

New Development Bank
Policy on
Fast-track Emergency Response to COVID-19

Owner: Operations Divisions

Version: 2020 V1

Approval Date: 10 June 2020

2020-BD-IS19-DOC-002

Change Log

Revision Date	Chapter Revised	Revision Details

Table of Contents

Abbreviations.....	1
I. Introduction	2
II. Evolution of Emergency Responses at MDBs	3
III. Fast-track Emergency Response to COVID-19	4
<i>a. Modality</i>	4
<i>b. Purpose</i>	4
<i>c. Eligible Clients</i>	5
<i>d. Emergency Response Period for Loan Disbursement and Utilization</i>	5
<i>e. Expenditures Financed</i>	5
<i>f. Lending Currency and other Terms</i>	6
<i>g. Collaboration with Multilateral Development Partners</i>	7
<i>h. Key Variances from NDB’s Sovereign Lending Practices and GCs</i>	7
IV. Review of the Policy	9
Appendix I: Waivers of Requirements in respect of Sustainable Development Loan (SDL) Modality under the Policy on Sovereign Loans and Loans with Sovereign Guarantee (Sovereign Loan Policy) for the COVID-19 emergency loans to China and India	10
Appendix II: Waivers of Requirements in respect of General Conditions	12

Abbreviations

BoD	Board of Directors of New Development Bank
Borrower	Government of the relevant Member Country
COVID-19	Novel Coronavirus Disease
EPDB	Emergency Program Document to the Board
CEPL	COVID-19 Emergency Program Loan
E & S	Environment & Social
Facility	Fast Track COVID-19 Emergency Assistance Response Facility
GCs	General Conditions (Loans to Sovereigns or Loans with Sovereign Guarantees) dated 12 June 2019
MC	Member Country of NDB
MDB	Multilateral Development Bank
NDB	New Development Bank
WHO	World Health Organization

Policy on Fast-track Emergency Response to COVID-19

I. Introduction

1. On 30 January 2020, the World Health Organization (WHO) declared the Novel Coronavirus Disease (COVID-19) outbreak as a “Public Health Emergency of International Concern” and followed up on 11 March 2020 with characterizing COVID-19 as a pandemic. The COVID-19 pandemic has become a major global health crisis, with considerable adverse effects on human lives, public health systems, social safety nets, employment, financial markets, real economy and the long-term trajectory to achieving the Sustainable Development Goals (SDGs). NDB’s member countries (MCs) have also been severely impacted by COVID-19, with a large number of COVID-19 cases and COVID-19 deaths as serious challenges to be dealt with. MC economies are under partial or total lockdown, resulting in severe downturn in their economies.¹
2. Multilateral development banks (MDBs) are responding with fast-track emergency assistance to developing countries affected by COVID-19. NDB is also responding quickly to provide rapid support to its MCs to urgently and effectively respond to the immediate challenges posed by the COVID-19 pandemic as well as the associated adverse impacts on social and economic development, in line with NDB’s mandate and member countries’ needs. NDB has announced a Fast Track COVID-19 Emergency Assistance Response Facility (the Facility)² of up to \$ 10 billion to assist its MCs. Sovereign loans of RMB 7 billion to China³ and \$1 billion to India under this Facility have been approved by NDB’s Board of Directors (BoD) and fully disbursed within a month of approval. Requests for emergency sovereign loans from other members are under process. In processing the loans to China and India, NDB obtained BoD approval on case-by-case basis based on BoD’s endorsement of waivers of specific emergency response features not supported by NDB’s existing policy framework. To facilitate smoother BoD approval of the loans that are yet to follow under the Facility, the BoD has sought a new policy. This Policy for Fast-track

¹ International Monetary Fund’s “World Economic Outlook, April 2020” projects for the year 2020 that Brazil, Russia and South Africa are likely to experience economic contraction of over 5%, while China and India are likely to have lower economic growth of between 1% and 2%.

² The Facility, in an amount of up to \$10 billion, proposes fast-track emergency support to NDB member countries, comprising up to \$5 billion for their most urgent needs including for health expenditures and social safety nets, and another up to \$5 billion for economic recovery.

³ The loan to China was partly funded up to RMB 5 billion by a 3-year RMB Coronavirus Combating Bond issued successfully in the China Interbank Bond Market.

Emergency Response to COVID-19 (the Policy) responds to aforementioned BoD's request for a policy.

