

Sustainable Finance in the Policies of New Development Bank: Prospects and Challenges

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Abstract:

New Development Bank (NDB), the BRICS-led development bank, is tasked with implementing sustainable finance tools to pursue sustainable development among its member countries. With COVID-19 ravaging global and regional economies, it is imperative that NDB and its member states find long-term solutions through sustainable financing. NDB's General Strategy: 2017-2021 laid the foundation for operations to mitigate some of the development challenges, as stated in its annual report of 2020. Moreover, sustainable financing will continue to be used in the new strategy 2022-2026. Based on the conceptual framework of sustainable finance, the article tries to locate NDB's role in generating amenable solutions to development problems in BRICS nations. The article appraises the previous results on development finance by NDB and puts forward the issues and challenges for its next strategic cycle (2022-2026). The author concludes that BRICS-led NDB has credible potential to fulfill the Sustainable Development Goals. Unlike other Bretton Woods Institutions, its policies such as "co-financing" and "multi-currency environment" are in accord with and complement the development visions of major developing economies (EMDCs) like India. In this study, the author employs data from secondary sources such as the latest publications on development economics, especially sustainable finance.

Keywords:

cooperation, EMDCs, co-finance, India, multilaterals, New Development Bank, NDB, developing states, international cooperation

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As a multilateral institution, BRICS has undergone multiple developments over the last 13 years. The BRICS emerged as a successful regional contender and an alternative development institution in the first phase, considering the countries marginalized by Western-led institutions such as the IMF and World Bank. It is noteworthy that the BRICS and its New Development Bank (NDB) have followed the best practices of multilateralism as defined by Ikenberry (2003) as “the coordination of relations among states based on a set of agreed-upon principles or rules” (Kumar, 2017). Ruggie (1993) asserts that multilateralism differs from other interstate relations in that it is based on specific set of rules and organizing principles (Ruggie, 1993, p. 567). Ruggie highlights three principles: “generalized principles of conduct”, “indivisibility”, and “diffused reciprocity”. BRICS has emerged from being just an economic entity, “an acronym without substance” or a “hedging tool against the West” to become a fundamental organization with one of the central principles of “attaining sustainable development goals, raising the issues of institutional reforms, terrorism, climate change and global health” (Kumar, 2017).

BRICS is the most significant international body India has joined in the past two decades. The creation of NDB and Contingent Reserve Arrangement (CRF) marks the beginning of a new phase in the BRICS effort to deepen its multilateral ties. These two institutions are similar to the World Bank and the International Monetary Fund. Kumar (2023) argues that the subsequent developments in the form of NDB and CRF signify parallel institutionalization, where five dissatisfied regional leaders created a club-like structure to facilitate cooperation and push for the reform of international financial institutions. He asserts that it is a highly heterogeneous organization regarding its political systems, economic influence, geographic location, and cultural diversity.

It was India that first proposed the idea of institutionalizing BRICS. Indian representatives at the Goa Summit in 2016 emphasized the importance of institutionalization by suggesting rating agencies, research organizations, and institutions for promoting trade and cooperation within BRICS. In the past, India presented the creation of a New Development Bank (NDB). However, China located this bank in Shanghai, and an Indian, K.V. Kamath, was made the first president of the NDB in a tradeoff. The formation of NDB showed that, despite differences in interests, a new institution could be created. It transformed the

image of the BRICS from a “talk-shop” and “informal forum” to an organization to reckon with. All five countries insist on similar cooperation in the field of security and terrorism. High-ranking representatives from the member states have begun to meet on these issues. Since the first BRICS Summit in 2009, cooperation has accrued in significant matters like public health, agriculture, academia, trade, etc.

