



NEW DEVELOPMENT BANK GENERAL STRATEGY FOR 2022–2026

SCALING UP DEVELOPMENT FINANCE FOR A SUSTAINABLE FUTURE



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EXECUTIVE SUMMARY

The New Development Bank (NDB or the Bank) was established in 2015 by Brazil, Russia, India, China, and South Africa (collectively BRICS or the BRICS countries) to mobilise resources for infrastructure and sustainable development projects in BRICS and other emerging market economies and developing countries (EMDCs). Complementing the ongoing efforts of multilateral and regional financial institutions, NDB aims to contribute to global growth and development by helping address the needs and aspirations of EMDCs.

In a short period of time, NDB has grown from being a concept into a fully functional multilateral development bank (MDB). The Bank's first five-year general strategy, implemented from 2017 to 2021, laid the foundations for the early years of NDB's operations and positioned it for a seamless transition into its next five-year strategy phase. It also provided valuable lessons to guide the Bank in its continuous evolution.

NDB's General Strategy for 2022–2026 (the Strategy) sets the course for the Bank's evolution into a leading provider of solutions for infrastructure and sustainable development for EMDCs. Seeking to elevate NDB to a higher standard of operational excellence

and development impact, the Strategy targets enhancements in the Bank's capacity to mobilise resources at scale, finance diversified types of projects, employ sophisticated instruments, maximise impact, and continue building a robust institutional profile.

As an MDB created and majority-owned by EMDCs, NDB will continue to support their rise in the world economy and bolster these countries' contribution to global growth, while respecting their development trajectories and priorities. The unique role and voice of NDB in representing the development aspirations of EMDCs is accentuated by the Strategy, which builds on and seeks to crystallise NDB's identity as an MDB set up by EMDCs, for EMDCs.

The Strategy's overarching objective is to support the Bank's effectiveness in fulfilling its mandate. The strategy map presented in this Executive Summary outlines the building blocks that permeate the Strategy and the imperatives that will help steer NDB's direction over the 2022–2026 period.

Map of the General Strategy for 2022–2026

NDB's MANDATE

Mobilisation of resources for infrastructure and sustainable development projects in BRICS and other EMDCs, complementing the existing efforts of multilateral and regional financial institutions for global growth and development

STRATEGIC DIRECTION

Evolution into a leading provider of solutions for infrastructure and sustainable development for EMDCs

STRATEGIC IMPERATIVES

Mobilising Resources

Financing for Impact

Deploying funding

Mobilising private capital

Co-financing with other MDBs

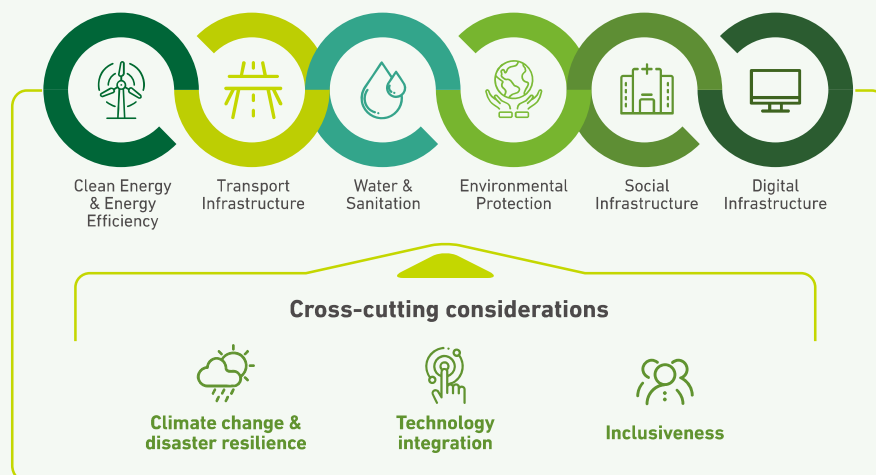
Expanding non-sovereign & local currency operations

Raising funding

Local currency fundraising

Thematic bond issuances

Focus on specific areas



Institution Building

Expand membership, strengthen partnerships & enhance international profile

Enhance internal capabilities, coordination & processes

BUILDING BLOCKS

Centrality of member countries & clients

Criticality of SDGs & climate goals

Catalytic role in resource mobilisation

Crucial role of knowledge & innovation

The Strategy takes into account the lessons learned from the Bank's evolution over the first strategy cycle, as well as the megatrends that will shape NDB's operating context over the next decade. The core elements of the Strategy are laid out across the following sections:

Building Blocks for the Strategy

The Strategy is guided by the following four overarching considerations:

- | | | | |
|--|---|---|--|
| <p>1</p> <p>The centrality of member countries' and clients' needs in shaping NDB's approach, including the Bank's focus on providing tailored services and products without policy conditionalities.</p> | <p>2</p> <p>The criticality of the Sustainable Development Goals (SDGs) and member countries' commitments under the Paris Agreement on Climate Change (Paris Agreement).</p> | <p>3</p> <p>The catalytic role that NDB can play in mobilising financing from diversified sources, particularly in unlocking new sources of private capital.</p> | <p>4</p> <p>The crucial role of innovation and knowledge exchange in boosting NDB's effectiveness as a provider of development solutions.</p> |
|--|---|---|--|

Strategic Imperatives

The main directions of the Strategy are laid out across the following dimensions of NDB's activities, which represent the strategic imperatives for the Bank over the 2022–2026 period:

Mobilising Resources

NDB aims to bolster its role as a catalyst of support for addressing the evolving infrastructure and sustainable development needs of its members. From 2022 to 2026, NDB expects to provide USD 30 billion in funding from its balance sheet and to become an increasingly active player in mobilising capital from private sources. To achieve this, NDB will ramp up its mobilisation capacity through three main initiatives: (i) the use of diversified and more sophisticated financial instruments, (ii) the establishment of special investment vehicles, and (iii) the provision of technical assistance to support project-readiness for private sector participation.

The Bank is committed to maintaining its high credit ratings while seeking to consistently attract low-cost funding. Subject to cost considerations, expanding thematic bond offerings and increasing borrowings in emerging market currencies will be key components of NDB's funding strategy. The Bank will maintain its prudent risk and financial management practices, including keeping a conservative equity-to-asset ratio of at least 25%.

Financing for Impact

NDB's operational programme will continue to prioritise high-impact operations in alignment with the development objectives of its members and in full support of their commitments under the SDGs and the Paris Agreement. The Bank will focus its financing on select areas of operation, while prioritising climate-smart, disaster-resilient, technology-integrated, and inclusive projects. Over the strategy period, NDB will dedicate 40% of its total volume of approvals to projects contributing to climate change mitigation and adaptation, supporting member countries' transition to a more sustainable development path. The use of country systems in environmental, social, and governance (ESG), as well as procurement practices, will continue to be a defining feature of NDB's approach.

Keeping in view client demands in the Bank's member countries, as well as NDB's commitment to scale up private capital mobilisation, the strategy cycle will see an expansion of non-sovereign operations, financing in local currencies, and co-financing with peer MDBs. Over the 2022–2026 period, non-sovereign operations

are expected to represent 30% of NDB's total volume of approvals. Similarly, financing denominated in local currencies is projected to account for 30% of financing provided by the Bank.

NDB will also deepen its cooperation with development finance institutions (DFIs),¹ aiming to co-finance 20% of the projects approved over the strategy period with partner MDBs. Through these co-financing projects, the Bank will deepen the collaboration with its peers to create more space for mutual collaboration, learning and greater developmental impact, with potential scaling up of such financing after a mid-term strategic review and taking on board any lessons learned.

Institution Building

NDB's institutional evolution will be driven by enhancements in the Bank's internal capabilities and the growth of its profile as a global development institution. Towards this end, the Bank will enhance its engagement with the development ecosystem and place an emphasis on holistic digital transformation and streamlining of its processes to realise high-quality differentiated service delivery. The Bank will also bolster its capabilities, in particular by nurturing a high-performing workforce and retaining talented professionals.

Membership expansion will remain a priority to position the Bank as a global institution with high credit standing and development impact. Based on the current pace of the Bank's membership expansion, ongoing negotiations and further engagements with potential new members by the Bank's existing member countries and Management, NDB expects that its membership will continue to grow consistently throughout the strategy cycle.

As the Bank's membership expands in a gradual and geographically balanced manner under the guidance of the Board of Governors (BoG), it will also create space for the promotion of projects leading to regional integration and augmented intra-regional trade. Leveraging knowledge and partnership engagements will continue to be important drivers for elevating NDB's profile and deepening its contributions to the international development community.

Strategy Implementation

The new strategy cycle is likely to be filled with both opportunities and challenges for the Bank, its members, and its clients. While numerous factors outside of the Bank's control may influence its trajectory over the 2022–2026 period, the Strategy seeks to provide direction, with enough flexibility and foresight, for NDB to successfully advance on its path towards becoming a leading provider of solutions for infrastructure and sustainable development for EMDCs.

To support the implementation of the Strategy, and achieve the targets and objectives set across NDB's lines of work, the Bank will establish a framework of processes and tools with requisite measuring and monitoring mechanisms. NDB will conduct assessments and report to the Board of Directors (BoD or the Board) on its strategy implementation on a semi-annual basis. Required adjustments will be reflected in annual business plans, as well as the mid-term review of the Strategy, in order to keep the implementation of the Strategy resilient and achieve the desired outcomes for the five-year cycle in a sustainable manner.

¹ DFIs include national financial intermediaries and MDBs.

