

New Development Bank (NDB) - BRICS
(15 November, 2021)

History of New Development Bank (NDB) by BRICS

- Because of over domination of the USA and EU in IMF, at the fourth [BRICS Summit](#) in New Delhi (2012), the leaders of Brazil, Russia, India, China, and South Africa considered the possibility of setting up a new Development Bank to mobilize resources for infrastructure and sustainable development projects in BRICS and other emerging economies, as well as in developing countries.
- During the **sixth BRICS Summit in Fortaleza (2014)**, the leaders signed the Agreement establishing the New Development Bank (NDB).

Fortaleza Declaration of BRICS

- The Bank shall have an initial authorized capital of US\$ 100 billion.
- The initial subscribed capital shall be US\$ 50 billion, equally shared among founding members.
- The first chair of the Board of Governors shall be from Russia.
- The first chair of the Board of Directors shall be from Brazil.
- The **first President of the Bank shall be from India.**
- The **NDB headquarters shall be located in Shanghai.**
- The New Development Bank Africa Regional Center shall be established in South Africa concurrently with the headquarters.

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- In the Fortaleza Declaration, the leaders stressed that the NDB will strengthen cooperation among BRICS and will supplement the efforts of multilateral and regional financial institutions for global development, thus contributing to collective commitments for achieving the goal of strong, sustainable, and balanced growth.

- At the signing of the Headquarters Agreement with the government of the People's Republic of China and the MoU with the Shanghai Municipal People's Government on 27 February 2016, the NDB became fully operational.
- The NDB is building a robust and diversified portfolio of sustainable infrastructure projects, in order to fulfill its mandate and achieve strategic objectives.

Salient Features of New Development Bank (NDB)

- The New Development Bank is a multilateral development bank established by Brazil, Russia, China, South Africa, and India.
- Its goal is to finance infrastructure and development projects in developing countries and emerging economies.
- NDB's work complements the efforts of multilateral and regional financial institutions toward global growth and development.
- The NDB Bank aims to contribute to the achievement of social and environmental sustainability through its technical assistance and cultural exchanges.
- To fulfill its purpose, the Bank supports public or private projects through loans, guarantees, equity participation and other financial instruments.
- The NDB functions on a consultative mechanism among the BRICS members with all the member countries possessing equal rights.
- NDB funded projects are located within the following Key Areas of Operation:

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- The New Development Bank's activities are consistent with the principles and purposes of the United Nations.
- In 2018, NDB was acknowledged as **observer member of the UN General Assembly**.
- The **purpose** of the Bank is to mobilize resources for **infrastructure and sustainable development** projects in BRICS and other emerging market economies and developing countries to **complement the existing efforts** of multilateral and regional financial institutions.
- NDB's key areas of operation are clean energy, transport infrastructure, irrigation, sustainable urban development, and economic cooperation among the member countries.

BRICS NDB Member Countries

- The Bank's membership is **open to all the members of the United Nations**. NDB commenced the admission of its first new member countries in the second half of 2021.
- Brazil, Russia, India, China, and South Africa became its members in July 2015.
- **UAE, Uruguay, and Bangladesh are Prospective member**. Prospective members listed herein have been admitted by NDB's Board of Governors and will officially become a member country once they deposit their instrument of accession.

Capital Structure of NDB

- The New Development Bank (NDB) has an **authorized capital of USD 100 billion**, which is divided into one million shares that have a par value of one hundred thousand dollars each.
- **NDB's founding members made an initial subscription of USD 50 billion**, which includes one hundred thousand shares corresponding to a paid-in capital of USD 10 billion and four hundred thousand shares corresponding to a callable capital of USD 40 billion.
- The **initial subscribed capital was equally distributed** amongst the founding members.
- Membership of the Bank is open to members of the United Nations.

President of New Development Bank

- **K V Kamath from India is the first elected president of the NDB**.
- He was replaced as president by **Marcos Prado Troyjo from Brazil** since 7 July 2020. Marcos Troyjo was elected president of the New Development Bank on 27 May 2020.

Major projects of NDB funding in India

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- 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 of New Development Bank (NDB)

- The NDB deals with innovative methods like **lending in local currencies** to protect borrowing countries from a stronger dollar and that **bank accepts parameters for compliance with environmental and social standards designed by borrowers**.
- The credit rating of NDB is AA+ which is just one less than the ratings of Asia Infrastructure Investment Bank (AIIB) despite the fact that Brazil and South Africa have domestic economic issues.
- 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.
- It has established partnership with other important banks like Asia Infrastructure Investment Bank (AIIB) and World Bank group.
- The BRICS New Development Bank (NDB) and [Contingent Reserve Arrangement \(CRA\)](#) is generally seen as a competitor to the International Monetary Fund (IMF) and is viewed as an example of increasing South-South cooperation.

Issues of New Development Bank (NDB)

- It has established partnership with other important banks like Asia Infrastructure Investment Bank (AIIB) and World Bank group.
- Political turmoil in member countries like India – China border issues, Sanctions against Russia, Political instability and economic crisis in South Africa and Brazil is also a challenge.
- 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.