3. Chapter II of the Policy sets out the emergency context by briefly outlining the evolution of emergency response policies and practices of the MDB community for disasters in general. Chapter III outlines the Policy that will govern NDB's emergency response to COVID-19 under the Facility. Key loan features highlighted in the outline of the Policy are: the program modality, purpose, emergency response period, scope of financing and key loan terms; fast-track processes to be adopted for due diligence, approval and implementation of the COVID-19 Emergency Program Loans (CEPLs) under the Facility; collaboration with multilateral development partners; and, variances from the practices under current policies and sovereign loan General Conditions (GCs).

II. Evolution of Emergency Responses at MDBs

4. MDB emergency response in the past focused narrowly on natural disasters (and in some MDBs, also on post-conflict situations); to be noted, there was no mention of anthropogenic disasters or epidemics/pandemics. Emergency responses were designed for physical reconstruction and recovery programs, with the main purpose of restoration of assets and production. Faced with borrowers' requests for also humanitarian (relief) and social assistance during emergencies, MDBs found their policies and practices inadequate and had to perforce apply waivers and resort to procedural adaptations on case-by-case basis. With such requests growing over the years, MDBs more recently broad-based their emergency policies and practices. Anthropogenic disasters and epidemics are also now included under disasters. Scope of emergency assistance has been expanded to include support for transitional safety net measures aimed at preserving human, institutional and social capital with measures such as reinstatement of essential support and services, and cash transfers to affected people. Speed of delivery of assistance is emphasized with a recognition that delays result in missed opportunities (a current example is the importance of early detection and treatment under COVID-19) that can prolong suffering and even cost lives. Procurement and disbursement procedures have been simplified and shortened to make them more suited to realities on the ground and better aligned with emergency practices of the borrower.
5. NDB's emergency response commenced only recently in response to COVID-19 (see para. 2). Certain loan features were adopted that did not fully fit into NDB's existing policy framework. Such loan features were termed as being at variance with the features of the Sustainable Development Loan (SDL) modality under the Sovereign

Loans & Loans with Sovereign Guarantee (the “Sovereign Loan Policy”) (see Appendix I) and General Conditions (GC) (see Appendix II), hence necessitating their waiver by the BoD. The Policy draws on this NDB experience and also takes into account the policies and practices of other MDBs.

III. Fast-track Emergency Response to COVID-19

6. The pandemic proportions of the COVID-19 outbreak has resulted in a global emergency situation characterized by severe health impacts and wide-ranging social and economic repercussions, the latter mainly arising from social-distancing and lockdown measures put in place to contain the spread of the disease. Health systems, and economies in general, have come under great stress to cope with this emergency situation. This has led to urgent requests from COVID-affected developing countries for assistance. The immediate nature of demands arising from the COVID-19 impacts requires that such assistance be quick. To enable this, fast track processes are being adopted by MDBs for the processing, approval and disbursement of the assistance. Further, since emergency assistance requirements could vary from country to country depending on the severity of impacts and the measures adopted, the response will also need to be flexible to be country specific. Hence, NDB’s emergency response will be characterized by speed and flexibility. To the extent that the provisions under the Policy differ from the requirements in existing NDB policies and GCs, the provisions of this Policy will take precedence for NDB’s emergency response to COVID-19 under the Facility.

a. Modality

7. The lending modalities contemplated in NDB’s Policy on Sovereign Loans & Loans with Sovereign Guarantee (the “Sovereign Loan Policy”) are complemented by the sovereign lending modality under this Policy termed as COVID-19 Emergency Program Loan (CEPL) . CEPL will provide sovereign emergency assistance in support of government programs comprised of various measures for addressing COVID-19 impacts.

b. Purpose

8. CEPL will support COVID-19-affected MCs to (i) undertake health measures for detecting, testing, curing, containing, and eliminating COVID-19 and for strengthening capacity to respond and prevent future emergency outbreaks; (ii) strengthen social safety nets to address immediate socio-economic impacts arising from the outbreak of COVID-19, and (iii) undertake urgent economy recovery measures.

c. Eligible Clients

9. Under this Policy NDB may finance clients who satisfy the eligibility criteria set out in paragraph B (Eligible Clients)⁴ of the Sovereign Loan Policy (except that the funding of programs in non-member emerging economies or developing countries as contemplated in Articles 19 (a) to 19 (c) of the Agreement of the New Development Bank shall not be applicable); or paragraph B (Eligible Clients) of the NDB Policy on Loans without Sovereign Guarantee to National Financial Intermediaries (“NFI Policy”), each of which is incorporated into this Policy by way of reference same as amended above.