I. INTRODUCTION

NDB, established in 2015 by the BRICS countries, occupies a unique position in terms of its mandate and potential to contribute to global growth and development. The Bank's founding members enshrined in its Articles of Agreement the mandate to mobilise resources for financing infrastructure and sustainable development projects in BRICS and other EMDCs.

EMDCs as a group host the majority of the planet's population, with the BRICS countries alone accounting for more than 40% of the world's population in 2020.² The BRICS countries also play a defining role in influencing the trajectory of the global economy. In 2020, they accounted for 31.2% of the world's gross domestic product (GDP) in purchasing power parity (PPP) terms,³ and were estimated to be responsible for about 40% of global infrastructure investment – a figure that is projected to increase to 44% in the next two decades.⁴

The pace and quality of development within EMDCs will largely determine the extent to which the world is able to meet its aspirations for sustainable development. Enabling inclusive and sustainable global development in the coming decades will require EMDCs to be empowered to invest at scale in new infrastructure, new technologies, new sources of energy, and other sectors as per their country-specific needs and priorities.

The requirements implied in addressing the development needs of BRICS and other EMDCs are

massive. Estimates indicate a financing gap of nearly USD 12 trillion in meeting the infrastructure investment requirements of EMDCs between 2021 and 2030.⁵ Given the enormity of the task, NDB seeks to fulfil its mandate by complementing the ongoing efforts by multilateral and regional financial institutions to promote global growth and development. This gives the Bank a unique position as an institution established by and for EMDCs, promoting global development aspirations through collaboration. As one of the key pillars and most critical tangible outcomes of the BRICS cooperation mechanism, NDB also plays an important role in supporting the collaborative efforts of the BRICS countries and, more broadly EMDCs, in the international community.

NDB's path towards fulfilling its mandate has seen the Bank evolve successfully from a concept into reality. Coming out of its first five-year strategy cycle, NDB has built a solid institutional profile, evidenced by its diversified portfolio of infrastructure and sustainable development projects and strong international credit ratings. The admission of the first four new members into the NDB family in 2021 – Bangladesh, Egypt, the United Arab Emirates, and Uruguay – heralded the beginning of the Bank's expansion as a global multilateral institution.

The Strategy aims to guide NDB's evolution over the second five-year cycle, in which the Bank aspires to consolidate its role as a leading provider of solutions

² Analysis by NDB based on data from the World Bank's World Development Indicators.

³ Analysis by NDB based on data from the International Monetary Fund's World Economic Outlook Database.

⁴ Analysis by NDB based on data from the Global Infrastructure Hub.

⁵ Analysis by the McKinsey Global Institute.

for infrastructure and sustainable development for EMDCs. This Strategy takes into account the global operating context around NDB's mandate and aims to equip the Bank to address the development priorities of its member countries.

The BRICS countries and other EMDCs, while pursuing their respective national development agendas, have made strong commitments to the global ambitions under the United Nations 2030 Agenda for Sustainable Development (2030 Agenda), the SDGs, and the Paris Agreement. These commitments have acquired utmost importance amidst the socioeconomic challenges and uncertainties unleashed by the outbreak of Coronavirus Disease 2019 (COVID-19). Alongside the pandemic, the impact of climate change on the environment and people's livelihoods continues to intensify.

This emerging global context demands an international financial system that is conducive to economic and social development while being respectful of the environment. It requires DFIs in particular to help address the global imperatives and challenges in transitioning to a new era of low-emission ecosystems, resilient infrastructure, and technology-integrated sustainable growth. NDB, together with other major MDBs, has made a strong commitment to support global efforts in combatting and adapting to the effects of climate change.⁶

The Bank's commitment to sustainable development has positioned it well to play a meaningful role in the context of the COVID-19 pandemic and climate change. Under the direction of this Strategy, NDB will seek to hone its skills and ramp up its capacity to meet the demands and challenges ahead – with the goal of financing infrastructure and sustainable development projects that can catalyse a green recovery, and balanced as well as inclusive economic growth.

⁶ The Collective Climate Ambition — A Joint Statement at COP26 by the Multilateral Development Banks (2021).

II. NDB's EVOLUTION AND LESSONS LEARNED

Since its establishment in 2015, NDB has grown into a fully functional MDB with the garnered trust of its member countries and stakeholders. Operating with a strong financial and institutional profile, the Bank has been successful in leveraging capital for development purposes at scale and responding to the needs of its member countries.

NDB's first general strategy, implemented over the 2017–2021 period, served the Bank and its members well and created a sound foundation for the second strategy cycle. This Strategy incorporates the lessons learned by the Bank from its milestone achievements as well as the challenges it faced during its build phase. Some of the defining experiences of the Bank's evolution are presented along the financial, operational, and institutional dimensions of NDB's work in the following subsections.

Financial Dimension

Benefiting from its prudent approach to risk management, NDB has built a robust financial profile with a strong balance sheet, solid capital base, and well-established fundraising capacity – all of which contributed to its favourable international credit ratings.⁷

A central aspect of NDB's financial strength is the USD 10 billion paid-in capital that was initially subscribed by the founding members. Leveraging this robust capital base, the Bank's balance sheet expanded consistently over the first strategy period – with assets totalling close to USD 25 billion at the end of 2021. By the same time, NDB had cumulatively raised around USD 11 billion equivalent through bond issuances, of which 73% was in hard currencies and 27% in local currencies. With that, the Bank mobilised sufficient resources to meet its disbursement and liquidity needs, which were driven primarily by its growing project portfolio. The Bank also achieved steady profitability, built an increasingly diversified treasury investment portfolio, and maintained a conservative equity-to-asset ratio standing at 42% at the end of 2021.

Going forward, NDB sees the potential to continue building its capabilities and track record in fundraising in different currencies, as well as in issuing more thematic bonds that can harness interest from the global impact investment market. NDB will further broaden its treasury investment portfolio in terms of instruments, jurisdictions, currencies and counterparties, with an enhanced focus on exploring placements of liquid assets in high-quality debt instruments and bank deposits across all member countries to optimise its treasury earnings via well-diversified asset pools in accordance with its risk appetite. The Bank will maintain the primary strategy for the overall treasury investment portfolio of minimising

⁷ NDB obtained AA+ international credit ratings from S&P Global Ratings and Fitch Ratings, as well as AAA ratings from Japan Credit Rating Agency and Analytical Credit Rating Agency.

risks, preserving capital and maintaining high liquidity, while generating sufficient income, building a presence in the markets of its member countries, and leveraging opportunities to use national payment systems for its operations and activities.

Operational Dimension

With a cumulative portfolio of 82 approved projects,⁸ amounting to USD 30.7 billion, NDB had achieved 96% of the baseline approval projection of the first general strategy by end-2021.⁹ Out of this, the cumulative number of approvals under the Bank's Fast Track COVID-19 Emergency Assistance Response Facility reached nine, totalling USD 9.2 billion. During the same period, the Bank cumulatively disbursed USD 14.6 billion, in line with the baseline projection. If the disbursements related to the COVID-19 emergency loans are excluded, the Bank's cumulative disbursements by the end of 2021 stood at USD 6.4 billion.

With a focus on speed of execution, NDB has consistently sought to achieve faster disbursement across its operations. Towards that end, the Bank will seek to optimise the quality of its project processing and execution in the second strategy cycle through appropriate measures, including the deployment of new tools and information technology (IT)-based platforms that can help to smoothen process flows.

NDB's operations have concentrated on sovereign and sovereign-guaranteed loans, which accounted for 86% of its cumulative approvals by end-2021. If the COVID-19 emergency programme loans provided by the Bank in 2020 and 2021 are excluded, the share of sovereign operations stood at 80% by the end of 2021, similar to the pre-pandemic level at the end of 2019.

The second strategy cycle will see an expansion of non-sovereign lending to address client demands in member countries. In December 2020, the Bank established a dedicated department for non-sovereign operations, which will help to streamline the preparation and implementation of projects with private sector clients. The use of increasingly sophisticated instruments will also help to strengthen NDB's value proposition in non-sovereign operations.

NDB gradually improved the geographic distribution of operations across its member countries during the first strategy cycle. The Bank's largest exposure to a single member decreased from 41% in 2017 to 24% at the end of 2021, while the lowest exposure increased from 5% to 16%. Loans in local currencies accounted for 23% of NDB's cumulative approvals at end-2021. In light of the significant demand observed by the Bank from clients, NDB will seek to expand its local currency operations over the 2022–2026 strategy cycle.

Within the broad spectrum of infrastructure and sustainable development, NDB successfully diversified its operations across a range of key areas and SDGs. By the end of 2021, the Bank's projects were primarily aligned with 11 SDGs, with the majority of committed financing aligned with SDG 9 on Industry, Innovation and Infrastructure (29%), SDG 11 on Sustainable Cities and Communities (15%), SDG 8 on Decent Work and Economic Growth (14%), and SDG 7 on Affordable and Clean Energy (13%). During the same period, the Bank committed USD 5.2 billion to climate finance, accounting for 18% of cumulative approvals. Excluding the COVID-19 emergency programme loans provided by the Bank, climate finance represented 26% of NDB's cumulative approvals at the end of 2021, higher than the pre-pandemic level observed at the end of 2019.

The overarching considerations of sustainability, and in particular sustainable infrastructure, have been the primary guiding principles of NDB's operations and activities. The Bank developed policies and tools that effectively incorporate economic, environmental and social considerations across the project lifecycle. As a member of the global MDB community, NDB has also been working with its partners to develop and promote common approaches towards sustainable infrastructure, SDG alignment, climate finance and other thematic areas related to NDB's mandate.

