operational policies and strategies should include a coherent results and implementation framework linked to the corporate results framework, monitoring and evaluation mechanisms. Policies should be reviewed to confirm their continued relevance and applicability along with the mid-term and completion reviews of strategies. Such reviews will generate the required lessons and inform the development of a new policy or strategy on the topic.

## Management Response

The Management acknowledges the recommendation, but maintains that new processes, if adopted, should not result in the discontinuation of annual reviews. Yearly reviews allow for agile adaptation to lessons-learned and external developments which are increasingly dynamic, ensuring policies remain updated, relevant, and consistent among themselves. It should also be noted that reviewing policies on an annual basis does not imply changing them – sometimes the revision is just to confirm that no change is required.

The recommendation to associate fundamental operational policies with “the corporate results framework, monitoring and evaluation mechanisms” would require more clarity and discussion. It is unclear what would constitute a “fundamental policy”. Also, specific indicators would have to be devised for policies, which could be redundant, as the results framework is comprehensive enough to account for

the main aspects of the General Strategy.

The Management notes that linking the timing for the review of policies with the mid-term and completion reviews of strategies would require more careful discussion. Policies should be reviewed regularly, not only to ensure consistency with the General Strategy, but also with the Bank’s evolving operating environment, expansion of activities and evolution of its operations. Having the 2.5-year timing rigidity as recommended by the IEO could end up being detrimental to the NDB, given its continuing evolution, expected expansion, and everchanging geopolitical context.

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### Recommendation 3:

**Reconsider the approval authority and process for the Bank’s regulatory documents.** The proposed regulatory framework should clarify the necessary approval authority of each document. In line with practices in peers, new policies and strategies should all be approved by the Board, whether they are on a new topic, or a similar topic that was already covered by a previous policy/strategy. Before submitted for approval, Management should ensure due consultation with the Board and/or the relevant Board Committee, to collect inputs as well as to provide clarifications and further information required to facilitate Board decision-making. To facilitate the approval by the Board and streamline the agenda of the Board, it is recommended that policies and strategies for approval should normally first be presented to the relevant Management Committee (Finance Committee [FC], Credit and Investment Committee [CIC] or Executive Committee [EC]) for clearance, and then to Board Committees for review. Internally, each draft final policy, strategy and guidelines should be submitted for inter-departmental review, for instance, in the PCC whose mandate could be expanded to also include review of draft policies and strategies in addition to adoption of the guidelines.

## Management Response

The Management notes that most of the recommendations refer to practices already being undertaken by the Bank, such as required approval authority, submission to the Board, and review by relevant Management committees. However, the Management notes that henceforth all policies will be invariably routed through the newly constituted EC in case they do not fall under the purview of CIC or FC. PCC has performed its activities since 2018, and in 2023, under the new Presidency, it was noticed that

the records found about the committee's purpose, operations, and functions have not been approved. However, keeping in view the significance of such a body in an organisation like the NDB, to foster a culture of transparency, compliance, and a coherent workflow, the Management ensured the continuity of its activities in a practical manner so as to provide the Board with solid inputs and resources for decision-making and approval processes. Taking into account the lack of formal guides as mentioned above, the Office of the President absorbed the management of the PCC with the commitment to improve its activities and structure. This includes the review of the ToRs, and the operational guidelines of the PCC, to set the new cycle of PCC (2024), including the possibility to add the policies within the scope, besides further refining the level of PCC's power. Some of the actions decided during the meetings held in May and June have already been taken, and the evidence that supports this initiative is available in an internal shared folder.

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#### **Recommendation 4:**

**Develop sectoral strategies or policies for prioritised areas.** IEO recommends that over time the Bank develops a set of dedicated sector/thematic strategies and policies, at least in the areas of key priorities (e.g. infrastructure, water and sanitation, etc.) defined in the General Strategy. This is common practice in most peer MDBs, and would help give more detailed guidance to design teams and facilitate the timely operationalisation of the General Strategy.

#### **Management Response**

The Management acknowledges the IEO's recommendation and notes that the relevance of sectoral strategies to enhance project origination and delivery, is already foreseen in the General Strategy. The Management understands that any effort in this direction should start by focusing on the key priority areas identified in the General Strategy for 2022–2026. Management cautions that the prerogative of member countries and their country systems for sectoral strategies should be consulted and key institutional features respected.

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#### **Recommendation 5:**

**Ensure appropriate institutional anchoring of policy management in all the phases of the policy cycle.** The current lack of institutional anchoring and resourcing of the policy function needs addressing by clearly assigning authority, responsibility and

adequate resources for policy oversight, quality assurance, and management. This would help institutionalise what is currently an inferred framework and hence strengthen and ensure relevance, coherence and consistency of the policy framework. In this regard, it is recommended that the Strategy, Policies and Partnerships Department (SPPD) be fully resourced to carry out such functions after its policy responsibility assigned by the current NDB organisation structure has been revisited. It would be appropriate to designate SPPD as the Secretariat for the PCC, whose Terms of Reference (ToRs) should be revisited in light of the recommendations of this evaluation, and to become formalised as an integrated component of the Bank's governance structure with clearly delegated authorities.

#### **Management Response**

The Management acknowledges this recommendation. However, Management notes that the IEO evaluation may not have sufficiently considered the role of other departments and functions in the policy drafting, enforcement, and change management processes, beyond the PCC and SPPD. The proposed structure needs to carefully account for the expertise, autonomy, and accountability of these complementary functions. The PCC will play an important role in this regard, facilitating exchange, conflict resolution, and enforcement.

Management also recommends a deeper analysis when benchmarking the roles and organisational structure of peers. For instance, in the case of AfDB and AfDB which are used for comparison, the Strategy Department focuses on Operations policies. The report is especially vague on the experience of AfDB, failing to disclose that the Policies division there is responsible for only four operations and ESG-related policies. Therefore, it is important to acknowledge that there is significant variability among MDBs, almost all of which do not have a centralised function responsible for all policies. In view of this, NDB should continue to develop a robust framework, inspired by best practices, but appropriate for its own size and context.

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#### **Recommendation 6:**

**Strengthen transparency and accessibility.**

Accessibility has been identified as a limitation on effectiveness. Therefore, it is proposed to: (i) consider IT options for establishing one dedicated platform for all mandatory and regulatory documents,

with user-friendly functions to classify documents accurately and efficiently based on their version, date, owner, approver and regulatory hierarchy as well as associated documents, to make NDB's policy framework more navigable and accessible to both internal and external stakeholders;

- (ii) share in a timely manner information Bank-wide when important policy decisions are made by Board or its committees; and
- (iii) develop a process to define and identify confidential information and refine the policy disclosure practices accordingly.

Furthermore, notes that are considered a useful flexible instrument should be better accounted for through the establishment of a transparent list of all current notes, to be included in the proposed dedicated platform for mandatory regulatory documents.

### Management Response

The Management acknowledges the need to strengthen transparency of communications and accountability for the former. Accessibility to information pertaining to Board decisions, summaries of meetings, and documents submitted to the Board and Committees, are essential. The Management takes note of the additional recommendation regarding notes but prefers to wait for the finalisation of internal discussions on the policy framework prior to initiating any changes.

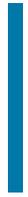
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### Recommendation 7:

**Identify resources, skills, and support needed for effective and consistent policy implementation, compliance, and accountability.** Once a policy framework is established and the policy management function is organisationally anchored, the human and financial implications should be addressed and adequate resources provided for the necessary policy level support, including training. This would also facilitate the assignment of clear accountability for the different steps in the policy management cycle, and to ensure full transparency and to better hold staff and managers accountable. A dedicated function should take the responsibility to organise and coordinate policy framework related trainings, including developing the training plan together with policy/guideline owners and maintaining the training records, to ensure the policies and associated guidelines are acknowledged by all related staff across the Bank.

### Management Response

The Management is aware that all functions need to be adequately resourced and structured in order to perform effectively. Management would also like to recall that the PCC's composition provides for the participation of all relevant DGs in the Bank, allowing full discussion, exchange of views and collaboration towards the approval of guidelines. The same approach will be extended to policies, as was the intention when the PCC was set up.



# BACKGROUND

## CONTEXT OF NDB

1. NDB was established with the purpose of mobilising resources for infrastructure and sustainable development projects in Brazil, Russia, India, China and South Africa – or the “BRICS” countries – and other emerging market economies and developing countries, complementing the efforts of multilateral and regional financial institutions for global growth and development. Aiming to be a 21<sup>st</sup> century multilateral development bank (MDB) that does things somewhat differently from its more established peer MDBs, the NDB also, however, “builds on the experiences of existing institutions to design policies and practices”<sup>2</sup> where there are similarities and where this allows for better efficiency and effectiveness. This reflects the Bank’s commitment to being a “lean” organisation which builds on good international practices.
2. The Bank’s policy architecture was put in place as part of the initial institutional and regulatory framework, derived from the Bank’s Articles of Agreement (AoA) and modelled to some extent over the policy frameworks of peer MDBs, while leaving room for tailoring to the innovations and specifics of NDB. Indeed, differences with peers were acknowledged in the first General Strategy for 2017–2021 which states: *“The BRICS countries decided to establish the Bank, design basic policies and begin initial operations among the five founding members, with the view that this would **facilitate the elaboration of policies that differ from those of existing institutions in fundamental ways.**”* New policies have thus been gradually added, the latest being in January 2024.<sup>3</sup>
3. After 9 years of operations, as the Bank moves beyond its establishment phase into a steady state of operations, it will continue to build on its lean and agile institutional profile, which embeds the value of efficiency in both administration and operational activities. In this respect and, as further elaborated in NDB’s second General Strategy for 2022–2026,<sup>4</sup> the Bank also *“recognises the importance of having in place good governance structures and processes that reinforce operational efficiency, accountability, transparency, high ethical standards, equality and good relations”*. To boost accountability, NDB has committed to *“review its processes, policies, and guidelines to ensure that they are well aligned with the Bank’s Strategy, clearly spell out roles and responsibilities, and provide practical guidance for execution”*.
4. Policies and their associated guidelines are the means to operationalise NDB’s mandate as articulated in the AoA and guide the Bank’s workforce in the implementation of corporate and operational activities. In parallel to the development of new policies and guiding instruments, there has been the gradual building up of the organisational structures that underpin the policy framework, and the evolution of policy management processes and practices. For example, a Policy Coordination Committee (PCC) was established in 2017 with a mandate to *“facilitate the approval/ review of policies/divisional guidelines by the Management through cross-functional collaboration across the Bank”*.<sup>5</sup> After this, a new organisational structure was approved by the NDB Board of Directors in December 2020, which articulated that the Bank’s Strategy, Policies and Partnerships Department (SPPD) *“is responsible for creating new and revising existing policies”*.

## NDB’S POLICY UNIVERSE AND ASSOCIATED GUIDELINES

5. For the time being NDB does not have thematic, sectoral or country strategies in the way peers do. The Bank has been guided by successive 5-year General Strategies approved by its Board

<sup>2</sup> NDB’s first General Strategy 2017–2021.

<sup>3</sup> The Bank’s Internal Control over Financial Reporting Policy was approved by the NDB Board of Directors through a decision by circulation on January 5, 2024.

<sup>4</sup> See here: [https://www.ndb.int/wp-content/uploads/2022/07/NDB\\_StrategyDocument\\_Eversion-1.pdf](https://www.ndb.int/wp-content/uploads/2022/07/NDB_StrategyDocument_Eversion-1.pdf).

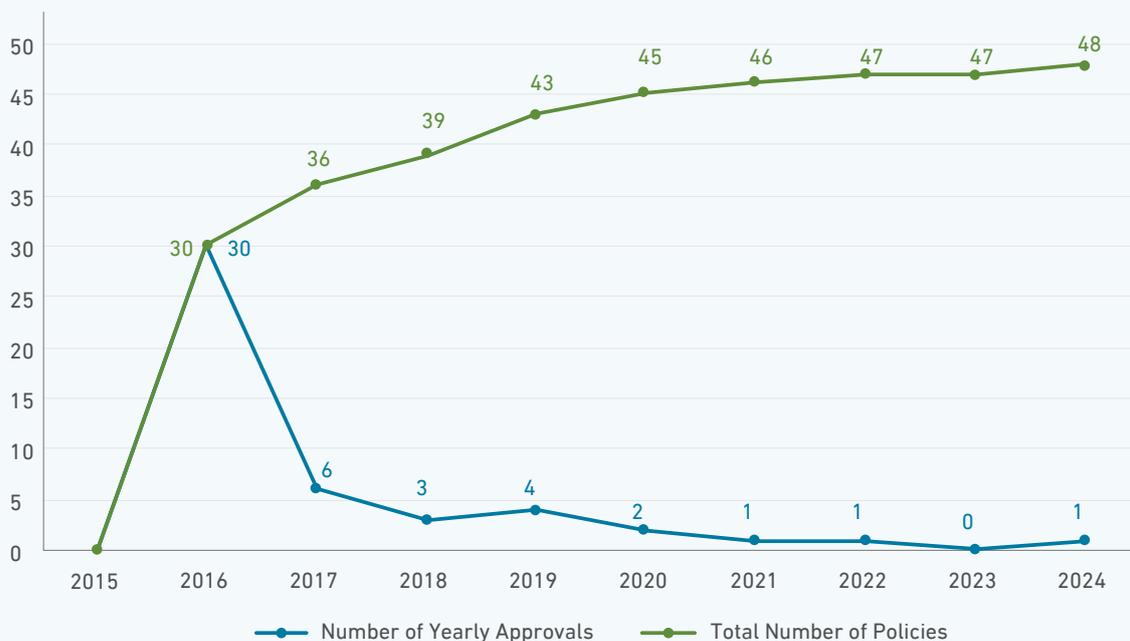
<sup>5</sup> Term of Reference (ToR) of PCC.

of Governors.<sup>6</sup> In addition, the NDB has not formalised a Bank-wide policy development/ implementation framework to officially establish standard policy responsibilities, nor yet developed policy manuals like some peers.

started its operations in 2015: 30 policies in the first year and 39 in total by the end of the third year. This still accounts for 80% of the current total of policies. New policies have subsequently been added as operational and corporate evolution created needs for better guidance and regulation.

- 6. A large majority of the Bank’s policies were developed in the first years after the Bank

**Figure 1: Timeline of the NDB policies’ approvals**



Source: IEO based on the initial approval date of policies.

- 7. Though the Corporate Secretary Department (CSD) is not responsible for the Bank’s policy function, given its role it maintains a consolidated list of the Board’s approved regulatory documents, which includes the policies, some of which are also publicly available on the Bank’s website. As of March 25, 2024, the latest available update, NDB’s policy universe in terms of Board approved documents classified as policies, comprised 48 documents in total (see the full list in annex I). Of these, 39 documents are titled “policy”, and an additional nine Board approved documents of a similar mandatory nature also lay out policy-level principles and are considered within the scope of this CLE. These include,

for example, the Country Partnership Plan, the Environment and Social Framework, the Enterprise Risk Management and Appetite Framework and the Internal Audit Charter.

- 8. The policy documents listed by CSD are classified according to their policy content as: Organisation Structure and human resources Policies; Finance and Control Policies (including operational policies); Compliance Policies, Information Technology Policies; Disclosure Policy; and Evaluation Policy. Many policies are owned by the Risk Management Department and departments under the reporting line of Vice Presidency for Operations.

<sup>6</sup> One exception is the IEO Strategy 2024–2026, approved by Board in the second half of 2023.

**Table 1: NDB policy architecture and classification maintained by CSD**

Classification*	Sub-category*	Policies	Other policy-level docs	Total
<b>Board Governance Structure</b>	-	-	1	1
<b>Organisation Structure and Human Resources Policies</b>	-	4	1	5
<b>Finance and Control Policies</b>	Treasury Policies	3	-	3
	Finance, Budget and Accounting	3	-	3
	Risk Policies	7	1	8
	Internal Audit	1	1	2
	Administrative Policies	1	-	1
	Operational Policies	13	2	15
<b>Compliance Policies</b>	-	2	3	5
<b>Information Technology Policies</b>	-	3	-	3
<b>Disclosure Policy</b>	-	1	-	1
<b>Evaluation Policy</b>	-	1	-	1
<b>Total</b>		<b>39</b>	<b>9</b>	<b>48</b>

\* Source and classification are from the "New Development Bank Board Approved Policies, Rules and Procedures and General Conditions" uploaded by CSD on NDB's portal "ServiceNow" on April 18, 2024.

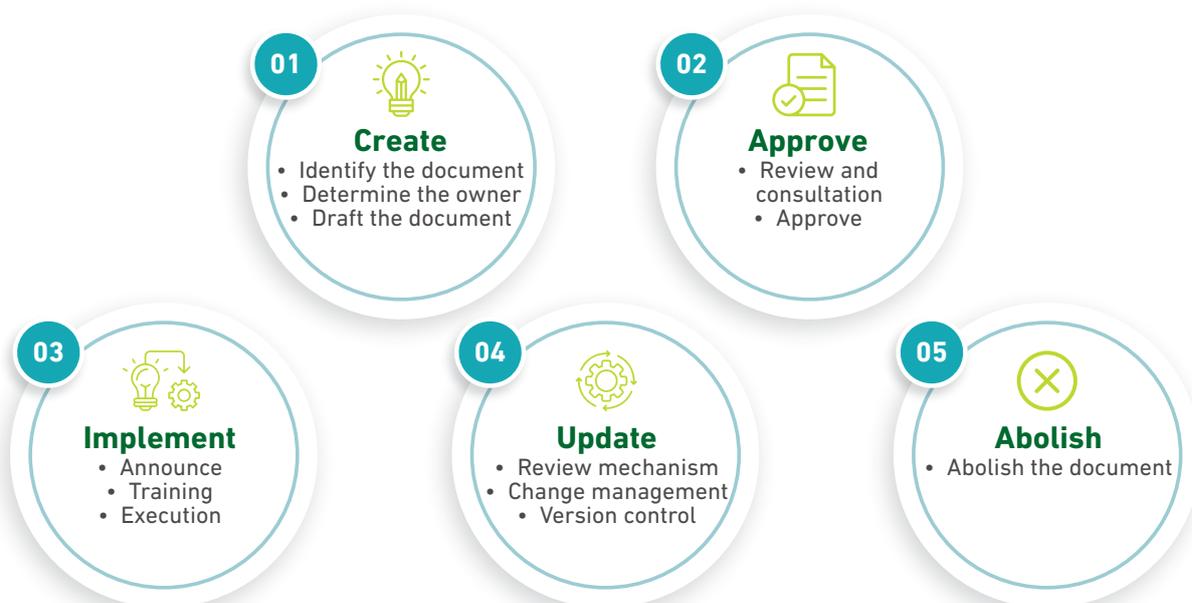
## NDB'S POLICY MANAGEMENT CYCLE

9. While the Bank's policy management cycle is not formalised in mandatory business processes, some informal structures and practices have developed over time, although they are not anchored in a dedicated department. Processes are based on evolved practice. Policy development in NDB is initiated by departments/divisions and the self-same departments/divisions are documented as the "owners" of the policies on the document cover pages. For example, the Information Technology Division is identified as the owner of three IT related policies: including the Information Technology Policy, the Information Security Policy and the Information Technology Service Management Policy. And the Human Resources Department is the owner of the four human resources policies: the Diversity Policy, the Recruitment Policy, the Staff Compensation and Benefits Policy, and the Performance Management Policy.
10. To standardise the process, an Operational Guidance for NDB Policies and Guidelines

was drafted by Management, which contained some proposed procedures in relation to policy/guideline life cycle management, as shown in figure 2. However, this was neither approved as an official binding document nor widely communicated within the organisation. In practice, some policies are shared in draft form with relevant units across the Bank in an informal consultation process, and hence consultation is not systematic and varies from department to department and policy to policy. Once finalised, the policies are submitted to the Board via CSD for approval.

11. The dissemination of finalised policy documents also varies, with some policies being made public on the Bank's website and some only being published on the internal portal (ServiceNow). Implementation is in principle mandatory and is required to be monitored and supported by guidelines further developed by the owner of the policy.

**Figure 2: Life cycle proposed by the draft Operational Guidance for NDB Policies & Guidelines**



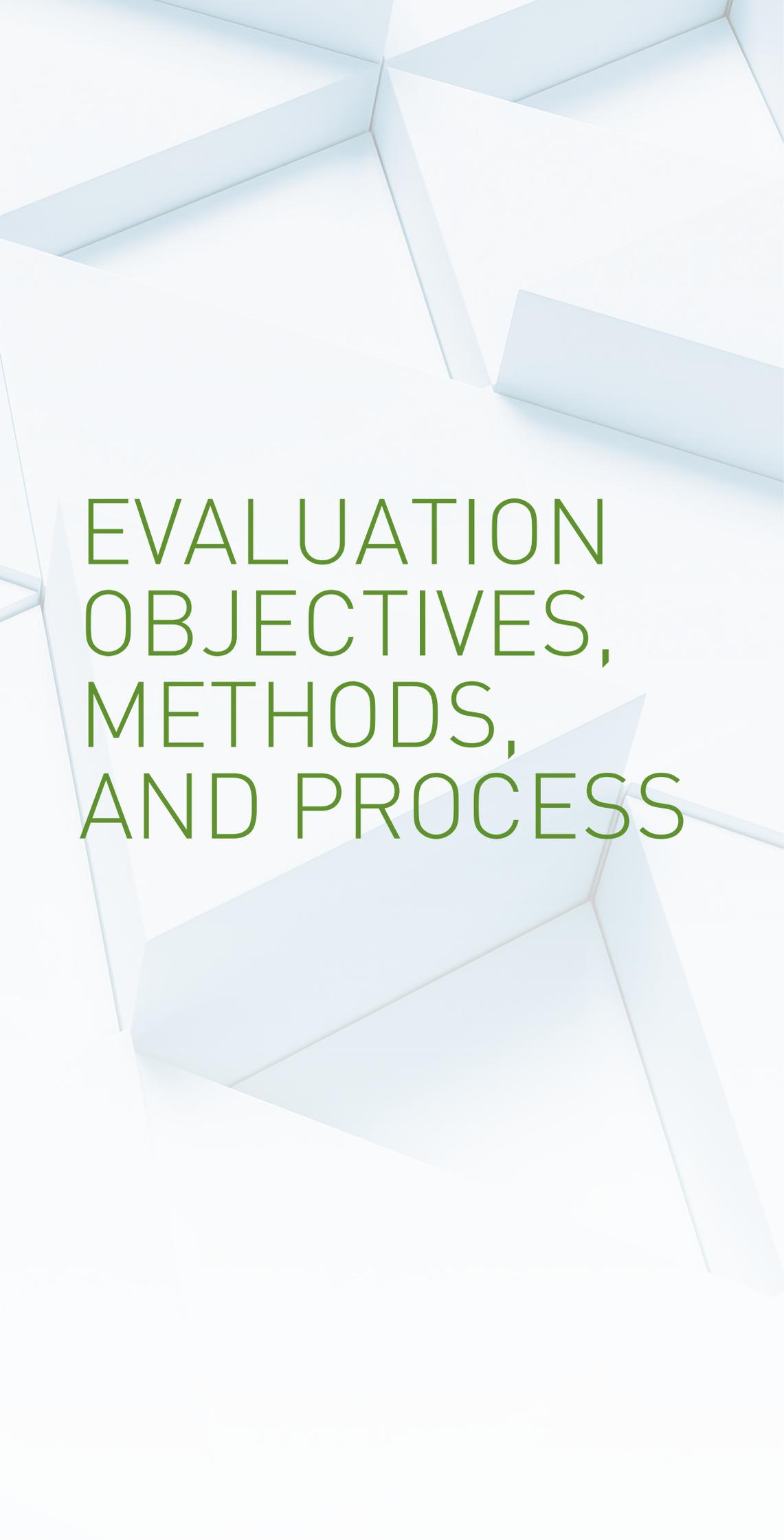
Source: Operational Guidance for NDB Policies and Guidelines (draft).