d. Emergency Response Period for Loan Disbursement and Utilization

10. All the loans under the Facility are termed as emergency responses for meeting urgent needs, whether for health and social safety measures or for early economic recovery to curtail this emergency situation. Hence, the emergency response period will apply to all loans under the Facility, where the period is defined as 18 months from loan effectiveness for full disbursement and utilization of the loan, with a provision for Management to extend this period by another 6 months as necessary.

e. Expenditures Financed

11. CEPL will finance current and capital expenditures undertaken as a direct consequence of COVID-19 during the emergency response period. Such expenditures, all directly arising on account of COVID-19, could be for health measures, social safety measures and other measures needed for early economic recovery (for example, financial stimulus packages). Different COVID-19 situations demand different measures, some of which are still evolving, and some are possibly not yet tried, hence necessitating considerable flexibility in NDB’s financing of country-specific requirements. Expenditures for NDB financing will be determined in detail in consultation with the country during due diligence of the country’s request for COVID-19 assistance under the Facility.
12. Health-related expenditures. Some illustrative items of health expenditures could be the following: health equipment and supplies; civil works for temporary care centers and isolation centers; payments for medical personnel and health services; development of vaccines and cures; health systems including IT infrastructure etc.

⁴ Under this Policy NDB lends directly to a member government or against its sovereign guarantee to the program executing agency such as its appointed agency, banks, instrumentality, or political subdivision or to appropriate NFIs —wholly or majority-owned by the national government—as may be identified by NDB and the member government.

13. Social safety net expenditures and other relevant expenditures for those affected by COVID-19 could be wide-ranging. Some illustrative examples could be the following: basic income aid to the poorest; salaries for unorganized labour rendered jobless by the lockdown; direct cash transfers, food and shelter to the vulnerable and disadvantaged groups and migrant labor; and, insurance cover for medical workers.
14. Expenditures for early economic recovery could typically be those contained in stimulus packages proposed by governments to jump start the economy through financial and monetary support to key sectors adversely affected by the lockdown. While such packages could differ considerably in content depending on country-specific requirements, some common features could be: continuation of social safety net expenditures; short- to medium- term financing for infrastructure sectors; financing to address liquidity constraints; creating income generating opportunities for labor; providing access to liquidity and working capital finance to non-sovereign entities such as micro, small and medium size industries; trade finance and supply chain financing etc.

f. Lending Currency and other Terms

15. The following provisions of the Sovereign Loan Policy are applicable to the loans under this Policy and are incorporated into this Policy by way of reference: Section D(a) (Currency of loans and interest rates); D(b) (Loan conversion (currency and interest rate) options); D(c) (Front-end fee and commitment charges); D(d) (Equal treatment of Member countries); D(f) (Prepayment and cancellation of Loan); Section E (Terms for Relending); Section F (Counterpart Funds); and Section H (Supplementary Financing).
16. Facility size: This Facility, in an amount of up to \$10 billion, proposes fast-track emergency support to NDB member countries, comprising up to \$5 billion for their most urgent needs including for health expenditures and social safety nets, and another up to \$5 billion for economic recovery.
17. Retroactive Financing: Up to 100% of the loan for expenditures incurred from date of the first detection of COVID-19 in the MC or the date of start of COVID-19 expenditures by the government, whichever date is earlier, up to the date of signing of the loan agreement, subject to this period being limited to a maximum of 12 months.
18. Disbursement: Up to 100% of the loan may be disbursed in one instalment if so requested by the borrower.
19. Repayment: The provisions of Section D(e) (Loan term and repayment schedule) of the Sovereign Loan Policy are applicable to and incorporated into this Policy by way

of reference.

20. Procurement: Procurement shall follow the Borrower country systems, including the transitional (related to the emergency situation) procurement requirements issued by governments, and allow procurement of goods, works and services from non-member countries.
21. Environment & Social: Environmental and Social aspects shall follow the Borrower country systems, including the transitional (related to the emergency situation) environmental and social requirements issued by governments;
22. Monitoring, Evaluation and Reporting: Consolidated report within the period agreed with the Borrower in a form to be mutually agreed and of such scope and in such detail as NDB shall reasonably request, confirming that
 - (i) the use of the Loan proceeds is strictly in compliance with the Loan Agreement or more detailed information, if so required by the NDB; and
 - (ii) the impacts of the Program have been achieved as provided by the Loan Agreement.
23. Financial Statements and Auditing: The Borrower shall maintain, or cause its designated implementing agencies to maintain, appropriate financial management system and prepare financial statements in accordance with its national policies and regulations on country budget management and reporting system of the Borrower and in a manner adequate to reflect the operations, resources and expenditures related to the program being financed by NDB's loan.
24. Appropriate internal auditing shall be conducted based on national policies and regulations on country budget management and reporting system of the Borrower and confirmed in accordance with the applicable law of the respective MC

