

**EXIM BANCA ROMANEASCA NCS  
POLICY ON SUSTAINABLE LENDING  
AND OFFICIALLY SUPPORTED  
EXPORT CREDITS**

**Date of entry into force: 01.08.2023**

## I. Context and objectives

The financing needs for investment projects in lower income countries consider the external financial resources offered by international bodies and the official export credits support instruments.

Granting concessional export credits to the governmental sector of these countries is a viable alternative mainly for supporting large infrastructure projects that contribute to the economic and social development of these regions.

Subsequently, when the foreign debt of these countries is high the official support for export credits through financing, guarantees, insurance instruments must substantiate on prudential principles and sustainable practices. At the same time the respective financial effort should not impact the economic, financial, and social perspectives on long term of the respective country, aiming at:

- ✓ Sustainable development by eliminating or reducing unproductive expenditures.
- ✓ Correlating financing needs with the reimbursing capacity on long term.
- ✓ Governance based on responsibility and transparency in public resources management.

In this context, the OECD Council devised the *Recommendation of the Council on Sustainable Lending Practices and Officially Supported Export Credits* (herein forth *Recommendations*) establishing a set of principles and rules applicable to the institutions that officially support export credits in lower income countries<sup>1</sup>.

Having regard for the fact that the provisions of the *EU Regulation no. 1233/2011*, with further amendments<sup>2</sup>, requires the EU member states to apply principles and guidelines provisioned by the OECD Arrangement (herein forth *Arrangement*) as well as considering the OECD Council Recommendation and the officially supported export credits, the hereby *Policy* aims at implementing the *OECD Council Recommendation of the Council on Sustainable Lending Practices and Officially Supported Export Credits* for the activity of Exim Banca Romaneasca in the name and on the account of the state (NCS) as Romanian institution for officially supported export credits.

The *Policy* applies to financing, guarantees, insurance products granted by Exim Banca Romaneasca NCS supporting export credits with a reimbursement term longer than 1 year granted to public obligors/ public guaranteed obligors on lower income countries.

## II. Definitions, notions and acronyms

The *Policy* defines the following:

- ❖ *Lower income countries* - countries that are eligible for financing through the International Monetary Fund (IMF) Poverty Reduction and Growth Trust (PRGT) or that only have access to interest free credit or grants from the International Development Association (IDA) of the World Bank (“IDA-Only” countries).

<sup>1</sup> Lower income countries list is offered and updated by IMF and World Bank and is available on OECD website.

<sup>2</sup> *EU Regulation 155/2016 adopted by the Commission on September 29, 2016*

- ❖ *Government authorities* – authorities that, according to the specific national legislation of the debtor country, are responsible for the country's development and borrowing plans, generally the office in the Ministry of Finance or the central bank responsible for debt management countries)
- ❖ *Public obligors/ public guaranteed obligors* – any obligor whose repayment obligation is guaranteed by a public entity. In this context, a public entity refers to the central, regional and local governments and public enterprises whose debt obligations would be assumed by the government in the case of a default. To determine the status of an entity in a country that is subject to a limit on public debt under a program supported by the IMF, recourse may be had to the technical Memorandum of Understanding for an IMF program, where the list of public institutions is defined, or to consultation with the IMF and World Bank.
- ❖ *Unproductive expenditure* - any transaction that is not consistent with a country's poverty reduction and debt sustainability strategies and does not contribute to its social and/or economic development.
- ❖ *Concessional lending* (preferential) – loan offered in significant better conditions than the market conditions. FMI calculates the concessional level as a difference between the nominal value of the loan and the sum of the present value of the payments to be made by the obligor to pay up the debt as a percent of the nominal value.
- ❖ *Public Debt Sustainability Analysis – PDSA* – IMF and World Bank reports that establish coordinates for substantiate the decisions to grant loans to the lower income countries, so that to ensure the balance between the financing needs and the reimbursement capacity on short, medium and long term.
- ❖ *IMF Public Debt Limits Policy - PDLF* - establishes the general framework for quantitative criteria for managing the limits applicable to public debt of the countries involved in the financial support granted by IMF.
- ❖ *World Bank Non-Concessional Borrowing Policy - NCBP* – establishes the mitigators regarding the risk of over-indebtedness through commercial loans (loans that contain lower than 35% grant element)

#### Acronyms:

DFGANCS – Financing, Guarantees, Insurance – State Funds Division

SR – Risk Department

DA – Underwriting Department

DRI – Institutional Relations

CIFGA – Interministerial Committee for Financing, Guarantees, Insurance

BM – World Bank

### III. Sustainable Lending Principles

Generally, Exim Romaneasca NCS will not grant financing, guarantees, insurance for export credits with repayment terms longer than 1 year to public obligors/public guaranteed obligors in lower income countries in the situation when these countries do not benefit from a ceiling for commercial loans according to PDLF or NCBP or the supported transactions are not part of the development strategy of the respective country.