The sustainability of NDB's operations was also promoted through its environmental and social (E&S) practices, featuring the application of country systems. The Bank adopted a two-way E&S management approach and strengthened the interaction between country systems and NDB's E&S practices. Through the periodic and systematic assessment of country systems, the Bank draws on the good practices of member countries to enrich its understanding of national standards, and disseminate the updated global leading practices back to member countries with a view

⁸ Excluding the projects that were subsequently cancelled, the Bank's cumulative approvals net of cancellations stood at 77 projects with total financing amounting to USD 29.7 billion as at December 31, 2021.

⁹ The General Strategy: 2017–2021 presented projections for two scenarios. Scenario 2 assumes a faster rollout plan and a higher number of approved projects over the period as compared to Scenario 1 (baseline).

to strengthen local frameworks and implementation capacity. NDB's approach has been appreciated by clients due to the greater flexibility that it offers. Working consistently towards the better delivery of services, NDB will continue to harness opportunities to deepen its understanding of its member countries' systems and fine-tune its E&S practices.

Institutional Dimension

As a rules-based institution, the Bank has established an internal framework that includes dedicated committees, comprehensive policies, guidelines, and mechanisms to ensure compliance and adherence to good governance practices. The BoG, the BoD, and its committees have provided invaluable guidance, oversight, and support to Management in steering the Bank's evolution. The Bank has been able to leverage the advantages of having a non-resident Board to ensure an efficient strategic decision-making process. Notably, despite the practical challenges posed by the COVID-19 pandemic environment, engagements with the BoD deepened considerably over the final two years of the first strategy cycle.

NDB successfully adopted a conservative and integrated approach to managing all types of risks through its Risk Management Framework, which is based on the well-established "three lines of defence" model with an independent risk function. The Bank also demonstrated a high order of resilience, particularly during the COVID-19 outbreak, through business continuity. This was greatly attributable to its IT systems, which are fully hosted on the cloud to facilitate key functions, including loan management, treasury, and financial accounting.

In the journey towards becoming a talent-intensive institution, NDB attracted talent from diverse educational and working backgrounds and a judicious mix of experienced and young professionals. The Bank's headcount stood at over 200 staff members at the end of 2021. NDB's headcount plans were conducted on an annual basis and were shaped by several factors, including business needs, a focus on remaining lean and agile, and challenges in the global recruitment environment due to the pandemic. During the second strategy period, NDB will develop and implement a human capital strategy to align staffing and talent management initiatives with the Bank's priorities according to its results-based operating model.

While merit-based recruitment underpins the Bank's talent acquisition, NDB emphasises the importance of diversity and gender balance across the organisation. Women accounted for 32% of the Bank's professional and managerial staff at the end of 2021. The share of women in managerial roles improved steadily during the first strategy cycle – growing from 12% in 2018 to 23% at the end of 2021. NDB will continue to build on its gender balancing efforts over the second strategy period, while further promoting the principles of inclusion and diversity in its talent management practices.

Internalising Lessons Learned

Recognising and learning lessons from the Bank's experience has been and will remain an integral part of NDB's strategic planning. NDB will continue to make concerted efforts to build on its achievements, as well as to address operational bottlenecks and harness opportunities for improvement across its lines of work, including its resource mobilisation, project administration, data analytics support and management capacity. The Bank's existing centralised operating model, based on a lean organisational structure and cloud-based IT infrastructure has served its objectives well, allowing for optimal processing and decision-making. NDB will maintain this approach as it continues to further refine and calibrate its delivery capabilities.

The Bank has compiled its learnings from the first strategy cycle and identified a set of initiatives and steps to pursue over the second cycle. Working in collaboration with member countries, NDB will strengthen its profile as an MDB that, while complementing the efforts of other DFIs, brings fundamental differentiation and capabilities that are relevant to the aspirations of EMDCs. In order to steer NDB over the longer term towards its right strategic niche and direction in accordance with its mandate, the Bank will periodically hold special stakeholder retreats, leadership consultations and ideation weeks to spot opportunities, identify concrete needs of member countries, and prioritise action.

III. NDB's OPERATING CONTEXT

NDB's Strategy is developed by taking into account the evolving operating environment of the Bank as defined by a series of megatrends that are shaping the world and in particular EMDCs. These trends include macroeconomic trajectories, demographic dynamics, growing investment needs, the COVID-19 pandemic, and climate change. They increasingly emphasise the need to mobilise resources for infrastructure as well as sustainable development – both of which are core to the Bank's mandate to propel growth in member countries. As NDB enters the 2022–2026 strategy cycle, its mandate is more relevant and critical than ever.

Understanding the Landscape of BRICS and Other EMDCs

The current perspective on BRICS and other EMDCs builds on macroeconomic and structural trends, with geopolitical shifts and the COVID-19 pandemic affecting the way these will play out over the foreseeable future. The pandemic's impact on these trends is expected to

be varied, accelerating changes in some cases while having a more gradual impact in others.

Spurring on the World Economy

EMDCs and advanced economies are on different tracks of recovery from the pandemic, and there is tremendous potential within EMDCs to continue acting as the main drivers of global economic growth. EMDCs accounted for 58% of global GDP in PPP terms in 2020, and this 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, as compared to an average of 1% and 3% growth in advanced economies during the same respective periods.¹⁰ In the future, labour-intensive services¹¹ and resource-intensive goods¹² will remain relevant, contributing over 50% of global value-added by 2026 and employing populations at scale.¹³ Sustaining this growing economic contribution from EMDCs will require significant investment in economic and social infrastructure.

The pace of growth in EMDCs, as well as in advanced economies, may be hampered in the initial years of the strategy cycle by geopolitical shifts and disruptions in international trade that have led to higher energy and commodity prices and pushed up inflation. Although the evolving global scenario and its impacts are difficult to

¹⁰ Analysis by the McKinsey Global Institute based on data from IHS Markit's Global Economic Data and the International Monetary Fund's World Economic Outlook Database.

¹¹ Includes wholesale and retail trade (including tourism), transport and storage, construction, and healthcare sectors.

¹² Includes agriculture, basic metal, mining, and petroleum product sectors.

¹³ IHS Markit, Comparative Industry Service.

predict, it may restrict the debt servicing and borrowing capacity of EMDCs if the current uncertain and stressed environment continues beyond the short term.

From Brawn to Brain – Evolving Trade Flows

EMDCs play a strong role in global trade, accounting for 35% of total trade volume in 2020.¹⁴ The growth in the value of trade among BRICS countries has also been considerable, increasing by 5.1 times over the period from 2005 to 2020. By contrast, trade between BRICS and advanced economies only grew 2.1 times during the same period.¹⁵ Investment in trade-enabling infrastructure is therefore critical for EMDCs.

Historically, many EMDCs have built trade volumes based on low-cost manpower, natural resources, and commodities. This scenario is gradually changing as knowledge and services increasingly drive competitive advantage in trade. In 2020, less than 20% of the trade in goods was based on labour-cost arbitrage at the global level.¹⁶ In EMDCs, services accounted for 13% of total trade flows in 2020, growing 1.3 times faster than the trade in goods over the past decade.¹⁷

As trade flows become more reliant on brainpower over manpower, infrastructure investment must also evolve to facilitate this change. To capture value from the growth in knowledge services, EMDCs can benefit from accelerated investment in digital infrastructure and technology-integrated education infrastructure.

Shifting Demographics – Greying, Growing, Urbanising

EMDCs are expected to continue urbanising while witnessing a rise in the ageing population and consumer class. The share of the population above 65 years of age in EMDCs is expected to rise from 7% in 2020 to 10% in 2030. In terms of urbanisation, around 50% of the EMDC population in 2020 resided in urban areas. This share is expected to grow to about 54% by 2030.¹⁸

This shift in demographics presents unique opportunities and challenges to sustainable development. A growing population in cities will

heighten the demand for accessible and affordable clean energy, water and sanitation, housing, transport, and much more. Moreover, investments that can help foster human capital and productivity, particularly through social infrastructure, will become critical enablers of sustained and inclusive growth.

The Deepening Threats of Climate Change

Countries around the world are increasingly exposed to more frequent and extreme climate and weather-related events. The Intergovernmental Panel on Climate Change has found that unless there are deep and large-scale reductions in greenhouse gas (GHG) emissions, global warming scenarios of 1.5°C and 2°C will be exceeded during the 21st century.¹⁹ If not managed properly, the impact could aggravate existing vulnerabilities and jeopardise inclusive growth, as underserved segments of society are likely to be the most negatively affected.

Recognising the growing urgency, several MDBs, including NDB, have reaffirmed and increased their commitments to climate actions. All of NDB's member countries have set Nationally Determined Contributions (NDCs) to support the global transition to a net-zero economy. Attaining these targets could require approximately an additional USD 10 trillion of infrastructure investment globally from 2021 to 2030, and half of this would need to be dedicated to climate adaptation.²⁰

Taking Tech and Digital Access Deeper and Further

New technologies and digital processes have been propelling socioeconomic growth and productivity in EMDCs. Embedding more technology and digitisation across sectors could have a profound impact going forward. Applying the use of the latest technologies in infrastructure, particularly in the creation of smart roads, grids, and 5G networks, could be catalytic in boosting operational efficiencies in critical sectors for economic growth and sustainable development.

Concerns exist, however, about the socioeconomic implications of technology, especially the risk of widening the existing digital divide and the potential for significant job displacement. Such concerns call for reinforced efforts to achieve universal digital access and to reskill workers.

¹⁴ IHS Markit, Global Economic Data.

¹⁵ IHS Markit, World Trade Service.

¹⁶ IHS Markit, Comparative Industry Service.