g. Collaboration with Multilateral Development Partners

25. As combating the pandemic calls for a coordinated global response, the NDB will continue to explore close collaboration with international financial institutions including World Bank, regional development banks and other development agencies. These partnerships will seek to identify co-financing or parallel financing opportunities for individual projects/programs and at a strategic level to strengthen common approaches to address the pandemic.

h. Key Variances from NDB's Sovereign Lending Practices and GCs

26. Fast-track Processes: The fast-track process features of CEPL outlined below are different from the normal practices in sovereign project lending in view of the urgency factor, the large expenditures taking place in a very short time in the

immediate aftermath of the outbreak of COVID-19 and the programmatic nature of the loan.

- (i) Internal processing and reviews will be fast tracked to the extent feasible without undermining quality and a simplified format for the Emergency Program Document to the Board (EPDB) will be adopted. The due diligence will include, among others, the following: understanding the consequences of COVID-19 for the MC; reviewing the government's program for counteracting COVID-19, including its scope, costs, financing and development impacts; identifying elements of the program for NDB financing; and, agreeing with the government on the arrangements for loan implementation, monitoring, evaluation, reporting and auditing.
 - (ii) Procurement will be simplified and speeded up through adoption of national emergency procedures, shorter bidding periods and a positive list of goods as necessary.
 - (iii) Disbursement will be expedited through higher retroactive financing (see para. 17) and larger advances (see para.18).
 - (iv) The BoD circulation period for the EPDB will be shortened to 5 working days instead of the current 15 days.
27. Current expenditures: Health equipment needed in the COVID-19 health emergency situation includes items such as anti-infection protective masks and suits, test medicines, oxygen supplies, hospital services, etc. are of consumable/current nature. Expenditures on such items, as well as expenditures pertaining to the social safety net and urgent expenditures for economic recovery, may fall under the category of current expenditures. The CEPL modality will finance such current expenditures in addition to the normal practice of financing capital expenditures.
28. Expenditures for Social Safety Nets, Early Economic Recovery and Other Relevant Expenditures: Immediate social safety net expenditures and initial economic recovery expenditures are critical for preserving human capital during the emergency period to help in the further recovery period that is to follow. Without a vaccine to address the virus, countries across the world have been left with little choice but to contain its spread by introducing social-distancing measures, travel restrictions, quarantines, community lockdowns and business closures. Such measures have led to widespread loss of jobs and incomes particularly in the unorganized sector rendering them unable to pay for shelter and food. Urgent social safety protection for such vulnerable groups is required to prevent irretrievable loss of human capital due to hunger, disease and even death, and not allow what may be an irreparable slowdown in the development momentum required to achieve

sustainable development.

29. Waivers from GCs: The General Conditions are applicable to the CEPLs provided under the Facility subject to the waivers detailed in Appendix II hereto.

IV. Review of the Policy

30. This Policy is proposed for an initial period of 24 months from the BoD approval of this Policy and its validity may be extended up to 30 months from such approval by BoD on No Objection basis following a mid-term review by the Management.

Appendix I: Waivers of Requirements in respect of Sustainable Development Loan (SDL) Modality under the Policy on Sovereign Loans and Loans with Sovereign Guarantee (Sovereign Loan Policy) for the COVID-19 emergency loans to China and India

