

New Development Bank (NDB)

The New Development Bank (NDB) is a development bank created by the multilateral grouping BRICS. It is important to know the basic details and the latest developments of the various multilateral organisations, especially those in which India is a member. In this article, you can learn all about the New Development Bank for the [UPSC exam](#).

New Development Bank

The NDB is a multilateral financial institution established by the [BRICS](#) countries, namely, Brazil, Russia, India, China and South Africa.

- The purpose of NDB is to fund sustainable development projects and infrastructure projects in the BRICS countries and other developing countries and emerging markets.
- The NDB is projected as a developmental financial institution that can complement western dominated global financial institutions (such as the World Bank and the [International Monetary Fund](#)), rather than as a challenge to them.
- It was formerly known as the BRICS Development Bank.
- NDB was founded in 2014.
- The idea behind the NDB was mooted by India at the 4th BRICS Summit in New Delhi in 2012 and the formation treaty was signed in 2014 in the sixth BRICS Summit in Fortaleza, Brazil.
- The Fortaleza Declaration stated that the NDB would strengthen cooperation among the BRICS members.
- In 2018, the NDB achieved 'Observer' status at the [United Nations General Assembly](#).
- To fulfill its purpose, the Bank supports public or private projects through loans, guarantees, equity participation and other financial instruments.
- It offers technical assistance for projects and conducts information, cultural and personnel exchanges with the objective of contributing to the attainment of social and environmental sustainability.
- It is headquartered in Shanghai, China. There are regional offices in all other member countries except in India.

NDB Key Areas of Operation

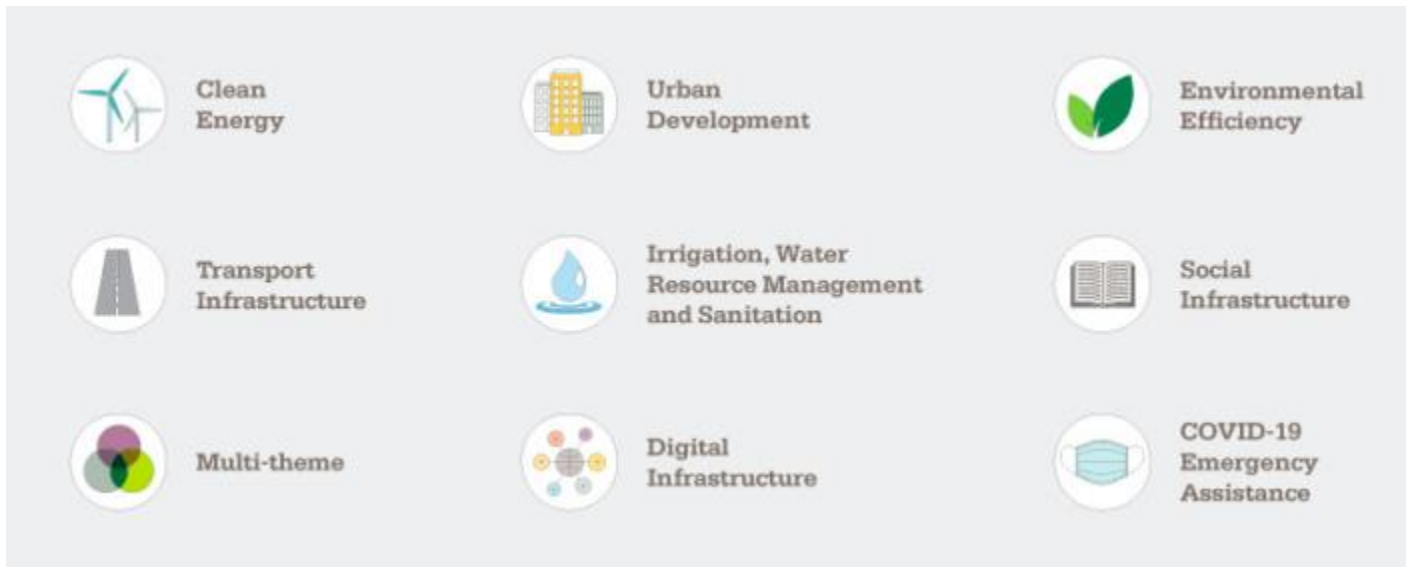


Image source: <https://www.ndb.int/>

NDB Governance

The NDB is governed by a Board of Governors. The Board comprises the finance ministers of the BRICS nations. The voting power is based on each member's shareholding in the NDB. Currently, all the members have equal voting rights.

Membership to the Bank is open to all members of the UN but the share of the BRICS nations can never be less than 55% of voting power.

As of February 2021, the NDB was assigned an 'AA+' long-term and 'A-1+' short-term issuer credit ratings with a stable outlook by S&P Global Ratings.

The President of the NDB is elected from among the member countries. There are four vice presidents who are from the remaining members.

The first President of the NDB was India's K. V. Kamath. The second and current President is Brazil's Marcos Prado Troyjo (since 2020).

India is the Chair of the BRICS grouping for 2021.

New Development Bank Achievements

In this section, we take a look at the achievements of the NDB ever since it started functioning.

- The Bank has successfully invested in several infrastructural projects in the BRICS countries since its inception.
 - As of November 2020, it had approved projects worth \$21 billion in the five BRICS countries spanning a range of sectors such as clean energy, water resource management, transport infrastructure, urban development, social infrastructure and environmental efficiency.

- 27% of the Bank's project approvals are denominated in the local currencies of the respective borrowing members instead of the US Dollar.
 - This reflects the Bank's desire to address currency volatility risk and its detrimental impact on the creditworthiness of project cash flows.
- Rating agencies have given positive ratings to the NDB.
 - This has allowed the Bank to raise funds at competitive rates and pass those savings onto its member borrowers, who generally show a rating of BBB- and typically would be charged at higher rates for development financing but for the New Development Bank.
- Another notable achievement of the Bank is that despite its member countries being plagued by a few geopolitical challenges, it has been able to operate at a growing pace.
- Amid the COVID-19 pandemic, the NDB committed to a \$10 billion Emergency Assistance Program for its members to help tackle the pandemic and its fallout.

New Development Bank Concerns

In this section, we discuss some of the concerns and challenges facing the NDB.

- One of the major criticisms lashed out at the NDB is its financing of projects that may not be environmentally sustainable. For instance, it received flak for financing a Trans-Amazonian highway project (Para Sustainable Municipalities Project) in Brazil which according to many environmentalists, affects the ecologically sensitive Amazon forest.
- Generally, while approving projects, the Bank has used the borrowing country's socio-environmental standards. But, if the Bank is to support more environmentally sustainable projects as stated in its purpose statement, it should develop a set of internal compliance standards which would balance economic rewards with environmental concerns. It should take care to ensure that environmental damages do not outweigh economic benefits of the project.
- A major portion of the NDB's projects are government-backed or government-sponsored ones in the borrowing countries. As the Bank diversifies towards making equity investments and attempts to crowd-in private investments to complement its efforts, it should start focusing on investing in private sector companies and projects in the borrowing countries.

How is NDB different from the AIIB?

The Asian Infrastructure Investment Bank (AIIB) is a multilateral development bank with a mission to improve the economic and social outcomes in Asia. Get more details about [AIIB](#) in the link.

New Development Bank	Asian Infrastructure Investment Bank
Members: 5	Members: 103
HQ: Shanghai, China	HQ: Beijing, China
Formed: 2014	Formed: 2016

Each member has one vote. Votes are based on the members' shareholding.

Votes are based on the size of each member country's economy (GDP in PPP terms).

Membership is open to all UN members.

Membership is open to all members of the Asian Development Bank or the World Bank.