## POLICY OVERSIGHT AND OPERATIONALISATION

12. In terms of overall oversight (and in the absence for the time being of an “up and running” policy function at the Bank), current practice is that after each Board meeting, CSD updates the consolidated list of Board-approved regulatory documents, and either the policy owner (i.e. the division or department) or CSD uploads it onto ServiceNow. Minutes of the Board and its committee meetings are (once cleared by the Board at its subsequent meeting) published on the NDB website, and the minutes also mention the approval of new or revised policies.
13. To help operationalise and guide staff in implementing the policies, guidelines have been developed by the policy owners. The approval and consultation process of guidelines has also evolved over time. Since 2018, NDB’s guidelines have typically been approved by the Bank’s Senior Management only after endorsement by the Policy Coordination Committee, before being shared through the Bank’s ServiceNow platform. As of March 2024, there are 41 such guidelines posted (see annex II) having been adopted and circulated by the PCC, but the committee’s activities have been temporarily put on hold since the end of 2023 and are currently under Management review. Management has recently expressed its intention to reconvene the PCC.<sup>7</sup>
14. In addition to the guidelines, NDB sometimes uses “notes” as a flexible regulatory tool to support the Bank’s policy implementation or operational/administrative activities on an ad hoc basis. There is no consolidated list of regulatory notes which are binding in NDB, and they can originate from different departments and do not follow a standardised review and approval process. Most are approved and communicated by Management, while some have also been approved by the Board.
15. There are a few other types of documents that guide NDB’s day to day operations, such as: the Loan Disbursement Handbook and Loan Disbursement Procedures (both jointly approved by NDB’s Vice-President [VP] – Chief Operations Officer [COO] and Vice-President – Chief Financial Officer [CFO]); and the IT Standards.<sup>8</sup> Furthermore, instructions and operational guidance are also provided on an ad hoc basis by Management to relevant functional units or staff by e-mail.

7 For example, an interdepartmental meeting was held in May 2024 to discuss how to improve the PCC’s effectiveness. Subsequently a meeting with the committee members was held on June 26, 2024 to review the PCC’s activities.

8 There are in total seven IT Standards including: the IT Supply and Demand Standard, the IT Service Request Standard and the IT Change Management Standard.



# EVALUATION OBJECTIVES, METHODS, AND PROCESS



## BACKGROUND OF THE CLE

16. This evaluation was explicitly requested by members of the Board, and accordingly included in the 2024 IEO work programme. In taking their decision, the Board also agreed that this evaluation would:
- (a) Assess the Bank's policy coherence by reviewing the types of policies that have been adopted to further the Bank's mandate;
  - (b) Analyse the policy approval and implementation processes, the guidelines established to operationalise the policies, the frameworks for measuring policy outcomes and results, and the systems for monitoring, evaluation, and potential revisions;
  - (c) Closely examine the allocation of financial resources invested and the availability of technical expertise required for effective policy design and implementation; and
  - (d) Assess the organisational structures in place to support and facilitate NDB's policy initiatives.
17. Moreover, the Bank is currently halfway through the implementation of its second General Strategy. Accordingly, this evaluation represents an opportune moment to review the policy framework as also committed to in that Strategy.

## OBJECTIVE AND SCOPE

18. The broad objective of this evaluation is to assess the robustness of NDB's overarching policy framework in supporting the Bank to meet the main provisions laid out in the Articles of Agreement and General Strategies. The specific objectives are to:

### Box 1: Evaluation objectives

- Examine the **relevance** (including completeness) of the Bank's policy framework.
- Review the **effectiveness** of the Bank's policy framework in meeting the objective of guiding the Bank's work.
- Assess the **efficiency** of the Bank's processes for policy management throughout the policy cycle.
- Consider the **coherence** of the Bank's policies, and the instruments to operationalise them.

19. Taking the above into account, it is important to clarify upfront that this evaluation does not aim to assess the results or impact of individual policies that have been adopted by the Bank. Impact assessment of individual policies would entail a different methodology and would have to be done on a case-by-case basis (something that IEO may consider in the future in consultation with Management and the Board).
20. The timeframe to be covered by this evaluation is from July 2015 until the end of 2023. The CLE focuses on the formally approved policies that are registered and classified by the CSD, and the guidelines that have been formally adopted and circulated by the PCC.
21. The evaluation is designed to assess the policy framework at two levels:
- (a) Reviewing the full suite of Board-approved policies; and
  - (b) Conducting a more structured analysis in the form of deep dives and reviews of selected policy and policy-level documents and their associated guidelines, covering institutional critical areas such

as operations, treasury, information disclosure, IT, and human resources, etc. When selecting policies for deep dives and reviews, IEO considered the: (i) maturity of the sampled policies as well as the associated process of implementing them;

(ii) availability of quantitative data; and  
(iii) level of the policy's institutional position and potential impact.

## METHODOLOGY

- 22.** In the absence of a formal institutional level definition of what constitutes a policy, this CLE understands policies to be structured, principle-based frameworks that help to ensure that the Bank's operations align with its mission and mandate. In other words, policies address questions related to "what" the Bank does; whereas guidelines – which intend to help staff in implementing the policies – address issues more related to "how" the Bank goes about its business. Accordingly, the following areas have been selected as a priority for this evaluation's inquiry and analysis:
- (i) **The development process of policies (and associated guidelines) and quality assurance mechanism**, including: the consultation process and the organisational set-up, procedures for approving policies and guidelines (and their amendments), and the mechanisms to ensure relevance, coherence and consistency;
  - (ii) **Policy implementation**, in particular with respect to the support and systems available to ensure rigorous and systematic implementation; and
  - (iii) **Monitoring, evaluation, and reporting**, in particular the adequacy of feedback loops and systems to ensure capturing evidence of effects of the policies over time, for example the appropriateness of results frameworks, monitoring and reporting mechanisms for policy implementations, etc.
- 23.** This evaluation is predominantly formative and focuses to a large extent on learning, rather than accountability. The findings are intended to be used to inform the further development and streamlining of NDB's policy framework and associated regulatory instruments and organisational set up. Given this, the CLE has not assigned performance ratings to the different evaluation criteria used.
- 24.** The evaluation applied four evaluation criteria, consistent with good international evaluation practice:
- **Relevance:** The extent to which the policy framework ensures that Bank activities are aligned with the Bank's mandate and strategic priorities.
  - **Effectiveness:** The extent to which the policy framework has achieved or is expected to achieve the objective of guiding the Bank's activities consistent with the Bank's mandate and the General Strategies.
  - **Efficiency:** The extent to which the policy framework as such delivers or is likely to deliver results in an economic and timely way.
  - **Coherence:** The extent to which there are synergies and interlinkages between the individual policies in the framework, and the extent to which each policy is adding value while avoiding duplication of effort.
- 25.** The evaluation will cover a broad range of questions, which may be seen in the Evaluation Matrix in annex III.

## LIMITATIONS

26. The evaluation has been faced with the following limitations:
- (i) *Establishing the evaluation universe.*  
A lack of a clear nomenclature and definitions of policies, guidelines, notes and other regulatory instruments (such as procedures, rules, standards, etc.) posed an initial challenge. This is compounded by the lack of a consolidated, timely updated repository of all such documents, as well as the lack of an “up and running” policy function at the Bank.
  - (ii) *Availability of documentary evidence.*  
The entire evaluation process has been challenged by the absence of a well-structured and user-friendly document management system with version control.
  - (iii) *Absence of a time recording system.*  
Assessing efficiency has been based on qualitative rather than quantitative evidence and proxy indicators as a time recording system able to capture staff time spent on policy management is not available.
  - (iv) *There is limited public evidence available on peers’ policy and regulatory frameworks beyond high-level descriptions of systems in place and there is little evaluative information containing lessons on experience that are applicable to NDB. More evidence is available from the Asian Infrastructure Investment Bank (AIIB) and*  
Green Climate Fund (GCF) as document review was complemented with interviews in these two organisations, which share with NDB their relatively young age, a rapidly expanding portfolio and evolving business model, and governance by a non-resident Board.
27. Nevertheless, interviews have been conducted by IEO with relevant stakeholders covering all functions of the Bank’s “three lines of defence” risk model, including the regional offices and centres (ROCs), to obtain a holistic and comprehensive understanding about the evaluation universe. As the Bank continues to evolve and formalise its policy framework and its policy management processes, the nomenclature and hierarchy used in this CLE is therefore inferred rather than formally articulated.
28. In addition to available policies and guidelines, key reports prepared by the Bank’s oversight functions such as the Annual Compliance Management Plan, Risk Management Report, Internal Audit Report, as well as relevant meeting minutes of the Board and its committees, management committees and the PCC were thoroughly reviewed. While not assessing impact, the CLE however examined a range of other issues related to the effectiveness and efficiency of NDB’s policy framework and can also serve as a baseline to inform future assessments.

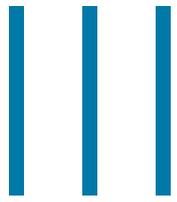
## PROCESS STEPS

29. The following are the main steps in the CLE process:
- (i) **Preparation of approach paper.**  
The approach paper<sup>9</sup> outlined the overall context of the CLE, its methodology, process and timelines. The draft was shared with the NDB Management and Board for comments and finalised building on their feedback.
  - (ii) **Data and information collection and analysis.** During this phase, IEO collected data and information, and conducted its analysis based on the key evaluation questions (presented earlier in this paper) and the evaluation matrix in annex III.
  - (iii) **Preparation of CLE Report.** IEO prepared and shared the draft report for comments by the NDB Management, the Board, and

<sup>9</sup> See here: <https://www.ndb.int/wp-content/uploads/2024/06/CLE-2024-NDBs-Policy-Framework-approach-paper.pdf>.

other relevant stakeholders. The comments were carefully considered, and an audit trail produced illustrating how the comments received have been incorporated by IEO in the final report.

- (iv) **Discussion in NDB Board.** After the final report has been prepared by IEO, NDB Management prepared a written Management Response to the evaluation, which has been included in the evaluation report and will be discussed in the 45<sup>th</sup> Board meeting in August 2024.
- (v) **Communication and disclosure.** In addition to the CLE Report, IEO will prepare an Evaluation Lens, a two-page brochure summarizing in a reader-friendly manner the main findings from the evaluation. And in line with the NDB Evaluation Policy and Evaluation Strategy, the CLE Report (including the Management Response) and the Evaluation Lens will be posted on the IEO webpages on the NDB website and disseminated through a variety of communication instruments.



# MAIN EVALUATION FINDINGS

## RELEVANCE

**30.** This chapter examines and presents findings related to the relevance of NDB's policy framework including the overarching system for managing policies, assesses the design and structure of policy architecture, and evaluates its alignment with NDB's Articles of Agreement and General Strategies.

### Policy architecture

**31.** Policy architecture deals with the specific design and structure of a system of policies. NDB's internal legal framework consists of the AoA and the Board of Governors approved General Strategies at the highest level, operationalised through mandatory policies approved by the Bank's Board of Directors, supported by guidelines approved by Senior Management, and in some cases notes and other instruments of instruction.

**32.** The Bank, like other international financial institutions (IFIs), operates based on a number of guiding and formal documents. At present, there is no formally approved and clearly articulated framework describing the policy hierarchy and regulatory architecture. Most peers do apply a specific nomenclature, which is usually based on an internal legal framework or bylaws, that clearly defines the purpose, scope, functions or mandatory nature of such documents, and the hierarchy of how they are related – something that is yet to be developed in NDB.

**33.** For example, the World Bank defines a Policy as, "a statement of broad substantive policy principles that require, permit or constrain Bank activities to achieve institutional goals" in its Policy and Procedure Framework (P&P Framework).<sup>10</sup> Here it articulates that: "(i) When the Board decides on a rule regarding conduct of institutional activities, the rule is issued in a document called a Policy; (ii) When Management decides on a rule or guidance regarding conduct of institutional activities, the rule is issued in a document called a directive<sup>11</sup> or procedure, and the guidance is issued in

*a document called guidance, all pursuant to norms further elaborated by Management.*" In the World Bank, a policy is the highest-level P&P document and is mandatory. All other P&P documents are subservient to a policy, and may not contradict a policy, or be waived or interpreted in a manner that would contradict a policy.

**34.** The AIIB has also applied a similar policy architecture: the Board-approved policies, strategies and staff regulations, combined with the President-approved directives and staff rules to implement these policies, provide mandatory instructions for conducting the AIIB's business. These high-level binding documents are often complemented by administrative guidance, which are issued by the AIIB's vice-presidents and other heads of department on the delegated authority of the President. Such administrative guidance may contain written administrative practices, forms and details which AIIB staff must follow. Although such guidance can be updated and changed as often as needed, it cannot revise, amend or contradict any of AIIB's policies, staff regulations, staff rules or directives.

**35.** NDB stakeholders interviewed for this CLE, especially from the Bank's oversight functions, underlined that sometimes confusion is caused by the lack of a well-articulated policy framework describing the regulatory architecture. The absence of standard policy classifications or a policy "taxonomy" means a large range of instruments adopted by the Board, including decisions and resolutions, policies, charters, procedures, frameworks, few operational procedures or guidelines, notes and some other documents have all been treated as binding "policies", with no system for defining relationships between top level and subsidiary instruments. This has also made it challenging to identify the Bank's entire hierarchy of regulations by theme or subject. Some stakeholders indicate they don't have a clear overview of all normative documents related to each theme/subject.

<sup>10</sup> See <https://ppfdocuments.azureedge.net/2864.pdf>, issued by the President of World Bank and sponsored by the Senior Vice President and World Bank Group General Counsel.

<sup>11</sup> Directives has been defined by the World Bank as a statement of substantive

directions, within management's authority, that require, permit or constrain activities. If accompanied by a policy, the statement provides substantive details (methods, criteria and technical information) on how to implement the policy. The statement may also address matters not covered by a policy.

- 36.** This is, for example, the case for NDB's "Sustainable Financing Policy Framework governing the issuances of green/social/sustainability debt instruments"<sup>12</sup> (the "Sustainable Financing Policy Framework"), the approval of which was neither explicitly recorded by the Board meeting minutes nor included in the consolidated list of approved policies maintained by the CSD. Furthermore, it also states that detailed procedures and guidelines would be developed over time and be approved by the Finance Committee (FC) and submitted to the Board for information, which has not happened four years later.

### Institutional anchoring

- 37.** The Bank's approach to managing the policy cycle is currently decentralised, with substantive units (departments and divisions) identifying needs and developing policies as the "policy owner" and submitting them for the Board's approval. Subsequently, the policy owner units assess whether a more detailed guideline is needed to implement the policy and guide daily operations. In practice, the policy owners are not only responsible for implementing the policy but also have the authority to interpret relevant documents, although within the current structure this authority is not clearly assigned.

#### (i) Board and Board committees

- 38.** The Board is supported on policy related matters by two Board committees: the Audit, Risk, and Compliance Committee (ARC) and the Budget, Human Resources, and Compensation Committee (BHRC). Using Board committees to delegate substantive discussions to a smaller and more specialised forum is common practice in peers.<sup>13</sup> However, as the boards in peer MDBs are generally composed of more members, the committees are a means to hold more technical and in-depth discussions in a smaller forum. Currently membership of the committees and of the Board is the same in NDB due to the size of its current membership, and committees meet generally at least quarterly alongside the meetings of the Board. Discussions are ongoing for the establishment of a Policy and Strategy Committee under the Board, which will also consider some independent evaluation

items. This is a step in the right direction for strengthening the Board's committees.

- 39.** With a non-resident Board – as is the case at NDB – the agenda when the Board meets is almost unavoidably heavy, and therefore it is important to manage this agenda as efficiently and effectively as possible. Thus, delegating certain issues such as the review of policies and their amendments to dedicated Board committees for a substantive review followed by recommendation for approval or changes is positive. The Board can then spend its limited time for approvals or providing any final guidance they deem appropriate. The value added by the committees will depend on the quality and depth of the discussion in these forums.
- 40.** For example, the ARC, established in November 2016, is mandated to assist the Board in fulfilling its corporate governance oversight responsibilities about the deployment of policies and assessing adequacy of outcomes. It oversees policies regarding information technology and management information systems, and reviews the ethics, integrity and regulatory compliance related policies, and ensures they are consistent with other policies of the Bank. Furthermore, as part of its audit responsibilities, the ARC sets hiring policies regarding employees and former employees of the independent auditor and oversees compliance of such policies. Though NDB's internal audit reported in August 2023 that such policies had not yet been developed, this duty has been assigned for over five years.
- 41.** The BHRC, established in March 2018, assesses budget, human resources and compensation-related activities. Its responsibilities include reviewing policies and procedures in place pertaining to the budgetary system, conducting a periodic review of the human resources policies at least once a year, and making recommendations to the Board.
- 42.** By the end of 2023, the ARC had recommended in total three new policies and 73 policy revisions to the Board for approval since its establishment. Similarly, the BHRC has endorsed three new policies and 10 revisions

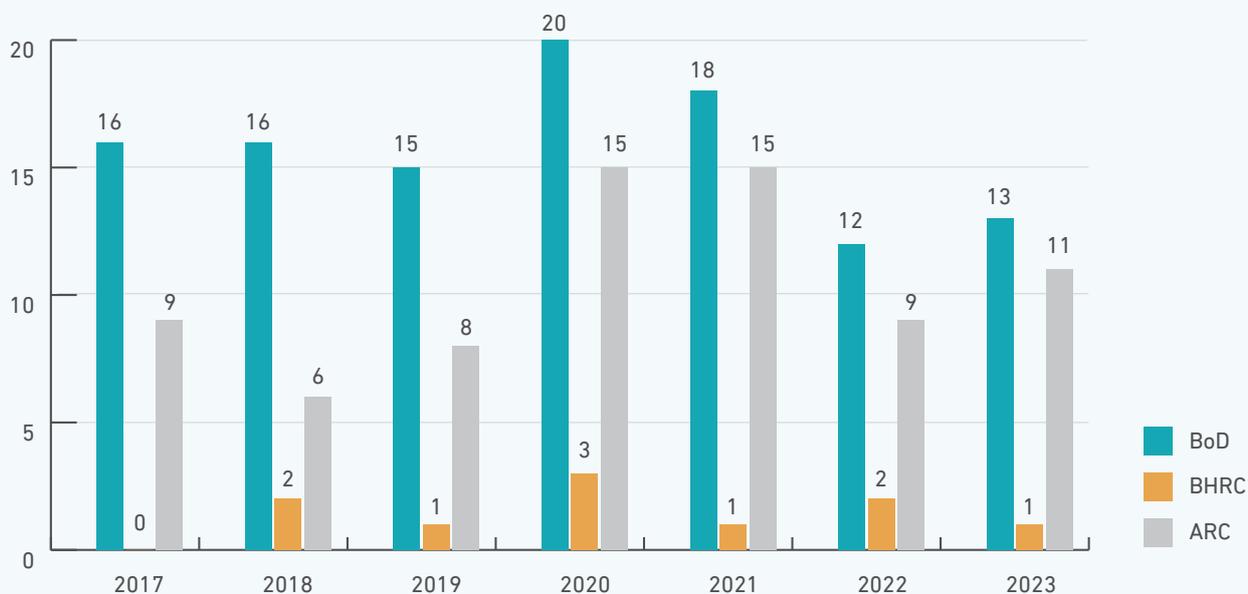
<sup>12</sup> Please see: [https://www.ndb.int/wp-content/uploads/2020/05/2020\\_FC22\\_AI13\\_018\\_b-NDB-Sustainable-Financing-Policy-Framework.pdf](https://www.ndb.int/wp-content/uploads/2020/05/2020_FC22_AI13_018_b-NDB-Sustainable-Financing-Policy-Framework.pdf).

<sup>13</sup> See Corporate Evaluation of the Inter-American Development Bank's Governance, Office of Evaluation and Oversight, 2022.

(all human resources or budgeting related) during the past six years. As shown in figure 3, a significant number of revisions have been presented to the Board, some through the two

committees, while some have been submitted directly without discussions in either of the two committees.

**Figure 3: Policy revisions approved by Board vs. recommended by BHRC & ARC**



Source: Summarised by IEO from all meeting minutes of Board, BHRC and ARC.

- 43.** As mentioned above, in 2024 a further committee of the Board is being established upon the request of the Board, with a focus on policy and strategy (and evaluation) matters. Its terms of reference have been developed and are being reviewed by the Board. It might also eventually play a critical role in governance of the Bank’s policies and regulatory framework, though this cannot be fully determined at this stage.

**(ii) Management committees and sub-committees**

- 44.** The foundation of the Credit and Investment Committee (CIC) was included in the Agreement on the New Development Bank – which established the Bank back in 2014. The Finance Committee was established later in January 2016. Both committees are composed of the President and the four Vice-Presidents and play an important role on policy matters and meet monthly or as needed. The Executive Committee (EC) was further added in 2023, with the same composition, and has been meeting regularly since its establishment, although its ToRs are

still under discussion. In contrast to the FC and CIC, the agenda and minutes of EC meetings are neither internally circulated nor accessible within the Bank, but Management did share one “Matters Arising from the EC meeting” with all Director Generals (DGs) and Chiefs in March 2024.

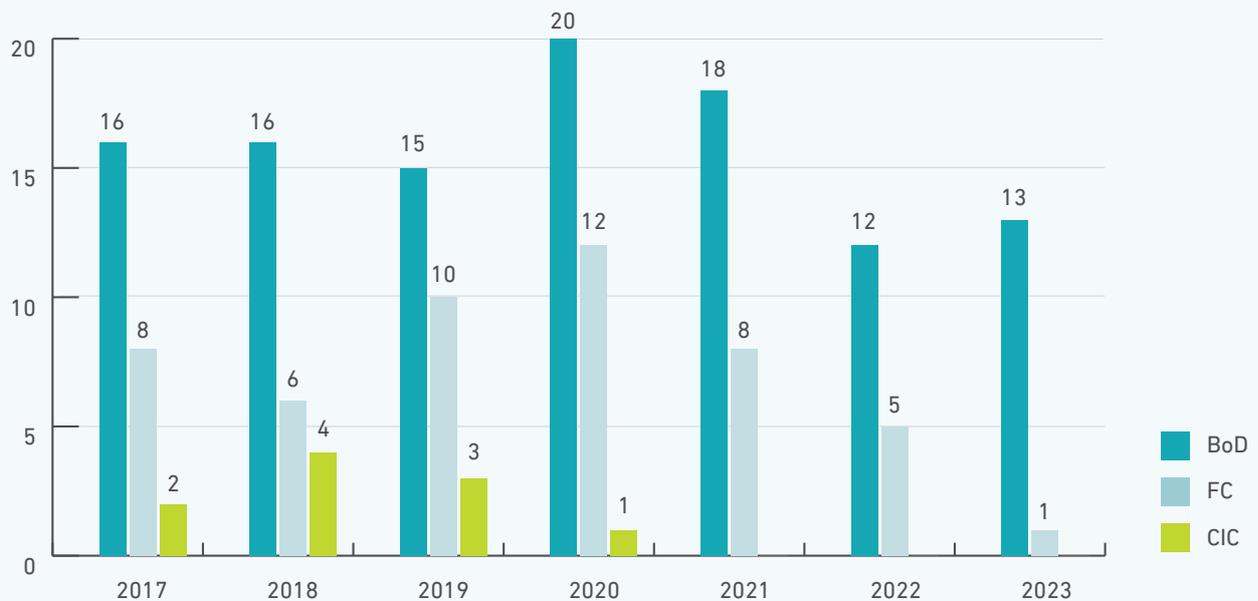
- 45.** The FC is responsible for the oversight of and recommendations to the Board in the areas of financial policies. The CIC assists the Board in fulfilling its responsibilities regarding the credit activities of the Bank including decisions on loans, guarantees, equity investments and technical assistance. The latest minutes available on NDB’s internal corporate share folder (Transparent Bank) is for the CIC’s 40<sup>th</sup> meeting (held on August 16, 2023) and the FC’s 33<sup>rd</sup> meeting (held on July 12, 2023). In 2024, both the FC and CIC stopped holding physical meetings and decisions were made by e-mail circulations instead – meaning that their meeting minutes are no longer available or accessible to NDB staff.

46. Before August 2023, the FC had recommended one new policy and 50 policy revisions (all finance, risk management or treasury related) to the Board or its committees for consideration. Similarly, the CIC has endorsed two new policies and 10 revisions, all lending and operations related, during the past eight years. Figure 4 shows that multiple policies and revisions have been directly submitted to the Board for consideration without a review or discussion by either the FC or CIC, even if some of them indeed should fall within the mandate of these committees. Interviewees believe that the ToRs of some committees are somewhat generic to adequately cover all the contingencies, and suggested that the Management committees’

ToRs and other related frameworks should be reviewed and revised accordingly. This could be done by, for example, listing their functions in a more granular and detailed way, and that their functions be streamlined and strengthened, so that some operational issues can be effectively addressed at the level of committees before seeking the approval of the Board.

47. In addition, NDB previously had an Operations Sub-Committee and a Treasury Sub-Committee, to monitor credit specific financial policies and treasury specific policies respectively. Both the two sub-committees have been discontinued with some of the functions being taken up by the FC or EC.