No.	Description	Requirements of SDL Loan under the Sovereign Loan Policy	Waivers Sought from BoD for the COVID-19 emergency loans to China and India
1	Program loan under SDL modality	The Policy on Sovereign Loans and Loans with Sovereign Guarantee does not expressly mention program under the SDL loan modality, usually referring to project.	Instead of providing a project loan, due to the technical features and non-project nature of the Loan, NDB will provide a program loan under the SDL modality as described in this document and each reference to project related to SDL loans in the Policy on Sovereign Loans and Loans with Sovereign Guarantee shall mean the program, as applicable.
2	Program scope	A request for SDL will be supported by details of the proposed scheme(s) such as promotional measures envisaged, estimated payments for promotional measures, projected sustainable development outcomes/outputs in a given time frame, and the guidelines for implementation of the scheme including the criteria for selection of prospective recipients/beneficiaries and activities covered under the scheme.	The proposed schemes to be financed out of the Loan proceeds are virus-related current expenditures in alignment with the objective of the emergency loan to support the most urgent needs and requests of the Government(s), including, [as defined in the loan agreement, such as healthcare expenditures for anti-infection protective masks and suits, test medicines, oxygen supplies, hospital services, as well as social safety net expenditures, such as food, shelter, supplementary insurance, etc.]
3	Flexibility in Disbursement	SDL disbursement will take place on a semi-annual basis. SDL disbursement will be based on the projected pay out under the scheme in the following six months set out in a semi-annual report. In making the disbursement, NDB requires that payments follow the principles	Disbursement may be one tranche of the total loan amount, to cover both incurred and to be incurred eligible expenditures in the scope of financing, upon withdrawal request from the borrower.

		and procedures stipulated under the scheme or the capital expenditure program.
4	Reporting requirements	<p>Semi-annual report is required which will report on the progress made in actual utilization of SDL funds in the previous six months.</p> <p>Reporting requirement will be one consolidated report provided by the borrower to NDB up to [certain [period, i.e. nine (9) months] of the completion date of the program, which shall be no later than the closing date, in a form to be mutually agreed and of such scope and in such detail as NDB shall reasonably request, confirming that (i) the use of the loan proceeds is strictly in compliance with the loan agreement, including a statement of expenditures by category enlisting expenses incurred by the borrower and the implementing agency for the program, or more detailed information, if required by the NDB; (ii) the impacts of the program have been achieved as provided by the loan agreement; and (iii) appropriate internal auditing has been conducted based on national policies and regulations on country budget management and reporting system of the borrower and confirmed by [relevant authority, such as the Ministry of Finance of the borrower.]</p>

Appendix II: Waivers of Requirements in respect of General Conditions

No.	Description of the Waiver	Terms in the General Conditions	Waivers Required
1	Definition of “Program”, “Project Entity” and “Project Agreement”	<p>Project is defined as “the project described in the Loan Agreement for which the Loan is extended, as the description of such project may be amended from time to time by agreement between the NDB and the Borrower” and such reference is used wherever applicable.</p> <p>Project Entity is defined as “a legal entity (other than the Borrower or the Guarantor) which is responsible for implementing all or a part of the Project and which is a party to the Project Agreement. The definition ‘Project Entity’ may incorporate Executing Agencies (or Project Entities, entities responsible for overall Project planning, execution and performance achievement) and/or Implementing Agencies (entities responsible for implementing a project execution plan or a part of it under the guidance of an Executing Agency and/or a Borrower). If NDB enters into a Project Agreement with more than one such entity, ‘Project Entity’ refers separately to each such entity” and such reference is used wherever applicable.</p>	<p>Each reference to Project in the General Conditions shall mean the Program (as defined in the relevant loan agreement).</p> <p>Each reference to Project Entity in the General Conditions shall mean the Implementing Agency as defined in the loan agreement, if any.</p> <p>For purpose of the loan agreement no “Project Agreement” (as defined in the General Conditions) shall be entered into between the Implementing Agency (if any) and NDB.</p>
2	“Loan Disbursement Handbook” and “Disbursement Letter”	<p>Section 3.3 (b) (ii) “The Borrower may from time to time request Withdrawals of amounts of the Loan from the Loan Account in accordance with the provisions of the Loan Agreement <u>and the Loan Disbursement Handbook.</u>”</p> <p>Section 3.3 (c) “If provided so in the Loan Agreement <u>or NDB’s Disbursement Letter,</u> the Borrower shall open and maintain one</p>	<p>Definitions and all references in the General Conditions to the “Loan Disbursement Handbook” and “Disbursement Letter” shall be disregarded, which means the underlined parts of the provisions in the General Conditions as</p>