Evolution of ‘sustainable finance’ concept

The concept of sustainability of the economic model differs from the basic economic model of private-profit maximization in that it misses addressing some more comprehensive approaches to human welfare. Although the term has multiple connotations, which may vary according to time and space, Sustainable finance generally refers to investments that consider the environmental, social, and governance factors (ESG) that may affect economic activity or project at a given time. The term “sustainable finance” has broadened in multiple aspects. Kumar et al. (2023), while employing big data techniques, present the associated meaning of the term between 1986 to 2020; the author contends that the term has evolved from being considered a “social cost” inclusion in conventional portfolio management in 1986 (Kumar et al., 2023; Ferris & Rykaczewski, 1986), to take into account “ethical” consideration of investment from 1996-2005. The subsequent ten years (2006-2015) saw the “introduction and boom of new research such as carbon finance” (Aglietta et al., 2015). As a result of the Paris agreement and the launch of the Sustainable Development Goals in 2015, the most recent half-decade (2015-2020) has been marked by “an exponential increase in publications focusing on impact investing” (Agrawal & Hockerts, 2019), “social impact bonds” (Carè et al., 2020; Giacomantonio, 2017) and “the impact of ESG investing on firm performance”. Given the broad scope of the term, the author has considered the linkage between sustainable finance as described by SDG and the role of BRICS-led NDB.

The role of institutions becomes a *sine qua non* in promoting and providing sustainable finance. Factoring in the sustainability issues with the other prevalent investment decisions has been a central issue, especially after the SDG targets in 2015. Today, financial exclusion, an inefficient redistribution system

and negative economic externalities present burgeoning challenges for states and local governments. The negative impact of brazen policies in promoting “wealth maximization” was visible in the 2008 economic crisis. Since this crisis, it has become pertinent to the search for “new ways and solutions for stabilizing national economies and creating conditions for sustainable economic development”. However, the necessities for sustainable development were raised over 30 years ago in the Brundtland Report, 1987. It defined sustainable development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (Ziolo et al., 2017)

What role does an institution play in sustainable finance? The foremost task in contemporary times, the part of international finance, especially institution-led finance, cannot be denied, as most of the countries which have raced towards economic and industrial development have been dependent to some extent on foreign institutional capital. As a result of low-income levels and a low level of capital accumulation among underdeveloped countries, they have to rely on these forms of external capital to finance their development programs to attain their development goals. The level of dependence, however, varies from country to country depending on the level at which the country mobilizes domestic capital, the development of technology, the attitude of the government, and so on. But the fact cannot be denied that foreign capital contributes in many ways to rapid economic growth and industrialization. Among the Sustainable Development Goals, Goal 17 is the most specifically referred to and is earmarked as “the lynchpin for meeting the financial needs for activities directed at achieving the Sustainable Development Goals (SDG)” (MacDonald et al., 2019).

Financial institutions like banks can significantly influence sustainable development achievement. The UN’s “2021 Financing for Sustainable Development Report (FSDR)” has called for careful planning and tackling short-term risks arising from a lack of capabilities among nations towards sustainable finance. These short-term risks can have a compounding effect on systemic risks like global warming and climate change. It also embarked upon techniques to equip small and vulnerable countries to capitalize on multilateral funds like GEF, REEF, Solar Development Group, etc. COVID-19 has dramatically slowed progress on sustainable development, exposing and exacerbating inequalities between countries and peoples. Measures taken by financial institutions like

IMF, ADB, World Bank and its institutions, and central banks of individual countries have failed to deliver on the problems rooted in “sustainable, resilient and equitable” economic growth. UN Secretary-General António Guterres, in the report above, argues, “Investment alone, however, is not enough. To address the systemic nature of global risks, including climate change and pandemics, we must reform our institutional and policy architecture, strengthen multilateralism, and create new platforms and networks for global cooperation”². Institutions usually promote a vibrant market structure where capital is allocated for value creation. This value creation is generated by social returns adjusted for financial and non-financial risks (Ziolo et al., 2017, p. 191).

Financial intermediaries are among the essential factors that buttress sustainable development and growth. Increasing evidence suggests that components of the financial system, e.g., banks and stock markets, play a more significant and direct role in the development process. While viewing the nexus between finance and growth, many scholars have pointed out that other features like financial depth and financial structures must be considered along systemic, regional and local levels. Financial depth, in general, is measured by domestic credit to the private sector, M3 and stock market capitalization, whereas financial structures enable investment to be more efficiently taken (Hoi et al., 2019, p. 855).