Decision of granting the official support instruments will be based on:

1. Information comprised in the most recent public debt sustainability analysis (PDSA) of IMF/World Bank under the Common Framework for Sustainable Public Debt:
  - Relevant programs and applicable policies related to the transaction intended for official support.
  - Information on the public debt ceilings established by IMF for certain countries.
  - Information regarding eligible projects for non-concessional loans.
2. Compliance with the limits applicable to public sector for commercial loans, as established by IMF/World Bank.

Exim Banca Romaneasca NCS will inform IMF and the World Bank regarding any intention to grant financing, guarantees, or export credit insurance to public obligors/guaranteed public obligors in lower income countries.

#### IV. Specific measures in *Policy* implementation

The *Policy* is implemented by structures in DFGANCS with specific tasks in the granting process flow for the products that are impacted.

To this extent, at the date of the application for granting financing, guarantees, or export credit insurance to public obligors/guaranteed public obligors in lower income countries DA will require to SR to perform a check on the ghost country status.

1. SR verifies whether the country of the public obligor/guaranteed public obligor is listed the IMF/World Bank lists that have ceilings on commercial loans (<https://www.imf.org/en/Topics/sovereign-debt/debt-limits-policy> - [Countries Subject to IMF/World Bank Debt Limits Conditionality](https://www.imf.org/en/Topics/sovereign-debt/debt-limits-policy); <https://ida.worldbank.org/en/financing/debt/sustainable-development-finance-policy>)
2. In the situation when the host country is not listed, SR will acquire the IMF/World Bank public debt sustainability analysis (PDSA) from the respective websites (<https://www.imf.org/en/Publications/DSA>), will assess the information and will inform DA regarding the findings in the *Country Risk Form*.
3. In the situation when, based on the assessment:
  - a) The host country is listed on the lists mentioned at point 1 and /or there are restrictions / conditions mentioned in the reports at point 2, Exim Banca Romaneasca NCS will not continue the underwriting process and the DA will inform the applicant. In the situation when information regarding initiation of negotiations between the obligor country and IMF/World Bank is available in order to approve specific programs or policies applicable to the officially supported intended transactions upon applicant request the underwriting will be suspended until an official document from IMF/World Bank may be provided.
  - b) In the situation when the host country is not listed on lists at point 1 above and there are no restrictions in terms of public debt, SR will inform DRI and DA. For ex ante transparency, in relation with IMF/World Bank DRI will notify IMF and WB (using the email address [Lending to LICs](#)) regarding the intention to grant the official support. The notification will mention the host country, necessary information for project identification and the export credit value in SDR. The documents submitted to CIFGA will contain the possible observations of IMF/World Bank.

- c) For transactions with a value higher than 5 million SDR (or higher than 1 million SDR for very small countries with the gross domestic product lower than 1 billion USD) DRI will require the Ministry of Finance to officially contact the relevant authorities in the host country (such as Ministry of Finance, Treasury etc.) and to request a written confirmation of the fact that the project/supported transaction related expenses fall under limits/conditions established by IMF/World Bank through their specific policies (*PDLP and NCBP*) for the respective country; this confirmation will not be requested in the situation when the ministry of Finance or central bank of the host country are involved in the transaction as guarantor/debtor; until receiving the official answer of the relevant authorities in the host country Exim Banca Romaneasca NCS will suspend the underwriting process and will inform the applicant.
  - d) At the date of submitting the application for CIFGA approval, upon DA request, SR will verify the lists mentioned at point 1. In the situation when the host country was not listed and there were no restrictions / conditions during the underwriting process, but after the application for financing, guarantees or insurance for export credits the situation of the host country deteriorated in terms of losing the available ceiling for commercial loans, Exim Banca Romaneasca NCS will suspend the submitting process and will inform the applicant. The situations when Exim Banca Romaneasca will suspend underwriting / propose rejection of the application will be included in the documents for accessing the official support instruments.
4. Upon applicant request, the underwriting of the application for financing, guarantees or insurance for export credits will be restarted only after the IMF/World Bank reinstate the debt limits. The proof of the reinstatement will be either the exclusion of the country from the IMF/World Bank public lists or the submitting of a document that will indicate that the relevant authorities in IMF/World Bank have approved the exclusion of the host country from the lists mentioned at point 1. When there are no identifiable restrictions as per the operational flow described above, the underwriting will take place as per the applicable internal regulations in place.
  5. For reinsurance-co-insurance related to transactions that fulfil the criteria in the hereby *Policy* the Lead Insurer will perform all the above.

## V. Final Provisions

Exim Banca Romaneasca NCS, through DRI, will report on yearly basis to IMF and World Bank through OECD all export transactions to lower income countries for which official export credits support has been granted.

The provisions of hereby *Policy* are completed by the *Recommendations* and any other official EU/OECD documents issued in their application and will be revised from time to time according to the provisions of the reference documents observed by the *Policy*, to the expertise acquired in officially supported transactions and to the continuous collaboration and exchange of information with the other ECAs.

Exim Banca Romaneasca NCS may draft procedure/instructions in implementing the hereby *Policy*.

The *Policy* is publicly available on [www.eximbank.ro](http://www.eximbank.ro).