Figure 4: Policy revisions approved by Board vs. endorsed by FC and CIC



Source: Summarised by IEO from all meeting minutes of Board, FC and CIC.

### (iii) Other Institutional unit and function

48. A Policy Coordination Committee was established in Q4 2017, chaired by the Director General – Front Office of President (FOP), with a mandate to “*facilitate the approval/review of policies/divisional guidelines by the Management through cross-functional collaboration across the Bank*”, and to address some key issues highlighted in the Independent Review of Guidelines and Handbooks conducted by an external consulting firm. The PCC’s ToRs

articulate that its responsibilities include:

- Ensuring that the policy framework is in line with the General Strategy of the Bank;
- Reviewing any new policies before being put forward for Management approval;
- Facilitating policy approval by resolving cross-functional issues, if any; and
- Recommending any amendments to the

Policies to the Management on an ongoing basis.

- 49.** However, this one-page document does not indicate an owner, a date or a statement on status and approver in it. Additionally, the role of PCC has yet to be recognised by any NDB policies or guidelines, and so its governance authority and position in the Bank's internal legal framework is also unclear. Furthermore, stakeholders interviewed indicated that NDB Management subsequently agreed that only guidelines would be submitted to the PCC for inter-departmental review and consultation. This is confirmed as no records of policy review could be found in any minutes of the PCC meeting and this practice of deviating from the PCC's ToRs has not been assessed in any official document of the Bank.
- 50.** In December 2020, the Board approved a new organisational structure for NDB, which assigned additional responsibilities to the Strategy, Policies and Partnerships Department (SPPD) under reporting line of the Vice President & Chief Risk Officer (VP &CRO), including "creating new and revising existing policies". As of June 2024, this function has yet to be initiated and SPPD is still awaiting NDB Management's guidance on its initiation.<sup>14</sup> This CLE notes that no peer MDB has assigned or developed a centralised function to unilaterally create and revise all of its policies due to the technical complexity of various policy topics and areas. Nevertheless, interviewees indicated that over recent years multiple steps had been initiated by SPPD in order to gradually operationalise the policy unit, including through the recruitment of staff.
- 51.** In summary, the dedicated institutional unit responsible for coordinating, managing and monitoring the policy cycle has not been operationalised thus far, and the anchoring of responsibility for policy oversight has yet to be implemented. In practical terms, that has led to some uncertainty with respect to the accountability of maintaining oversight of the policy framework, which may also explain the lack of formalised processes for the full policy

management cycle. Addressing this issue by revisiting the assigned policy responsibilities of the existing organisational structure, clearly delegating authorities and providing the necessary resources to fulfil that function, would help formalise what is currently an inferred framework and hence strengthen and ensure relevance, coherence and consistency of the Bank's entire policy framework.

### Policy management system

- 52.** Because of the lack of an "up and running" function dedicated to managing the policy cycle, as part of its role in supporting the Board, CSD maintains a list of Board approved binding documents, 48 of which have been classified and categorised as policies or policy-level documents. The categorisation largely followed the discussion of Board's 3<sup>rd</sup> meeting in January 2016.<sup>15</sup> Nevertheless, the criteria are not clearly established due to the lack of an official definition. For example, the Bank's Operational Procedures for Private Placement, initially approved by the Vice-President and Chief Financial Officer (VP & CFO) then further approved by the Board in March 2022, has not been included in the abovementioned list.
- 53.** Among the 48 policies, 11 are owned by functions under the Vice Presidency for Operations (VP & COO), 7 are owned by the finance and treasury departments under the VP & CFO, 8 are owned by the Risk Department and 8 are owned by other oversight functions including Compliance & Investigation, Internal Audit and Independent Evaluation.
- 54.** Although there is no official or mandatory template for NDB policies, most of them follow a certain standard (or similar) content, including a log of changes, objective and scope, roles and responsibilities, and paragraphs on review of the policy (for instance 23 policies require annual review). Some policies also include sections on governance (e.g. reporting lines) and the requirement to develop associated guidelines as shown in table 2 below. By comparison, peer MDBs' policies typically contain general, guiding

<sup>14</sup> This is confirmed in a PPT for Board Induction dated March 2024 which states with respect to SPPD's areas of responsibility that "planning and policies functions have not been initiated; pending appropriate guidance from the Management", and also the correspondences between the SPPD with the Front Office of the President.

<sup>15</sup> According to the meeting minutes, the policies approved by the Board in January 2016 were categorised as: (i) Board Governance Structure; (ii) Organisation Structure and human resources Policies; (iii) Finance and Control Policies; and (iv) Operational Policies. See here: <https://www.ndb.int/wp-content/uploads/2018/04/Minutes-of-the-3rd-BoD-Meeting.pdf>.

principles, and do not prescribe in detail the organisational responsibility and reporting lines as this would change with every organisational change or restructuring. Currently, NDB's policies vary greatly with respect to scope and technical detail since some of them describe detailed operational procedures in addition to guiding principles.

and reporting, effectiveness provisions or requirements for embedding knowledge generation into policy operationalisation. Further standardisation of documents (including the layout, formatting, consistent rule of paragraph and chapter numbering, etc.) supported by an official template would help improve policy quality and ensure that policies focus more on illustrating guiding principles.

- 55. Furthermore, no standard clauses have been applied on issues such as policy monitoring

**Table 2: Review the content and format of 48 Board approved policies**

Content/section	Did documents include these sections? (No. of documents)	
	Yes	No
Change log	47	1
Introduction, policy goal or objectives	39	9
Roles and responsibilities	34	14
Definition of reporting lines	18	30
Requirement of guideline development	26	22
Provision of policy review	39	9

Source: Summarised by IEO.

- 56. With respect to the guidelines that are meant to help operationalise and support policy implementation, these are normally shared on the Bank's internal platform, ServiceNow, by the PCC's secretary after their clearance, if the documents have been submitted for their review. Currently, this platform contains 41 guidelines. Most guidelines follow a standard template, and have been revised at least once, often more.

### Quality assurance and revisions

- 57. In terms of ensuring the relevance of policies and buy-in across the organisation, comprehensive consultation is essential. This is particularly important for NDB considering its current decentralised (or to certain extent "informal") approach to managing the policy cycle, which carries the risk of creating silos between different functions and resulting in possible inconsistencies across policies.

However, no formal procedure has been established yet for consultation during the cycle of developing new policies and it is thus at the discretion of the initiating policy owner.

- 58. Likewise, reviewing and revising approved policies is key to ensuring continuous relevance in line with the Bank's evolving business model, strategies as well as the latest organisational structure. Yet, there is no process in place for such reviews, despite the standard text in around half of policies which states that: *"In order to ensure the validity and application of this Policy, its review is conducted on an annual basis and/or as necessary."* Policy reviews do seem to be conducted on an ad-hoc/needs basis by the policy owner and many policies show in a standard change log when the latest revision was reviewed and approved by the Board, although the quality of such information varies and lacks consistency. For example, the change log of NDB's Environment and Social

Framework<sup>16</sup> indicated it had been amended three times, but the Board meeting minutes confirm it has never been updated since initial approval in March 2016. A similar discrepancy was also noted in other documents' change logs such as the Liquidity Risk Management Policy.

- 59.** Among the 48 documents (apart from the Internal Control over Financial Reporting Policy recently approved by the Board in January 2024 and the Bank's Policy on

Fast-track Emergency Response to COVID-19), 11 policies have never been revised since their initial approval, including six policies approved before 2018, as shown in table 3. Revision of General Conditions (GCs) has also been pending for more than two years and Management regularly resorts to seeking exemptions of the GC. Some interviewees believe that the practice of bypassing the Board approved policies/documents is against sound corporate governance and should be reconsidered.

**Table 3: List of policies never been amended since initial approval**

No.	Name of policy document	Approval date	Owner per cover page of policy
1	Country Partnership Plan	January 20, 2016	Operations Division
2	Policy on Financial Management and Financial Analysis, and Economic Analysis of Projects	January 20, 2016	Operations Division
3	Policy on Partnerships with National Development Banks	January 20, 2016	Strategy and Partnerships
4	Diversity Policy	January 21, 2016	Human Resources Division
5	Environment and Social Framework	March 11, 2016	Operations Division
6	Information Security Policy	June 18, 2017	Information Technology Division
7	Performance Management Policy	March 2, 2018	Human Resources Division
8	Code of Conduct for Board Officials	April 13, 2018	Compliance Division
9	Policy on Sovereign Guaranteed Projects in Non-Member Countries	January 4, 2019	Operations Division
10	Policy on Operations in Disputed Areas involving International Waterways	March 31, 2019	Operations Division
11	Policy on Loans to International Organisations	September 11, 2019	Operations Division

Source: Summarised by IEO.

- 60.** One potential argument might be that policies are supposed to include principles providing long term direction and guidance, and therefore they should not often need revision. But a closer inspection of the policy "owner" information indicates some are already outdated and inconsistent with the Bank's current organisational structure as approved by Board in December 2020.
- 61.** For example, both the Bank's Environmental & Social Framework and Procurement Policy

indicate that they are owned by "Operations Divisions". However, around four years ago the former Operations, Policy and Project Support team under the VP & COO had already been converted into an Environmental, Social and Governance (ESG) Department under the Vice Presidency for Strategy and Risk, contributing to mainstream ESG considerations across the Bank. A similar issue is also observed in NDB's Policy on Partnerships with National Development Banks.

<sup>16</sup> See here: <https://www.ndb.int/wp-content/uploads/2017/02/ndb-environment-social-framework-20160330.pdf>.

- 62.** Another example would be the case of NDB's "Sustainable Financing Policy Framework" (see footnote 12) which was approved by the FC in May 2020. This framework was developed to facilitate bond issuance in alignment with generally accepted standards such as the Green Bond Principles, the Social Bond Principles and the Sustainability Bond Guidelines, published by the International Capital Market Association (ICMA) in June 2018. However, all these three standards/guidelines were further updated by ICMA in 2021 to enhance the 2018 edition. But the NDB framework has yet to be amended and consequently refers to the as-now outdated standards from 2018. Furthermore, it still mandates the roles and responsibilities of Operations Division I, Operations Division II and Operations Policy and Project Support Division, which no longer exist in the latest organigramme as approved by Board in December 2020.
- 63.** While there is no formalised process for reviewing policies, for guidelines the practice is that they generally go through a review by the PCC – even though this is not required by any of NDB's policies or guidelines. However, the last official meeting of the PCC was in December 2023 when two human resources guidelines relating to Internships and Learning and Development were adopted and circulated, though neither the meeting minutes nor the progress report were published. Since then, no new guidelines or amendments to existing ones have been discussed by the committee. The most recent available PCC Progress Report, prepared in Q1 2023, indicated that 22 (or 56%) of the approved guidelines, out of the total of 39, were not reviewed for more than a year; and five (or 13%) out of the 22 guidelines had not been reviewed for over three years. Eight outstanding guidelines were to be submitted by the owner departments, including the Loan Disbursement Procedures, Capital Management Procedural Guidelines, Guideline on Signing Loan Agreements and Short-Term Temporary Consultant Appointment Guideline.
- 64.** Furthermore, feedback from the regional offices and centres and some oversight functions indicate room for improvement with respect to integrating comments and providing feedback on how these were dealt with when developing and amending policy documents. For example,

among all Board approved documents, only the "Policy on Processing of Sovereign Loans & Loans with Sovereign Guarantee" mentions the role of ROCs, and reference to them is not found in other NDB policies. This is partially because some of the relevant documents were introduced before the establishment of ROCs, and have never been further updated by taking regular consultations with relevant operational units, as highlighted by the IEO's Evaluation Synthesis Report (ESR) on NDB's On-the-ground Presence.<sup>17</sup>

### Policy completeness, relevance and gaps

- 65.** Over 63% of the Bank's policies were swiftly developed, in the first year after NDB's establishment in July 2015, by a Technical Secretariat team (with support from external consultants) under the leadership of NDB's inaugural Management team and Board. These foundational policies covered almost all core areas including finance and controls, lending and operations, and human resources, which were not only critical to incorporate in the Bank at the time, but also constituted essential building blocks for the type of institution they intended to build.
- 66.** For example, in line with the Bank's intention of establishing a relationship of respect with borrowers, NDB's policies promote the use of strong country and corporate systems in the management of environment and social risks and impacts. Its principle-based Environment and Social (E&S) Framework, a comparatively concise document of 25 pages, requires the Bank to undertake a due diligence review of the client's E&S assessment reports, to ensure compliance with country and corporate system and consistency with key requirements of NDB's core E&S standards (the Environmental and Social Assessment, Involuntary Resettlement, and Indigenous Peoples). Accordingly, the Bank focuses on monitoring and supervising the client's compliance with its E&S obligations under the legal agreement entered with NDB, throughout project implementation. Instead of starting from externally designed set of standards, NDB's policies and guidelines take a members country's systems as the starting point, and see where weaknesses may need to be addressed to meet the Bank's requirements on environment and social issues.

<sup>17</sup> See here: <https://www.ndb.int/wp-content/uploads/2024/05/ESR-THE-ROLE-OF-REGIONAL-OFFICES-1.pdf>.

67. Similarly, while some peers are gradually strengthening and promoting the use of country procurement systems in their operations, NDB's policies have clearly articulated that the Bank aims to use the country procurement system as a priority with risk-based outcome-focused supervision of the procurement processes based on assessments. Reports on BRICS states' country procurement systems were being prepared from Q3 2015, just a few months after the Bank's establishment. Along with its gradual membership expansion, NDB assesses the efficacy and effectiveness of the new member's country procurement system and determines the procurement policy and associated guidelines to be followed when a new member country is admitted. This is the case for Bangladesh, which joined NDB in 2021 and for which the Bank is currently processing its first operations. Nevertheless, some stakeholders believe that NDB could further focus on improving the quality of its interventions to strengthen the country systems and may also consider designing some incentive structures for the staff to promote greater reliance on country systems.
68. Furthermore, as recognised by various credit rating agencies, NDB has established sound and prudent risk management policies, which are similar to those of higher-rated peers, especially in terms of liquidity and capital adequacy, and has set various limits for single obligor, country and sector concentration. This has effectively supported NDB to obtain and maintain strong domestic and international credit ratings to hold down its cost of funding, to the benefit of borrowers. Establishing itself as a trusted and sound international financial intermediary, a reliable borrower in international and domestic capital markets, has been continually highlighted as one of the most important priorities by the Bank's two general strategies which have guided its operations since 2017.
69. However, as discussed in earlier sections, there is no institutional mechanism to ensure the Bank's policies are regularly reviewed and comprehensively updated in a consistent manner. This means that there is insufficient guidance for its activities in all strategically important areas and the Bank's on-going evolution, such as the updates of general

strategy every five years and re-organisation, etc. Based on a review of the Bank's general strategies and the declarations of recent BRICS Summits, a couple of areas are identified by this CLE which merit consideration moving forward, including policies which are currently missing, to ensure a proper operationalisation of the priorities defined by the General Strategy for 2022–2026:

- **Research and knowledge exchange.** The Bank's Research Department was established in 2016 and as of today is still one of the smallest units with only four full-time employees. The position of DG-Chief Economist has been vacant since May 2020, and there are no policies, frameworks or guidelines to direct relevant works including knowledge management, although the leaders of BRICS states have continually encouraged NDB *"to play an active role in knowledge sharing process and incorporate the member-countries best practices in its operational policies"*<sup>18</sup> and the Bank also committed in the General Strategy for 2022–2026 that it aims to become a *"knowledge hub for its member countries and other EMDCs by setting up knowledge networks"* (see page 27).
- **Publication of knowledge products.** As of June 2024, the Bank has not published any economic analysis, development, sectoral or thematic flagship reports, and other knowledge sharing products are limited on its website. This CLE noted that NDB has indeed co-authored several reports and papers, including the *"Sustainable Development: Asia and the World Annual Report 2024"*<sup>19</sup> presented in the Boao Forum, however none of these documents is published on NDB's website and could only be found on other co-authors' or partners' webpages. The policies or strategy to help guide publication decisions and direct the procedures of disseminating knowledge products has yet been established. In the General Strategy for 2022–2026, NDB also committed to *"develop targeted communication strategies with select stakeholders to enhance transparency and visibility in member countries with the help of regional offices and centralised*

18 See para. 46 from the declaration of XV BRICS Summit here. <https://brics2023.gov.za/wp-content/uploads/2023/08/Jhb-II-Declaration-24-August-2023-1.pdf>.

19 See: <https://english.boaforum.org/newsDetail.html?navId=6&itemId=2&permissionId=621&detailId=25639>.

**headquarters supported content, coordination, and oversight**", which is still to be designed.

- Concerns of lacking a policy or clear implementation guidelines relating to parallel or joint co-financing have also been raised by multiple interviewees, despite the strategic objective in the Bank's the current General Strategy to "Co-finance 20% of projects (in numbers of projects) with partner MDBs over 2022–2026". Leaders of BRICS states have also urged the Bank to "**enhance its role in mobilising and catalysing private capital as well as undertake more co-financing ventures with other MDBs and Development Financial Institutions.**"<sup>20</sup> As of today, while the NDB has conducted some parallel co-financing operations with peers such as the Asian Development Bank and the Development Bank of Latin America and the Caribbean (CAF), more could be done in terms of co-financing. Evaluations by IEO of NDB projects have found that collaboration, knowledge-sharing and partnership with other co-financers are limited. The Bank's project processing and implementation policies have barely provided any guidance on how to deepen the development impact and improve operations quality/practices through co-financing.
- The Bank's Independent Accountability Mechanism (IAM) Policy Framework, including the IAM Complaints Handling Procedure for ESG Complaints, is still under development and to be approved by Board. Although NDB's preferred approach is to use national mechanisms for grievance redressal or the client's corporate system, in the General Strategy for 2022–2026, the Bank also committed to establishing well-designed mechanisms which could supplement clients' own grievance redressal mechanisms to adequately address grievances arising out of its expanding operations and to collect feedback from clients as well as individuals, communities, and civil society organisations.
- Private capital mobilisation. The Bank has provided capital mostly as a long-term lender, mainly through sovereign and sovereign-guaranteed loans. Its catalytic role, as prioritised in the General Strategy for 2022–2026, has yet to be strengthened to mobilise private capital in the dual role of a risk mitigator and a project orchestrator. For example, there is no policy framework to guide the establishment of: (i) a pre-committed pool of capital that is non-project-based to systematically crowd-in private investors; and (ii) investment vehicles around securitisation. Quantitative measures to monitor the efforts of the Bank in this area are yet to be designed.
- Quality at entry and quality assurance. In the General Strategy for 2022–2026 NDB recognises that its second strategy cycle presents the right window to work on improving quality along a range of dimensions, with the collective efforts of all functions operating as "One Team". Aiming to ensure the quality of service to borrower and clients, it also committed to embark on a client-centricity programme that will provide a flawless experience during the entire lifecycle of each client's relationship. However, few policies or tools are available to support relevant works, and the client-centricity programme is still to be initiated.
- Sectoral and thematic policies/strategies. NDB has not yet developed sector or thematic strategies. This is an important gap to support operations in design and implementation of projects. Sector and thematic policies would clarify the Bank's position on a theme/subject, support its advocacy initiatives and ensure resources are not scattered across a wide range of areas.
- Strengthen client engagement. In the General Strategy for 2022–2026, the Bank states it will "**periodically hold special stakeholder retreats, leadership consultations, and ideation weeks to spot opportunities, identify concrete needs of member countries, and prioritize action**". While some such initiatives have been undertaken in the recent past (such as a major conference in Egypt in June 2024) and others are planned (e.g. on energy in South Africa), a more systematic approach

<sup>20</sup> See para. 56 in the XIII BRICS Summit: New Delhi Declaration here.[http://brics2022.mfa.gov.cn/eng/hywj/ODS/202203/t20220308\\_10649499.html](http://brics2022.mfa.gov.cn/eng/hywj/ODS/202203/t20220308_10649499.html).

could help enhance client engagement, knowledge and ownership around dedicated themes/subjects.

70. With respect to guidelines, an important gap relates to guidance on approval of changes to operations. There is only one set of such guidelines, and it only applies to two types of projects: (i) transactions without sovereign guarantee; and (ii) loans to international organisations. Hence there are no procedures for approving changes to sovereign and sovereign guaranteed operations, loans to national financial intermediaries (NFIs) without sovereign guarantee, and technical assistance projects. Therefore all revisions to these operations, even minor adjustments, need to be approved by NDB's non-resident Board.
71. Some interviewees also indicated the process of hiring consultants was considered rather cumbersome, which further limits their efficiency. Making more use of short-term external resources with specific technical expertise, which are relatively easy to mobilise and a common practice in peers, could offer a temporary solution until NDB decides to recruit a range of sector specialists. IEO believes the latter is fundamental for the Bank to have the required knowledge and expertise internally to advance the priorities of its General Strategy in an effective and efficient manner.
72. Furthermore, in particular regional offices and centres that are at the forefront of project implementation highlighted that the relevant guidelines need to be further reviewed and comprehensively updated by incorporating all

the experiences and lessons learned during the past eight years of operations, to reflect in a more sophisticated manner the modality of different type of projects financed by the Bank (such as sovereign, non-sovereign, on-lending through other MDBs, national financial intermediaries or commercial banks, etc.). Some ROCs express a wish for clearer guidelines regarding procedures of project origination, preliminary screening assessment and pre-concept notes especially for the private sector and non-sovereign operations, to ensure coherence in project sourcing engagements, well-defined milestones, and transparent workflow for these critical activities. Additionally, some ROCs also signalled that effective project implementation was sometimes hampered by ad hoc instructions that were not always consistent with existing guidelines, nor fully shared with and accepted by other departments across the Bank – especially the oversight functions.

73. In summary, mapping against the Articles of Agreement shows that NDB's policies are largely complete, though some key areas highlighted in the strategy documents are not covered by the existing framework. These instances of gaps have surfaced in a desktop review of the two General Strategies to date and interviews with selected stakeholders. It is likely there are further instances, however a full in-depth and focused assessment, to be conducted along with the interim review of General Strategy implementation, would be needed to identify their frequency across all strategically important areas and relevant documents of the Bank.

## EFFECTIVENESS

74. This chapter introduces observations related to the degree to which NDB's policy framework has been effectively communicated and implemented; and the effectiveness of training, control environments and tools to support the policy cycle, with a specific focus on identifying specific root cause behind gaps in policy dissemination, disclosure and implementation. These assessments focus on the entire framework and system rather than assessing the effectiveness of individual policies against their objectives.

### Accessibility

75. One precondition for the effectiveness of the policies is accessibility. Problems associated with the absence of a formal up-to-date complete list of policies and guidelines is aggravated by the absence of a dedicated platform to host all mandatory policies and their accompanying guidelines, rules and procedures. This institutional gap is cited by many interviewees as leading to misunderstandings and wrong actions taken due to version control

issues, which limits the policy framework's effectiveness.

- 76.** Dissemination of newly approved policies and guidelines as well as amendments does not follow a standard procedure, varying from policy to policy and guideline to guideline. For example, NDB staff did not have access to any human resources policies before December 2020, and the Front Office of the President initiated a Transparent Bank share folder in Q3 2020 to promote effective document sharing where majority functions started to upload documents including policies, guidelines management reports and meeting minutes of the FC and CIC etc. However, this initiative has been difficult to sustain across the organisation due to a lack of training and cross-organisational collaboration, and the system being less than user-friendly to manage. Many departments stopped sharing documents on it after 2021. Furthermore, as highlighted in various interviews by this CLE, only excerpts of the Staff Compensation & Benefits Policy have been uploaded on the internal portal, meaning that as of today NDB staff still don't have access to the full policy document.
- 77.** Additionally, many interviewees commented that the only channel to understand the latest development about the Bank's policy framework is to read approved Board meeting minutes once they are published. Also, some inter-sessional discussions or decisions on policies made "by circulation" are not clearly reflected in the meeting minutes. Furthermore, policies which have been updated or amended are not shared within the Bank in track-changes mode, causing challenges to understand what has been revised, which brings extra challenges for an effective policy implementation. Feedback was also received regarding more timely, comprehensive and robust internal communication within the Bank about the decisions made by the Board, Management and their committees, especially in the areas of policy related works.
- 78.** Similarly, notes – which have no formal standing in the Bank's regulatory architecture and are adopted by Management without prior processing – have on occasions been sent to the Board for approval then used to regulate the Bank's day-to-day operations in relevant areas, even before the corresponding policies have been amended and communicated within NDB. For example, the note of "Proposal for

Career Progression from Support Staff to Professional Staff" was endorsed by the BHRC in June 2020 and was retrospectively used for supporting the note owner department's Annual Performance Assessment of 2019. Whereas its content was only incorporated into the relevant policies, approved by the Board and communicated with entire Bank staff six months later in December 2020.