The nexus between Sustainable Growth and finance has received unparalleled attention from scholars of development economics. Especially after the UN Sustainable Growth Development goals and the recent wave of the COVID-19 crisis, the necessity to create a coherent, strict sustainable finance framework has been widely discussed. For example, India’s successful framework to reduce poverty was widely acclaimed. India’s Business Correspondent (BC) model, along with the use of fin-tech like UPI, mobile banking, “Aadhar” Enabled payment system (AEPS), has a considerable role in drastically bringing 271 million people out of Below Poverty Line (BPL) in the small timeframe of ten years (2005-2015) (McCarthy, 2019). Similarly, many banks have approached the problems of the sustainable environment through “green banking”. This term advocates

² United Nations, Inter-agency Task Force on Financing for Development, Financing for Sustainable Development Report 2021. New York: United Nations, 2021. URL: <https://developmentfinance.un.org/fsdr2021> (accessed: 29.07.2022)

for a robust policy framework with a coordinating role of development banks across states, adopting a social and environmental management system and exercising leadership in sustainable finance (Ziolo et al., 2017, pp.198).

NDB's evolving role in sustainable finance

The issue of finance was the founding base for the formation of BRIC. The 2008 declaration sought to reform the global financial architecture and can be seen as the “founding document” of the group (Stuenkel, 2015). The growing importance of BRICS became inevitable after the 2008 global economic crisis. During the 2009 London summit, the G20 leaders endorsed many recommendations by the BRIC countries’ finance minister, showing the trust shown in the newly formed organization by both developed and developing countries. The most significant proposal allowed broader cooperation among member countries in the Bretton Woods architecture.

The Brasilia summit in 2010 saw BRICS nations beginning to cooperate on an intra-national level through intra-bank cooperation. BRICS initiated intra-bank collaboration between their national development banks. These inter-bank cooperative mechanisms seek to support member countries on broad development issues like infrastructure, energy, poverty, etc. The member countries also took steps towards developing multilateral financial cooperation on mutually beneficial matters like using local currency and “co-financing” agreements for Sustainable Development Goals (SDG). Ultimately, in 2014 the joint Development Bank and a contingency reserve arrangement were made. Scholars from the global south labelled it as a “significant move by emerging economies to break away from the traditional donor-recipient model that western nations have advocated since the end of World War II”³. It became unarguably the critical vehicle with signified “parallel institutionalization”, representing almost half of the world population and about one-fourth of global economic output⁴.

³ Rasna W. Africa Rises as BRICS Countries Set up a Different Development Aid Model. *Daily Nation*, April 28, 2013. URL: <http://www.nation.co.ke/oped/Opinion/-/440808/1760878/-/k2cwt4z/-/index.html> (accessed 23.07.2022)

⁴ Reserve Bank of India. RBI Bulletin. URL: [Rbi.org.in](https://rbi.org.in). (2021). URL: https://rbi.org.in/scripts/BS_ViewBulletin.aspx?ld=20689 (accessed 29.07.2022)

Concerning Sustainable Development, BRICS is well placed in the context of international cooperation, “Partly for their large and increasing economic importance and partly for their active involvement in the cooperation with LDCs employing South-South cooperation” (Basile and Cecchi, 2018). Rejuvenating South-South cooperation is visible through the emerging bilateral and multilateral cooperation between LDC (least developed countries) and BRICS. Indian Prime Minister Narendra Modi, in his speech at Xiamen, emphasized the role played by BRICS (Kumar, 2017): “In an environment where stability, sustainable development and prosperity, BRICS leadership will be crucial in driving this transformation. If we as BRICS can set the agenda in these areas, the world will call this its Golden Decade⁵”.