¹⁷ Ibid.

¹⁸ Analysis by the McKinsey Global Institute.

¹⁹ The Intergovernmental Panel on Climate Change, 2021: Summary for Policymakers.

²⁰ Analysis by the McKinsey Global Institute.

The Inescapable Impact of COVID-19

The unpredictability of COVID-19 and its ongoing fallout remains a key consideration for the Bank. The impact of the pandemic varies across different trends and can be characterised as evolving, accelerated or structural, as described below:

- Evolving impact on EMDCs' economic contribution:** Across EMDCs, government debt levels as a share of GDP increased 1.2 times between 2019 and 2021, reflecting a rise in borrowing and raising concerns over debt sustainability.²¹ NDB's Strategy recognises that reigniting growth and addressing the lingering impact of the COVID-19 pandemic will require MDBs, including NDB, to provide tailored products and services to countries, without imposing any undue fiscal burden on them, so as to ensure debt sustainability.
- Accelerated de-globalisation and technology adoption:** The pandemic disrupted global trade and prompted countries to strengthen their domestic supply chains. This has accelerated the emerging trend of de-globalisation across the world, while also pushing up inflation in various economies. Increased support for trade-enabling infrastructure, including railways and airports, could strengthen distribution and resilience in global supply chains.

To some extent, the pandemic accelerated digitisation, creating a surge in data consumption (e.g., global average daily data consumption went up by over 60% in March 2020 compared to January 2019).²² Companies continued to digitise and employ technology to mitigate supply-chain risks, accelerating the shift towards Industry 4.0. These gains could be sustained in areas such as infrastructure construction, for instance, where augmenting technology adoption can bring significant efficiency gains. Similarly, integration of technology in healthcare and education will continue to play an important role in supporting the provision and quality of social services.

- Structural impact on evolving demographics:** The pandemic has accentuated socioeconomic inequalities around the world and exposed structural issues in the way that social services are delivered. In particular, it has spotlighted the

need for more self-reliant healthcare systems. The imperative to channel investments into more resilient social infrastructure, including healthcare and education, is clear.

To respond adequately to the evolving needs of its member countries, NDB will remain attuned to the unique challenges and circumstances in each of its member countries as these trends develop.

The Funding Requirement for Infrastructure and Sustainable Development

As the Bank assesses past investment and future requirements for infrastructure and sustainable development financing across EMDCs, it acknowledges that it must reinforce its efforts to help bridge a widening gap between the availability of resources and growing needs.

The Infrastructure Financing Landscape: 2011 to 2020

Larger populations and growing economies mean that infrastructure investment in EMDCs is likely to keep rising. Statistics show that infrastructure investment in EMDCs increased from USD 3 trillion from 1991 to 2000, to USD 21 trillion from 2011 to 2020, and it is projected to further rise to around USD 27 trillion in the subsequent decade. The share of infrastructure investment to GDP for EMDCs rose from 6.2% in 1991–2000 to 7.2% in 2011–2020 and could grow to 8.3% by 2030.²³

The main sources or intermediaries of infrastructure funding during 2011–2020 were commercial banks and government institutions, including sovereign wealth funds, as well as federal and sub-national entities. Government institutions accounted for 22% of total infrastructure funding during the 2011–2020 period, which represented a significant drop from a 37%

²¹ Analysis by the McKinsey Global Institute based on data from the International Monetary Fund's World Economic Outlook Database.

²² Moffet Nathanson, Broadband in the era of COVID-19. OpenVault Broadband Insights Report (2020, Quarter 1).

²³ Analysis by the McKinsey Global Institute.

contribution in 2001–2010. Commercial banks, on the other hand, increased their contribution substantially from 29% in 2001–2010 to 47% in 2011–2020.²⁴ The contribution from development banks stayed constant at 17%. Other sources of infrastructure financing included corporates and funds in the private sector.

In terms of instruments used to finance infrastructure development, the share of equity investment during 2011–2020 was 15%, down from 25% in 2001–2010. While this may be attributed to the emergence of innovative capital structures, reduction in project risk, and an increase in the stability of returns from infrastructure assets, the trend also points to a need for augmenting efforts to pool in private risk capital. Historically, plain vanilla loans have been the main instrument, financing around 50% of infrastructure investment in 2011–2020. However, additional financial instruments are now seeing a surge, particularly bonds, whose share grew from 2% in 2001–2010 to 20% in 2011–2020, and syndicated loans, whose share reached 15% in 2011–2020. Mezzanine bonds and guarantees also form a small but growing component of this shift.

The Future Landscape for Infrastructure Funding in EMDCs

In the coming decade, transport, followed by energy, water, and waste management, are likely to remain the sectors requiring the biggest infrastructure investments in EMDCs.²⁵ The expected infrastructure requirement from 2021 to 2030 adds up to around USD 39 trillion. Of that, nearly USD 12 trillion is projected to be unfunded. This gap is estimated to be the product of a mix of factors, including lack of budgeted capital expenditure increases for sustainable investments in economic infrastructure, projects that may not be commercially viable, and structural factors – such as the lack of project pipelines, lack of capabilities, and regulatory and bureaucratic challenges.

NDB recognises that the demand for infrastructure investments by BRICS and other EMDCs over 2021 to 2030 will depend on a range of factors. These include the pace of global economic growth and other key drivers like trade flows, the emphasis on sustainability, adoption of technology, and the level of urbanisation in the challenging aftermath of the COVID-19 pandemic and uncertainties in the global economic scenario.

Infrastructure demand over the 2021–2030 period could vary as compared to the base case of USD 39 trillion – from USD 34 trillion in a slow-growth scenario to as high as USD 48 trillion in a rapid-growth scenario.²⁶ However, given the immense infrastructure needs even in a lower end scenario, and the quantum of capital available to NDB, the Bank does not expect these potential changes in its operating context to materially affect its financing ambitions or its ability to deliver on its mandate over the strategy cycle. This is especially true in light of the expected gradual normalisation of economic conditions in the medium term.

Implications for NDB

Addressing the immense gap in the availability of financing for EMDCs to meet their infrastructure investment requirements demands that MDBs take an active and leading role. As development agencies, MDBs should not only provide financial support, but also develop innovative measures to enhance the bankability of projects, leveraging efforts from both public and private sector players. Accordingly, NDB will strengthen its engagement with member countries, identify their demands and priorities, and work together with its partners to promote private sector investments into infrastructure and sustainable development projects. Remaining focused on its mandate and strategic direction, NDB will consider the implications of the various megatrends and geopolitical shifts shaping the global landscape and its operating environment.

The need to sustain the economic growth of EMDCs calls for enhanced economic and social infrastructure. Within this, trade-enabling infrastructure will be critical for keeping pace with evolving trade flows. Additionally, ageing, growing, and urbanising populations point to an urgent demand for accessible and affordable infrastructure. Looming climate change concerns imply that infrastructure investment will also need to facilitate the low-emission transition and build systemic resilience. The constant need for operational efficiency and sustainable development makes a strong case to invest in the latest technologies for enhanced infrastructure.

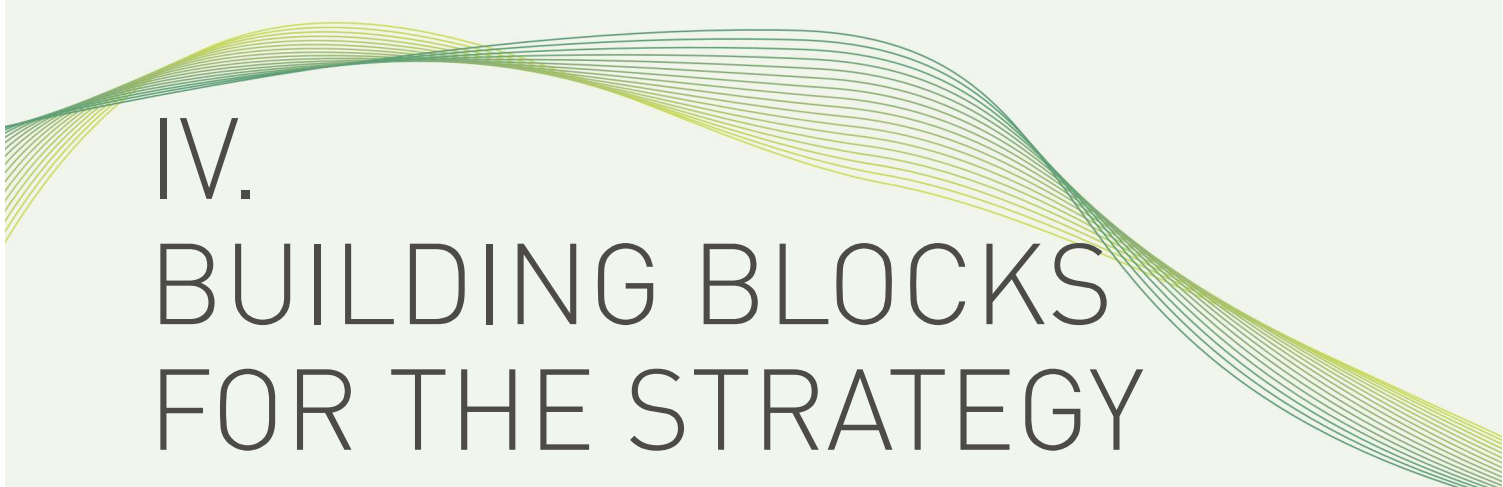
²⁴ Analysis by the McKinsey Global Institute based on data from the Infrastructure Journal Global Database.

²⁵ Analysis by the McKinsey Global Institute.