- 79.** The mechanism to ensure that all binding and regulatory notes are, in a timely manner, accurately and completely incorporated into the relevant policies and made an integrated part of the Bank's internal legal framework is generally weak, considering there is neither a consolidated list of all notes submitted to the Board and its committees, nor a centralised depository for maintaining all binding documents (including regulatory notes and resolutions) which can be accessed by staff within NDB.
- 80.** In the General Strategy for 2022–2026, NDB has committed to continually "*strengthen its engagement with the Board and enhance communication between the Board members and the Bank's Management team*", and "*set up more frequent and diverse forms of interaction to nurture the exchange of ideas and seek continual guidance and feedback from its Directors.*" Some Board members informed IEO that no concrete steps have been taken in this regard, and they have not been adequately consulted before publication of important documents such as the Bank's Annual Report, which contrasts with the practice at some peer MDBs. Feedback has also been received that Board members are lacking access to NDB internal documents such as guidelines and procedures adopted by Management.
- 81.** Internal stakeholders interviewed by IEO have also raised similar concerns regarding the communication processes and practice within NDB citing lack of transparency, version control, and difficulty in accessing the latest documents. Over time, this may, if not addressed, expose the Bank to several risks, including reputational and compliance risk and needs to be addressed.

### **Policy disclosure and transparency**

- 82.** NDB's official website, managed by the Bank's Corporate Communication Division (CCD), is the only public channel on which policies are published. The initial request to publish comes

from the policy owner according to the Bank's Information Disclosure Guideline and must go through CCD.

**83.** As of today, about 40% of Bank's policies and policy-level documents are published on three different sections of NDB's corporate website, as shown in table 4. The Bank's first General Strategy for 2017–2021 stated that while the default position will be public access to policy and project information, NDB recognises the need to classify certain types of information and apply due process in deciding on the disclosure of such information. Accordingly, the Bank's Information Disclosure Policy (IDP) articulated an exception list of non-disclosure such as information intended for internal use only or classified as confidential under Bank's guidelines.

**84.** However, the process of identifying confidential information has yet to be developed by the Bank's guidelines, and so the system for classifying documents by type and for determining the level of access has yet been established. This means that there is an inconsistent practice of publishing and hence transparency, which are compounded by issues relating to version control. For example, two of the 20 policies published are still the outdated initial version from 2016, yet these have since been updated subsequently: the Technical Assistance Policy amended in May 2022 and the Policy on Loans without Sovereign Guarantee to National Financial Intermediaries amended in December 2021.

**Table 4: List of the 20 policies published on NDB's corporate website**

No.	Name of the documents	Section/category of disclosure
1	Procurement Policy	Core Document   Policy
2	Environmental and Social Framework	Core Document
3	Processing of Sovereign Loans & Loans with Sovereign Guarantee	Core Document   Policy
4	Policy on Loans without Sovereign Guarantee to National Financial Intermediaries	Core Document   Policy
5	Policy on Transactions without Sovereign Guarantee	Core Document   Policy
6	Information Disclosure Policy	Core Document   Policy
7	Policy on Fast-track Emergency Response to COVID-19	Core Document   Policy
8	Information Technology Policy	Core Document   Policy
9	Diversity Policy	Core Document   Policy
10	Anti-Corruption, Anti-Fraud and Anti-Money Laundering Policy	Core Document   Policy
11	Policy on Loans to International Organisations	Core Document   Policy
12	Technical Assistance Policy	Core Document   Policy
13	Policy on Financial Management and Financial Analysis, and Economic Analysis of Projects	Core Document   Policy
14	Policy on Partnerships with National Development Banks	Core Document   Policy
15	Code of Business Conduct and Ethics	Core Document
16	Code of Conduct for Board Officials	Core Document
17	Country Partnership Plan	Core Document
18	Board of Directors Governance Structure	Core Document
19	Whistleblower Procedures	Whistleblowing
20	Evaluation Policy	Independent Evaluation

Source: Summarised by IEO from NDB's corporate website.

- 85.** Nevertheless, chapter II of the IDP indeed classified NDB’s policies and strategies under the category of public information which “refers to information that can be accessed by anyone inside and/or outside the Bank, such as Governance Information, Operational Information, Financial Information, Policies and Strategies of the Bank.” Eight policies are clearly indicated for publication and the IDP further articulates that, “other Policies and documents, disclosure of which is approved by the Board and/or Board of Governors.” However, in practice the default option seems to be not to publish as almost all policies’ cover pages state that: “Any unauthorized use, duplication or disclosure is prohibited and may result in prosecution.” And the majority of polices have been tagged as “internal use only”. Even for the 20 policies which have already been published, some are still tagged as “internal use only”<sup>21</sup> or include a provision such as, “This Policy is for internal use only and contains proprietary information of the Bank. When external auditors request to inspect this Policy for audit purpose, the Bank submits this Policy for their inspection, provided that this Policy may not be copied without its express consent”.<sup>22</sup>
- 86.** It is worth highlighting that NDB’s practice on disclosure is different to that of peers. For example, there is a section of “Bank Access to Information Policy Designation” on the cover page of World Bank’s policies and all published documents have been tagged as “public”. Similarly, the majority of AIIB’s policies have also been tagged as either “official use only” or “public”. Furthermore, one general feature for

many NDB documents is the absence of a well-functioning, user-friendly and comprehensive document management system which would clearly classify all documents and identify version, date, originating department, and approval were relevant. This has further hampered policy accessibility.

**Supporting tools and documents**

- 87.** The link between policies and guidelines is not a straightforward “one to one”, since not all policies have an associated guideline. Some policies have dedicated guidelines in separate documents, and some have no explicit guidelines attached to them at all, like for example the Performance Management Policy which, instead, has a relatively detailed description of how it is to be implemented and what results to expect within the document itself.
- 88.** Among the 48 policies, 26 include a reference to guidelines development: “NDB Management issues, from time to time, detailed operating procedures and staff guidelines to implement the Policy”, and seven of them are yet to be developed by the policy owner as of June 2024. The closest links to policies are in finance, risk, and ESG (including the project procurement), all areas where non-compliance with the policy may carry serious regulatory compliance or financial risks. This is evidenced by the fact that over 53% of guidelines are approved by the VP & CFO and VP & CRO to implement and supplement policies owned by departments under their reporting lines.

**Table 5: Approver of NDB guidelines**

Approver	No. of guidelines
VP & CFO	11
VP & CRO	11
NDB President	9
VP & CAO	6
VP & CRO and VP & CAO (jointly)	1
VP & COO	3
<b>Total</b>	<b>41</b>

Source: Summarised by IEO.

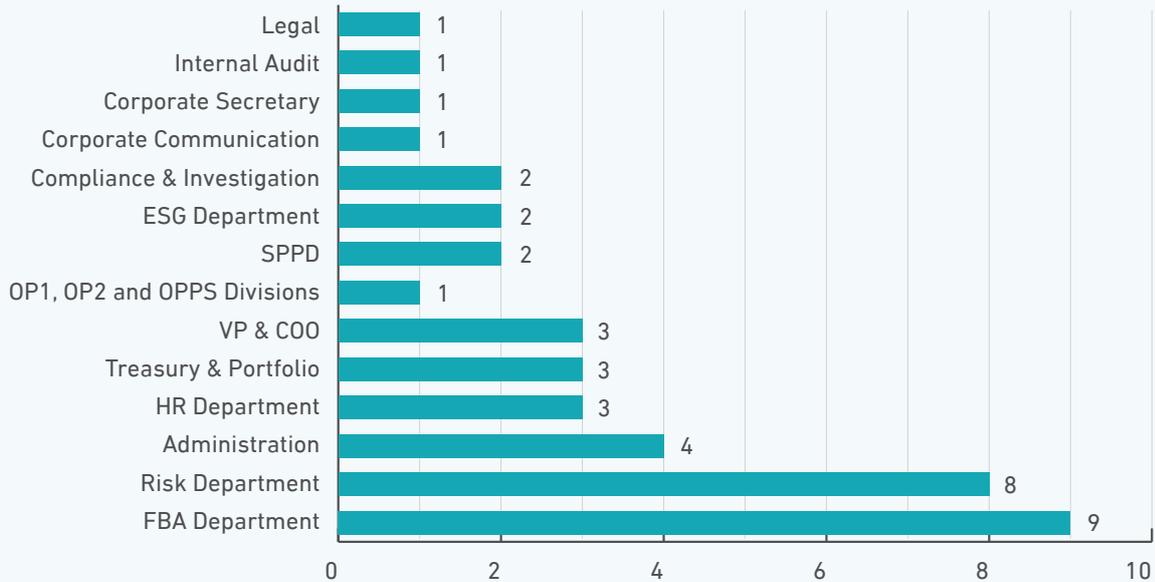
21 For example, the Information Technology Policy see here: <https://www.ndb.int/wp-content/uploads/2023/03/Information-Technology-Policy.pdf>.

22 For example, section 1.3 on page No.3 of the Diversity Policy here: <https://www.ndb.int/wp-content/uploads/2017/02/ndb-diversity-policy-20160121.pdf>.

89. Differently to the policies, guidelines generally follow a standard template which was developed by the secretary of the PCC with support from consultants after a review of guidelines in November 2017. The template includes standard sections such as purpose and object, scope and applicability, roles and responsibilities,

ownership, periodic review, training, supervision and reporting, etc. It also includes a distribution list, although in practice the guidelines cleared by the PCC are all subsequently uploaded to the Bank's ServiceNow digital portal and accessible by the entire workforce of NDB.

Figure 5: Owner of the 41 NDB guidelines uploaded by the PCC on ServiceNow

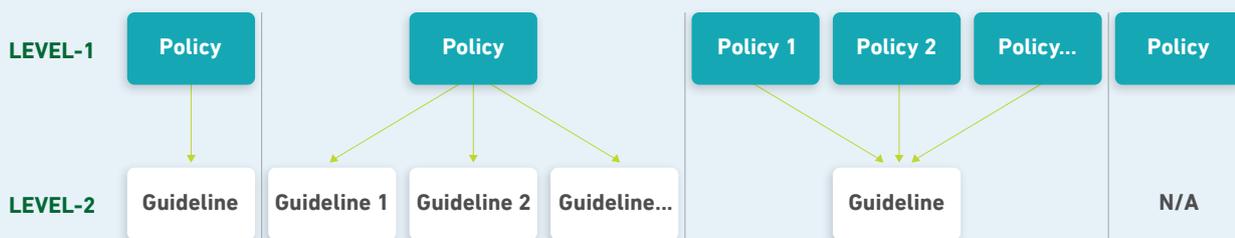


Source: Summarised by IEO based on the guidelines' owner information (PCC cleared).

90. Not all guidelines have a close link to a policy nor do they strictly follow the template. Among the 41 guidelines uploaded by the PCC on ServiceNow, 33 have included a standard section of "List of Referenced NDB Policies and Guidelines". In addition, 29 guidelines

have referred to policies, two referred to other guidelines, and in those remaining references are neither to policies nor guidelines (for example the *Guidelines on Variable Spread Loans* refers to the "Note on Variable Spread USD Sovereign Loan Pricing Framework").

Figure 6: Relationship between policy and guideline

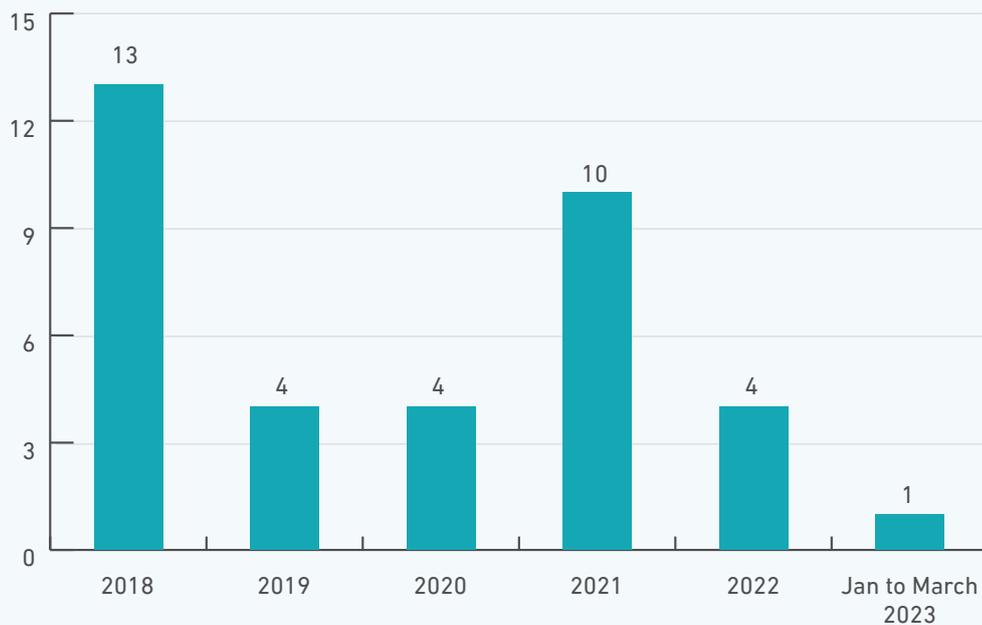


Source: Operational Guidance for Guidelines Management (draft).

**91.** In addition to the standard template, a Guideline Approval Form, and a draft Operational Guidance for Guidelines Management were also developed. However, none of these tools are recognised by any of NDB's regulatory documents or approved as mandatory rules of the Bank, which has unfortunately further weakened the effectiveness of both PCC and the quality assurance process. For example, although the PCC met frequently before 2024 (36 meetings from 2018 to March 2023) to review new guidelines and amendments, there is no control to ensure that all the latest guidelines or procedures implemented in the Bank have been completely reviewed, adopted or recorded by the committee. Multiple interviewees informed IEO they are not clear about the rules, scope and operational procedures of PCC.

**92.** Before March 2023, the progress reports on PCC activities were regularly prepared by the secretariat to the committee (from the Front Office of the President) together with minutes of each meeting. From December 2023, due to turnover of relevant staff, PCC activities have been put on hold and are currently under internal review. After the guidelines' effectiveness, it is the responsibility of each guideline owner to keep the document implemented, updated in a timely manner and to ensure version control. According to the standard text used by most guidelines, they are normally subject to annual reviews. Indeed, most guidelines have been revised several times, often to address process gaps or issues identified by the Bank's control functions such as internal audit, to be aligned with the evolution of NDB's business model or strategy, or to reflect organisational change.

**Figure 7: Meetings of PCC from 2018 to March 2023**



Source: Summarised by IEO from PCC meeting minutes.

**93.** However, there are also guidelines or procedures that were approved in 2019 and before that have not been updated since and are out of date. For example, the Bank's Project Preparation Fund Guideline, which was developed in 2019 to facilitate the implementation of NDB's Technical Assistance Policy, is still mandating the roles

and responsibilities of Operations 1 Division, Operations 2 Division and Operations Policy and Project Support Division, which no longer exist as per the latest organigramme approved by Board in December 2020. Similarly, NDB's Loan Disbursement Procedures, which were initially approved by Management in 2017 without the PCC's clearance, have not been updated since.

It also still mandates the “old” divisions defined by the outdated organigramme and provides very little guidance on how to process disbursement for the Bank’s technical assistance (TA) projects.

94. In addition to guidelines, notes have been used to fill instruction gaps on an ad hoc basis, which are typically issued by Management and shared only with a smaller group of relevant staff. There is no definition of how such notes may be used, their purpose, scope, use, status, or approval process. It is a serious gap for a rules-based organisation and a cause of concern for staff who are unsure of the regulatory status of these notes.
95. Furthermore, in accordance with the Information Technology Policy, seven IT Standards were developed around six years ago – but these documents have not been endorsed by the PCC because the scope of its work is still unclear, which caused some delays. This issue has been raised and tracked by internal audit for almost four years, and the IT Division is working with a consultant to further structure IT policies, guidelines, procedures, and standards to align with the practice across the Bank.

### Training

96. One of the latest developments of the Bank’s policy framework is the Learning & Development Guideline, which became effective in December 2023 after the PCC’s clearance and Management’s approval. Despite this, the Bank still does not have training specifically focused on the policy framework. There is no dedicated function within the Bank that takes the responsibility to organise and coordinate policy and guideline related trainings for all departments and divisions, collect the training plan from policy/ guideline owners, and maintain the training records, to ensure the policies, guidelines and associated amendments are acknowledged by all the related staff.
97. Nevertheless, some elements regarding the Bank’s policy and regulatory framework are part of the induction programme for new employees, which was introduced from Q4 2020 by the Human Resources Department. Before 2022, the Compliance & Investigation Department used to conduct bank-wide annual training on NDB’s Code of Business Conduct and Ethics as well as the Whistleblower Procedures, and

some trainings to NDB Finance and Corporate Procurement teams with specific information on regulatory compliance matters such as anti-money laundering policy and sanctions. However, such training efforts are not directed at giving a comprehensive understanding of the Bank’s overarching regulatory hierarchy, policy framework and its individual components.

98. This is further evident by the low level of expenditures on training which has been continually reported. For example, the planned learning and development budget for 2022 was USD 0.45 million whereas only USD 0.14 million (31%) was utilised, similar to the result of previous years. Limited knowledge products have been produced to help both internal and external stakeholders navigate the Bank’s policy frameworks and operational guidelines to aid more consistent policy application. Given issues raised above in terms of communication and accessibility of documents, such training could help alleviate some of the constraints ensuring from this.

### Policy implementation and monitoring

99. The Bank’s organisational and operational data indicate that most policy mandates have been implemented, but some gaps remain. Challenges often relate to the fact that planning for implementation has historically not been well built into the Bank’s policy and guideline development process. Compared to peer IFIs, operational-level guidance and capacity support for implementation of some policies remain underdeveloped, the same as a codified post-approval implementation process.
100. A typical example of this is the Bank’s Capital Management Policy, which requires the capital plan (that covers a period of at least three years based on the outputs of NDB’s financial model) to be approved by Board annually. NDB presented the model to Board in 2021 – for the first and, to date, last time. In September 2022, Management further committed to developing a substantive document by that October with possible scenarios and options for the Board to review the impact and implications of market developments on NDB’s financial model. However as of March 2024 this has not been implemented. Similarly, NDB’s Information Classification Model has yet been carried out to facilitate the implementation of consistent and

effective information security measures across the organisation, although the Information Security Policy was approved in 2017; and NDB's Country Partnership Plan,<sup>23</sup> which was approved by the Board in January 2016 as one of the Bank's fundamental policies and forms the basis for the effective implementation of several related policies, but it has not been taken up since then.

**101.** Another example is the Bank's Performance Management Policy, which was approved by the Board in March 2018 and was not accessible by the Bank staff until 2021. Management reported to the BHRC in November 2018 that the

fully-fledged policy implementation had started in October 2018 with a goal-setting process, setting forth key performance areas (KPAs), key performance indicators (KPIs) and targets. And it was expected that, starting from January 2019, all staff members would be aware of the goals to be achieved during that year. However, as shown in table 6, ineffective and incomplete policy implementation has been repeatedly reported by NDB's oversight functions since 2019, including lack of half-yearly performance reviews, delayed goal setting processes, delays towards the required timelines of completing the Annual Performance Assessment (APA) during past five years, etc.

**Table 6: Summary of Performance Management Policy implementation**

Key policy procedure	APA 2019	APA 2020	APA 2021	APA 2022	APA 2023
Goal setting process conducted?	No	No	Yes	Yes	Yes
KPA/KPI set up on time & compliance with policy?	N/A	N/A	No, initiated in October 2021	No, initiated in February 2022	No, initiated in January 2023
Half-yearly review conducted?	No	No	Yes	Yes	No <sup>24</sup>
Half-yearly review conducted on time?	N/A	N/A	No, initiated in November 2021	No, initiated in September 2022	N/A
Time of initiating the APA process	December 2019	January 21, 2021	December 6, 2021	December 16, 2022	December 28, 2023
Overall result communicated with entire Bank staff?	No	Yes	Yes	Yes	To be completed
Time of communication overall result with staff	N/A	June 29, 2021	November 11, 2022	December 30, 2023	N/A

Source: Summarised by IEO.

**102.** At the same time, there is still an absence of a post-approval policy implementation planning process. Unlike some peer IFIs, NDB has neither formalised a Bank-wide policy development/implementation framework to establish standard policy responsibilities, nor developed policy manuals. Therefore, the Bank's policy monitoring mechanism is not robust. This is further evidenced by the fact that its Operational Risk Division and Integrity

Regulatory Compliance Division are the Bank's smallest units, with a workforce of only around 2% of NDB's entire staff as shown in table 7. Due to the limited resources as well as frequent updates of existing policy framework, an institutional matrix with key controls to facilitate the reviewing, monitoring and testing policy/guidelines compliance is still to be developed.

<sup>23</sup> See here: <https://www.ndb.int/wp-content/uploads/2017/08/Country-Partnership-Plan-20160121.pdf>.

<sup>24</sup> The NDB President approved to waive the half year review process for APA 2023.

**Table 7: Headcount of two policy compliance & control oversight functions**

Unit	December 2018	December 2019	December 2020	December 2021	December 2022	December 2023
Operational Risk Division	1	2	2	1	2	2
Integrity Regulatory Compliance Division	2	2	2	3	2	3
No. of Chiefs	2	2	2	1	2	2
Professional Staffs	1	2	2	3	2	3
<b>Total headcount</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>5</b>
NDB's entire workforce	144	161	185	207	224	240
<b>% of NDB's workforce</b>	<b>2%</b>	<b>2.5%</b>	<b>2.1%</b>	<b>1.9%</b>	<b>1.7%</b>	<b>2%</b>

Source: Summarised by IEO from NDB human resources information.

**103.** Nevertheless, the Bank's current organisational structure approved by the Board in December 2020 has tried to strengthen NDB's compliance functions by enabling it to report functionally to the Board. It requests the Integrity Regulatory Compliance Division to *"leverage upon the risk management and internal control functions performed by different organisational units of the Bank, particularly in the areas of self-assessment and certification of compliance with internal policies."* However, the division is still seeking Management and Board's guidance on how to effectively materialise this role, update the relevant policies accordingly and then develop guidelines to implement it. Over the past five years, the division has been sending monthly or quarterly e-mails to all units of NDB requesting confirmation of compliance with the Bank's policies – and no issue has been identified. This contradicts other oversight functions' reports, which signal that the existing

process of self-certification of compliance with internal policies is neither robust nor effective.

**104.** The Bank's internal audit function, which reports to the Board directly with an operational reporting line to the President, has played an important role in testing policy implementation and reporting policy compliance issues. It has issued over 40 reports covering the key controls of almost all policies and guidelines of NDB and makes quarterly updates to the ARC about status of various audit issues. At the end of 2023, there are around 44 control gaps or deficiencies to be addressed (reduced from 56 the previous year), over 30% of which have been outstanding for over three years, such as the lack of implementation of the Country Partnership Plan, the absence of file management guidelines, the lack of information asset classification, etc.

**Table 8: Audit issue status from 2021 to 2023**

Issue status	2021 (ended at the 22 <sup>nd</sup> ARC)	2022 (ended at the 25 <sup>th</sup> ARC)	2023 (ended at the 29 <sup>th</sup> ARC)
Beginning of period (A)	69	51	56
Issues complied (B)	(59)	(-50)	(-22)
Risk acceptance or merged (C)	(2)	(-1)	(-4)
New issues reported (D)	43	56	14
<b>End of the period (E = A + B + C + D)</b>	<b>51</b>	<b>56</b>	<b>44</b>

Source: Summarised by IEO from Internal Audit Annual Reports.

**105.** As the Bank’s third “line of defence” function, internal audit can only provide assurance on policy matters according to its risk-based audit plan and thus some functions would only be audited every four or five years based on their risk assessment result. It cannot replace a continuous monitoring system of policy compliance and implementation, which normally require a robust control environment. Furthermore, a clearly articulated accountability framework has yet to be developed in NDB to enable a culture of accountability to be fostered in line with the agreed policies and general strategy of the Bank, and to hold relevant personnel accountable for ineffective or inefficient policy implementations.