	<p>or more designated accounts (“Designated Account”) into which NDB may, at the request of the Borrower, deposit amounts withdrawn from the loan account as advances for purposes of the Project.”</p> <p>Appendix I, Part B (Definitions):</p> <p><u>“Disbursement Letter” means the disbursement letter as specified in the Loan Disbursement Handbook.</u></p> <p><u>“Loan Disbursement Handbook” means the Loan Disbursement Handbook approved on June 6, 2017, as amended from time to time.</u></p>	<p>included in the left column shall be treated as deleted and the Loan Disbursement Handbook will not be followed for purpose of disbursement of the loan.</p>
Withdrawals Generally	<p>Section 3.3 (b)(iv): “No Withdrawal of any Loan amount from the Loan Account shall be made until NDB has reasonably determined that all conditions precedent to Withdrawal, as set in the General Conditions and the Legal Documents, have been met.”</p>	<p>This provision shall be deleted as there are no conditions precedent for Withdrawal.</p>
3 Eligible Expenditures	<p>Section 3.3 (f) (i): <u>“Eligible Expenditures.</u> The Borrower and the Project Entity shall use the proceeds of the Loan exclusively to finance expenditures which, except as otherwise provided in the Loan Agreement, satisfy the following requirements (“Eligible Expenditures”):</p> <p>(i) the payment is for the financing of the reasonable cost of goods, works or services required for the Project, including applicable taxes and duties, to be financed out of the proceeds of the Loan and for expenditures incurred in the territory of a Member Country and for goods produced in, or services supplied from, such territory, all in accordance with the provisions of the Legal Documents, except as NDB may otherwise agree”.</p>	<p>The loan agreement will need to supplement the eligible expenditures agreed with the Borrower and permit for procurement in non-member countries if necessary.</p>
4 Reporting and	<p>Paragraph (ii) & (iii) of Section 4.1 (c)</p>	<p>Paragraph (ii) & (iii) of</p>

<p>records</p>	<p>(Reports):</p> <p>“(ii) The Borrower shall furnish, or cause the Project Entity to furnish, to NDB periodic Project reports (“Project Progress Reports”) in form and substance satisfactory to NDB every 12 (Twelve) months or at such periodicity as may be stipulated in the Loan Agreement and/or Project Agreement (“Reporting Period”), indicating among other things: the progress made and problems encountered during the period under review, steps taken or proposed to be taken to remedy those problems and the proposed programme of activities and expected progress during the Reporting Period. Such reports shall be received by NDB not later than 90 (Ninety) days after the last day of the respective Reporting Period.”</p> <p>(iii) The Borrower shall retain, or cause the Project Entity to retain, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under their Respective Parts of the Project until at least the later of: (i) 2 (Two) years after NDB has received the audited financial statements covering the period during which the last Withdrawal from the Loan was made; and (ii) 2 (Two) years after the Closing Date. The Borrower and the Project Entity shall enable NDB or its authorized representatives to examine such records.”</p> <p>Section 4.1 (e) (Final Report):</p> <p>“Final Report: Promptly after:</p> <p>(i) the Project has been completed; and</p> <p>(ii) the full amount of the Loan has been either drawdown or cancelled, but in any event not later than 12 (Twelve) months after the Closing Date or such later date as</p>	<p>Section 4.1 (c) and Section 4.1 (e) of the General Conditions will not be applicable to the loan.</p> <p>A provision on reporting will be incorporated into the loan agreement to provide that the borrower shall provide to NDB a consolidated report of the program up to a certain period, of the closing date in a form to be mutually agreed and of such scope and in such detail as NDB shall reasonably request, confirming that (i) the use of the loan proceeds is strictly in compliance with the loan agreement or more detailed information, if required by the NDB; (ii) the impacts of the program have been achieved as provided by the loan agreement; and (iii) appropriate internal auditing has been conducted based on national policies and regulations on country budget management and reporting system of the borrower and confirmed in accordance with the applicable law of the respective MC.</p>
----------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

	<p>NDB may agree;</p> <p>the Borrower shall, or shall cause the Project Entity to prepare and furnish to NDB a report, in a form satisfactory to NDB and of such scope and in such detail as NDB shall reasonably request, on the execution and initial operation of the Project, including information on environmental, health, safety and labour matters relating to the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and NDB of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan.”</p>	
<p>5 Financial Statements and Audit</p>	<p>Section 4.1 (d) (Financial Statements and Audit):</p> <p>“Financial Statements and Audit: The Borrower shall, or, if the Borrower is a Member Country, shall cause the Project Entity to, maintain a financial management system and prepare financial statements (“Financial Statements”), in accordance with consistently applied accounting standards acceptable to NDB, in a manner adequate to reflect the operations, resources and expenditures related to the Project. If the Borrower and/or the Project Entity is a corporate legal entity, such financial management system and Financial Statements would be required in respect of both – (1) the Project and (2) the Borrower and/or the Project Entity. The Borrower shall, or if the Borrower is a Member Country shall cause the Project Entity to:</p> <p>(i) have the Financial Statements required under the Legal Documents periodically audited by independent auditors acceptable to NDB, in accordance with consistently applied auditing standards acceptable to</p>	<p>Section 4.1 (d) of the General Conditions will not be applicable to the loan.</p> <p>A provision as follows is proposed to be incorporated into the loan agreement:</p> <p>The borrower shall (or shall cause the implementing agency, if any) to maintain a financial management system and prepare financial statements in accordance with national policies and regulations on country budget management and reporting system of the borrower and in a manner adequate to reflect the operations, resources and expenditures related to the program.</p> <p>The borrower shall ensure and cause the implementing agency to ensure that</p>

