

APPROVED  
by the Council of the Eurasian Development Bank  
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**INVESTMENT REGULATION  
OF  
THE EURASIAN DEVELOPMENT BANK**

## SECTION I. GENERAL PROVISIONS

- 1.1. This Investment Regulation (hereinafter “**Regulation**”) determines the main sectors of the investment activity of the Eurasian Development Bank (hereinafter “**Bank**”), including the main tasks, principles and forms of investment activity, and the terms and procedures of making investment decisions by the Bank.
- 1.2. In accordance with its Charter, the Bank shall foster the development of market economy in, the sustainable development of, and enhancement of trade and economic ties between, its member states. Therefore, the investment activity of the Bank shall be aimed at solving the following main tasks:
  - to develop and modernise the energy, transport, communication and agribusiness infrastructure with a view to intensifying trade and economic co-operation between its member states;
  - to achieve qualitative improvements in the economic structure of its member states by financing projects aimed at fostering market economy, and eliminating infrastructural or other limitations on sustainable development;
  - to enhance the efficiency of the use of natural resources, environmental protection and improvement of the environmental situation;
  - to increase the manufacture of competitive high-tech products with a high added value in non-raw-material sectors of economy;
  - to assist small and medium-size businesses by providing loans or direct investments to organisations in charge of supporting such businesses; and
  - to develop financial and investment mechanisms for supporting the integration process in its member states, including support to their financial markets.
- 1.3. The investment activity of the Bank shall be financed from the following sources:
  - the Bank’s own funds based on its authorised capital contributed by its member states;
  - increasing financial resources by raising loans from international organisations and governments of its member states;
  - obtaining debt financing on international and domestic debt capital markets; and

- mobilising third party capital through project financing mechanisms, syndication and direct investment via direct investment foundations.

## **SECTION II. BASIC INVESTMENT PRINCIPLES**

The investment activity of the Bank shall be governed by the following basic principles:

- conformity with the Bank's mission and strategic goals: any investment project being implemented by the Bank must correspond to its mission and strategic goals;
- compliance with international banking standards: projects must be financed in accordance with the principles of international banking practice, including those pertaining to loan term, interest rate, repayment and security;
- transparent investments: the Bank must adhere to the principles of openness to the public and transparency of investments, and adopt the best corporate management practices of international development banks;
- no direct competition with commercial banks: the Bank must provide funds to finance investment projects, e.g. where such funds cannot be obtained by a borrower on commercial markets on terms acceptable in view of the project's needs;
- expanding investment sources: the Bank must act as a party expanding the opportunities to obtain investments from commercial sources, e.g. through the mechanisms of public and private sector partnership and direct investment foundations; the Bank may also provide finance jointly with international financial institutions, commercial banks or other interested organisations;
- economic efficiency of investments: the Bank must operate so as to ensure adequate profitability of its transactions and acceptable risk levels;
- social and environmental responsibility: the Bank must finance projects which do not harm the environment or deteriorate the social, working or living conditions of the population; investments must work to improve living standards, employment and social security;
- the Bank may not finance: (a) any businesses using forced or child labour; (b) manufacture or distribution of tobacco or alcohol; (c) gambling industry; (d) any activities prohibited by the laws of its member states or international conventions pertaining to the protection of biological diversity of resources or cultural heritage; and (e) other activities as may be determined by its Executive Board and/or Council;

- diversification of investments: the Bank must endeavour to reasonably diversify its investments and avoid disproportionate application of resources favouring any particular members or projects;
- liquidity and renewal of funds: the Bank must endeavour to renew its funds from time to time by selling its investments to other investors on terms meeting the international standards of free sale of such assets and liabilities;
- adequacy of investment profitability and risk: the Bank adheres to the principle that profitability must be adequate to assumed risks when financing projects in its member states or other states, irrespective of whether or not such states have signed agreements regulating the terms of the Bank's operation in their territory; and
- high credit ratings: the Bank must endeavour to achieve high credit ratings in order to be able to access financial resources which are the best in terms of price, so as to protect its interests and those of its members.

### **SECTION III. MAIN FORMS OF INVESTMENT ACTIVITY**

The forms of investment activity shall be determined depending on particular projects and include, *inter alia*:

- provision of investment loans or debt financing. In doing so, the Bank shall endeavour to exercise proper control over the use of funds in accordance with their purpose, including control over procurement and supplies by borrowers. Interest rates shall be approved by the Bank individually, depending on the results of analysis of the project's conformity with the mission of the Bank, risks and cost of financial resources;
- holding interest in the authorised capital of organisations as a means of ensuring proper risk management. After completion of a project, the Bank shall dispose of its interest, either through market mechanisms or in the manner which has been agreed upon when the Bank acquired interest in the authorised capital. When determining the share of such projects in its investment portfolio, the Bank shall be governed by its strategic priorities and take into account the practice of international development institutions;
- participation in, or establishment of, direct investment foundations as part of support and consolidation of the financial infrastructure of its member states. Based on its charter objectives, the Bank may either participate in existing foundations having a good reputation and experience of operation on the markets of member states or

- establish such foundations, whether jointly with other commercial foundations/banks or international and national development institutions, or on its own with subsequent assignment of the management function to a managing company;
- acting as an investment consultant when implementing investment projects which correspond to the main sectors of the Bank's investment activity, including the structuring of financing and receiving commissions based on the results of investment activity; and
  - use of other financial instruments in implementing investment projects, such as financial or operational leasing, provision of guarantees, sureties and letters of credit, and insurance of the commercial and political risks of a project.

#### **SECTION IV. PROCEDURES OF MAKING INVESTMENT DECISIONS**

- 4.1. Decisions on financing projects shall be made by the Executive Board of the Bank, except cases where a decision by the Council of the Bank is required. When making such decisions, the Executive Board shall take into account the following financial and economic indices:
- limit of investment risk per borrower or group of related borrowers may not exceed an equivalent of USD 150 million;
  - the Bank shall consider projects with total investments of at least an equivalent of USD 30 million, including all sources of financing;
  - the payback period of a project may not exceed 15 years; and
  - the Bank shall finance a project provided that the borrower contributes at least 20% of total investments required.
- 4.2. In accordance with the Charter, the Council shall make decisions on approval of investment projects based on opinions provided by the Executive Board, if:
- the amount of investments to be provided by the Bank to any one borrower or a group of related borrowers exceeds an equivalent of USD 100 million;
  - the total value of material investment risks exceeds 300 percent of the Bank's own funds. A material investment risk is the sum of investments, guarantees and sureties to be provided in favour of any one borrower or a group of related

borrowers which exceeds 10 percent of the Bank's own funds;

- the project is to be implemented in a country which is not a member state of the Bank; or
- the payback period of the project exceeds 15 years.

4.3. The above limits may be revised by Council from time to time at its sole discretion.