**106.** In fact, the Bank did implement several initiatives to promote a robust policy

compliance culture and improve the quality of implementation. For example, a default KPA was introduced in 2021 regarding “*adherence to AoA, all policies, code, or any other rules, regulations, and guidelines of the Bank*”, which counts as 10% of the annual performance rating for all NDB staff as part of the APA process. However, the oversight functions informed IEO that no member of management had ever requested relevant information or data about their units’ non-compliances or ineffective implementation of NDB’s policy framework, which has significantly limited the effectiveness of this initiative. Feedback has also been received by evaluators that reports on the implementation of newly approved policies have not been presented to the Board as a form of monitoring and self-evaluation during the past nine years.

## EFFICIENCY

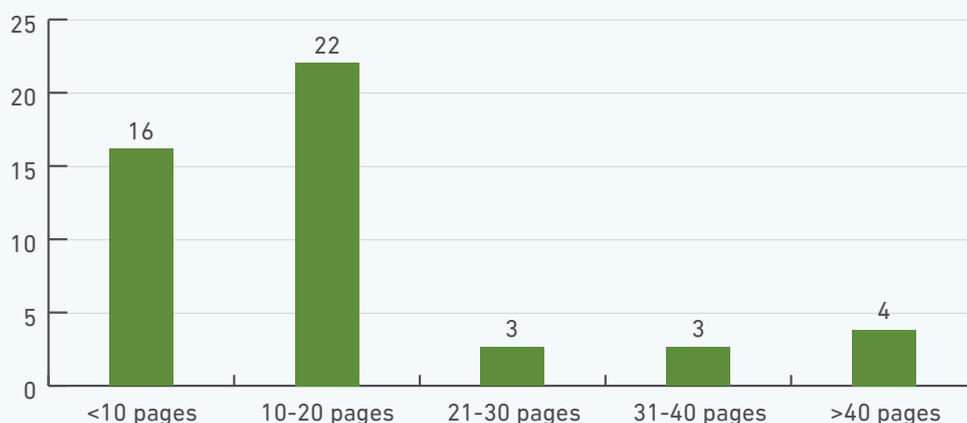
**107.** This chapter examines and presents findings related to the efficiency of NDB’s organisational structures in supporting policy management throughout all the stages of the policy cycle. Insights were also derived from areas such as resource allocation to policy management.

### Policy management and approval

**108.** The absence of clear nomenclature identifying document properties also means there is no standard criteria for the content to be included in a policy for the Board’s consideration and

approval. This also partially contributes to the fact that the 48 policies approved by Board are significantly different in length, scope and detail. As shown in figure 8, 16 policies are below 10 pages, 22 are between 10 to 20 pages whereas 4 are over 40 pages. The shortest document, *Policy on Operations in Disputed Areas involving International Waterways*, was approved in 2019 with only 4 pages; whereas the longest document is the Internal Audit Policy with 51 pages and has been amended seven times since its initial approval in 2016.

**Figure 8: Distribution of policies by length**



Source: Summarised by IEO.

**109.** The variance is mainly due to the fact that some of NDB’s policies not only include the principles of what to do, but also descriptions about who should do what and how to do it; sometimes even including detailed reference to roles and organisational responsibility, reporting lines, technical and operational procedures

and templates. All of them are submitted for the Board’s approval, some after discussion, including in specific Board sub-committees (the ARC and the BHRC), some approved without comprehensive discussion, and five policies were approved through a circulation procedure.

**Table 9: Policies approved by Board via decision by circulation**

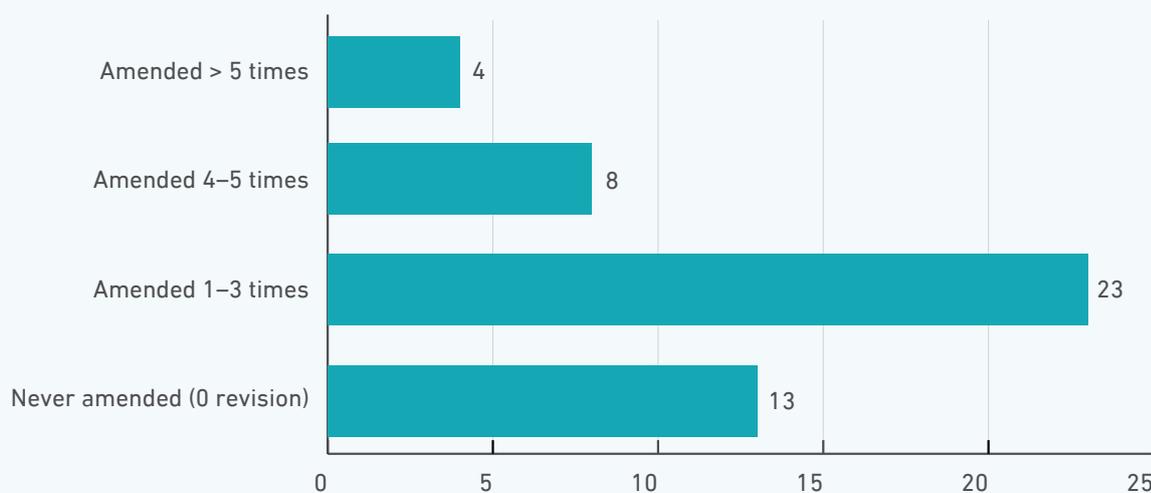
No.	Name	Date of approval by circulation
1	Policy on Transactions without Sovereign Guarantee	December 20, 2016
2	Enterprise Risk Management and Risk Appetite Framework	May 13, 2019
3	Policy on Fast-track Emergency Response to COVID-19	June 10, 2020
4	Evaluation Policy	August 24, 2022
5	Internal Control over Financial Reporting Policy	January 5, 2024

Source: Summarised by IEO.

**110.** The frequency of policy revision also varies a lot. As shown in figure 9, 13 polices have never been revised since their initial approval, including six policies approved before 2018. On the contrary, four policies have been revised over five times, including the Bank’s Internal

Audit Policy, Internal Audit Charter and Staff Compensation and Benefits Policy which have been almost annually revised/re-approved by the Board since their initial approvals seven years ago.

**Figure 9: Distribution of policies by number of amendments**



Source: Summarised by IEO by reviewing all 48 policies.

- 111.** Policy revisions, even minor amendments, have been similarly submitted to the Bank's non-resident Board for approval, which is not an efficient use of Board time and resources. As of June 2024, the NDB Board has approved around 110 policy revisions, of which three were conducted via circulations. Since their establishment, the ARC has recommended 73 policy revisions to the Board for approval and 10 have been made by the BHRC. This has led to a heavy policy workload for the Board, being the only governance body with formal responsibility for reviewing and approving all revisions to policies, and with no regular approach to delegating responsibility for different types of policy actions, including routine policy updates or maintenance. Some Board members noted that both policy amendments and new policies are brought to meetings without adequate prior engagement, placing these issues at the same level of importance and complexity as other recurring meeting topics.
- 112.** In peer IFIs, different procedures are normally available, depending on the scope and materiality of the change, so that documents can be shared with the Board for information and hence do not need to be scheduled on a busy Board agenda for consideration or discussion. Also, decisions of a non-material nature can be made at senior management level. So far, there is no standard timeframe for NDB's policies and majority of them are neither clearly nor well resourced (in terms of budgets, implementation arrangements, human resources, etc). Mechanisms for mid-term reviews and completion evaluation/assessments have not been established in NDB.
- 113.** It was perhaps appropriate that in the early years of NDB the Board was thoroughly informed and approved all the different elements of the policy architecture as it was gradually established, including all changes made over time. But as NDB matures and expands its operations, and Board agendas become more crowded and meetings lengthier, it may be timely to consider introducing a more flexible and streamlined procedure for Board approvals. Freeing Board time by delegating routine matters and decisions of a non-material nature to Senior Management would allow Board to play a more strategic and substantive

role. This is particularly important considering that NDB operates with a non-resident Board of Directors at this stage,<sup>25</sup> which ***“aims to reduce administrative costs and—more importantly—helps the Board focus on high-level important policy issues and particularly complex projects rather than routine day-to-day operations”***, as emphasised in the Bank's first General Strategy for 2017–2021.

### Guidelines management

- 114.** Inconsistent application of approval processes furthermore leads to inefficiencies. For example, guidelines should be approved by Senior Management after consideration by the PCC. However, in the case of the Bank's Operational Procedures for Private Placements, which is a guideline cleared by the PCC in 2019 and then adopted by the VP & CFO to supplement and implement the Debt Instrument Financing Policy, was nevertheless submitted to the Board for approval in March 2022.<sup>26</sup> This document was then removed by the PCC from the storage of guidelines on ServiceNow, but has however not been included by CSD in its consolidated list of Board approved policies, rules of procedures and general conditions. In March 2022, the requirement for the NDB Board to *“review and approve procedures of debt instrument financing of the Bank”* was deleted from the Debt Instrument Financing Policy during its latest amendment.
- 115.** The ToRs of the PCC have not defined procedures for guidelines' change management. Operational procedures around the guideline inventory management and cycle management are also not formalised in any of NDB's official documents, which has caused inconsistent practices and inefficiencies. For example, the Bank's Project Implementation Guidelines (version 1.2) was revised and re-approved by the VP & COO in August 2022 for addressing internal audit issues, which was neither re-submitted to the PCC for information nor available on the Bank's ServiceNow platform. The seven IT Standards developed for support the IT policies' implementation, have been pending for formalization for over five years since their initial submission to the PCC in December 2018, due to the absence of official definition of guidelines, lack of consensus

<sup>25</sup> Shareholders reserve the right to move to a resident Board if deemed necessary (Article 12g of the Articles of Agreement).

<sup>26</sup> "... The Board also approved the Bank's Operational Procedures for Private Placements." See here: <https://www.ndb.int/news/ndb-board-of-directors-held-its-34th-meeting-approved-two-projects/>.

across the committee members regarding the PCC's review scope as well as these documents' highly technical content.

- 116.** Like policies, the Bank's guidelines are also significantly different in length, scope and detail. For example, the Guideline for Risk Review of Sovereign Credit Operations, as one of the shortest documents cleared by the PCC, is only nine pages, whereas the Internal Audit Department Guidelines are 82 pages. Thirteen guidelines have never been amended, including four adopted by Management before 2020. On the contrary some have been amended over five times, such as the Corporate Procurement Guideline.
- 117.** Lack of follow-up on recommendations made by the PCC and the Independent Review of Guidelines conducted in 2017 has also led to some inefficiencies. The PCC progress reports note that several actions proposed by the committee since 2018 have not been effectively implemented as of today, including but not limited to the establishment of a uniform NDB archiving system specifying such requirements as retention period, ownership, document type, safekeeping, sorting etc.; and establishment of a database of information on environment and social impacts that can be aggregated for the purpose of contributing to reporting and demonstrating development effectiveness, etc.

#### Resources allocated for managing policy frameworks

- 118.** Looking at resources dedicated to the various steps in the policy management cycle is a challenge as the Bank's budget structure does not support such analysis, especially considering the lack of clarity on the institutional responsibility for managing the Bank's policy framework. With the decentralised (or somewhat an "informal") approach to policy management, each substantive unit in NDB has responsibility for managing their own policies and guidelines, and activities in this regard should thus be articulated in the annual programme of work and budget. However, as highlighted by IEO's ESR on NDB's On the Ground Presence as well as the CLE Report on NDB's Financial Architecture, there has been a limited link between the Bank's strategy, business plan

and budget. A budget analysis for the last three years also reveals that very limited resources are earmarked for such activities.

- 119.** While not currently assuming responsibility for policy oversight and management, the budget and staff available for the SPPD are indeed limited given the responsibility of the department in terms of supporting NDB in other areas such as the corporate results framework, business planning, annual report preparation and other strategic tasks. Based on the department's own estimation in July 2023, for the Bank to enhance the overall quality of its policy documents, it will further require a headcount of at least two full-time staff to support the elaboration and review of policy documents, develop and implement a Policy Management Framework. The roles will "*demand experience in policy management and robust knowledge of accounting, finance, operations, and governance practices in financial and/or international organisations.*"<sup>27</sup>
- 120.** The continuity of certain key positions in the Front Office of the President has impacted its function as secretariat for the PCC. Indeed, the PCC had already stopped preparing quarterly progress reports and meeting minutes since March 2023 due to lack of a dedicated secretary.<sup>28</sup> Its activities were further put on hold in December 2023 after relevant staff left the Bank, and the FOP is trying to resume it with consultation with relevant internal stakeholders as of June 2024.
- 121.** While a number of concerns about the rigour and completeness of the Bank's policy framework and architecture have been raised above, it should also be noted that this decentralised approach may have a positive trade off in terms of providing flexibility to the Bank in times of emergency. During the COVID-19 crisis the Bank was indeed able to act efficiently and faster than many of its peers. Following the World Health Organisation's declaration of a pandemic, NDB was one of the first MDBs to respond by mounting a significant emergency response in support of its five founding member countries. A Fast-Track Policy was approved by the Board in June 2020 and included simplified and shortened procurement and disbursement procedures to make them more suited to

<sup>27</sup> A proposed note of "Setting up the Policy Function at NDB" - e-mail from the SPPD to FOP on 3rd July 2023.

<sup>28</sup> The Chief of FOP, who acted as the former secretary of PCC since December 2017, had been reassigned to the Bank's Administration Department since Q2 2023.

realities on the ground and better aligned with the emergency practices of the borrower. Nevertheless, a thematic evaluation by IEO on this topic did recommend that NDB formulate and put in place a crisis response policy that goes well beyond the Fast-Track Policy. It also found that NDB lacks a robust framework on

guiding systematic resource allocation as well as knowledge management across the organisation for multi-country operations/ programmes.<sup>29</sup>

## COHERENCE AND CONSISTENCY

**122.** This chapter examines and presents findings related to the coherence and consistency of NDB policies, and any alignment across them. It introduces some further observations on the areas of policy conflict/incoherence in addition to those noted in earlier chapters.

**123.** The fact that NDB's policy management is not anchored in a dedicated organisational unit leaves gaps in the policy management system. In terms of oversight and accountability there is no unit responsible for:

- (i) ensuring the coherence of policy documents; and
- (ii) establishing a system to track consistency in application of policies and guidelines; and
- (iii) monitoring and evaluation systems to track policy outcomes. The Bank's commitment to speedy commencement and expansion of operations and to being lean and non-bureaucratic may indeed have led to lack of attention and an underinvestment in developing and formalising clear processes, consistent procedures and coherent mechanisms, opening the Bank to risks due to inconsistent interpretation, ad hoc instructions, and discretionary decisions.

**124.** Historically, the Bank's decentralised (or somewhat "informal") approach to managing the policy cycle has created some silos and contradictions between the different functions and departments that "own" the policies. This also reinforces perceptions that NDB's policies, guidelines and associated tools are fragmented and lacking a coherent framework. For example, the Corporate Procurement Policy, initially approved by Board in 2016 and

owned by the Administration Department, has covered procurement of services, works and goods including both IT hardware and software intended for NDB's own use. However, when the IT Service Management Policy was submitted by Management to Board for approval in May 2018, it had defined totally different scope, roles and responsibilities. For example: *"IT Supply and Demand Management covers IT procurement", and "IT procurement is managed by the IT division in accordance with the Change and Project Management process and initiated once the project business sponsor/owner provides his/her signoff for the selected and evaluated IT solution and/or service with the support level requirements defined and agreed"*.

**125.** Since these policies did not outline how one policy would interact with or supersede the other, these two documents, both approved by Board, were applicable in parallel for over three years and caused significant confusion and inconsistent practices on IT related procurements. From Q2 2021, internal audit started to report various issues relevant to this matter and eventually the Board concluded that Corporate Procurement Policy should be the only binding document to mandate IT related procurements; and, by 2022, the IT Service Management Policy had been amended. Nevertheless, it had partially contributed to delays in developing one of the most important IT tools for connecting NDB's external stakeholders (e.g. borrowers) with the Bank's Loan Management System, i.e. the Electronic Data Interchange Platform. As of June 2024, there is still lacking an external user end to facilitate the digital engagement by borrowers with either NDB HQ or ROCs, and the Bank's Loan Management System is only for internal use.

<sup>29</sup> Details about the evaluation can be found here: [https://www.ndb.int/wp-content/uploads/2024/02/COVID-19\\_Evaluation-Report\\_Feb20\\_final.pdf](https://www.ndb.int/wp-content/uploads/2024/02/COVID-19_Evaluation-Report_Feb20_final.pdf).

**126.** One challenge in ensuring coherence in policy implementation can be the interconnectedness of various policies and how they overlap in practice. This is the case for instance of Performance Management Policy which is linked to the Bank's institutional KPAs, KPIs and performance targets from which individual KPIs are to be derived – delays in approving and implementing the Bank's corporate results framework (CRF) have in the past also partially contributed to delays in fully implementing this policy since a top-down approach by cascading NDB's own strategic goals into KPAs across the Bank is required by the policy. Another similar example is the lack of implementation of the Bank's Country Partnership Plan (as approved by Board in 2016 as a policy),<sup>30</sup> which makes it impossible to disclose such approved plans as required by the Bank's Information Disclosure Policy, and also limited an effective implementation of NDB's Policy on Transactions without Sovereign Guarantee which requires the Bank's non-sovereign transactions *"need to be consistent with the strategic objectives and priorities of the country partnership plan"* and *"reviewed against the relevant country partnership plans."* Thematic or sector strategies/policies have also not been developed, which IEO believes should be considered as a priority.

**127.** Furthermore, the procedure for disclosing information not only after the approval of an operation but also during the project lifecycle has not been clearly established. Additionally, although the IDP has referred to the Bank's Environmental and Social Framework for disclosing projects' E&S information, the latter document does not provide explicit guidance regarding this matter. Therefore, information about project implementation as well as operations' E&S impact is very limited on NDB's website. During the eight years of operations to date, no approved project documents to the board (PDBs) for sovereign operations have ever been disclosed – although it is clearly provided for in the IDP.

**128.** In some instances, implementation was also impeded by conflicting policy requirements. For example, NDB organisation structure data and policies are considered as internal and not intended for public disclosure by the Bank's Information Security Policy.<sup>31</sup> Yet Chapter II of

the IDP however defines public information, including "Policies and Strategies of the Bank", can be accessed by anyone inside and/or outside the Bank. The Information Disclosure Guidelines further articulate that it is the policy owners' responsibility to inform the Corporate Communication Division to publish or not. As discussed in earlier sections, this contradiction has resulted in a variety of practices with no clear criteria for information classification and when a document should be published. Compared to peers, the perception of NDB by some external stakeholders including the civil society organisations and NGOs might be that the Bank is without a coherent framework and lacks transparency – as less than half of NDB's policies are publicly available.

**129.** This CLE also identifies that roles and responsibilities were not presented in a standard format or cross-referenced across all of NDB's policies, which could be noteworthy for relevant internal stakeholders who may face challenges in understanding their specific policy roles. One case would be the Policy on Guarantees, the only operational policy owned by NDB's Treasury and Portfolio Management Department, which has articulated that *"guarantees issued by the Bank will follow the same processing and approval procedures as that of loans provided by NDB as stipulated in the corresponding extant loan policies of the Bank"*. However, the modality of guarantees is significantly different compared with loans, and there are no guidelines to further clarify relevant teams' specific policy roles as well as how they should collaborate for sourcing, identifying and appraising such kind of operations. Eight years after the approval of this policy, NDB still has not processed any guarantees in its member countries.

**130.** Another issue that also impacts the policies' coherence, as well as to a certain extent their efficiency, is the duplication of content identified by this CLE among various documents. For example, the Bank's Internal Audit Policy and Internal Audit Charter, both approved by ARC and the Board contain identical information regarding roles and responsibilities, governance and authorities, quality assurance, etc.

**131.** These instances of conflict or duplication have surfaced in this CLE, but it is likely there are further examples – and so future

<sup>30</sup> See here: <https://www.ndb.int/wp-content/uploads/2017/08/Country-Partnership-Plan-20160121.pdf>.

<sup>31</sup> See page 11 of the policy.

implementation experience, policy and strategy reviews, business process mapping exercises, corporate-level evaluations on specific areas such as project life cycle and human resources

etc., and audits, should be used to surface and address instances of policy conflict or incoherence where they are having an adverse impact.

## KEY LESSONS AND INSIGHTS FROM PEER IFIS

**132.** While the Bank initially sought to build on the experiences of existing institutions to design policies and practices, and has to some extent done so, such as for human resources, procurement, financial and risk management etc., comparing the NDB policy universe with peers is not straightforward because of the difference in business models, policy architecture and regulatory hierarchy as well as the relative size and resource/capacity differences between NDB and its peer MDBs. As peers engage in policy-based lending, capacity-building and knowledge work to a larger extent than NDB, and hence employ substantive technical experts, they also have thematic, sector and country strategies and policies to guide this work. Peers also generally have more layers in their hierarchy as described in annex IV. Many policies are also common to MDBs, however, although articulated to fit the specifics of each organisation. When comparing to peers therefore, the NDB commitment to be lean and flexible and non-bureaucratic should be kept in mind and held against the need for streamlining and regulation and ensuring consistency in decision-making.

### Commonalities

**133.** While all peers are different, some commonalities are worth noting:

- **General observation.** Peers have taken time to develop a coherent and complete policy framework and this tends to evolve in tandem with the organisation's business model and organisational structure. There is no "one-size-fits-all" approach to the policy framework amongst peers and being a more mature organisation does not necessarily mean having a more well-developed framework. This lesson from peers provides an important guiding principle to the further development of the NDB's policy framework, in that the development of such a framework should be proportionate to the capacity of the Bank and suitable for its operating environment,

rather than being guided by the aim of reflecting peer practices in NDB's policy framework.

- **A single policy framework.** Approaches vary greatly and few peers have a clearly articulated coherent framework set out in one comprehensive document or published on a dedicated platform, but they generally have an implied framework in that strategies, policy documents, directives, procedures etc., are published separately but are often standardised in their format and approach, and included as an integral part of an operations manual, staff handbook, or equivalent. The World Bank and the Asian Development Bank (ADB), for example, both have operations manuals and the ADB is reviewing its overall policy architecture (as led by its Office of the General Counsel and the Strategy, Policy, and Partnerships Department) in response to its Board's suggestion for a more consistent framework, hierarchy, and taxonomy. The AfDB in 2015 conducted an evaluation to assess the formulation, management, and implementation of its policies and strategies that recommended, inter alia, that the AfDB develop an explicit framework for all regulatory documents and that it undertakes a clean-up of the current set of regulatory documents in the context of the above-mentioned framework.
- **Policy hierarchy/nomenclature.** In peers there are generally clear and articulated distinctions made between the purposes, status and approval levels of policies, strategies, directives, procedures, operational guidance etc. In the World Bank, for example, this is clearly laid out in the Policy and Procedures Framework which "establishes and mandates the Policy and Procedure Framework and defines its key elements". Each organisation has its own nomenclature, but a common interpretation is presented in the box below:

## Box 2: Definition of core elements in policy frameworks

- **Policies:** typically set out guiding principles and the “framing” of a particular area within the Bank’s operations, they are not timebound but subject to regular reviews.
- **Strategies:** typically provide a time bound and actionable approach to applying policy principles in the Bank’s operations over a given period.
- **Directives and/or Guidance:** typically include greater granularity and particularity in terms of operationalising a policy or strategy document.

### 134. Policy categorisation and classification.

At most peer organisations, policies and strategies are mandatory binding documents that the organisation must follow and are required to be approved by the Board of Directors or organisational equivalent. In most instances, directives (or their equivalent) are issued by the president of the organisation (or equivalent) and are mandatory, while guidelines or procedures (or their equivalent) are issued by other members of senior management and provide guidance to staff of a less formal nature which is not mandatory but help staff interpret the policy and facilitate decision-making. Lack of clarity in classification of regulatory documents can lead to inefficiencies, as a 2015 evaluation of the African Development Bank (AfDB’s) policy and strategy universe highlighted. In response, AfDB management committed to the development of a classification paper to define the nature of each of AfDB’s guiding documents, their respective places in the hierarchy of documents, and to make recommendations on the appropriate approval authority.

**135. Organisational structure.** Most peers have a dedicated function or unit, playing a role in the various steps in the policy management cycle, including in coordinating policy development and in some cases also providing inputs during the policy drafting/formulation process.<sup>32</sup> However, peers differ in the extent to which this function or unit leads or coordinates on policy development, or the extent to which it acts merely to oversee a process that is predominantly led by another part of the organisation. Some peers work on the basis of forming dedicated cross-functional working groups which are responsible for drafting/formulating a policy and presenting it for approval, while policy formulation in others can be initiated and led by substantive departments and facilitated by the policy unit or a designated function, which seeks substantive input from

staff from other parts of the organisation. The commonality between all peers is that: this process is generally standardised for the development of all policy documents to ensure their quality; a common process for each document type in the policy hierarchy (policy, strategy, directive, guidance) is followed; and the respective roles of different units and functions within the organisation are understood.

