THEMATIC NOTE

New Development Bank's Experience with Local Currency Financing

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Executive Summary

Local currency financing (LCF) has become an increasingly important element of the BRICS agenda and broader MDB reform efforts to strengthen financial resilience and support sustainable development. The New Development Bank (NDB) has emerged as a leading provider of LCF, expanding both local currency funding and lending through direct access to member-country capital markets. NDB's experience demonstrates a pragmatic, market-oriented approach that reduces foreign exchange risks, supports domestic capital market development, and advances the use of member countries' national currencies in development finance.

I. INTRODUCTION

Local currency financing (LCF) is increasingly recognised as a critical instrument for enhancing financial resilience and supporting sustainable development in emerging markets.

Recent BRICS declarations have consistently emphasised the importance of the use of local currencies in development finance and cross-border transactions. The 2024 Kazan Declaration explicitly supported the New Development Bank's efforts to expand local currency financing, while the 2025 Rio Declaration welcomed the New Development Bank's growing capacity to mobilise resources and diversify funding through local currency instruments. These initiatives reflect a broader BRICS objective of reducing currency mismatch risks, strengthening domestic capital markets, and enhancing the role of multilateral development banks (MDBs) in supporting sustainable development through financing denominated in member countries' national currencies. In addition, the G20 has increasingly promoted LCF as a key component of MDBs reforms, encouraging expanded local currency lending, stronger hedging mechanisms, and deeper capital markets in recent years.

While MDBs have expanded local currency operations through onshore bond issuances, local currency notes, swap-based financing structures, and domestic market treasury platforms, hard-currency financing continues to dominate MDB portfolios. This reflects limited hedging markets, higher local funding costs, and regulatory constraints, with local currency financing largely concentrated in countries with relatively developed domestic capital markets.

II. NEW DEVELOPMENT BANK'S EXPERIENCE

In this context, the New Development Bank (NDB) has positioned itself as one of the most active MDBs in local currency financing since commencing operations in 2015, embedding LCF at the core of its funding and lending strategy. This is aligned with its General Strategy (2022–2026) target of providing 30% of its total financing commitments over the five-year strategy period in member countries' national currencies.

On the funding side, NDB has pursued a proactive and diversified local currency borrowing strategy to align liabilities with assets and reduce foreign exchange risks. The Bank's debut in the capital markets came in July 2016 with its inaugural issuance: a RMB 3 billion five-year green financial bond in China's Interbank Bond Market. This was the first green bond issued by an international financial institution in the Chinese onshore market and laid the foundation for a regular issuance program.

NDB has become the largest issuers in the Panda bond market. It has maintained consistent access through repeated benchmark issuances, attracting central banks, official institutions, bank treasuries, and domestic investors. As of June 2026, cumulative Panda bond issuance reached RMB 87.5 billion. CNY benchmarks accounted for approximately 31.9% of NDB's outstanding borrowings. Panda bonds have consistently represented a significant and growing share of the overall borrowing portfolio.

NDB has also developed a presence in the South African Rand market with multiple issuances (outstanding ZAR benchmarks contributing 1% of the outstanding borrowings as of June 2026). The Bank maintains dedicated local currency programmes, including a CNY 50 billion programme and a ZAR 10 billion programme. Efforts to diversify local currencies portfolio continue, with recent entry into the Indian Rupee market.

In early 2026, NDB raised funds across multiple currencies, including a USD 2 billion benchmark bond in February. The Bank's funding mix as of February 2026 included USD benchmarks (31.1%), CNY benchmarks (29.6%), USD loans (26.6%), and smaller portions in ZAR, EUR, and HKD. NDB has also issued thematic (green and SDG-focused) bonds in local currencies. This market-oriented approach prioritises direct local currency borrowing over heavy reliance on cross-currency swaps.

Impact on capital markets has been positive. NDB's repeated benchmark issuances have deepened yield curves, attracted both international and domestic institutional investors, and supported market development — particularly in China (RMB internationalisation) and South Africa (bond market liquidity).

On the lending side, NDB has progressively increased operations denominated in member country currencies, primarily RMB, ZAR, and INR. Local currency financing accounted for 45.9% of total approvals in 2025—a record share—mainly in RMB, ZAR and INR. Cumulatively, local currency financing represented 34% of the overall approved financing, exceeding the 30% target of the General Strategy (2022-2026). Nearly two-thirds of financing to projects in China has been in RMB, while more than one-third of lending to South African clients has been in Rand.

Compared with other MDBs, NDB stands out for its rapid scaling of direct local currency operations and higher share of local currency approvals. While peers have expanded LCF (often via swaps), NDB's approach is more proactive in building direct onshore funding programs in member markets.

To support member countries' financing needs, NDB leverages innovative treasury and hedging solutions alongside direct market issuances. By utilising cross-currency swaps and optimized funding structures, the Bank effectively matches liquidity across markets to provide local currency disbursements. These tailored solutions help borrowers eliminate foreign exchange and interest rate risks while delivering competitive funding costs for key infrastructure and sustainable development projects.

III. CONCLUSION

NDB's experience in LCF demonstrates a pragmatic, market-oriented model that prioritises direct local currency funding and alignment of liabilities with assets. Looking ahead, local currency financing will remain a core pillar of NDB's strategy, aligned with both the BRICS vision of greater use of national currencies in development finance and the broader MDB reform agenda aimed at enhancing financial resilience, supporting domestic capital market development, and reducing currency-related vulnerabilities in emerging economies.

New Development Bank

About BRICS-NDB Knowledge Portal

The BRICS-NDB Knowledge Portal is a joint initiative of BRICS and NDB. The Portal aims to institutionalise the existing knowledge available across BRICS Working Groups by systematically compiling and translating them in alignment with NDB priority areas and sharing good practices from NDB's operations.

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