The emerging bilateral South-South cooperation on sustainable development is signaled by the prospects of China and India entering into a viable relationship with Africa. A mixed development model includes investment, trade, and aid (Basile and Cecchi, 2018). On similar lines, BRICS multi-lateral South-South cooperation is based on the new financial institution that is gaining importance in the international finance system. The New Development Bank (NDB), also known as the BRICS Bank, is a financial institution strictly under the control of the BRICS with “no less than 55% of total voting power, equally distributed among the five partners” (Basile & Cecchi, 2018). Established in 2015, the NDB aims to support infrastructure and sustainable development efforts in BRICS and other emerging economies. It is widely believed that through South-South cooperation, the NDB has a great deal of potential for developing its relations with LDCs.

NDB uses its “Environmental and Social Framework” to implement sustainability projects. Focusing on banks’ sustainability framework, it ensures that all projects financed by these funds are implemented sustainably and that their ESG impacts are assessed, minimized, and mitigated during the implementation of those projects⁶. It also ensures that tasks implemented are economically

⁵ Modi, N. (2017). PM Modi’s Speech at BRICS Summit 2017: Key Highlights. *Live Mint*, 04 September. URL: <http://www.livemint.com/Politics/lhpunjnSwYE1Bxy5R7zZkgK/PM-Modis-speech-at-Brics-Summit-2017-Key-highlights.html> (accessed 09.07.2022)

⁶ Ndb.int. (2020). URL: https://www.ndb.int/annual-report-2020/pdf/NDB%20AR%202020_complete.pdf (accessed 29.07.2022)

viable and conducive and rely on transparency by abiding by good governance practices. Another crucial feature of the NDBs project is its goals consistent with national laws and regulations and its mandate for which it has established global, regional and local partnerships with several development partners, who will contribute to the development of the Bank's policies and operations.

In the first phase of its cycle, NDB had a credible and robust financial balance sheet. It obtained AA+ international credit ratings from S&P Global Ratings and Fitch Ratings⁷. Its financial strength is owed to the huge 10 billion paid-in capital that the founding member initially subscribed to. At the same time, it also raised around “USD 11 billion equivalent through bond issuances, of which 73% was in hard currencies and 27% in local currencies”. The bank aims to enhance its capabilities in fundraising in multiple currencies. As part of its ongoing effort to further diversify its treasury investment portfolio, NDB plans to broaden it in terms of instruments, jurisdictions, currencies, and counter-parties, with a particular focus on placing liquid assets across all member countries into high-quality debt instruments to maximize its earnings treasury through well-diversified asset pools following its risk appetite.

It is widely believed in development economics that the development trajectories of developed and emerging market economies are different. All countries have their own distinct history, with different growth and development courses on either side. Many economists expect that the EMDCs will be the primary driver of global economic development. EMDCs accounted for 58% of global GDP in PPP terms in 2020, which could grow to 60% by 2026. From 2010 to 2020, they averaged 3.9% real GDP growth per year, which could rise to 4.2% from 2020 to 2026, compared to an average of 1% and 3% growth in advanced economies during the same respective periods⁸. However, it was seen that during the recent pandemic, EMDCs and advanced economies were on different tracks of recovery from the pandemic. Amidst the socioeconomic challenges

⁷ New Development Bank Sustainable Financing Policy Framework governing the issuances of green/social/sustainability debt instruments. Ndb.int. URL: https://www.ndb.int/wp-content/uploads/2020/05/2020_FC22_AI13_018_b-NDB-Sustainable-Financing-Policy-Framework.pdf (accessed: 29.07.2022)

⁸ Ibid.

and uncertainties caused by the outbreak of COVID-19, the recovery period for EMDCs is still continuing with a significant impact on overall development capabilities.