²⁶ Ibid.

In order to ensure that meaningful impact is achieved and resources are not scattered across a wide range of areas, NDB will finance projects in six priority sectors, identified on the basis of the Bank's lending mix during the first strategy cycle, the current focus of its member countries, the development challenges faced by EMDCs and global trends. The sectors prioritised include clean energy and energy efficiency, transport infrastructure, water and sanitation, environmental protection, social infrastructure and digital infrastructure. The Bank will also focus on a series of key considerations, namely climate change and disaster resilience, technology integration, and inclusiveness.

External changes to the Bank's operating context may affect NDB's country and sectoral allocations in light of potential evolutions in the global macroeconomic scenario and the development priorities of the Bank's member countries. A potentially prolonged rising interest rate scenario would also require NDB to maintain its agility and adopt appropriate approaches as necessary to ensure its financial strength and sustainability. Under any circumstance, the Bank will continue to apply sound banking principles in all its activities and undertake operations that support its mandate, while working in full conformity with the compliance and risk standards expected of an international DFI.



IV. BUILDING BLOCKS FOR THE STRATEGY

NDB's General Strategy for 2022–2026 attempts to provide a sharper focus and orientation to the Bank's work, while ensuring the effective delivery of its mandate. It is principally guided by the following four overarching considerations:

- **Centrality of member countries and clients:** To achieve effective development cooperation, NDB keeps the development aspirations of its member countries at the centre of everything it does. This entails full respect for national sovereignty and ownership of member countries in driving their development priorities, as well as no policy strings attached to the Bank's investment decision-making. By operating with a member country and client-centric approach, the Bank also maintains a sharp focus on providing tailored solutions, including financing, credit enhancement, capacity building, and project development support that respond to the different development contexts in its regions.
- **Crucial role of knowledge and innovation:** Knowledge and innovation are essential enablers for enhancing NDB's development value proposition. In striving for excellence, the Bank seeks to integrate leading practices, leverage expertise, and promote innovation across all its lines of work. The Bank also seeks to play an important role in facilitating the exchange and dissemination of knowledge and innovative practices among countries and clients, particularly those from EMDCs. NDB's knowledge and its experience in financing infrastructure and sustainable development projects in BRICS and other EMDCs will be an increasingly useful contribution to the international development discourse.
- **Criticality of the SDGs and climate goals:** NDB is committed to helping member countries deliver on their development objectives, devised in alignment with the 2030 Agenda and the Paris Agreement. Accordingly, it takes on board the SDGs and the NDCs of member countries to guide its operations and activities.
- **Catalytic role in resource mobilisation:** NDB recognises that financing constraints remain a critical impediment to infrastructure and sustainable development investments in member countries. In helping to address the financing gap, NDB is committed to playing a catalytic role in mobilising resources from diversified funding sources, particularly from the private sector.

V.

MOBILISING RESOURCES

Given the infrastructure financing gap in EMDCs, NDB aims not only to deploy financing from its own book through diversified instruments and in various currencies, but also to play an important role in catalysing much-needed resources from the private sector and deepening the financial markets in its member countries. Over the strategy period, the Bank will engage strategically with private sector players to become a significant catalyser of private capital into infrastructure and sustainable development projects.

To unlock resources in support of its financing activities, the Bank will remain guided by an approach of maintaining high credit ratings and seeking to consistently attract low-cost funding. As NDB pursues financial sustainability, it will maintain its prudent risk and financial management practices, including keeping a strong equity-to-asset ratio of at least 25%. This will help support and potentially improve its robust credit ratings as well as its ability to provide timely financial support in the event of external shocks or situations calling for counter-cyclical action.

Financing from NDB's Resources

Making effective use of the proven operating model of MDBs, NDB will provide USD 30 billion in funding

from its own book to infrastructure and sustainable development projects over the 2022–2026 period. While the Bank will continue to aim at providing development finance at the most competitive pricing, fundraising may include more thematic bond offerings and increased borrowing in local currencies. Both these sources could enable the Bank to increase borrowings and fully realise its goal of financing crucial infrastructure and sustainable development in EMDCs. In addition, the Bank will explore opportunities for balance sheet optimisation, including through exposure exchange agreements with peer MDBs.

Fundraising in Local Currencies

Local currency financing continues to be a key component of NDB's value proposition. In the 2022–2026 strategy cycle, the Bank will attempt to increase its local currency lending to provide suitable financing for projects with local currency revenues, thus helping clients to mitigate foreign-exchange risk and reducing their dependencies on swap markets that involve significant costs. NDB targets to provide 30% of its total financing commitments over the five-year strategy period in national currencies of member countries, with country-wise distribution varying across the Bank's membership as per prevailing market conditions, applicable regulations and pricing.

To support the achievement of this target, NDB will work towards expanding its funding sources through local

currency-denominated bond issuances, both onshore and offshore. The Bank expects to grow its competitively priced borrowing in emerging market currencies by actively engaging with local stakeholders and partnering with investment banks to identify issuance opportunities, broaden its investor base, and optimise deal structures. This will contribute to the development of domestic capital markets in member countries. The Bank will also seek to establish its bonds as attractive high-quality liquid assets by securing zero-risk weighting and thereby derive cost advantages. Offshore issuances and swap markets will also be explored to look for opportunities to access local currency funding in a cost-effective manner.

Boosting Sustainable Development with Thematic Bonds

In light of global investors' increasing thrust in expanding their ESG portfolios, NDB aspires to step up its issuance of thematic bonds during the strategy period. As NDB sharpens its focus on sustainability, the Bank will continue exploring opportunities to issue emerging sustainability debt instruments, such as green bonds, climate bonds, and social bonds.

The advantages of thematic bonds for the Bank are threefold:

- An expanded investor base, as thematic bonds attract a diverse pool of impact investors, such as institutional or corporate investors that have a mandate for sustainability;
- Enhanced visibility, which will help the Bank develop its funding portfolio in both primary and secondary markets; and
- Improved market positioning and brand image, as the Bank demonstrates its firm commitment to sustainable financing and green investments to promote transitions towards lower-emission, more prosperous and inclusive economies.

The Bank's issuance of thematic bonds will be guided by its Sustainable Financing Policy Framework, which is aligned with international standards and leading practices. The Bank will endeavour to leverage thematic bond markets to the extent that allows competitive pricing on an all-in cost basis, and will also ensure that capital raised in thematic bonds is exclusively earmarked to green, social or sustainable investments.

Mobilisation of Private Capital

Since the adoption of the Addis Ababa Action Agenda in 2015, MDBs have increasingly prioritised the mobilisation of private capital to help bridge the immense gap in financial resources needed to deliver on the 2030 Agenda. Together with its peer MDBs, NDB is committed to catalyse more investment from private investors and other sources of capital such as pension funds, sovereign wealth funds and insurance companies. So far, NDB has provided capital mostly as a long-term lender, mainly through sovereign and sovereign-guaranteed loans. In the next phase, NDB intends to strengthen its catalytic role, aiming to mobilise private capital in the dual role of a risk mitigator and a project orchestrator.

NDB will scale up its private capital mobilisation through a focus on three initiatives: utilising additional instruments, establishing special investment vehicles, and providing technical assistance to help make projects viable for private investments. A detailed action plan will be developed to support the Bank's private capital mobilisation efforts.

Expansion of Financial Instruments

A key driver of the progress achieved by MDBs in unlocking flows of private capital has been the gradual expansion of the financial instruments in their toolkits that help mitigate risks associated with investments in projects designed for positive development impact. Aiming to play a more active role as a risk mitigator, NDB will move beyond providing primarily plain vanilla loans to also developing mechanisms and offering financial instruments that can mobilise private capital in a more direct way by de-risking projects and making them viable. Over the strategy period, the Bank will build capacity to syndicate loans, offer guarantees and gradually expand its product line.

The Bank's approach to each additional finance instrument will be appropriately differentiated:

- At the lower end of the risk spectrum, with co-financing and syndicated loan programmes, the Bank will start as an "arranger". In this capacity,

NDB will aim to build the necessary capacity and acquire technical know-how in arranging and leading deals, preparing itself for a smooth transition into the “lead-arranger” role over time.

- With guarantees, the Bank will reimburse a proportion of incurred losses to financial institution or corporation that lend to infrastructure and sustainable development projects, mitigating the lenders’ risk exposures.
- NDB may use non-payment insurance arrangements to protect against the risk of non-payment of principal and interest by borrowers. For this, the Bank will forge long-term partnerships with well-established (re)insurance firms that can cover specific risks (e.g., credit or political risk) on projects.
- NDB may also consider investing in hybrid capital, such as subordinated debt and preference shares. To do this, the Bank will strengthen its origination, structuring, valuation, and risk management capabilities.
- NDB will consider making direct investments in project equity, and continue its indirect equity participation via funds. Towards this end, the Bank will develop its own project sourcing, valuation and performance monitoring capabilities, apart from exploring opportunities to co-invest alongside institutional investors with strong track records. It will also re-evaluate and optimise its approach towards development-oriented and value-adding equity investments.

In accordance with the demands from member countries and clients, NDB may introduce additional business lines within its mandate, such as trade finance with self-liquidating products that could enable the Bank to better utilise its short-term liquidity.

Establishment of Special Investment Vehicles

Other than expanded financial instruments that offer project-specific terms, NDB may establish a pre-committed pool of capital (e.g., debt, mezzanine, or equity) that is non-project-based to systematically crowd-in private investors. In this role of a project orchestrator, NDB will tap into its investor network and begin with a thematic investment fund (e.g., climate

finance or energy transition) aiming to generate measurable economic, social or environmental impact alongside financial returns. Eventually, the Bank will seek to onboard large and well-established investors for long-term partnerships that help generate reasonable returns alongside strong development or climate impact. NDB will also look into establishing investment vehicles around securitisation.