		<p>NDB;</p> <p>(ii) furnish to NDB together with Project Progress Reports the unaudited Financial Statements for the respective Reporting Period;</p> <p>(iii) not later than 6 (Six) months after the end of each Financial Year furnish or cause to be furnished to NDB the unaudited Financial Statements for the Financial Year, and such other information concerning the unaudited Financial Statements, as NDB may from time to time reasonably request; and</p> <p>(iv) not later than 12 (Twelve) months after the end of each Financial Year furnish or cause to be furnished to NDB the audited Financial Statements for the Financial Year, and such other information concerning the audited Financial Statements, and such auditors, as NDB may from time to time reasonably request.”</p>	<p>appropriate internal auditing shall be conducted based on national policies and regulations on country budget management and reporting system of the borrower and in accordance with the applicable law of the respective MC.</p>
6	PAM	<p>Appendix I, Part B (Definitions):</p> <p>“Project Administration Manual” is defined as “a document agreed between NDB and the Borrower and/or the Project Entity containing detailed arrangements on the Project’s implementation and updated from time to time” and used under the following clauses in the General Conditions:</p> <p>Section 4.2 (a) “Execution Standard: The Borrower and Project Entity shall ensure that the Project is carried out with due diligence and efficiency; in accordance with all applicable laws and regulations of the Member Country and the country on whose territory the Project is implemented (if other than the Member Country), applicable NDB policies (as specified in the Legal Documents), these General</p>	<p>References in the General Conditions to the “Project Administration Manual” shall be disregarded, which means the underlined part of Section 4.2 (a) shall be treated as deleted and Sections 4.2 (e) & (f) will not be applicable to the loan as further provided by item 8 and 9 of this table below.</p>

2020-BD-IS19-DOC-002

		<p>Conditions, the Legal Documents <u>and the Project Administration Manual.</u>”; and</p> <p>Sections 4.2 (e) & (f) as listed in item 8 and 9 of this table below.</p>	
7	Insurance	<p>Section 4.2 (d) (insurance):</p> <p>“Insurance: The Borrower and Project Entity shall make adequate provision for the insurance of any goods required for the Project and to be financed out of the proceeds of the Loan, against hazards incident to the acquisition, transportation and delivery of the goods to the place of their use or installation.”</p>	<p>Section 4.2 (d) of the General Conditions will not be applicable to the loan.</p>
8	E&S compliance	<p>Section 4.2 (e) (Environmental and Social Compliance):</p> <p>“Environmental and Social Compliance: The Project Entity shall carry out the Project in accordance with Member Country’s environmental and social legislation. If not stipulated otherwise in the Legal Documents or the Project Administration Manual, the Project Entity shall (1) provide to NDB before the first Withdrawal of the Loan, environmental and social impact assessments and impact management plans satisfactory to NDB, (2) implement the environmental and social impact management plans as agreed with NDB, and (3) agree with NDB any material changes needed to be made in the environmental and social impact management plans.”</p>	<p>Section 4.2 (e) of General Conditions will not be applicable to the loan.</p> <p>A provision on environmental and social compliance adopting the applicable part of Section 4.2 (e) as follows will be incorporated into the loan agreement:</p> <p>The borrower shall cause the implementing agency to carry out the program in accordance with the environmental and social laws and regulations at the national level of the borrower.</p>
9	Procurement requirements	<p>Section 4.2 (f) (Procurement):</p> <p>“Procurement: Procurement of goods, works and services, including consultants’ services, required for the Project and to be financed out of the proceeds of the Loan shall adhere to the Member Country’s procurement legislation. If not stipulated</p>	<p>Section 4.2 (f) of General Conditions will not be applicable to the loan.</p> <p>A provision on procurement adopting the applicable part of Section 4.2 (f) as follows will be incorporated into</p>