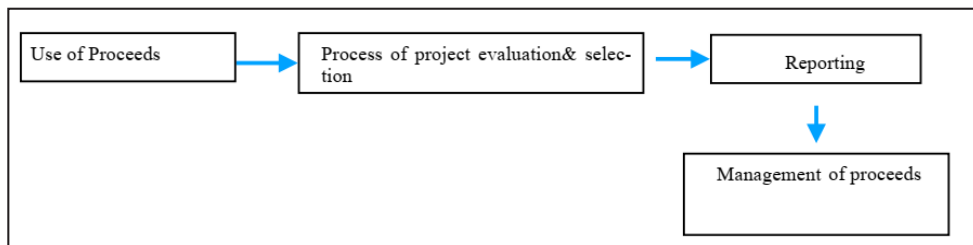
Most certainly, EMDCs have an overall shortage of resources owing to constrained policy space, a higher degree of financial fragility, and lower level of economic diversification. Therefore, as mentioned in NDB's General Strategy for 2022–2026, EMDCs will require massive financing to cover the vast gap needed for sustainable development and growth. Estimates indicate a financing gap of nearly USD 12 trillion in meeting the infrastructure investment requirements of EMDCs between 2021 and 2030⁹.

After becoming formally institutionalized in 2015, the NDB, like all other development banks, used its capital base to generate additional funds. The most important aspect has been the 1:1 gearing ratio signifying the equal proportionality between its capital and borrowed funds. Extra money by NDB was raised by issuing “green bonds” in 2016. The main aim was to use the proceeds to address the issue of fund scarcity for developing sustainable infrastructure. At the end of 2017, NDB managed to finance seven projects among its member countries, having a total financial commitment of \$1.5 billion. Most of the funding in this period was on developing “sustainable infrastructure” rather than other sustainable development projects like healthcare, education, etc. Within the sustainable infrastructure, emphasis was given to projects such as developing renewable energy infrastructure (solar rooftop projects in Madhya Pradesh states of India, the Lingang project in China), upgrading road infrastructure in India, etc.

NDB follows a stricter framework to become eligible for sustainable financing of projects at the national level. NDB annual report states that the project must pass the bank's ESF standards related to environmental and social issues, including inclusive and sustainable development; country systems; climate

⁹ Bridging Global Infrastructure Gaps. McKinsey Global Institute (MGI). (2016). URL: <https://www.mckinsey.com/~/media/mckinsey/business%20functions/operations/our%20insights/bridging%20global%20infrastructure%20gaps/bridging-global-infrastructure-gaps-full-report-june-2016.pdf> (accessed 29.07.2022)

change; environment interests; conservation of natural resources; gender equality; precautionary approach; and co-operative functioning and knowledge dissemination (see Pic. 1).



Pic. 1. ESF Framework Overview for Green and Social Projects

Source: New Development Bank Sustainable Financing Policy Framework governing the issuances of green/social/sustainability debt instruments. Ndb.int. (2020). URL: https://www.ndb.int/wp-content/uploads/2020/05/2020_FC22_AI13_018_b-NDB-Sustainable-Financing-Policy-Framework.pdf (accessed: 29.07.2022)

One significant feature adopted by NDB is maintaining amicable relationships with the borrowers. It is often remarked that Multilateral Development Banks resort to extra safeguards that place unnecessary burdens on both the bank and the borrower. On the other hand, the “country system” framework of NDB strives for better facilitation of funds to a country, identifying any operational gaps and fulfilling those gaps through capacity building and technical assistance.

Regarding financing methods available for the member companies and EMDCs, NDB offers multiple financing methods, including sovereign banks and non-sovereign loans. Although the share of sovereign loans is much higher (around 86%), NDB seeks to expand non-sovereign lending to address client demands in member countries. Notably, a dedicated department was created by the Bank in December 2020 for non-sovereign operations, which will expedite the preparation and implementation of projects for private sector clients.

Inter-institutional cooperation

Throughout the development of the National Development Bank's strategic vision and design, it was of primary importance that there be a close working relationship between the NDB and international organizations, national governments, and other financial institutions and that the "NDB complement the existing efforts of other multilateral and regional financial institutions". Notably, the Moscow Declaration at the 12th BRICS summit in 2020 called for "BRICS Partnership for Global Stability, Shared Security and Innovative Growth"¹⁰.