Provision of Technical Assistance

NDB aims to enhance its institutional capacity to assist its clients in solving technical problems, sharing their innovative learnings, and addressing skill or capability gaps. Under the umbrella of technical assistance, the Bank will provide borrowers with advisory and preparatory services as well as training to supplement their in-house capacity.

The main objective of NDB’s technical assistance intervention is to make projects financially viable, economically sound, socially inclusive, and environmentally sustainable so that they can attract financing or refinancing from the private sector. Realising the practical challenges and complexities involved, the Bank believes that technical assistance for project preparation may at times be as important as the financing itself and can help build the capabilities of beneficiaries to proceed with development initiatives.

To enhance its provision of technical assistance, while maintaining a lean operating model, the Bank will partner with other institutions in member countries – along with the broader marketplace – to develop an external talent pool for project assistance. The Bank may also explore other ways of bolstering its project preparation activities, including by potentially expanding the scope of its Project Preparation Fund. NDB will consider developing a specific action plan to guide the expansion of its technical assistance activities.



VI. FINANCING FOR IMPACT

Contributing towards infrastructure and sustainable development is the uppermost objective of NDB's mandate. Accordingly, the Bank's financing operations support infrastructure and sustainable development projects with a distinct focus on bringing socioeconomic and environmental benefits. NDB intends to deploy USD 30 billion from its balance sheet over the 2022–2026 strategy cycle through loans, equity investments, and other instruments. This will bring the Bank's cumulative project approvals to around USD 60 billion by the end of 2026.

NDB will focus its efforts on high-quality projects in select areas of operation where financing can be catalytic in spurring sustainable development at scale. While the Bank will continue financing projects in clean energy and energy efficiency, transport infrastructure, water and sanitation, and environmental protection, it will also step up its efforts to support digital and social infrastructure projects. Climate change, disaster risk, technology integration, and inclusiveness will all be emphasised as key considerations in NDB's project evaluation toolkit.

The Bank will continue to build a diversified and robust portfolio across sectors and geographies. As the development priorities of its members evolve, NDB remains open to providing financing in other operational areas that meet its mandate and evaluation criteria. With the ongoing expansion of its membership, the Bank also plans to support projects that can enhance regional connectivity and integration, and promote economic cooperation across EMDCs, while ensuring that such projects are in line with NDB's mandate and do not

impinge on the sovereignty and territorial integrity of any state.

The Bank recognises that multi-stakeholder collaboration will be indispensable to close the immense infrastructure financing gap across EMDCs and, more broadly, to realise the objectives of the 2030 Agenda. Given this, the Bank will maintain close collaboration with peer MDBs, global funds, national financial intermediaries, philanthropic organisations and private sector players. NDB aims to co-finance 20% of the projects approved over the strategy cycle with peer MDBs. Other financing arrangements such as blended finance and project finance will also be explored in collaboration with partner institutions.

Areas of Operation

Within the broad spectrum of infrastructure and sustainable development, NDB's operations during the 2022–2026 period will focus on, but not be limited to, the following areas:

- **Clean energy and energy efficiency:** NDB will continue to support its member countries' transition towards a low-emission development pathway, as guided by their NDCs. The Bank will prioritise projects that entail the deployment of clean and renewable energy at scale, as well as those that

enhance the efficiency of power transmission, distribution, and storage through proven and emerging transformative technologies. In line with its firm commitment to sustainability and climate goals, NDB will not consider financing any new coal-fired capacity for power generation. In the process of decarbonisation, the Bank will suitably address the associated socioeconomic challenges to ensure a just transition. A detailed approach paper will be developed to guide implementation.

- **Transport infrastructure:** Within the transport sector, NDB will support the augmentation of inter-city and intra-city transport networks as well as infrastructure that promotes regional connectivity and facilitates the movement of people, goods, and services, such as roads, ports, and airports. Given its sustainable infrastructure focus, the Bank will pay special attention to safety features and socially inclusive amenities during the preparation and implementation of transport-related projects. The Bank also intends to prioritise smart transport and logistics projects that use technologies to improve efficiencies and reduce GHG emissions.
- **Water and sanitation:** NDB will support projects that facilitate universal access to clean drinking water and adequate sanitation, promote equitable and sustainable management of water resources, and reduce vulnerability and exposure to water-related disasters – particularly those triggered by climate change, such as droughts and floods.
- **Environmental protection:** NDB recognises that sustainable development encompasses decoupling economic growth from environmental degradation and pollution. Accordingly, it aims to support projects that involve conservation and restoration of key ecosystems, promote nature-based solutions and better management of natural resources, contribute to pollution prevention and abatement, and aim to reverse or reduce the negative environmental impact of socioeconomic activities. The Bank may also consider financing new and emerging technologies that can mitigate the impact of already accumulated or current emissions, with a view to supporting faster and more impactful emission reduction.
- **Social infrastructure:** NDB will support the building and modernisation of social infrastructure, such as schools, hospitals, affordable housing, cultural heritage sites and other long-term physical assets

that facilitate social services, support human development, quality of life and living standards. In particular, NDB will support projects that facilitate digital, flexible, and agile delivery of social services in education and health.

- **Digital infrastructure:** Given the accelerated digitisation and the persisting digital divide in EMDCs, NDB will finance projects that entail the expansion and modernisation of national and international backbone digital infrastructure, such as overland and subsea cables, landing stations, telecom towers, base stations, and associated facilities. By investing in these back-end digital infrastructure projects, particularly those extending connectivity to underserved areas, NDB could support the efforts of its member countries to achieve universal and affordable access. The Bank may also consider projects that improve last-mile connectivity to meet the speed and quality needs of end users.

Key Project Considerations

Supporting infrastructure and sustainable development projects that bring development impact to its member countries and the international community will remain NDB's overarching objective. To maximise the impact of its financing, NDB will adopt three key project considerations across its operations:

- **Addressing climate change and disaster risk:** Guided by the NDCs of its member countries, NDB will identify and prioritise projects or components that contribute to reducing GHG emissions, support transition to lower-emission economies and help countries adapt to climate change. Following the joint MDB tracking methodologies for climate finance, NDB will dedicate 40% of approvals to projects contributing to climate change mitigation and adaptation over the strategy period. The mitigation-adaptation financing mix will be determined by the priorities and preferences of individual members. The Bank will work towards aligning its new operations with the goals of the Paris Agreement by the end of the strategy cycle, drawing on the joint approach and methodologies being developed in collaboration with other MDBs.

Moreover, NDB will take into account disaster resilience whenever possible during the preparation and implementation of its projects. Collaboration with key stakeholders in this area, including other international organisations and centres of expertise on disaster and climate-related issues, will bring important contributions to the Bank's work.

- **Promoting the application of technology:** NDB will build capacity to facilitate, where appropriate, the application of smart and innovative technologies into its projects, making them more sustainable and resilient. The Bank will consider technology intensity as part of its project appraisal, with a view to accelerate the application of fit-for-purpose technology that could benefit the entire project lifecycle.
- **Ensuring inclusiveness in investments:** The Bank will institutionalise tools with applicable metrics that will help the Bank to evaluate the inclusiveness of projects at the design stages and identify opportunities to address inequalities across gender, age, race, class, and geography.

Over the 2022–2026 period, NDB will develop appropriate processes, systems, and methodologies to reflect these considerations throughout the lifecycle of its projects.

Expanding Non-Sovereign Operations

Keeping in view the unique contexts of its member countries and their demands for non-sovereign financing – including for projects undertaken by sub-national governments, state-owned enterprises, and private sector entities without sovereign guarantees – NDB will increase its institutional capacity in credit appraisal and risk assessment. While ensuring that high quality project preparation and well-managed risks are prerequisites, the Bank plans to direct 30% of its financing commitments over 2022–2026 to non-sovereign operations.

To ensure the high quality of its non-sovereign operations, NDB believes that it could benefit from blending relevant practices from contemporary commercial lending approaches with the experience of well-established MDBs. This will be in line with NDB's vision of charting a sustainable development path that embodies market principles and delivers quality projects at speed.

NDB's non-sovereign operations will place a strong emphasis on generating additionality. The Bank will focus on bringing to projects what is not available from the market. A key consideration will be to ensure that the Bank's interventions do not crowd out private investments.

Refining the Use of Country Systems

The use of country systems in ESG as well as procurement practices will continue to be a defining feature of NDB's operational approach. The Bank will conduct periodic in-depth and systemic reviews to identify areas in its member countries' systems that could be bolstered. This will allow the Bank to track and monitor changes in national legislations and regulations to ensure their relevance, clarity, and consistency of implementation. As NDB's membership continues to expand, it will conduct deep dives to review the country systems of new members and assess their adequacy for achieving the sustainability objectives of NDB's projects. These reviews will help the Bank to calibrate its approach for operating in specific national contexts.

Going forward, NDB plans to strengthen and streamline its approach to ESG and procurement-related evaluation processes. The Bank will incorporate ESG considerations into its operations and activities, including its funding and investment decision-making. To ensure ongoing improvements in the Bank's practices to attain high ESG standards, NDB will proactively track and take lessons from the best-in-class approaches of peer institutions and member country systems.

Strengthening On-the-ground Presence

NDB's experience suggests that an on-the-ground presence helps in scaling up operations in a region. The Bank's regional offices have been instrumental in developing strong project pipelines in their respective geographies.