### 136. Development and approval process.

Draft policies are generally circulated for substantive consultation and commenting by staff, member representatives (either through the Board or another forum, such as a policy committee or equivalent), and sometimes external experts. Such circulation practices are commonplace in some peer IFIs, for example the IADB, World Bank and International Fund for Agricultural Development. The approval process for policy documents and other documents in the policy hierarchy (directives, guidance, or their equivalent) typically corresponds to the relative importance of that document in the policy framework hierarchy. In other words, policies, as the apex document within the policy hierarchy, require approval by the board, directives (or their equivalent) require approval by the president (or equivalent), and guidelines (or their equivalent) require approval by a vice-president or another senior level individual or manager within the organisation.

**137. Monitoring and evaluation.** There does not appear to be a standardised approach to monitoring and evaluation of policies across peer organisations. Where data is available, monitoring and review tends to be the responsibility of the owner/sponsor of the policy. Some peers appear to be stronger on policy evaluation than others, with none of them appearing to have this as a standardised requirement of each policy.

<sup>32</sup> For example: in ADB, this role is performed by a specific division within the Strategy, Policy and Partnerships Department; in Inter-American Development Bank, this role is performed by the Office of Strategic Planning and Development Effectiveness; in World Bank, this role is performed by the Policy and Procedure Framework Administrator.

# IV

## CONCLUSIONS AND RECOMMENDATIONS

## CONCLUSIONS

- 138.** As a newly created, young MDB, NDB has had to create a completely new policy framework consistent with its mandate and its Articles of Agreement. The initial urgency of establishing and approving policies and guidelines to build a regulatory environment that would allow the speedy commencement of operations did not initially leave time to fully formalise this framework and establish a clear nomenclature for the regulatory documents, for example. NDB has, however, over time developed and implemented an informal policy structure based on a number of different regulatory and guiding documents and thus an inferred framework can be established and is under continuous development.
- 139.** The approach has been to build on experience of peers where there are similarities and good practices to build on, while also reflecting the commitments enshrined in the NDB's mandate and articulated in the General Strategies to be innovative and be lean and non-bureaucratic. It should also be kept in mind however that the NDB compared to older – and even an equally new MDB like the AIIB – is small both in terms of number of staff, size of operations, and membership. Therefore, the regulatory policy framework must be proportionate to the Bank's operational capacity and delivery, yet sufficiently strong and complete to ensure accountability and provide confidence to the Bank's shareholders, partners and stakeholders that the Bank operates effectively and consistently with its mandate.
- 140.** Building and developing a policy framework based on a carefully customised institutional approach is, as experience from peers shows, a continuous process that requires regular review and reflection so that it mirrors the evolution of the organisation and meets emerging needs in the most effective manner, positioning the NDB to be forward looking and fit for purpose, also under changing and challenging circumstances. The timing of this CLE, about a Bank with nine years of operational experience behind it, is an occasion to review and highlight the achievements in building a new system and signal areas where work may still be needed and changes required.

### Relevance and completeness

- 141. The universe of policies and policy level documents largely cover the Bank's most important areas.** NDB has put in place policies consistent with the AoA, supported by guidelines and other regulatory documents approved by the Board or Senior Management; these cover almost all-important areas of the Bank, although some gaps are identified to ensure a proper operationalisation of the General Strategy for 2022–2026. Due to the differences in business models and level of institutional maturity, the Bank has not, like peer MDBs, developed thematic, sectoral or country strategies, and does not conduct policy-based-lending, or policy dialogue with borrowers, but has relatively robust policies focusing on finance, treasury, risk management and internal audit.
- 142.** As the Bank's engagement grows, the lack of specific, detailed sector strategies to operationalise the overarching General Strategy is likely to constrain consistency and impact. Most other MDBs have a range of sector strategies, which guide operations teams in project design, help bring clarity among staff and consultants on the organisation's position on the topic, and serve as a basis for engagement in global and regional platforms (e.g. Conference of the Parties [COP], G20, etc).
- 143.** A large majority of the Bank's policies were developed in the first years after the establishment of the Bank in 2015; and hence of the current 48 policies, over 35 have subsequently been revised to ensure continued relevance. Nevertheless, this CLE identified several areas which merit consideration for clearer guidance moving forward, including parallel or joint cofinancing, research, knowledge management and sharing/publication, private capital mobilisation, as well as updating the General Conditions, loan disbursement procedures and guidelines on approval of changes to sovereign and national financial intermediary operations.
- 144. The architecture/classification and categorisation are implicit rather than clearly defined. This poses challenges for staff in**

**terms of fully understanding the purpose and implications, further aggravated by lack of training.** While over time the Bank has established comprehensive policies and guidelines, categorisation and classification of the individual documents has however not been clearly articulated in a coherent framework. The applied nomenclature of: policy, code, procedure, framework, charter, plan, policy framework, procedure, guideline, note, operational procedure, standard, etc. has not been clearly defined. While interviews revealed an overall understanding of the purpose of each, the absence of clarity on the properties in terms of purpose, scope, validity, hierarchy and status etc. of each document was however seen as leading to confusion and possible mismanagement.

**145. This is aggravated by the lack of a standardised format for each regulatory document type.**

Currently only guidelines generally follow a standard template which facilitates utility and leaves relatively less room for individual interpretation. **Policies on the other hand vary greatly with respect to length, content, scope and technical detail,** and some policy documents are not only developed at the principled level but also include references to organisational responsibility, operational procedures and process. As that may change over time such detail would be better included in guidelines.

**146. Organisational anchoring and oversight are yet to be fully and clearly established.**

A decentralised (or somewhat “informal”) approach, has been applied to policy management, confiding the responsibility to individual departments. This has positive effects as it enhances ownership and draws on the considerable substantive knowledge in the owner units. Nevertheless, without a dedicated centralised owner of the entire policy management cycle however, there are risks – and cases – of inconsistency, overlap, and gaps. Decentralised responsibility for development, implementation and maintenance of policies and associated guidelines without the benefit of a centralised coordination and quality assurance process/mechanism to ensure oversight opens the Bank’s regulatory framework to the discretionary application of its provisions and lowers consistency and accountability. While the Bank has a Strategy,

Policies and Partnerships Department, its role and mandate in policy management is currently pending clarification from Management. IEO believes that the specific policy responsibilities assigned by the existing organisation structure should be revisited, and this CLE notes that no peer MDB has assigned a centralised function to unilaterally create and revise all of its organisational policies. The anchoring of responsibility for policy framework coordination and oversight therefore remains somewhat unclear in NDB – which may explain why the task of keeping a consolidated list of policy-level documents is being primarily assumed by the Corporate Secretary as part of the role related to servicing the Board.

**147. The Policy Coordination Committee – currently under Management review and in need of updated terms of reference, formalised processes and re-consideration of the organisational anchoring – has nevertheless been identified as a relatively effective quality assurance mechanism for some guidelines.**

In terms of ensuring the continued relevance and high quality of policies, and buy-in from across organisation, comprehensive consultation is essential. This is particularly important for a decentralised policy management approach. The PCC has fulfilled a quality assurance function for some guidelines, but not systematically and not for all. Policy level documents have not been processed through the PCC and not all relevant internal stakeholders have been systematically invited to join its meetings. PCC’s work has been temporarily put on hold since end 2023, the initiative to revisit its mandate and activities is welcomed by this CLE and could be accompanied by formally approved and clearer ToRs and comprehensive consultation process that would include all relevant stakeholders of the Bank. While in the initial period of the Bank, it was appropriate for the FOP to be responsible for convening and running the PCC, in today’s context, IEO believes this responsibility merits reconsideration. In particular, it appears that the SPPD – given its mandate on the Bank’s policy function – should take the lead in convening and managing the PCC (once its mandate has been comprehensively revisited, strengthened and formalised). This would relieve FOP from a routine operation function allowing it to strengthen its capacities in organisation’s direction and oversight.

**148.** Lack of standardisation of documents further confounds the quality and review process despite the existence of a Guideline Approval Form and a draft Operational Guidance for Guidelines Management, which however does not seem to be systematically applied due to lack of formalisation by the Bank's existing governance structure and lack of a formal policy and procedure framework.

### Effectiveness

**149. The absence of consolidated lists and searchable platforms containing updated, version-controlled documents undermines accessibility, transparency and effective dissemination and, as a consequence, implementation.** These problems, partially created by the lack of clear nomenclature and hierarchy of regulating documents, lead to lack of transparency and efficiency as staff have difficulty finding the relevant guidance and the confidence that it is the most recent and updated. Good IT systems, training and induction could maybe somewhat minimise this problem, but documents are not hosted in a single searchable IT platform and no dedicated training is available on the policy framework and its components. Communication and document disclosure in general is perceived by interviewees as needing attention. Internal stakeholders interviewed by this CLE have indeed raised concerns regarding the communication processes and practice within the Bank citing lack of transparency, version control, and difficulty in accessing the latest documents. Over time this may, if not addressed, expose the Bank to a number of risks, including reputational risk, and also jeopardise efficiency and effectiveness. Furthermore, publication practices on the Bank's website are inconsistent with the disclosure of information policy, as shown in the section "Coherence and consistency" above.

**150. Guidelines are an important tool to support implementation of policies as they help guide staff on how to interpret and apply policy principles. Yet they do not cover all relevant policies and some guidelines are in need of updating.** The link between policies and guidelines is not a straightforward one-to-one: not all policies have an associated guideline, and some policies refer to several guidelines

covering various aspects of the policy. The accessibility of guidelines adopted by the PCC is better than the accessibility for policies, as all of them are uploaded in the Bank's ServiceNow platform and many of them furthermore follow a standard template which facilitates understanding and use. Many guidelines have been frequently revised, often to address control gaps or issues identified by the Bank's internal audit, or to be aligned with the evolution of NDB's business model or strategy, or to reflect organisational change. However, as guidelines frequently include instructions on processes involving different parts of NDB, this needs updating with every organisational change, something that is still pending for a number of guidelines.

**151. In addition to guidelines the Bank has introduced notes as a regulatory document to fill instruction gaps, on an ad hoc basis and without clear legal status.** Notes are appreciated as a flexible instrument typically issued by Senior Management and shared only with a smaller group of relevant staff. There is no definition of how such notes may be used, their purpose, scope, use, status, or approval process. It is a serious gap for a rules-based organisation and a cause of concern for staff who are unsure of the regulatory status of these notes. Transparency could be improved by making the list of current active notes available to staff in a dedicated platform. Over time such notes should be folded into the relevant policies or guidelines.

**152. While training would be an effective means of ensuring Bank-wide understanding of the Bank's policy and regulatory framework, insufficient resources and attention are given to this.** There is no dedicated function within the Bank taking the responsibility to organise and coordinate the policies and guidelines related trainings for all departments and divisions, and to collect the training plan from policy/guideline owners, and maintain the training records, to ensure the policies and associated guidelines are acknowledged and understood by all the related staff. Some elements regarding the Bank's policy and regulatory framework are part of the induction programme for new employees. However, no training efforts are directed at giving a comprehensive understanding of the Bank's overarching policy framework and its

individual components. Training efforts thus seem inadequate given the importance of supporting and tooling staff to fully implement the Bank's policies and respecting the Bank's regulatory framework.

### Efficiency

**153. A well-structured and transparent policy framework would decrease, not increase the cost of doing business. The lack of an official definition and differentiation between different policy document typologies (policies, guidelines, procedures, etc.) and their associated approval processes means that approval of these documents requires a significant time investment by the non-resident Board in approval tasks that could otherwise be delegated.** All policy level documents, and their amendments, are approved by the Board, which is supported in this role by two Board committees: the ARC and the BHRC. While in peers, such committees consist of a smaller group of the membership, in the governance structure of the Bank and given the relatively modest membership size, committee membership is the same as Board membership; both are composed of all members of the Bank's non-resident Board. A new committee currently under establishment may also hold policy level responsibility but this is still unclear. At Management level, the policy level committee structure has evolved over time and currently two committees play a policy level role: the CIC and the FC who review selected policies prior to forwarding them to Board for approval, and recently an Executive Committee has been added (for which the ToRs are still being developed). The committee function of the Board has been developed to facilitate substantive policy discussion and inform further strategic discussion by the non-resident Board. However, limited time is generally available for discussion given the tight Board agenda.

**154. Operational procedures around the guideline inventory management and guideline life cycle management are not formalised which has caused inconsistent practices and inefficiencies.** Lack of follow up on recommendations made by the PCC has also led to delays in fully developing the Bank's regulatory environment causing inefficiencies. At the policy level it should be noted that 23 policies include the requirement of

annual review and all revisions, even minor amendments, which are relatively frequent are submitted to the Board for approval, as are some guidelines and operational procedures, which is not favouring the efficient use of time and resources of non-resident Board.

**155. The Bank's budget structure does not currently allow estimating the costs of policy and regulatory management in the Bank.** With the decentralised approach to policy management and given the absence of a dedicated policy management unit, it is not possible to estimate the cost of policy management. In addition to substantive units that are policy owners, the current units that also assume some, although minor, policy level functions include the CSD and the FOP (given the role as secretary to the PCC). However, without individual workplans identifying policy responsibility and a dedicated budget line to policy functions, it is not possible to estimate such costs.

### Coherence and consistency

**156. The fact that policy management is not anchored in a dedicated organisational unit leaves gaps in the policy management system.** One challenge in policy implementation can be the interconnectedness of various policies and corporate initiatives and a gap in NDB is identified with respect to oversight and accountability; there is no one unit responsible for ensuring the quality and coherence of the policies, the completeness and ease of access of supporting tools and training to support implementation, systems to track consistency in application of policies and guidelines and monitoring and evaluation systems to track policy outcomes. While some of these functions are being taken care of by different units of the Bank, this approach fails to capture synergies and leads to inconsistencies and inefficiency. There are both examples of policy and regulatory gaps, where no policy or guideline has yet been developed, as well as cases of inconsistency of applied practice vis a vis an existing policy – both issues that jeopardize effectiveness.

## RECOMMENDATIONS

### Recommendation 1

- 157. Develop, for approval by the Board of Directors, an explicit framework for all regulatory documents.** To strengthen transparency, accountability and effectiveness it is recommended that the Bank firstly:
- (i) develops a coherent framework that includes nomenclatura, definitions, classification, regulatory hierarchy and requirements with clear approval authority, separately for policies, strategies, guidelines and other regulatory documents; and (ii) develops a standardised format for such documents to ensure consistency and comparability in terms of scope and detail. The framework should provide a clear purpose and broad guidance on what each type of document needs to contain and set criteria for updating. This clear policy architecture could be based on a tiered or “pyramid” approach, distinguishing between instruments that: (i) set strategic directions for the work of the Bank; (ii) establish principles or standards designed to regulate the delivery of NDB’s operations; and (iii) provide operational or administrative guidance on implementation aligned with approved policies.

### Recommendation 2

- 158. Develop an institutional process for the review of the policy and regulatory framework to ensure their continued relevance and applicability.** Given the continuing evolution and expected expansion of the Bank, the regulatory framework, including the General Conditions of operations, will need to be periodically reviewed and be sufficiently flexible to accommodate change. Furthermore, it is recommended to discontinue the current practice of standard inclusion of annual reviews in individual policies and/or strategies (once developed). Fundamental operational policies and strategies should include a coherent results and implementation framework linked to the corporate results framework, monitoring and evaluation mechanisms. Policies should be reviewed to confirm their continued relevance and applicability along with the mid-term and completion reviews of strategies. Such reviews will generate the required lessons and inform the development of a new policy or strategy on the topic.

### Recommendation 3

- 159. Reconsider the approval authority and process for the Bank’s regulatory documents.** The proposed regulatory framework should clarify the necessary approval authority of each document. In line with practices in peers, new policies and strategies should all be approved by the Board, whether they are on a new topic, or a similar topic that was already covered by a previous policy/strategy. Before submitted for approval, Management should ensure due consultation with the Board and/or the relevant Board Committee, to collect inputs as well as to provide clarifications and further information required to facilitate Board decision-making. To facilitate the approval by the Board and streamline the agenda of the Board, it is recommended that policies and strategies for approval should normally first be presented to the relevant Management Committee (FC, CIC or EC) for clearance, and then to Board Committees for review. Internally, each draft final policy, strategy and guidelines should be submitted for inter-departmental review, for instance, in the PCC whose mandate could be expanded to also include review of draft policies and strategies in addition to adoption of the guidelines.

### Recommendation 4

- 160. Develop sectoral strategies or policies for prioritised areas.** IEO recommends that over-time the Bank develops a set of dedicated sector/thematic strategies and policies, at least in the areas of key priorities (e.g. infrastructure, water and sanitation, etc.) defined in the General Strategy. This is common practice in most peer MDBs, and would help give more detailed guidance to design teams and facilitate the timely operationalisation of the General Strategy.

### Recommendation 5

- 161. Ensure appropriate institutional anchoring of policy management in all the phases of the policy cycle.** The current lack of institutional anchoring and resourcing of the policy function needs addressing by clearly assigning authority, responsibility and adequate resources for policy oversight, quality assurance, and management.

This would help institutionalise what is currently an inferred framework and hence strengthen and ensure relevance, coherence and consistency of the policy framework. In this regard, it is recommended that the SPPD be fully resourced to carry out such functions after its policy responsibility assigned by the current NDB organisation structure has been revisited. It would be appropriate to designate SPPD as the Secretariat for the PCC, whose ToRs should be amended in light of the recommendations of this evaluation, and to become formalised as an integrated component of the Bank's governance structure with clearly delegated authorities.

### Recommendation 6

#### 162. *Strengthen transparency and accessibility.*

Accessibility has been identified as a limitation on effectiveness. Therefore, it is proposed to: (i) consider IT options for establishing one dedicated platform for all mandatory and regulatory documents, with user-friendly functions to classify documents accurately and efficiently based on their version, date, owner, approver and regulatory hierarchy as well as associated documents, to make NDB's policies, guidelines and procedures more navigable and accessible to both internal and external stakeholders; (ii) share in a timely manner information Bank-wide when important policy decisions are made by Board or its committees; and (iii) develop a process to define and **identify confidential information and refine the policy disclosure practices** accordingly.

#### 163. Furthermore, notes that are considered a useful flexible instrument should be better accounted for through the establishment of a transparent list of all notes (which are currently binding or mandatory), to be included in the proposed dedicated platform for regulatory documents.

### Recommendation 7

#### 164. *Identify resources, skills, and support needed for effective and consistent policy implementation, compliance, and accountability.*

Once a policy framework is established and the policy management function is organisationally anchored, the human and financial implications should be addressed and adequate resources provided for the necessary policy level support, including training. This would also facilitate the assignment of clear accountability for

the different steps in the policy management cycle, and to ensure full transparency and to better hold staff and managers accountable. A dedicated function should take the responsibility to organise and coordinate policy framework related trainings, including developing the training plan together with policy/guideline owners and maintaining the training records, to ensure the policies and associated guidelines are acknowledged by all related staff across the Bank.



# ANNEXES

## Annex I.

### List of policies approved by NDB's Board of Directors (As at March 25, 2024)

Note: Based on the list maintained and updated by NDB's Corporate Secretary Department on the Bank's internal portal (ServiceNow) on April 18, 2024.

No.	Policy name	Approved time	Amended time
<b>Board Governance Structure</b>			
1	Board of Directors Governance Structure	3 <sup>rd</sup> Board Meeting on January 20–21, 2016	<ul style="list-style-type: none"> <li>9<sup>th</sup> Board Meeting on March 31, 2017 (amended version circulated on April 28, 2017)</li> <li>Further amended at the 12<sup>th</sup> Board Meeting on November 20, 2017</li> <li>Further amended at the 16<sup>th</sup> Board Meeting on September 18, 2018</li> </ul>
<b>Organisation Structure and Human Resources Policies</b>			
2	Diversity Policy	3 <sup>rd</sup> Board Meeting on January 20–21, 2016	/
3	Recruitment Policy		<ul style="list-style-type: none"> <li>9<sup>th</sup> Board Meeting on March 31, 2017 (amended version circulated on April 28, 2017)</li> <li>Further amended at the 14<sup>th</sup> Board Meeting on May 28, 2018</li> <li>Further amended at the 29<sup>th</sup> Board Meeting on December 15, 2020</li> </ul>
4	Organisational Structure (Previously "Organisation Structure")		<ul style="list-style-type: none"> <li>29<sup>th</sup> Board Meeting on December 15, 2020</li> <li>Further amended on December 13, 2022</li> </ul>
5	Staff Compensation and Benefits Policy		<ul style="list-style-type: none"> <li>21<sup>st</sup> Board Meeting on September 11, 2019</li> <li>Further amended at the 22<sup>nd</sup> Board Meeting on December 2, 2019</li> <li>Further amended on January 14, 2021</li> <li>Further amended on July 7, 2022</li> <li>Further amended at the 40<sup>th</sup> Board Meeting on May 29, 2023</li> </ul>
6	Performance Management Policy	13 <sup>th</sup> Board Meeting on March 2, 2018	/
<b>Finance and Control Policies</b>			
<b>a. Treasury Policies</b>			
7	Treasury Business Management Policy	3 <sup>rd</sup> Board Meeting on January 20–21, 2016	<ul style="list-style-type: none"> <li>9<sup>th</sup> Board Meeting on March 31, 2017 (amended version circulated on April 28, 2017)</li> <li>Further amended at 13<sup>th</sup> Board Meeting on March 2, 2018</li> <li>Further amended at 19<sup>th</sup> Board Meeting on June 25, 2019</li> <li>Further amended at 28<sup>th</sup> Board Meeting on September 29, 2020</li> </ul>
8	Debt Instrument Financing Policy	Approved by Board on a no-objection basis on April 12, 2016	<ul style="list-style-type: none"> <li>9<sup>th</sup> Board Meeting on March 31, 2017 (amended version circulated on April 28, 2017)</li> <li>Further amended at 13<sup>th</sup> Board Meeting on March 2, 2018</li> <li>Further amended at 34<sup>th</sup> Board Meeting on March 22, 2022</li> </ul>
9	Capital Management Policy	Approved by Board on a no-objection basis on April 12, 2016	<ul style="list-style-type: none"> <li>14<sup>th</sup> Board Meeting on May 28, 2018</li> <li>Further amended at 28<sup>th</sup> Board Meeting on September 29, 2020</li> <li>Further amended at 36<sup>th</sup> Board Meeting on June 27, 2022 (Ownership transferred from Finance, Budget and Accounting department to Treasury and Portfolio Management department.)</li> </ul>