Understanding the need for enhanced cooperation with other national development banks and MDBs has stimulated the NDB to sign 35 MOUs with six different types of stakeholders. It is important to note that partnerships contribute towards achieving the NDB's mandate and fulfilling the SDG-17 goal, "Partnerships for the goals". In addition, it enhances the bank's capacity to mobilize "resources for infrastructure and sustainable development projects" and promote the "exchange of information, knowledge and human resources". Nanwani (2022) observes the interesting fact that "one of the most exciting aspects of the NDB's first co-financing projects was not with MDBs but with national development banks", such as Brazil's BNDES, as well as Chinese financial institutions. This unique approach has enabled the NDB to take a "very different approach from that of the Asian Infrastructure Investment Bank (AIIB)", which entered into a co-financing agreement with the World Bank Group and the Asian Development Bank (ADB) for large-scale projects, as soon as it was created (Nanwani, 2020).

NDB has taken on several projects since its formation. NDB President Marcos Troyjo mentions 80 projects on national infrastructure development, ranging from developing green infrastructure, transport infrastructure, supply and sanitation, etc., amounting to USD 30 billion of infrastructure (president's speech at 13th BRICS summit). In addition to the Brazilian and Chinese institu-

¹⁰ New Development Bank Sustainable Financing Policy Framework governing the issuances of green/social/sustainability debt instruments. Ndb.int. (2020). URL: https://www.ndb.int/wp-content/uploads/2020/05/2020_FC22_AI13_018_b-NDB-Sustainable-Financing-Policy-Framework.pdf (accessed: 29.07.2022)

tions listed above, partnerships have also been formed with institutions such as “national development banks from Indian, Russian, and South African member states”. Bank of India (2018), Standard Bank of South Africa (2016), Development Bank of Southern Africa (2018), and Russian Railways (2017) are among the institutions that have recently completed the process. Some highlights of the BRICS Bank’s efforts to enhance sustainable financial governance from a “bottom-up” perspective take into account the co-financing in BRICS projects, including “Financing of Renewable Energy Projects and Associated Transmission (Brazil, 2016, BNDES); Locomotive Fleet Renewable Program (Russia, 2019, Russian Railways); Putian Pinghai Bay Offshore Wind Power Project (China, 2016, Chinese banks); and Greenhouse Gas Emissions Reduction and Energy Sector Development Project (South Africa, 2018, Development Bank of Southern Africa) (Nanwani, 2022).

Financing social infrastructure during the COVID-19 pandemic was another critical feature of NDB’s effort at sustainable financing. NDB recognizes the role of development banks as “vital to addressing health and economic consequences of the pandemic”. During the pandemic, BRICS collaboration and assistance were seen directly and indirectly. Directly, it assisted the members’ countries with the most sudden and urgent needs like “health-related current expenditures and social safety nets”. In contrast, indirectly, it also financed support for economic recovery. Among the MDBs, it should be noted that as the first multilateral development bank to approve a COVID-19 loan facility and to issue bonds related to the COVID-19 program, the NDB is a pioneer in the field of financing for the COVID-19 pandemic. NDB is also credited for its “Policy on Fast-track Emergency Response to COVID-19” and the “agile and lean nature of the Bank’s structure”, which accelerated loan processing (NDB, 2020). Within four months of the crisis, NDB priced its inaugural benchmark USD 1.5 billion 3-year COVID Response Bond in Euronext Dublin Regulated Market – Irish Stock Exchange. The response to the bond in the international market was met with overwhelmingly positive investor feedback. Since 2020, NDB has provided

loans in local currency and US dollars. In September 2021, NDB's president noted that nearly a third of its funding amounting to over \$9 billion was allocated for the fight against COVID"¹¹.