The Bank will optimise its workflows by clearly delineating the important role of regional offices in the Bank's activities. Under the guidance of the headquarters, the regional offices will strengthen their engagement with regional partners in the origination, preparation, implementation and monitoring of projects. In view of NDB's membership expansion, business continuity considerations, operating requirements and the need for operating in time zones suitable for accessing global funding pools and maintaining investor connect, the Bank could evaluate broadening its presence through a rigorous analysis of its business needs and cost implications.

considerations in the preparation and implementation of its projects. It will recalibrate tools for project screening, selection, and appraisal to factor in lessons learned from its experience and best practices of peer MDBs. The Bank will also further integrate development impact considerations throughout the project lifecycle by onboarding necessary tools and processes, such as a project scorecard system with objective criteria to support project selection and evaluation.

Managing Development Results

NDB's success in fulfilling its mandate depends on the scale of development impact it achieves in member countries. Setting clear objectives, selecting meaningful performance indicators, monitoring development results, and evaluating development impact are core elements of the Bank's operations. Over the years, the Bank has also made tracking and reporting the alignment of its financing with the SDGs and the Bank's climate finance commitments an integral part of its impact measurement toolkit.

Going forward, the Bank will explore ways of going beyond monitoring and reporting, to maximising its development impact, and intensifying development

VII.

INSTITUTION BUILDING

As NDB moves beyond its establishment phase into a steady state of operations, it will continue to build on its lean and agile institutional profile, which embeds the value of efficiency in both administration and operational activities. The Bank will strengthen its operational governance, internal capabilities, procedures and processes, control functions, and external engagement to deliver on its mandate in a transparent, responsive, and cost-effective way that reflects the Bank's revenues and cost structures.

Governance

NDB recognises the importance of having in place good governance structures and processes that reinforce operational efficiency, accountability, transparency, high ethical standards, equality and good relations. The Bank's internal frameworks, including its committees, policies, and procedures, seek to embed the principles of good governance in all aspects of NDB's work.

During the second strategy cycle, the Bank will continue to strengthen its engagement with the BoD and enhance communication between the Board members and the Bank's Management team. The Bank will set up more frequent and diverse forms of interaction to nurture the exchange of ideas and seek continual guidance and feedback from its Directors. As NDB evolves along with the expansion of its product range, portfolio size and

revenue pools, the Bank will continue to track changes in governance structures and leading practices at peer institutions and may examine the need as well as the benefits of switching to a resident BoD.

With a consistent vision to operate as "One Team", the Bank will continue to optimise coordination among its departments and divisions, emphasising common objectives across the Bank's lines of work. As the Bank grows, it will also upgrade and standardise processes across key functions with adequate monitoring and reporting mechanisms, well-calibrated templates and systems that promote collaboration and communication. To embed a cost-conscious culture, the Bank will roll out a cost management programme that will help promote an efficiency mindset across all of its functions.

Transparency and Accountability

To strengthen its transparency, integrity, and accountability mechanisms, the Bank will upgrade its information management systems to better deliver information to stakeholders. It will also enhance its internal control practices to foster greater accountability.

Recognising that public access to information is key to effective stakeholder engagement, NDB will augment

external communication through different channels. In particular, NDB will focus on enhancing information disclosure in terms of scope, quality, timeliness, frequency, granularity, and design.

To boost accountability, NDB will review its processes, policies, and guidelines to ensure that they are well aligned with the Bank's Strategy, clearly spell out roles and responsibilities, and provide practical guidance for execution. It will introduce digitalised mechanisms for sharing information and reviewing documents, as well as develop internal dashboards to facilitate accountability, transparent management, and evidence-based decision-making. Reviews and reports from NDB's relevant departments, including Internal Audit Department, Compliance and Investigation Department and Independent Evaluation Office, will further add to transparency and accountability, delivering benefits in the form of new lessons for potential enhancements in the Bank's activities.

To adequately address grievances arising out of its expanding operations and to collect feedback from clients as well as individuals, communities, and civil society organisations (CSOs), the Bank will establish well-designed mechanisms that will supplement clients' own grievance redressal mechanisms. Meanwhile, the Bank will also strengthen its institutional mechanisms to handle non-project-related grievances.

Communication and Visibility

Strengthening communication and brand visibility will be an important part of the Bank's institutional evolution during the second strategy cycle. In particular, NDB aims to increase the visibility and accurate understanding of the Bank globally. For this, the Bank will increase the frequency and quality of its media interactions, publications and public information disclosure, modernise its website, roll out perception surveys, and enhance stakeholder engagement.

The Bank will also develop targeted communication strategies with select stakeholders to enhance transparency and visibility in member countries with the help of regional offices and centralised headquarters-supported content, coordination, and oversight. As NDB's profile grows, it will aim to contribute to the

international community's discourse on infrastructure and sustainable development through its own experiences and distinctive voice.

Risk Management

NDB's mandate entails the provision of inherently risky long-term development financing, thus requiring prudent risk management. Preserving NDB's reputation and financial capital will remain a central part of decision making at the Bank, as well as its institutional culture. NDB will continue relying on its prudent risk appetite and strong enterprise risk management to maintain and potentially improve its high credit ratings. Within its risk limits, NDB envisages to continue optimising the use of its capital.

The Bank will continue to augment its risk management capabilities and practices related to portfolio credit quality, availability of liquidity pools for forward-looking scenarios, capital adequacy, human capital, cyber security, and business resilience. As it expands its non-sovereign operations, the Bank is also developing tools, skillsets, and methodologies to increase its internal capacity for managing the risk from such operations, in sync with the leading practices of highly rated peer MDBs and large international commercial banks.

NDB recognises the potential implications of climate risks, including physical and transition risks. As an initial step to safeguard its operations in a changing environment, the Bank will stock-take existing approaches, including those of peer MDBs, on incorporating climate risks in portfolio management. This will set the baseline for NDB's internal policies on climate risk assessment, stress testing, and climate-related disclosures.

Information Technology

As a 21st-century MDB with a cloud-based IT infrastructure, the Bank intends to embed technology into all its activities. During the 2022–2026 cycle, the Bank will prioritise comprehensive digitisation of its internal processes and workflows as well as its interfaces with member countries, clients, and other

stakeholders. This will help the Bank enhance inter-functional collaboration, improve processing efficiency, and ensure business continuity during emergencies and unexpected circumstances.

NDB's IT focus will be to increase efficiency, productivity, delivery standards, information security and user experience by streamlining transactions and information flow throughout the project lifecycle and decision-making processes. The Bank will strengthen its data governance practices to enable more systematic analytics and faster identification of risks. Advanced technological and analytical tools, including those based on artificial intelligence and machine learning, could also be leveraged to support NDB's work.

Talent

NDB's talent is critical to delivering on the Bank's mandate and achieving its strategic objectives. Continuing its efforts to build a talent-intensive institution, the Bank will focus on addressing skills gaps, creating a high-performing workforce and retaining talented professionals. By nurturing its unique and collaborative organisational culture, NDB will continue to position itself as an international employer of choice. The Bank is committed to maintaining its rigorous, fair, transparent and merit-based selection process as well as promoting a competitive, flexible, and caring work environment.

NDB recognises the importance of having a diverse talent pool in terms of professional background, experience, gender, nationality, and other parameters. The Bank will strive to achieve higher representation of women at all levels of its organisational structure. Women accounted for 32% of the Bank's professional and managerial staff at the end of 2021. NDB intends to increase this ratio to 40% by the end of the 2022–2026 strategy cycle. The Bank's continued membership expansion will provide an opportunity to further diversify its workforce and hire talent from new backgrounds and cultures. The Bank may also consider recruiting from outside its member countries to fulfil specific business needs.

As a talent-intensive institution, the Bank will continue to rely on leading practices of talent management, including cutting-edge professional training, mentoring, and peer learning. NDB will design a structured programme that allows Junior and Young Professionals

to rotate across different functions and build a well-rounded experience in development finance. NDB will also consider developing an in-house corporate academy to promote learning and innovation.

NDB will strengthen its systems with refined key performance areas (KPAAs) and key performance indicators (KPIs) to promote a goal-oriented approach by functions and staff. It will develop and operationalise indicators that drive quantitative and qualitative assessment and nurture the Bank's unified organisational culture.

Membership Expansion

NDB was created to be a global institution with a membership base that reflects its focus on EMDCs. As such, the Bank's membership is open to all members of the United Nations.

In 2021, NDB welcomed its first non-founding members. Continued membership expansion will enable NDB to promote infrastructure and sustainable development in a larger number of countries, creating an impact beyond its existing members. New members will also strengthen the Bank's capital base, support portfolio diversification, enhance its capacity to mobilise resources, enrich its development experience and bolster NDB's role as a platform for wider collaboration among EMDCs.

NDB expects its membership to grow consistently throughout the strategy period, while continuing to pursue expansion in a gradual way, under the guidance of its BoG. Its approach to membership expansion will strive for greater diversity of member countries – both in terms of geography and stage of development.

Partnerships

In pursuit of the objectives of the Strategy, NDB will nurture new and existing partnerships to strengthen cooperation with private enterprises, DFIs, think tanks, and other relevant institutions. Through its partnerships, the Bank aims to deepen its engagement with the international development community and

private entities. Such engagements will include partnerships driven to support NDB's operations through information sharing on potential projects, mechanisms for project monitoring and joint programmes for project finance. They will also contribute to the mobilisation of resources, and exchange of lessons learned with different stakeholders.