otherwise in the Legal Documents or the Project Administration Manual, the Borrower or the Project Entity shall (1) provide to NDB before the first Withdrawal of the Loan, the procurement plan and model bidding documents covering the Project, in form and substance satisfactory to NDB, (2) carry out procurement in respect of the Project in accordance with the procurement plan agreed with NDB, and (3) agree with NDB any material changes needed to be made in the procurement plan. At the time of agreeing to the procurement plan and from time to time during the implementation of the Project, NDB may set thresholds for prior review of the procurement documents by notification to the Project Entity. The Borrower or the Project Entity shall furnish to NDB procurement documents for each procurement package to be financed out of the proceeds of the Loan, to allow NDB to publish the procurement documents on its web-site on or before the first day of their advertisement by the Project Entity.”

the loan agreement:

The borrower represents that it shall comply with and shall cause the implementing agency to carry out procurement of goods, works and services required for the program and to be financed out of the proceeds of the Loan in accordance with (i) the laws and regulations at the national level of the borrower (including the relevant transitional requirements); (ii) the principles of the Procurement Policy; and (iii) the scope of the program.

10 Effectiveness

For the purpose of confirming that the conditions specified in Section 7.1(i) above have been met:

“(i) NDB may require an opinion or other document satisfactory to NDB confirming: (i) on behalf of the Borrower, the Guarantor or the Project Entity that the Legal Document to which it is a party has been duly authorized by, and executed and delivered on behalf of, such party and is legally binding upon such party and enforceable in accordance with its terms; and (ii) each other matter specified in the Legal Document or reasonably requested by NDB in connection with the Legal

For purpose of Article VII (Effectiveness) of the General Conditions, the borrower hereby represents and warrants that:

The execution and delivery of the loan agreement on behalf of the borrower has been duly authorized or ratified by all necessary governmental and corporate or administrative action, and constitutes a valid and legally binding obligation on the borrower

	<p>Documents for the purpose of this Section.</p> <p>(ii) If NDB does not require an opinion or document pursuant to Section 7.2(i), before or at the time of signing the Legal Document to which it is a party, the Borrower, the Guarantor or the Project Entity shall provide representations and warranties satisfactory to NDB that, on the date of such Legal Document, each of the conditions of effectiveness required under Section 7.2(i) have been met, except where additional action is required to make such Legal Document legally binding and enforceable in accordance with its terms. Where additional action is required following the date of the Legal Document, the Borrower, the Guarantor or the Project Entity shall notify NDB when such additional action has been taken. When providing such notification, the Borrower, the Guarantor or the Project Entity shall represent and warrant in form and substance acceptable to NDB that on the date of such notification the Legal Document to which it is a party is legally binding and enforceable upon it in accordance with its terms.”</p>	<p>and enforceable in accordance with its terms.</p> <p>No additional action, including, but not limited to, any governmental approval, registration or certification is required under any law or regulation applicable to the borrower to make the loan agreement legally binding and enforceable in accordance with its terms.</p>
<p>11 Effective Date</p>	<p>The definition of “Effective Date” is currently as follows: “has the meaning set forth in Section 7.3”</p> <p>Section 7.3 provides as follows:</p> <p>“a) Except as NDB and the Borrower shall otherwise agree, the Legal Documents shall become effective on the date (“Effective Date”) upon which NDB dispatches to the Borrower and the Guarantor notice of NDB's acceptance of the evidence required pursuant to Section 7.1. NDB may terminate by notification to the Borrower the Legal</p>	<p>The loan agreement should substitute the definition of “Effective Date” to mean the date that the loan agreement is signed as there are no conditions precedent applicable.</p> <p>Further, Section 7.3 should be deleted and replaced with the following:</p>

2020-BD-IS19-DOC-002

Documents if they have not entered into effect within 90 (Ninety) days from the date of execution of the Loan Agreement.

b) If, before the Effective Date, any event has occurred which would have entitled NDB to suspend the right of the Borrower to make Withdrawals from the Loan if the Loan Agreement had been effective, NDB may postpone the dispatch of the notice referred to in paragraph (a) of this Section until such event (or events) or situation has (or have) ceased to exist. “

Except as NDB and the Borrower shall otherwise agree, the Legal Documents shall become effective on the date Effective Date. NDB may terminate by notification to the Borrower the Legal Documents if they have not entered into effect within 90 (Ninety) days from the date of execution of the Loan Agreement.