Since its formation, developing new partnerships has been continuously emphasized by BRICS countries. Resultantly, NDB has co-financed many significant projects. In the annual report of 2020, NDB has cooperated on developing tools and resources for entailing "parallel financing" with other partners like national banks, regional development institutions, NGOs, etc.; the 2020 report states that with other MDBs, NDB "co-financed to an amount of USD 4.5 billion"¹². In October 2020, it collaborated with nine other MDBs on "Building a Resilient Future post-COVID-19". NDB also joined nine other MDBs in signing the High-Level "Joint Statement on Road Safety" in November 2020. It is worth noting that in December, NDB was among the 11 MDBs that launched a joint report on financing the Sustainable Development Goals (SDGs) jointly with the International Monetary Fund (IMF) – the first collaborative effort of its kind. The emphasis on sustainable health became a priority for NDB in 2020. Notably, with ADB, the emphasis has been on collaborating on multiple yet common issues. Both these MDBs have specific common interests concerning sustainable development, sustainable transportation, and poverty reduction. In 2016, NDB and ADB signed MOUs to increase their co-financing and knowledge sharing on burgeoning issues like renewable energy, energy efficiency, clean transportation, sustainable water management, and sewage treatment. The two significant projects these two institutes are co-financing are the "\$260 million Mumbai Metro Rail Systems Project and the first phase of the \$500 million Delhi-Meerut regional rapid transit system in India". The point collaboration over the Indore Metro Railway Project in Madhya Pradesh, India, is in the project appraisal phase. In 2017, China-led AIIB signed MOUs with NDB on the sidelines of the NDB Second Annual Meeting in New Delhi, India. The two banks cooperate on the futuristic Chinese Border Road Infrastructure project (BRI).

¹¹ Ohri, N. (2022). Nearly a third of NDB's funding was provided for fighting Covid: NDB President. Business-standard.com. URL: https://www.business-standard.com/article/finance/nearly-a-third-of-ndb-s-funding-provided-for-fighting-covid-ndb-president-121090801297_1.html (accessed: 29.07.2022)

¹² New Development Bank Sustainable Financing Policy Framework governing the issuances of green/social/sustainability debt instruments. Ndb.int. (2020). URL: https://www.ndb.int/wp-content/uploads/2020/05/2020_FC22_AI13_018_b-NDB-Sustainable-Financing-Policy-Framework.pdf (accessed: 29.07.2022)

As with the EBRD-NDB relationship, it dates back to the early days of NDB's establishment when it received "organizational information and institutional knowledge". A Memorandum of Understanding was signed with the EBRD on April 7, 2017. A point to note is that the NDB signed MOUs with other MDBs such as AIIB, EDB, IIB, and European Investment Bank on the same day. Nanwani (2022) notes the difference between the NDB-EBRD MOU with other MOUs with AIIB, EDB, and IIB, concluding that as compared to others, EBRD has received senior-level priority. However, as of June 2022, NDB and EBRD co-financing projects in common countries had not taken place (Nanwani, 2022). The scholar cites the Russian operation in Ukraine as one of the major causes in this regard. In the lexicon of development finance, adding AIIB along with NDB is viewed as an alternative "Asian pivot" to the Bretton woods institutions. In light of their similar specializations and overlapping priorities, there are many opportunities for cooperation between them, especially by co-financing large-scale infrastructure projects in countries that belong to both institutions, namely the BRICS nations.

In the belief, based on the founders' own experiences, that if borrowing countries take charge of their own development path, then projects will be most successful, the NDB is committed to a new mindset of partnership with all members and borrowers. In this regard, "Local currency financing is a critical component of NDB's value proposition", as it mitigates risks like "foreign exchange risks" faced by borrowers and supports the "deepening of capital markets of member countries" (NDB, 2020). Consequently, The China RMB Program was successfully launched in early 2019, and the South African Rand Program was registered in April 2019. In November 2019, NDB successfully registered its local currency bond program in Russia. Among the member countries, the share of the US dollar in China and Russia, bilateral trade settlement fell from nearly 90 per cent in 2015 to 46 per cent in 2020¹³. In addition, Russia and China have developed their own cross-border payment mechanisms to complement the

¹³ Simes, D. (2020, August 6). China and Russia ditch dollar in move toward "financial alliance." Nikkei Asia. URL: <https://asia.nikkei.com/Politics/International-relations/China-and-Russia-ditch-dollar-in-move-toward-financial-alliance> (accessed: 29.07.2022)

SWIFT network, which the United States dominates. These two countries, along with China and South Africa, have swap agreements in local currency. Due to rapid progress in financial technology (fin-tech), BRICS has also conceptualized a common BRICS Pay system for retail payments and transactions among member countries which could be integrated with a BRICS digital currency. Creating a bond market in local currency is also viewed as a significant step by member countries of BRICS to ensure investment stability, thereby expanding participation of foreign private capital and increasing financial stability. For example, in the trying times of COVID-19, the Reserve Bank of India (National development bank of India) called for NDB's help to issue rupee-denominated foreign exchange¹⁴.