No.	Policy name	Approved time	Amended time
<b>b. Finance, Budget and Accounting Policies</b>			
10	Accounting Policy and Measurement	3 <sup>rd</sup> Board Meeting on January 20-21, 2016	<ul style="list-style-type: none"> <li>• 13<sup>th</sup> Board Meeting on March 2, 2018</li> <li>• Further amended at 24<sup>th</sup> Board Meeting on March 25, 2020</li> <li>• Further amended at 26<sup>th</sup> Board Meeting on May 25, 2020</li> <li>• Further amended at 30<sup>th</sup> Board Meeting on March 29, 2021</li> <li>• Further amended at 34<sup>th</sup> Board Meeting on March 22, 2022</li> <li>• Further amended at 39<sup>th</sup> Board Meeting on April 25, 2023</li> </ul>
11	Budgeting Policy	Approved by Board on a no-objection basis on April 12, 2016	<ul style="list-style-type: none"> <li>• 13<sup>th</sup> Board Meeting on March 2, 2018</li> <li>• Further amended at 29<sup>th</sup> Board Meeting on December 15, 2020</li> <li>• Further amended at 33<sup>rd</sup> Board Meeting on December 14, 2021</li> <li>• Further amended at 39<sup>th</sup> Board Meeting on April 25, 2023</li> </ul>
12	Internal Control over Financial Reporting Policy	Approved by Board through a decision by circulation on January 5, 2024	
<b>c. Risk Policies</b>			
13	Liquidity Risk Management Policy	3 <sup>rd</sup> Board Meeting on January 20-21, 2016	<ul style="list-style-type: none"> <li>• 9<sup>th</sup> Board Meeting on March 31, 2017</li> <li>• Further amended at 19<sup>th</sup> Board Meeting on June 25, 2019 (amended version circulated on July 9, 2019)</li> <li>• Further amended at 29<sup>th</sup> Board Meeting on December 15, 2020</li> <li>• Further amended at 38<sup>th</sup> Board Meeting on December 13, 2022</li> </ul>
14	Operational Risk Management Policy		<ul style="list-style-type: none"> <li>• 9<sup>th</sup> Board Meeting on March 31, 2017, further amended at 19<sup>th</sup> Board Meeting on June 25, 2019</li> <li>• Further amended at 28<sup>th</sup> Board Meeting on September 29, 2020</li> <li>• Further amended at the 32<sup>nd</sup> Board Meeting on September 23, 2021</li> <li>• Further amended at 39<sup>th</sup> Board Meeting on April 25, 2023</li> </ul>
15	Interest Rate Risk Management Policy	3 <sup>rd</sup> Board Meeting on January 20-21, 2016	<ul style="list-style-type: none"> <li>• 9<sup>th</sup> Board Meeting on March 31, 2017</li> <li>• Further amended at 13<sup>th</sup> Board Meeting on March 2, 2018</li> <li>• Further amended at 19<sup>th</sup> Board Meeting on June 25, 2019</li> <li>• Further amended at 24<sup>th</sup> Board Meeting on March 25, 2020</li> <li>• Further amended at 31<sup>st</sup> Board Meeting on June 29, 2021</li> <li>• Further amended at 39<sup>th</sup> Board Meeting on April 25, 2023</li> </ul>
16	Exchange Rate Risk Management Policy	3 <sup>rd</sup> Board Meeting on January 20-21, 2016	<ul style="list-style-type: none"> <li>• 9<sup>th</sup> Board Meeting on March 31, 2017</li> <li>• Further amended at 13<sup>th</sup> Board Meeting on March 2, 2018</li> <li>• Further amended at 19<sup>th</sup> Board Meeting on June 25, 2019</li> <li>• Further amended at 24<sup>th</sup> Board Meeting on March 25, 2020</li> <li>• Further amended at 31<sup>st</sup> Board Meeting on June 29, 2021</li> <li>• Further amended at 39<sup>th</sup> Board Meeting on April 25, 2023</li> </ul>
17	Credit Risk Management Policy	3 <sup>rd</sup> Board Meeting on January 20-21, 2016	<ul style="list-style-type: none"> <li>• 9<sup>th</sup> Board Meeting on March 31, 2017</li> <li>• Further amended at 13<sup>th</sup> Board Meeting on March 2, 2018</li> <li>• Further amended at 19<sup>th</sup> Board Meeting on June 25, 2019</li> <li>• Further amended at 29<sup>th</sup> Board Meeting on December 15, 2020</li> <li>• Further amended at 33<sup>rd</sup> Board Meeting on December 14, 2021</li> <li>• Further amended at 37<sup>th</sup> Board Meeting on September 23, 2022</li> <li>• Further amended at 43<sup>rd</sup> BOARD Meeting on March 22, 2024</li> </ul>
18	Provisioning and Write-off Policy	Approved by Board on a no-objection basis on April 12, 2016	<ul style="list-style-type: none"> <li>• 9<sup>th</sup> Board Meeting on March 31, 2017</li> <li>• Further amended at 26<sup>th</sup> BOARD Meeting on May 25, 2020</li> <li>• Further amended at 30<sup>th</sup> Board Meeting on March 29, 2021</li> <li>• Further amended at 34<sup>th</sup> Board Meeting on March 22, 2022</li> <li>• Further amended at 40<sup>th</sup> Board Meeting on May 29, 2023</li> </ul>
19	Enterprise Risk Management and Risk Appetite Framework	Approved by Board through a decision by circulation on May 13, 2019	<ul style="list-style-type: none"> <li>• 29<sup>th</sup> Board Meeting on December 15, 2020</li> <li>• Further amended at 33<sup>rd</sup> Board Meeting on December 14, 2021</li> <li>• Further amended at 39<sup>th</sup> Board Meeting on April 25, 2023</li> </ul>
20	Business Continuity Management Policy	10 <sup>th</sup> Board Meeting on June 18, 2017	<ul style="list-style-type: none"> <li>• 24<sup>th</sup> Board Meeting on March 25, 2020</li> <li>• Further amended at 31<sup>st</sup> Board Meeting on June 29, 2021</li> <li>• Further amended at 39<sup>th</sup> Board Meeting on April 25, 2023</li> </ul>

No.	Policy name	Approved time	Amended time
<b>d. Internal Audit Policies</b>			
21	Internal Audit Policy	3 <sup>rd</sup> Board Meeting on January 20–21, 2016	<ul style="list-style-type: none"> <li>8<sup>th</sup> Board Meeting on February 22, 2017</li> <li>Further amended at 18<sup>th</sup> Board Meeting on March 31, 2019</li> <li>Further amended at 24<sup>th</sup> Board Meeting on March 25, 2020</li> <li>Further amended at 30<sup>th</sup> Board Meeting on March 29, 2021</li> <li>Further amended at 34<sup>th</sup> Board Meeting on March 22, 2022</li> <li>Further amended at 39<sup>th</sup> Board Meeting on April 25, 2023</li> <li>Further amended at 41<sup>st</sup> Board of Directors Meeting on September 14, 2023</li> </ul>
22	Internal Audit Charter	8 <sup>th</sup> Board Meeting on February 22, 2017	<ul style="list-style-type: none"> <li>18<sup>th</sup> Board Meeting on March 31, 2019</li> <li>Further amended at 24<sup>th</sup> Board Meeting on March 25, 2020</li> <li>Further amended at 30<sup>th</sup> Board Meeting on March 29, 2021</li> <li>Further amended at 34<sup>th</sup> Board Meeting on March 22, 2022</li> <li>Further amended at 37<sup>th</sup> Board Meeting on September 23, 2022</li> <li>Further amended at 39<sup>th</sup> Board Meeting on April 25, 2023</li> <li>Further amended at 41<sup>st</sup> Board of Directors Meeting on September 14, 2023</li> </ul>
<b>e. Administrative Policies</b>			
23	Corporate Procurement Policy	Approved by Board on a no-objection basis on April 12, 2016	13 <sup>th</sup> Board Meeting on March 2, 2018
<b>f. Operational Policies</b>			
24	Country Partnership Plan	3 <sup>rd</sup> Board Meeting on January 20–21, 2016	/
25	Policy on Sovereign Loans and Loans with Sovereign Guarantee	3 <sup>rd</sup> Board Meeting on January 20–21, 2016	<ul style="list-style-type: none"> <li>13<sup>th</sup> Board Meeting on March 2, 2018</li> <li>Further amended at 21<sup>st</sup> Board Meeting*</li> </ul>
26	Policy on Processing of Loans with Sovereign Guarantee		18 <sup>th</sup> Board Meeting on March 31, 2019
27	Policy on Financial Management and Financial Analysis, and Economic Analysis of Projects		/
28	Technical Assistance Policy		Approved by Board through a decision by circulation on May 11, 2022
29	Policy on Loans without Sovereign Guarantee to National Financial Intermediaries		33 <sup>rd</sup> Board Meeting on December 14, 2021
30	Policy on Partnerships with National Development Banks		/
31	Environment and Social Framework	Approved by Board on no-objection basis on March 28, 2016	/
32	Procurement Policy		<ul style="list-style-type: none"> <li>9<sup>th</sup> Board Meeting on March 31, 2017 (amended version circulated on April 18, 2017)</li> <li>Further amended at 13<sup>th</sup> Board Meeting on March 2, 2018</li> <li>Further amended at 28<sup>th</sup> Board Meeting on September 29, 2020</li> </ul>
33	Policy on Transactions without Sovereign Guarantee	Approved by Board through a decision by circulation on December 20, 2016	16 <sup>th</sup> Board Meeting on September 18, 2018
34	Policy on Guarantees	13 <sup>th</sup> Board Meeting on March 2, 2018	19 <sup>th</sup> Board Meeting on June 25, 2019

No.	Policy name	Approved time	Amended time
35	Policy on Sovereign Guaranteed Projects in Non-Member Countries	Approved by Board on December 13, 2018 and Board of Governors on January 4, 2019	/
36	Policy on Operations in Disputed Areas involving International Waterways	18 <sup>th</sup> Board Meeting on March 31, 2019	/
37	Policy on Loans to International Organisations	21 <sup>st</sup> Board Meeting on September 11, 2019	/
38	Policy on Fast-track Emergency Response to COVID-19	Approved by Board through a decision by circulation on June 10, 2020	/
<b>Compliance Policies</b>			
39	Code of Business Conduct and Ethics	3 <sup>rd</sup> Board Meeting on January 20–21, 2016	<ul style="list-style-type: none"> <li>• 12<sup>th</sup> Board Meeting on November 20, 2017</li> <li>• Further amended at 13<sup>th</sup> Board Meeting on March 2, 2018</li> <li>• Further amended at 32<sup>nd</sup> Board Meeting on September 23, 2021</li> <li>• Further amended at 33<sup>rd</sup> Board Meeting on December 14, 2021</li> <li>• Redrafted on January 19, 2024, through circulation</li> </ul>
40	Compliance Management Policy	Approved by Board on a no-objection basis on April 12, 2016	33 <sup>rd</sup> Board Meeting on December 14, 2021
41	Whistleblower Procedures	9 <sup>th</sup> Board Meeting on March 31, 2017	<ul style="list-style-type: none"> <li>• 12<sup>th</sup> Board Meeting on November 20, 2017</li> <li>• Further amended at 21<sup>st</sup> Board Meeting on September 12, 2019</li> <li>• Further amended at 32<sup>nd</sup> Board Meeting on September 23, 2021</li> <li>• Further amended on January 19, 2024, through circulation</li> </ul>
42	Anti-Corruption, Anti-Fraud and Anti-money Laundering Policy	Approved by Board on a no-objection basis on April 12, 2016	<ul style="list-style-type: none"> <li>• 16<sup>th</sup> Board Meeting on September 18, 2018</li> <li>• Redrafted at 22<sup>nd</sup> Board Meeting on December 3, 2019</li> </ul>
43	Code of Business Conduct for Board Officials	Approved by Board at its 13 <sup>th</sup> Meeting on March 2, 2018; and then by Board of Governors on a no-objection basis on April 13, 2018	/
<b>Information Technology Policies</b>			
44	Information Technology Policy	Approved by Board on no-objection basis on March 28, 2016	24 <sup>th</sup> Board Meeting on March 25, 2020
45	Information Security Policy	10 <sup>th</sup> Board Meeting on June 18, 2017	/
46	Information Technology Service Management Policy	14 <sup>th</sup> Board Meeting on May 28, 2018	<ul style="list-style-type: none"> <li>• 24<sup>th</sup> Board Meeting on March 25, 2020</li> <li>• Further amended at 33<sup>rd</sup> Board Meeting on December 14, 2021</li> </ul>
<b>Disclosure Policy</b>			
47	Information Disclosure Policy	6 <sup>th</sup> Board Meeting on	10 <sup>th</sup> Board Meeting on June 18, 2017
<b>Evaluation Policy</b>			
48	Evaluation Policy	Approved by Board through a decision by circulation on August 24, 2022	Revised on 43 <sup>rd</sup> Board Meeting on March 22, 2024

\* The version submitted at 21<sup>st</sup> Board Meeting was approved after a round of discussion at 19<sup>th</sup> Board Meeting on June 25, 2019, and subsequent discussion with some Board members inter-sessionally. The name was changed from "Policy on Loans with Sovereign Guarantee" to "Policy on Sovereign Loans and Loans with Sovereign Guarantee".

## Annex II.

### List of guidelines published on NDB's internal portal, ServiceNow

No.	Name of the guidelines <sup>a</sup>	Guidelines owner <sup>b</sup>	Approver authority <sup>c</sup>
1	Banking and Cash Operational Guidelines	Finance, Budget & Accounting (FBA) Department	VP & CFO
2	Budget Operational Guidelines	FBA Department	VP & CFO
3	Collateral Management Guideline	FBA Department	VP & CFO
4	Expense Reimbursement and Vendor Payment Guidelines	FBA Department	NDB President
5	Financial Management and Reporting Guidelines	FBA Department	VP & CFO
6	Fixed and Intangible Asset Operational Guidelines	FBA Department	VP & CFO
7	Private Equity Fund Drawdown and Distribution Procedures	FBA Department	VP & CFO
8	VAT Refund Guidelines	FBA Department	VP & CFO
9	SWIFT Operational Guidelines	FBA Department	VP & CFO
10	Operational Guideline for Treasury Dealing Activities	Treasury and Portfolio Management Department (TPMD)	VP & CFO
11	Guidelines on Variable Spread Loans	TPMD	VP & CFO
12	Operational Guideline on Funding Activities	TPMD	VP & CFO
13	Project Preparation Fund Guideline	Operations Department <sup>d</sup>	VP & COO
14	Guideline on Approving Changes to NDB Operations	VP & COO	NDB President
15	Project Implementation Guidelines	Vice Presidency of Operations	VP & COO
16	Guidelines for Monitoring Fund Investment	Vice Presidency of Operations	VP & COO
17	Environmental and Social Guideline	Environment, Social and Governance (ESG) Department	VP & CRO
18	NDB Procurement Guideline	Procurement Division of ESG	VP & CRO
19	Guideline on General Agreements for Cooperation	Strategy, Policies and Partnerships Department (SPPD)	VP & CRO
20	Strategy Implementation Reporting Guideline	Strategy, Policies and Partnerships Department (SPPD)	VP & CRO
21	Exchange Rate Risk Management Guidelines	Risk Management Department	VP & CRO
22	Provisioning and Write-Off Guidelines	Risk Management Department	VP & CRO
23	Guideline for Risk Review of Sovereign Credit Operations	Risk Management Department	VP & CRO
24	Interest Rate Risk Management Guidelines	Risk Management Department	VP & CRO
25	Liquidity Risk Management Guidelines	Risk Management Department	VP & CRO
26	Operational Risk Guideline	Risk Management Department	VP & CRO

No.	Name of the guidelines <sup>a</sup>	Guidelines owner <sup>b</sup>	Approver authority <sup>c</sup>
27	Guideline for Credit Risk Management for Treasury Activities	Risk Management Department	VP & CRO
28	Business Continuity Management Guidelines	Risk Management Department	The VP & CRO and VP & CAO
29	Staff Rules and Regulations	Human Resources Department	NDB President
30	Internship Guideline	Human Resources Department	VP & CAO
31	Learning and Development Guideline	Human Resources Department	VP & CAO
32	Information Disclosure Guideline	Corporate Communications Division	VP & CAO
33	Corporate Procurement Guidelines	Administration Department	NDB President
34	Headquarters Space Management Guidelines	Administration Department	VP & CAO
35	Operational Travel Guidelines	Administration Department	VP & CAO
36	Seal Management Guidelines	Administration Department	- <sup>e</sup>
37	Debarment Guideline	Compliance and Investigations (C&I) Department	NDB President
38	Integrity Due Diligence Guideline	C&I Department	NDB President
39	Internal Audit Department Guidelines	Internal Audit Department	NDB President
40	Legal Guideline	Legal Division	NDB President
41	Corporate Secretary Guideline	Corporate Secretary Division	NDB President

a All the information in the below table is quoted from the section of "Knowledge Base-PCC reviewed-Latest Version" from the NDB's Internal Portal (ServiceNow <https://ndb.service-now.com/>).

b Information quoted from the cover page of approved guidelines.

c Same as above.

d It has been indicated on the cover page of this guideline that Operations 1 Division, Operations 2 Division, Operations Policy and Project Support Division are the owners of this guideline, however all these divisions had been renamed or reorganised in December 2020.

e Information about the guidelines' approver is not mentioned on the cover page.

## Annex III.

### Evaluation matrix

No.	Key evaluation questions	Detailed/sub-questions	Primary data source
(i)	Does NDB have a well-articulated and formalised policy architecture with <b>sufficient coverage and completeness</b> of policies to guide its activities in all strategically important areas in alignment with the Articles of Agreement and General Strategies?	<ul style="list-style-type: none"> <li>• Are policies aligned with and relevant to NDB's strategic objectives and global development priorities?</li> <li>• Are there gaps or overlaps?</li> <li>• To what extent does consultation and review processes ensure relevance?</li> <li>• To what extent are there institutionalised mechanisms in place to ensure the quality and coherence of policies?</li> <li>• Compared to comparable peers, what are the key differences in terms of architecture?</li> </ul>	<ul style="list-style-type: none"> <li>• Document Review</li> <li>• Semi-structured Interviews</li> <li>• Peer practice review</li> </ul>
(ii)	To what extent is the policy architecture supported by a clear hierarchy of <b>relevant</b> regulatory instruments, tools and training to ensure <b>effective implementation</b> ?	<ul style="list-style-type: none"> <li>• Is there clarity on the nomenclatura and definitions and the relative role of the Board and management for different regulatory tools?</li> <li>• Are accompanying implementation procedures and guidelines issued together with the policies and clearly linked?</li> <li>• How accessible are the supporting instruments including training to staff both at HQ and at the NDB Regional Offices &amp; Centres?</li> </ul>	<ul style="list-style-type: none"> <li>• Document Review</li> <li>• Interviews</li> <li>• Peer practice review</li> </ul>
(iii)	Are <b>sufficient</b> resources (financial and human) allocated to policy management in <b>all phases</b> of the policy cycle?	<ul style="list-style-type: none"> <li>• To what extent does the Bank back policies with the necessary resources and tools throughout the policy management cycle?</li> <li>• Is there as part of the policy approval process an assessment of the resource implications?</li> <li>• What process and resources are in place to support promoting a culture of effective policy communication and adoption?</li> </ul>	<ul style="list-style-type: none"> <li>• Interviews</li> <li>• Process mapping</li> <li>• Budget and human resources analysis</li> </ul>
(iv)	How <b>effective</b> is the implementation and control environment, for example with respect to <b>clarity on roles and responsibilities</b> for NDB policies and procedures to ensure all polices are <b>timely reviewed and updated</b> ?	<ul style="list-style-type: none"> <li>• To what extent is there an effective mechanism in place to ensure compliance and coherence?</li> <li>• Is accountability for driving policy implementation clear?</li> </ul>	<ul style="list-style-type: none"> <li>• Document review</li> <li>• Organisational and structural assessment</li> <li>• Case study</li> </ul>
(v)	How <b>efficient</b> are the NDB's organisational structures in supporting and facilitating policy management throughout all the stages of the policy cycle?	<ul style="list-style-type: none"> <li>• To what extent is the process of approving policies and policy instruments, e.g., time and cost efficient?</li> </ul>	<ul style="list-style-type: none"> <li>• Interview</li> <li>• Organisational assessment</li> <li>• Process mapping</li> </ul>
(vi)	To what extent has the Bank developed <b>feedback loops and monitoring systems</b> to ensure that lessons are learnt at all stages of the policy cycle and data collected to enable evaluation in due course?	<ul style="list-style-type: none"> <li>• Do policies include a results framework to ensure the tracking of future outcomes where relevant and a clear objective has been articulated?</li> <li>• How well are policy results frameworks reflected in the CRF thus allowing monitoring of their implementation, where relevant and a clear objective has been articulated?</li> </ul>	<ul style="list-style-type: none"> <li>• Document Review</li> <li>• Interviews</li> <li>• Process mapping</li> <li>• Peer practice review</li> </ul>
(vii)	Are there lessons that can be learned from comparable organisations that can inform the further shaping of the Bank's policy architecture and framework?	<ul style="list-style-type: none"> <li>• What lessons can be learned to improve the policy architecture and hierarchy?</li> <li>• What lessons can be learned in terms of the organisational setup to support the policy management cycle?</li> </ul>	<ul style="list-style-type: none"> <li>• Interviews</li> <li>• Peer Review</li> </ul>

## Annex IV.

### Key aspects of the policy framework of six important peer organisations

(i) **The World Bank** conducted a review of its policy framework in 2013 which identified a number of problems, including inconsistent definition of categories of policies and procedures, vague ownership and unclear approval authority, no single repository for all documents, poor and inconsistent communication to staff about revisions and new policies and procedures and inadequate overall management of these documents.

A single framework was subsequently adopted with the purpose of organising documents in a more efficient and user-friendly manner, clarifying responsibility for sponsoring, approving and managing them, improving communications to staff about revisions and new Policy & Procedures Documents, and providing easy access by placing all documents in a single, fully searchable repository. The framework consists of 12 categories of documents and the hierarchy consist of four levels: policies, directives, procedures, and guidance each with a different scope, level of mandatory nature and clear distinction between documents in terms of their significance, their level of approval, and their application.

(ii) **The Asian Development Bank's** approach to policy and strategy consists of several different types of documents. ADB is guided in the first instance by a long-term corporate strategy, which is delivered at the country and regional levels with the support of numerous country and regional strategies and business plans. Organisation-wide operations are guided by a set of key transparency and accountability policies, which include an access to information policy, anticorruption policy, and other key guiding documents. ADB's operational guidelines are mainly included in the Operations Manual (OM), which are mainly prepared and issued by ADB's Strategy, Policy, and Partnerships Department (SPD) with the approval of the ADB President. The OM summarises ADB's operational policies, which are short, focused statements that follow from the Agreement Establishing the Asian Development Bank (the Charter), the Regulations of the Asian Development Fund, the Regulations of Ordinary and Special Operations, and operational policies adopted by the Board of Directors.

Policies are split into the following categories: country classification and country focus, regional and subregional cooperation, sector and thematic policies, business products and instruments, partnerships, safeguard policies, analyses, financial, project administration, evaluation, other policies and operational procedures. Many of the policies contained in the operational manual were issued in June 2023, suggesting that this has been an area of significant change for ADB in recent times. The Bank also issues guidance notes to staff which provide more granular details on specific issues.

ADB's SPD includes a Strategy, Policy and Business Process Division (SPBP) and provides ADB with a strategic planning perspective and direction, and ensures policy and operations coordination. With numerous policies, strategies, and guidance documents issued since ADB's establishment in 1966, some inconsistencies have emerged in the taxonomy, structure, and format of ADB documents. In response to the ADB Board's suggestion for a more consistent framework, hierarchy, and taxonomy, ADB Management established a staff working group – led by the Office of the General Counsel and the SPD – to review the overall policy architecture. The review will consider: (i) recommendations from the 2022 Office of the Auditor General's Advisory on Policy and Guidance Document Management Framework; (ii) Board guidance; (iii) other MDB approaches; and (iv) the practicalities of implementation.<sup>33</sup>

The working group, under ADB Management guidance, will prepare a draft policy architecture and consult and collaborate with the ADB Board to finalise the document. The new architecture will seek to improve the clarity, consistency, simplicity, and easy accessibility of ADB policies. The working group is initiating consultations with ADB Board members on the proposed content and approach of the new policy architecture with the aim of finalizing it by the end of 2024 for ADB Board consideration.

(iii) **The African Development Bank (AfDB)** conducted an evaluation in 2016 of its policy and strategy implementation which indicated that the Bank employs a wide range of regulatory instruments, including operational and non-operational policies and various forms of guidelines and procedural

<sup>33</sup> See <https://www.adb.org/sites/default/files/institutional-document/984981/enhancing-board-management-engagement-improve-ADB-effectiveness.pdf>.

documents, as well as strategies to provide direction to sector activities in addition to various forms of operational plans, actions plans and guidance documents to support implementation. In response to the evaluation's recommendations, management adopted a Classification Paper (COSP) which defined the nature of each of the Bank's guiding documents, their respective places in the hierarchy of Bank's documents, and provided information on the appropriate approval authority for the Bank's policies and strategies.

The COSP also introduced a comprehensive annual review process, which allows the Management of the Bank to review the existing suite of policies and strategies and revise/retire outdated documents as appropriate. While the operations manual, containing a complete repository of policies and strategies, is available internally to staff via the intranet, it does not appear to have been made publicly available.

The AfDB's Corporate Strategy and Policy Department (SNSP) plays a key role in shaping a corporate vision and a strategic perspective for the AfDB as well as developing the strategies and operational policies aimed at guiding the Bank's agenda. Reporting to the Senior Vice President, the SNSP is responsible for: (i) developing and helping maintain (along with other units) corporate strategies and operational policies necessary for the AfDB to deliver its priorities and other strategies; and (ii) playing a prominent role in keeping the Bank a strategy-focused organisation in line with its policies. It formulates, revises and provides advice on the AfDB Group's corporate and operational policies; maintains and regularly updates Bank Group's policy suite. It also provides support to the AfDB's Operations Committee (OPSCOM), notably by contributing to the preparation of Board documents to ensure that policies and investment proposals are aligned with AfDB's strategy and mandate.<sup>34</sup>

**(iv) The Asian Infrastructure and Investment Bank (AIIB)** was established in 2016, and as such has a relatively nascent policy framework which does not appear to adhere to standardised requirements. The Bank has issued a number of policies since its establishment, which include areas such as data

and access to information practices, policies on procurement, lending practices, and other operational policies. These policies are often complemented by directives, which set out a greater level of granularity than policy documents, providing specific rules and approaches, and outlining roles and responsibilities in relation to the operationalization of policies.

