



New Development Bank

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Why in News

Recently, during **BRICS** (Brazil, Russia, India, China and South Africa) meet, India proposed that **NDB's (New Development Bank) scope be expanded** to strengthen **Social Infrastructure** besides promoting industry.

- **Social Infrastructure** includes the construction and maintenance of facilities that support social services such as healthcare, education, and housing.
- India is the **chair of the BRICS grouping** for 2021.

Key Points

- **About:**
 - It is a **multilateral development bank** jointly founded by the **BRICS countries** at the 6th BRICS Summit in Fortaleza, Brazil in **2014**.
 - It was formed to **support infrastructure and sustainable development efforts in BRICS and other underserved, emerging economies** for faster development through innovation and cutting-edge technology.
 - It is **headquartered at Shanghai, China**.
 - In 2018, the NDB received observer status in the **United Nations** General Assembly, establishing a firm basis for active and fruitful cooperation with the UN.
 - **Objectives:**
 - Fostering development of member countries.
 - Supporting economic growth.
 - Promoting competitiveness and facilitating job creation.
 - Building a knowledge sharing platform among developing countries.
 - To fulfill its purpose, the Bank **supports public or private projects** through loans, guarantees, equity participation and other financial instruments.

- **Major Projects funded by NDB in India:**
 - It has committed funding to a number of **major infrastructure projects in India, including the Mumbai Metro rail, Delhi-Ghaziabad-Meerut Regional Rapid Transit System and many Renewable Energy projects.**
 - The NDB has so far approved 14 Indian projects for an amount of nearly USD 4.2 billion.
 - In 2020, India announced a **1 billion USD loan pact with NDB** to boost rural employment and infrastructure.
- **Achievements:**
 - **Innovations:**
 - The NDB has managed to innovate in some areas, **such as lending in local currencies to protect borrowing countries from a stronger dollar**, which was one of its founding features.
 - Another innovation is that the **bank accepts parameters for compliance with environmental and social standards designed by borrowers**, respecting its members' own policies.
 - **Partnership with other Development Banks:**

It has established partnerships with important development banks, such as Latin American regional development bank CAF, the China-led **Asian Infrastructure Investment Bank**, and the **World Bank group**.
 - **AA+ Credit rating:**

The NDB's **credit rating** is AA+, one short of the maximum, which other development banks such as AIIB have. This is despite many of its members, notably Brazil and South Africa, facing tough economic times domestically.
 - **Emission of Various bonds:**

The bank has successfully emitted a number of bonds — including '**green bonds**' in 2016 — and has now approved 42 projects in member countries for a total of over USD 12 billion, more than the AIIB's roughly USD 8 billion portfolio.

- **Issues:**

- **Less disbursement of Loans:**

- Though the bank has approved over USD 12 billion in loans, it has disbursed less than USD 1 billion so far, that is a very low figure.

- **Political Turmoil:**

- **Relations between China and India soured**, sanctions against Russia made it difficult to lend to Russian companies, and then there was political instability and economic crises in both South Africa and Brazil.
 - Continuing to advance the interests of the developing world in a rough political climate proved to be a hard task at which member countries don't seem to have excelled.

- **Issue of Sustainability:**

- Though the NDB has recently approved loans for climate change mitigation and adaptation in Brazil and renewable energy in India, it has labelled a number of projects that are **environmentally questionable as sustainable, without explaining the criteria it uses.**

- One of its sustainable projects is the paving of the **Trans-Amazonian highway in Brazil**, a highly controversial road that many environmentalists blame for exacerbating deforestation in the world's largest tropical rainforest.

Way Forward

- **In the immediate future, there should be an emphasis on building healthcare capacities and national health preparedness for its member nations** and other vulnerable countries, with special support towards containment of the spread of Covid-19 and assistance for social and economic recoveries in terms of incomes and jobs.
- **From a medium-term perspective, investments for reinforcing urban resilience** in mega-cities and densely populated agglomerations for mitigation of adverse impacts of air pollution and adaptation to climate change needs to be the focus.
- In keeping with its current emphasis, **a medium to longer-run priority should be on lending support for renewable energy technologies** (solar, wind and biomass) to help improve their dissemination in the overall energy mix of the member nations of BRICS and elsewhere. In all of these endeavours, the Bank **could attempt to devise mechanisms to elicit public-private partnerships** for long-run financial sustainability.

Source: IE