Conclusion

BRICS countries' NDB is seven-year-old. It continues to be a vital force concerning sustainable finance, especially in EMDCs. NDB has achieved a great deal in a relatively short period. It has developed into a solid, dynamic, trustworthy, and fit-for-purpose MDB, which reflects the vision articulated in the General Strategy of the founding members. The Bank's existing centralized operating model, based on a lean organizational structure and cloud-based IT infrastructure, has served its objectives well, allowing for optimal processing and decision-making. As an MDB, it has evolved from being a collaborator in development finance among member countries to becoming a co-financier with other MDBs. The bank enters its second strategic cycle (2022-2026) against the background of a socio-economic situation marred by a pandemic still posing a threat, inflation, and geopolitical rifts. It is becoming even more critical for NDB to recalibrate its efforts towards sustainable development. The new strategy document highlights some of the primary objectives of the NDB. For example, to ensure "30% of total financing in local currencies over 2022–2026". This

¹⁴ Reserve Bank of India – RBI Bulletin. Rbi.org.in. (2021). URL: https://rbi.org.in/scripts/BS_ViewBulletin.aspx?Id=20689 (accessed: 29.07.2022)

is a significant step, especially for intra-BRICS trade and investment. It will be essential for a country like India, which still perceives economic threats caused by capital flight risks and considerable volatility in the system. This also tends to benefit countries like the Russian Federation, which has faced the brunt of economic sanctions since 2014. The current crisis makes it possible for the BRICS to strengthen its local currency's economic ties and strengthen the framework of "R-5" (Rupee, Ruble, Renminbi, Real and Rand). In the current crisis, the BRICS bank also has an opportunity to delve into more financial collaboration with private (non-sovereign) entities across the globe. The NDB membership expansion plan will only strengthen its position as a premier and parallel institution to the established Bretton Woods institutions.

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Устойчивое финансирование и Новый банк развития: вызовы и перспективы

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Аннотация: В настоящее время перед Новым банком развития (НБР), сформированным в рамках БРИКС, стоит задача внедрения инструментов устойчивого финансирования для обеспечения устойчивого развития стран-участниц. Особенно эта проблема актуализировалась в условиях экономического кризиса, вызванного пандемией COVID-19. Генеральная стратегия НБР на 2017–2021 гг. предусматривала механизмы кризисного реагирования, позволившие смягчить ряд проблем в области развития, что было подтверждено анализом деятельности НБР в 2020 г. В новой стратегии на 2022–2026 гг. устойчивое финансирование также является одним из важнейших стратегических приоритетов. Опираясь на концепцию устойчивого финансирования, автор анализирует

роль НБР в поиске приемлемых политико-экономических решений проблем развития в странах пятерки. В статье сопоставляются результаты деятельности НБР по финансированию развития на различных временных промежутках его функционирования, а также оцениваются задачи, стоящие в следующем стратегическом цикле (2022–2026 гг.). Автор приходит к выводу, что НБР БРИКС обладает ощутимым потенциалом в деле достижения Целей устойчивого развития. В отличие от Бреттон-Вудских институтов, его политика, базирующаяся на принципах «взаимного финансирования» и создания «мультивалютной среды», соответствует и дополняет видение развития мировой экономики среди крупных развивающихся стран.

Ключевые слова: сотрудничество, софинансирование, многосторонние организации, Новый банк развития, НБР, развивающиеся государства, Индия, международное экономическое сотрудничество

Конфликт интересов: автор заявляет об отсутствии конфликтов интересов

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