NDB has already established partnerships with a range of financial institutions. The Bank intends to intensify its engagement with these partners by further leveraging their expertise, co-financing projects, and cooperating in other areas such as treasury and financial markets. NDB's partnership engagements will also involve strengthening institutional relationships with CSOs and gathering insights from their knowledge, experience, and perspectives. NDB's approach will be guided by a clear roadmap that will mainstream partnerships across the Bank's activities with measurable goals, deliverables, modes of interaction, and work plans.

Research and Knowledge

A key goal in the Strategy is to nurture NDB as a knowledge hub for its member countries and other EMDCs, particularly on infrastructure and sustainable development issues. By setting up knowledge networks, NDB seeks to acquire and disseminate expertise as well as offer practical solutions to development challenges through cost-effective approaches.

NDB's research efforts will build on existing knowledge and aim to enhance the understanding of its members' economies, development contexts, challenges, policies, project pipelines, and practices related to infrastructure and sustainable development. This will help the Bank generate requisite knowledge inputs for guiding and fine-tuning its work in terms of operations and resource mobilisation. For instance, knowledge inputs to develop assessment methods and tools that can be applied across the project lifecycle will be important elements for enhancing the quality of NDB's operations.

The Bank's research and acquisition of knowledge will likewise underpin its various non-financing activities, such as delivery of technical assistance, preparation of country partnership plans, publication of relevant flagship reports, and engagements with the international

development community. The Bank will develop necessary back-end arrangements with academia, experts, and think tanks to facilitate discussions and engagement on select, high-priority issues.

MDBs will continue to be key knowledge partners for the Bank, presenting a range of possibilities for exchange of expertise and lessons learned in areas of mutual interest. Besides external sourcing of best practices and knowledge, the Bank will harvest lessons learned from NDB's existing projects for creating a feedback loop that contributes to improvements in the Bank's operating approaches and future projects. Overall, the Bank will position itself to build a robust understanding, through its research and knowledge initiatives, of the themes and issues that matter to its members.

Quest for Quality

NDB recognises that its second strategy cycle presents the right time window to work on improving quality along a range of dimensions, with the collective efforts of all functions operating as "One Team".

The emphasis on quality will encompass NDB's policy frameworks, internal guidelines for staff, project appraisal standards, the pursuit of excellence in ESG, development impact assessment, and all of the Bank's deliverables as an MDB. Digital transformation, internal capacity building, stakeholder engagement, and focus on onboarding the right talent within the Bank's lean and responsive ethos will mainly power the drive towards quality. The Bank will also continue its journey to build a highly efficient treasury and loan back-office that can consistently meet internal and external client requirements. Similarly aiming to ensure the quality of service to borrowers and clients, the Bank will embark on a client centricity programme that will provide a flawless experience during the entire lifecycle of each client's relationship.

VIII. IMPLEMENTING THE STRATEGY

The Bank will establish a framework of processes and tools to implement the targets and objectives of the Strategy across NDB's lines of work. The framework will consist of initiatives, annual business plans, a comprehensive results framework, KPAs and KPIs linked to the Strategy.

Pursuing Strategic Targets

Six targets across the strategic imperatives of the Strategy – mobilising resources, financing for impact, and institution building – reflect the primary aspirations of the Bank for the 2022–2026 period.

Strategic Imperative	Strategic Targets
Mobilising Resources	Provide USD 30 billion in total volume of approved financing from the balance sheet over 2022–2026
	Extend 30% of total financing in local currencies over 2022–2026
Financing for impact	Provide 30% of total financing to non-sovereign operations over 2022–2026
	Co-finance 20% of projects (in numbers of projects) with partner MDBs over 2022–2026
Institution building	Direct 40% of total financing to projects contributing to climate change mitigation and adaptation, including energy transition, over 2022–2026
	Increase female representation to 40% of professional and managerial staff by 2026

Implementing Strategic Objectives

To achieve the targets of the Strategy and guide NDB's journey through the 2022–2026 cycle, a series of strategic objectives will be implemented across the Bank's lines of work.

Strategic Imperative	Strategic Objectives
Mobilising Resources	Increase volume of approved financing from own balance sheet
	Scale up private capital mobilisation
	Increase borrowing in emerging market currencies
	Leverage thematic bonds to augment borrowings
	Expand financing instruments
	Establish special investment vehicles
	Increase provision of technical assistance
Financing for Impact	Distribute financing across areas of operation
	Finance climate change mitigation and adaptation
	Integrate key project considerations (climate change and disaster resilience, technology, inclusiveness)
	Increase share of financing to non-sovereign projects
	Increase share of financing in national currencies of borrowing members
	Increase co-financing with partner MDBs
	Refine use of country systems
Institution Building	Strengthen development impact management framework
	Continue expanding membership
	Enhance expertise to offer diversified financing instruments
	Augment capability to proactively originate business
	Engage the ecosystem, including shareholders, DFIs, private investors and technical partners
	Leverage knowledge, partnerships and expertise
	Keep calibrating risk management tools and practices in line with the Bank's evolving portfolio and operating context
	Review and improve business processes
	Accelerate internal digitalisation
	Implement Bank-wide monitoring systems and databases
	Strengthen governance and internal communication
	Bolster external communication and engagement
	Increase female representation among professional and managerial staff

Developing Initiatives and Annual Business Plans

The targets and objectives of the Strategy will be reflected in initiatives to be implemented throughout the strategy cycle. These initiatives shall include specific goals, milestones, and indicators that will allow for the monitoring of their progress. They shall be sequenced and reflected in annual business plans to be developed in coordination with the budget process. Annual business plans will facilitate consistent review and, if necessary, recalibration of the Bank's targets in light of its evolving operating environment. The Bank will also explore developing individual country partnership plans to further guide the work in its countries of operation, responding to their development challenges and priorities.

Building a Corporate Results Framework

The Bank will develop a corporate results framework (CRF) to assess its quantitative and qualitative performance in implementing the Strategy, as well as NDB's overall effectiveness in fulfilling its mandate. The following principles will guide the establishment and management of the CRF:

- Alignment with the Bank's General Strategy for 2022–2026;
- Flexibility for NDB to adjust its operational indicators, goals, and methods in response to a changing market environment, emergencies and member country priorities, among other factors;
- Smooth transition from the results framework of the first five-year general strategy, ensuring consistency on ongoing priorities; and
- The use of specific, measurable, achievable, relevant and time-bound (SMART) indicators that enable the Bank to efficiently track progress and facilitate implementation.

To create a robust CRF, the Bank requires participation from across all of its lines of work, as well as a significant amount of data. The Bank will consider building the CRF around four main dimensions related to internal and external results:

- The development context of member countries, including their progress in achieving SDG and climate goals;
- The Bank's development impact, including the social, economic, and environmental outputs and outcomes of NDB's operations;
- The Bank's business performance (e.g., lending and funding activities) and financial performance (e.g., capital adequacy and credit exposure); and
- Internal organisational performance, including governance, operational efficiency, digital integration and diversity, as well as other relevant areas.

The CRF will function as the Bank's main tool to take stock of its performance during regular strategy implementation assessments and reviews. A mid-term review of the Strategy will be concluded by end-2024 and submitted to the BoG for consideration and approval.

Cascading and Communicating the Strategy

NDB's performance management system will be further developed and strengthened to support the Strategy's rollout. KPAs and KPIs for departments and divisions will reflect the Strategy's targets, objectives, and initiatives, as well as the Bank's business plans and CRF. KPAs and KPIs at the individual level will further detail and dovetail the departmental goals into NDB's human resources performance assessment process.

To ensure that all stakeholders stay tuned to the strategic objectives, outcomes, and impact of the Strategy's rollout, the Bank will develop external communication plans and conduct periodic stakeholder surveys. An internal communication plan will be used to help NDB's staff at the headquarters and regional offices understand and internalise the Strategy's components, including the implementation of strategic initiatives.

IX.

NDB IN FIVE YEARS

This Strategy has been prepared to direct the Bank on its journey to promote infrastructure and sustainable development in EMDCs. Recognising the evolving operating context of the Bank, which may influence NDB's trajectory from 2022 to 2026 in new and different ways, this Strategy ensures that the Bank can be adaptive and agile during its growth path ahead. Looking to 2026, the figure presented below depicts in broad strokes the main elements for which the Bank aspires to be known by the end of its second strategy period.

The New Development Bank in 2026

"A leading provider of solutions for infrastructure and sustainable development for EMDCs"



LIST OF ABBREVIATIONS AND DEFINED TERMS

2030 Agenda	United Nations 2030 Agenda for Sustainable Development
BoD or the Board	Board of Directors
BoG	Board of Governors
BRICS	Brazil, Russia, India, China and South Africa
COVID-19	Coronavirus Disease 2019
CRF	Corporate Results Framework
CSO	Civil Society Organisation
DFI	Development Finance Institution
E&S	Environmental and Social
EMDCs	Emerging Market Economies and Developing Countries
ESG	Environmental, Social and Governance
GDP	Gross Domestic Product
GHG	Greenhouse Gas
IT	Information Technology
KPA	Key Performance Area
KPI	Key Performance Indicator
Management	President and Vice Presidents
MDB	Multilateral Development Bank
NDB or the Bank	New Development Bank
NDC	Nationally Determined Contribution
Paris Agreement	Paris Agreement on Climate Change
PPP	Purchasing Power Parity
SMART Indicator	Specific, Measurable, Achievable, Relevant and Time-bound Indicator
SDGs	Sustainable Development Goals
The Strategy	NDB's General Strategy for 2022–2026
USD	United States Dollar

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A series of thin, parallel, wavy lines in shades of green and yellow, curving upwards from the bottom left towards the bottom right, creating a sense of movement and flow.