However, some directives are standalone documents which do not cascade down from an associated policy document. Additionally, some policy documents are supplemented by additional guidance for staff which includes additional detail on how staff are to approach their work in a given area, such as guidance for evaluation staff on how they might apply evaluation criteria. Despite the Bank's relatively recent establishment, some of its policy documents have already been through several revisions, which have served to update and/or expand the principles set out in policy documents.

The AIIB's Strategy, Policy and Budget (SPB) Department has a Policy Assurance and Operational Quality function, which is responsible for developing and overseeing compliance with the AIIB's operational policies and procedures for AIIB's infrastructure investment operations (non-treasury), including environmental, social, procurement and financial management. The SPBD is headed by a Director-General, who reports to the AIIB Vice President for Policy and Strategy (PSVP). The AIIB's PSVP is responsible for: (i) providing assurance that each Financing complies with AIIB's operational policies (including environmental, social, international relations, fiduciary and economic aspects); (ii) providing guidance and advice on these policies; and (iii) further developing the AIIB's Operational Policy on Financing as appropriate, in consultation with the other concerned departments.

**(v) The International Fund for Agricultural Development (IFAD)** identified the need for a coherent guiding set of policy and strategy documents in 2005 through the independent external evaluation. Since that time, the coverage of policy and strategy documents has expanded significantly across the organisation. A review undertaken in 2017 by an external vendor indicated that the policy and

<sup>34</sup> See <https://www.afdb.org/en/about-us/organisational-structure/chief-operating-officer/strategy-office-strg>.

strategy coverage within IFAD was adequate, but that further clarity was needed on current practice for the development, review, approval and management of policies and strategies. A working group was set up to develop a framework for the policy cycle within IFAD, though the results of this initiative are unclear.

**(vi) The Green Climate Fund (GCF)** has a policy framework which consists of around 102 operational policies and guidelines as of March 2024, all of which have been approved by the Board and are published on GCF's corporate website. These policies and guidelines cover areas of its operations including programming, project cycle management, administration, and financial management. GCF's policy hierarchy generally consists of a top-level policy document which contains guiding principles in a given subject matter. This can then be supplemented by Board decisions containing specific additional provisions, as well as other instruments, such as standards or guidelines, which further elaborate how policies are to be operationalised.

The Head of GCF's Policy and Strategy Unit reports to the fund's Executive Director, who is supported by a Policy Development Lead and provides authoritative policy advice and leadership in working with subject-matter leads on the development of new policies and policy reviews for consideration by the GCF Board. The function's mandate includes managing the GCF's Secretariat policy cycle, bringing expertise in policy development practice, and forging collaborations with key internal and Board stakeholders, to quality assure policy proposals across a range of subject matters and ensure these are operationally fit-for-purpose, advance GCF corporate and strategic priorities, are coherent, implementable and persuasively drafted and presented. Within GCF, there is a Climate Policy Committee (CPC) consisted by the Management, who

reviews and ensures the coherence of policies before being adopted by the Board. GCF has a Policy Manual which provides guidance and template on how to develop a policy.

Established in 2011, the GCF is a relatively young international financial institution (IFI) and the world's largest dedicated fund helping developing countries respond to climate change, as such, its Secretariat undertook a review of its existing policy development and implementation process in 2022. The review recommended that GCF establish clear policy classifications and delegation for approval and maintenance, standardise process of policy formulation and implementation, and highlighted a number of ways in which its policy framework could be improved.

## Annex V.

### List of policies and amendments by ARC (From November 2016–November 2023)

No. of ARC meeting	ARC meeting date	Number of new policies reviewed	Name of the new policies	Number of policy revisions	Name of the amended policies
2 <sup>nd</sup>	2017-02-22	1	Internal Audit Charter	1	Internal Audit Policy
3 <sup>rd</sup>	2017-03-31	1	Whistleblower Procedures	6	1) Operational Risk Management Policy 2) Interest Rate Risk Management Policy 3) Exchange Rate Risk Management Policy 4) Liquidity Risk Management Policy 5) Credit Risk Management Policy; and 6) Provisioning and Write-Off Policy
5 <sup>th</sup>	2017-11-20	N/A	N/A	2	1) Code of Business Conduct and Ethics; 2) Whistleblower Procedure
6 <sup>th</sup>	2018-03-01	N/A	NA	4	1) Accounting Policy and Measurement 2) Interest Rate Risk Management Policy 3) Exchange Rate Risk Management Policy 4) Credit Risk Management Policy
7 <sup>th</sup>	2018-05-28	N/A	N/A	1	Capital Management Policy
8 <sup>th</sup>	2018-09-17	N/A	N/A	1	Anti-Corruption, Anti-Fraud and Anti-Money Laundering Policy
10 <sup>th</sup>	2019-03-31	1	Enterprise Risk Management and Risk Appetite Framework	2	1) Internal Audit Policy 2) Internal Audit Charter
11 <sup>th</sup>	2019-06-24	N/A	N/A	5	1) Exchange Rate Risk Management Policy 2) Interest Rate Risk Management Policy 3) Credit Risk Management Policy 4) Liquidity Risk Management Policy 5) Operational Risk Management Policy
12 <sup>th</sup>	2019-09-11	N/A	N/A	1	Whistleblower Procedures
13 <sup>th</sup>	2019-12-02	1	Anti-Corruption, Anti-Fraud and Anti-Money Laundering Policy(redraft)	N/A	N/A
14 <sup>th</sup>	2020-03-24	N/A	N/A	8	1) Interest Rate Risk Management Policy 2) Exchange Rate Risk Management Policy 3) Business Continuity Management Policy 4) Accounting Policy and Measurement 5) Information Technology Policy 6) Information Technology Service Management Policy 7) Internal Audit Policy 8) Internal Audit Charter
15 <sup>th</sup>	2020-05-25	N/A	N/A	2	1) Provisioning and Write-off Policy 2) Accounting Policy and Measurement
16 <sup>th</sup>	2020-09-28	N/A	N/A	2	1) Operational Risk Management Policy 2) Capital Management Policy

No. of ARC meeting	ARC meeting date	Number of new policies reviewed	Name of the new policies	Number of policy revisions	Name of the amended policies
17 <sup>th</sup>	2020-12-14	N/A	N/A	3	1) Liquidity Risk Management Policy 2) Credit Risk Management Policy 3) Enterprise Risk Management and Risk Appetite Framework
18 <sup>th</sup>	2021-03-29	N/A	N/A	4	1) Accounting Policy and Measurement 2) Provisioning and Write-Off Policy 3) Internal Audit Policy 4) Internal Audit Charter
19 <sup>th</sup>	2021-06-28	N/A	N/A	3	1) Business Continuity Management Policy 2) Exchange Rate Risk Management Policy 3) Interest Rate Risk Management Policy
20 <sup>th</sup>	2021-09-22	N/A	N/A	3	1) Operational Risk Management Policy 2) Code of Business Conduct and Ethics 3) Whistleblower Procedures
21 <sup>st</sup>	2021-12-13	N/A	N/A	5	1) Credit Risk Management Policy 2) Enterprise Risk Management and Risk Appetite Framework 3) Compliance Management Policy 4) Code of Business Conduct and Ethics 5) Information Technology Service Management Policy
22 <sup>nd</sup>	2022-03-10	N/A	N/A	5	1) Capital Management Policy 2) Accounting Policy and Measurement 3) Provisioning and Write-Off Policy 4) Internal Audit Charter 5) Internal Audit Policy
23 <sup>rd</sup>	2022-06-21	N/A	N/A	1	Capital Management Policy
24 <sup>th</sup>	2022-09-13	N/A	N/A	2	1) Credit Risk Management Policy 2) Internal Audit Policy
25 <sup>th</sup>	2022-12-06	N/A	N/A	1	Liquidity Risk Management Policy
26 <sup>th</sup>	2023-04-24	N/A	N/A	8	1) Exchange Rate Risk Management Policy 2) Interest Rate Risk Management Policy 3) Operational Risk Management Policy 4) Enterprise Risk Management and Risk Appetite Framework 5) Business Continuity Management Policy 6) Accounting Policy and Measurement 7) Internal Audit Charter 8) Internal Audit Policy
27 <sup>th</sup>	2023-05-29	N/A	N/A	1	Provisioning and Write-Off Policy
28 <sup>th</sup>	2023-09-12	N/A	N/A	2	1) Internal Audit Charter 2) Internal Audit Policy

## Annex VI.

### List of policies and amendments by BHRC (From March 2018–November 2023)

No. of BHRC meeting	BRHC meeting date	Number of new policies reviewed	Name of the new policies	Number of policy revisions	Name of the revised policies
1 <sup>st</sup>	2018-03-01	2	1) Code of Conduct for Board Officials 2) Performance Management Policy	1	Budgeting Policy
2 <sup>nd</sup>	2018-05-28	N/A	N/A	1	Recruitment Policy
6 <sup>th</sup>	2019-06-24	N/A	N/A	1	Staff Compensation and Benefits Policy
13 <sup>th</sup>	2020-12-14	1	Organisation Structure	3	1) Budgeting Policy 2) Recruitment Policy 3) Staff Compensation and Benefits Policy
17 <sup>th</sup>	2021-12-13	N/A	N/A	1	Budgeting Policy
21 <sup>st</sup>	2022-12-07	N/A	N/A	2	1) NDB Organisational Structure 2) Staff Compensation and Benefits Policy
22 <sup>nd</sup>	2023-04-24	N/A	N/A	1	Budgeting Policy

## Annex VII.

### List of policies and amendments by CIC (From March 2016–May 2023)

No. of CIC meeting	CIC meeting date	Number of new policies reviewed	Name of the new policies	Number of policy revisions	Name of the revised policies
8 <sup>th</sup>	2017-11-01	N/A	N/A	1	Policy on Loans with Sovereign Guarantee
9 <sup>th</sup>	2017-12-06	N/A	N/A	1	Policy on Loans with Sovereign Guarantee Procurement Policy
10 <sup>th</sup>	2018-02-06	N/A	N/A	2	1) Policy on Loans with Sovereign Guarantee 2) Procurement Policy
16 <sup>th</sup>	2018-08-24	1	Policy on Projects in Non-Member Countries	1	Policy on Transactions without Sovereign Guarantee
19 <sup>th</sup>	2018-10-31	N/A	N/A	1	Policy on Sovereign Guaranteed Projects in Non-Member Countries
20 <sup>th</sup>	2019-03-07	1	Policy on Operations	2	1) Policy of Loans with Sovereign Guarantee 2) Policy on Processing of Loans with Sovereign Guarantees
22 <sup>nd</sup>	2019-06-03	N/A	N/A	1	Policy on Loans with Sovereign Guarantee
31 <sup>st</sup>	2020-09-08	N/A	N/A	1	Procurement Policy

## Annex VIII.

### List of policies and amendments by FC (From March 2016–June 2023)

No. of FC meeting	FC meeting date	Number of new policies reviewed	Name of the new policies	Number of policy revisions	Name of the revised policies
10 <sup>th</sup>	2017-03-15	N/A	N/A	7	1) Treasury business management policy 2) Debt instrument financing policy 3) Operational Risk Management Policy 4) Interest Rate Risk Management Policy 5) Foreign Exchange Risk Management 6) Liquidity Risk Management Policy 7) Provisioning and Write-off Policy
13 <sup>th</sup>	2017-11-01	N/A	N/A	1	Debt Instrument Financing Policy
14 <sup>th</sup>	2018-02-05	1	Policy on Guarantees	6	1) Budgeting Policy 2) Accounting Policy and Measurement 3) Treasury Business Management Policy 4) Foreign Exchange Risk Management Policy 5) Interest Rate Risk Management Policy 6) Credit Risk Management Policy
17 <sup>th</sup>	2019-02-26	N/A	N/A	9	1) Exchange Rate Risk Management Policy 2) Interest Rate Risk Management Policy 3) Liquidity Risk Management Policy 4) Credit Risk Management Policy 5) Operational Risk Management Policy 6) Policy on Guarantees 7) Treasury Business Management Policy 8) Budgeting Policy 9) Accounting Policy and Measurement
18 <sup>th</sup>	2019-06-03	N/A	N/A	1	Credit Risk Management Policy
21 <sup>st</sup>	2020-03-04	N/A	N/A	4	1) Exchange Rate Risk Management Policy 2) Interest Rate Risk Management Policy 3) Accounting Policy and Measurement 4) Business Continuity Management Policy
22 <sup>nd</sup>	2020-04-30	N/A	N/A	2	1) Provisioning and Write-off Policy 2) Accounting Policy and Measurement
23 <sup>rd</sup>	2020-09-04	N/A	N/A	3	1) Operational Risk Management Policy 2) Treasury Business Management Policy 3) Capital Management Policy
24 <sup>th</sup>	2020-11-18	N/A	N/A	3	1) Liquidity Risk Management Policy 2) Credit Risk Management Policy 3) Enterprise Risk Management and Risk Appetite Framework
25 <sup>th</sup>	2021-03-05	N/A	N/A	1	Accounting Policy and Measurement
26 <sup>th</sup>	2021-06-04	N/A	N/A	3	1) Business Continuity Management Policy 2) Exchange Rate Risk Management Policy 3) Interest Rate Risk Management Policy
27 <sup>th</sup>	2021-08-26	N/A	N/A	1	Operational Risk Management Policy
28 <sup>th</sup>	2021-11-23	N/A	N/A	3	1) Budgeting Policy 2) Credit Risk Management Policy 3) Enterprise Risk Management and Risk Appetite Framework
29 <sup>th</sup>	2022-02-17	N/A	N/A	5	1) Capital Management Policy 2) Treasury Business Management Policy 3) Debt Instrument Financing Policy 4) Provisioning and Write-Off Policy 5) Accounting Policy and Measurement
32 <sup>nd</sup>	2023-05-10	N/A	N/A	1	Provisioning and Write-Off Policy

## Annex IX.

### Policy Coordination Committee – Terms of Reference

#### 1. PURPOSE

The purpose of this Committee is to facilitate the approval/review of policies/divisional guidelines by the Management through cross-functional collaboration across the Bank.

#### 2. RESPONSIBILITIES

The detailed responsibilities of this Committee are as follows:

- (a) To ensure that the Policy framework is in line with the General Strategy of the Bank;
- (b) To review any new policies before being put forward for Management approval;
- (c) To facilitate policy approval by resolving cross-functional issues, if any;
- (d) To recommend any amendments to the Policies to the Management on an ongoing basis;
- (e) To facilitate management approval of divisional guidelines for operationalizing the Policies;
- (f) To review divisional guidelines on an ongoing basis in line with Policy amendments;
- (g) To resolve cross-functional issues in the process of implementation of divisional guidelines.

#### 3. COMPOSITION AND ATTENDANCE

- (a) The Committee shall be chaired by the Director General – Front Office.
- (b) It shall comprise of four other nominated Directors General (by respective VPs).
- (c) The Front Office of the President shall be the secretariat of this Committee.
- (d) DG & Corporate Secretary and representatives from Risk, Legal, Compliance, Human Resources, Internal Audit, Finance Budget and Accounting and IT Divisions shall be the permanent invitees to the meetings of the Committee.

#### 4. MEETINGS AND REPORTS

- (a) The Committee shall meet quarterly or more frequently as needed.
- (b) The quorum for any meeting of the Committee shall be at least three Director Generals (including the Chair) .
- (c) The Secretariat of the Committee shall place before the Management (President/Vice-Presidents), a quarterly management information system on the policies/divisional guidelines that are considered by the Committee during the quarter.

## Annex X.

### List of key persons met

#### MANAGEMENT AND STAFF OF THE NEW DEVELOPMENT BANK

##### Vice-President and Chief Financial Officer

Mr. Monale Ratsoma

##### Public Sector Department

Mr. Yury Surkov (Director General)

##### Private Sector and Non-Sovereign Guaranteed Transactions Department

Mr. Bin Han (Director General)

Ms. Svetlana Radchenko  
(Chief, Infrastructure Division)

##### Internal Audit Department

Mr. Lourival Mattos (Director General)

Mr. Kamal Ahuja (Chief)

##### Integrity and Regulatory Compliance Division

Mr. James Zhou (Chief)

##### Corporate Secretariat Department

Ms. Yolande Dwarika (Director General)

Mr. Weijie Liu (Principal Professional)

Ms. Miya Liu (Professional)

Mr. Alexander Efimov (Professional)

Mr. Alex du Plessis (former Young Professional)

Ms. Angela Gu (Senior Officer)

Mr. Vitor Emmanuel Maia Souza (Intern)

##### Strategy, Policies and Partnerships Department

Ms. Xiheng Jiang (Director General)

Mr. Fabio Batista (Chief, Strategy and Partnerships)

Mr. Qingwei Meng (Principal Professional)

Mr. Sergei Dobrynin (Principal Professional)

##### Risk Management Department

Mr. Kuldeep Goel (Director General)

Mr. Gustavo Forgiarini Jerezb  
(Chief, Enterprise and Operational Risk)

Mr. Shubham Prakash (Senior Professional,  
Enterprise and Operational Risk)

##### Procurement Division of Environmental, Social and Governance Department

Mr. Anand Kumar Srivastava (Chief, Procurement)

Mr. Balasubramanian Janakiraman  
(Senior Professional, Procurement)

##### Environmental, Social and Governance Division

Mr. Roman Novozhilov (Chief)

##### Administration Department

Mr. Hanyong Liu (Director General)

##### Legal Department

Mr. Sergei Kuznetsov (Director General)

Mr. Marcelo Cardoso (Chief)

Mr. Marina Ermakova (Senior Professional)

##### Research Department

Mr. Bing Xu (Senior Professional)

Mr. David Zhang (Professional)

Mr. Yanjun Lin (Young Professional)

Mr. Shreyans Bhaskar (Junior Professional)

##### Information Technology Division

Mr. Qinghua Gu (Chief)

Mr. Anderson Goulart (Short Term Consultant)

Mr. Sergei Stizhakov (Senior Professional)

##### Africa Regional Centre

Mr. Monale Ratsoma (former Director General)

Mr. Tshifhiwa Mukwevho (Principal Professional)

Ms. Jasmin Jakoet (Senior Professional)

##### Americas Regional Office

Mr. Marcos Thadeu Abicalil  
(Acting Director General, Principal Professional)

Mr. Alexandre Takahashi (Senior Professional)

Mr. Guilherme Favoretto (Professional)

Mr. Priscilla Pimentel (Senior Officer)

### **Indian Regional Office**

Mr. Bindu Madhab Panda (Senior Professional)  
Mr. Binitesh Kumar (Senior Professional)

### **Eurasian Regional Centre**

Mr. Andrey Bokarev (Director General)  
Mr. Maria Smirnova (Principle Professional)  
Mr. Tim Fleming (former Professional)

## **PEER INTERNATIONAL FINANCIAL INSTITUTIONS**

### **Asian Infrastructure Investment Bank**

#### **AIIB Strategy, Policy, and Budget Department**

Ms. Xiaolan Wang  
(Manager of Policy Assurance and Operational Quality)  
Mr. Hongbin Jiang  
(Principal Procurement Policy Specialist)  
Ms. Bernardita Saez  
(Senior Operational Policy Specialist)

#### **AIIB Legal Department**

Ms. Ranjini Ramakrishnan (Chief Counsel)  
Mr. Christopher Smith (Chief Counsel)  
Ms. Mei Wang (Chief Counsel)  
Mr. Julius Thaler (Senior Legal Advisor)  
Ms. Qingqing Ge (Counsel)  
Ms. Yifan Li (Legal Secretary)

#### **AIIB Internal Audit Department**

Ms. Hwee Tin Kng (Chief)  
Ms. Alma Dolot (Senior Internal Audit Officer)  
Mr. Tony Zhen Shi (Internal Audit Officer)  
Ms. Xiang Li (Internal Audit Officer)

#### **AIIB Complaints, Resolution, Evaluation and Integrity Unit**

Ms. Irene Bain  
(Senior Learning and Evaluation Specialist)

### **Green Climate Fund**

Mr. Artur Cardoso de Lacerda (Director of Governance Affairs and Secretary to the Board)  
Mr. Simon Wilson (Deputy Director of External Affairs)  
Ms. Michelle Guertin (Policy Development Lead)  
Mr. Daisuke Horikoshi (Principal Evaluation Officer, Independent Evaluation Unit)  
Ms. Jeehyun Yoon (Evaluation specialist in legal and administration, Independent Evaluation Unit)  
Mr. Prashanth Kotturi (Evaluation Specialist, Independent Evaluation Unit)

### **Asian Development Bank**

Mr. Abhimanyu Ghosh (Senior Counsel)

### **African Development Bank Group**

Mr. Weiwei Wang (Portfolio Management Officer)

## Annex XI.

### Bibliography and documents reviewed

#### SECTION A – NDB’S GENERAL STRATEGIES, POLICIES AND GUIDELINES

- New Development Bank General Strategy for 2022–2026
- New Development Bank General Strategy: 2017–2021
- NDB Organisational Structure (December 15, 2020)
- Board of Directors Governance Structure (Amended on September 18, 2018)
- Rules of Procedure of the Board of Directors (Amended on April 1, 2019)
- Information Disclosure Policy (Amended on June 18, 2017)
- Country Partnership Plan (January 21, 2016)
- Policy on Guarantees (Amended on June 25, 2019)
- Technical Assistance Policy (Amended on May 11, 2022)
- Policy on Transactions without Sovereign Guarantee (December 20, 2016)
- Policy on Processing of Loans with Sovereign Guarantee (Amended on March 31, 2019)
- Policy on Partnerships with National Development Banks (January 21, 2016)
- Policy on Fast-track Emergency Response to COVID-19 (June 10, 2020)
- Environment and Social Framework (January 21, 2016)
- Procurement Policy (Amended on September 29, 2020)
- Performance Management Policy (March 2, 2018)
- Corporate Procurement Policy (Amended on March 2, 2018)
- Compliance Management Policy (Amended on December 14, 2021)
- Debt Instrument Financing Policy (Amended on March 22, 2022)
- Capital Management Policy (Amended on June 27, 2022)
- Information Technology Policy (Amended on March 25, 2020)
- Information Security Policy (June 18, 2017)
- Information Technology Service Management Policy (Amended on December 14, 2021)
- Internal Audit Policy (Amended on April 25, 2023)
- Internal Audit Charter (Amended on April 25, 2023)
- Operational Procedures for Private Placement (March 2022)
- Information Disclosure Guideline (Amended on March 1, 2021)

## SECTION B – NDB BOARD OF DIRECTORS’ DOCUMENTS

- Meeting minutes of Board, ARC and BHRC from 2016 to March 2024

## SECTION C – OPERATIONAL DOCUMENTS AND REPORTS

- NDB Board Approved Policies, Rules of Procedures, And General Conditions (March 25, 2024)
- Extension of the New Development Bank’s Delegation of Signing Authorities of April 28, 2023
- Reassignment Plan circulated by former VP & COO in July 2021
- Term of Reference of the Operations Vice Presidency (July 2021)
- Term of Reference of the Policy Coordination Committee (PCC)
- Independent Review of Guidelines and Handbooks – Final Reporting (November 2017)
- Operational Guidance for NDB Policies and Guidelines (draft)
- 19 PCC Progress Reports (from May 2018 to March 2023)
- 33 PCC Meeting Minutes (from May 2018 to March 2023)
- Annual Compliance Management Plan (2021, 2022 and 2023)
- NDB Internal Audit Annual Report (2021, 2022 and 2023)

## SECTION D – PEER MULTILATERAL ORGANISATIONS’ EVALUATIVE WORKS AND PAPERS

- Evaluation of the InterAmerican Development Bank’s Governance
- Enhancing Board – Management Engagement to Improve ADB Effectiveness
- Overall review of Green Climate Fund policy frameworks
- Independent Evaluation of Policy and Strategy Making and Implementation – AfDB IDEV
- Policy & Procedure Framework – World Bank Group

**INDEPENDENT EVALUATION OFFICE**  
**New Development Bank**

1600 Guozhan Road, Pudong New District  
Shanghai – 200126 China  
+86-21-8021-9512  
ieo@ndb.int  
[www.ndb.int/governance/independent-evaluation](http://www.ndb.int/governance/independent-evaluation)



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