



In the period 2015-2020, NDB has established itself as a solid, dynamic and trustworthy partner in the development community. Since the adoption of its General Strategy: 2017-2021, the Bank has been evolving broadly in line with its vision and projections. Loan approvals have surpassed baseline projections by responding to critical country demands while following a robust business profile and prudent risk management. The Bank has accumulated valuable knowledge and lessons learned to effectively mobilise resources for infrastructure and sustainable development projects in its member countries. Lessons learned will also contribute to the elaboration of the new General Strategy: 2022-2026.

Chapter 4

Enhancing development impact

Madhya Pradesh Multi Village
Water Supply Project, India

Strategy and development impact



Financing of Renewable Energy Projects and Associated Transmission (BNDES), Brazil

NDB's portfolio of infrastructure and sustainable development projects at the end of 2020 proved to be robust and diversified, serving as an effective instrument for the Bank to deliver on its mandate.

27%

Of the Bank's lending to South African borrowers were made in ZAR

75%

Of the Bank's cumulative approvals for projects located in China were made in RMB

Strategy implementation and monitoring

Despite the challenging and uncertain operating environment caused by the COVID-19 pandemic, NDB made considerable progress in implementing its General Strategy: 2017-2021. Building on the solid foundation that had been laid in the previous years, the Bank is on track to achieve the vision and ambitious objectives set out in the strategy.

NDB strategy underlines the importance of the Bank's project portfolio as a development and financial asset. A growing, diversified and performing portfolio is both a visible indicator of, as well as a necessary tool for, achieving NDB goals. After five years of operation, NDB's portfolio of infrastructure and sustainable development projects at the end of 2020 proved to be robust and diversified, serving as an effective instrument for the Bank to deliver on its mandate.

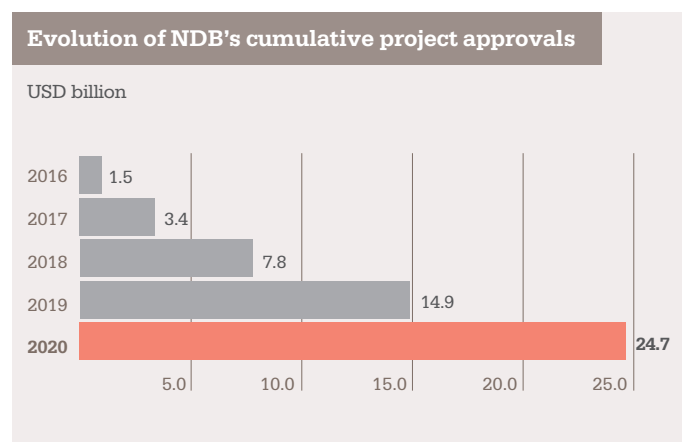
By the end of 2020, the Bank's cumulative project approvals totalled USD 24.7 billion for 68 projects across its member countries²³, of which about USD 6.9 billion had been disbursed. These projects are in a set of strategically selected key areas of operation in line with global and national development priorities, including member countries' urgent needs to respond to and recover from the COVID-19 pandemic. Non-sovereign operations reached 20% of NDB's cumulative project approvals excluding COVID-19 projects, serving a broader range of clients with diverse financing needs. NDB has been delivering on its commitment to provide financing in local currencies of member countries. Notably, 75% of the Bank's cumulative approvals for projects located in China were made in RMB, while 27% of the Bank's lending to South African borrowers were made in ZAR. The Bank also started providing INR-denominated financing and proactively exploring opportunities to expand its local currency operations into Brazil and Russia. The use of borrowers' country systems has contributed positively to the preparation and implementation of projects supported by the Bank.

NDB's strong business profile, solid capital base, sound management and governance have enabled it to quickly establish itself as a trustworthy multilateral development finance institution. The Bank obtained and maintained high credit ratings, which allowed it to tap into both domestic and international capital markets at favourable rates and to provide development financing at competitive terms. By the end of 2020, NDB had cumulatively raised USD 3.6 billion and RMB 13 billion through bond issuances, including the issuance of green bonds and COVID-19 response bonds. To better deliver on its commitment to sustainability, the Bank has introduced a Sustainable Financing Policy Framework. This framework governs not only the issuance of green, social and sustainability bonds and other debt instruments, but also the use and management of their proceeds, ensuring that they contribute to green, inclusive and sustainable growth.

As envisioned in the strategy, NDB has been operating with a lean organisational structure and relies on cost-effective solutions that allow the Bank to fulfil its mandate in an agile and responsive manner. NDB's IT systems are fully hosted in the cloud, giving the Bank unparalleled resilience, which has been tested and proven by maintaining smooth operations during the COVID-19 pandemic. To be able to respond to its member countries' needs in a more efficient and effective manner, the Bank has established regional offices in Johannesburg, São Paulo and Moscow, and a sub-office in Brasília.

The next regional office is planned to be established in India. With the expansion of the Bank's membership, NDB will further extend its global outreach. By leveraging available technology, financial resources, human capital and partnership networks, the Bank has increasingly become an important player in the global development community.

Overall, as concluded by a mid-term review of NDB's General Strategy: 2017-2021, the Bank has evolved from a concept into a solid, dynamic and reputable MDB, broadly in line with the vision of the strategy. The General Strategy: 2017-2021 has also proven to be valid in guiding the Bank to deliver on its mandate effectively, even during challenging and uncertain times. NDB will therefore focus on the continued implementation of the strategy, while regularly monitoring and assessing the progress made using the Bank's results framework and key performance indicators. Lessons learned from the implementation of the strategy, along with information gathered on the evolving operating environment, will contribute to the formulation of a new strategy in the coming year, which will guide the Bank's evolution over the 2022-2026 period.



²³ Cumulative project approvals in this section differ from total approvals and from end-2020 portfolio because they exclude cancellations but includes repayments (one project was fully repaid in 2020).

Development impact of NDB's operations



11

The Bank's financing commitments are primarily aligned with 11 out of the 17 SDGs.

19%

Of the Bank's cumulative approvals for climate finance commitments

NDB is mandated to mobilise resources for infrastructure and sustainable development, aiming ultimately to contribute to global growth and development.

A set of key areas of operation are outlined in NDB's General Strategy: 2017-2021, which provide guidance on the selection of projects within the broad spectrum of infrastructure and sustainable development. Projects financed by the Bank are therefore expected to deliver transformative impacts that contribute to member countries' efforts to achieve their development aspirations, especially those aligned with the 2030 Agenda for Sustainable Development, including the 17 SDGs, and the Paris Agreement on Climate Change.

In addition to the institution-wide results framework and project-level impact measurement, NDB has developed and tested an evidence-based method to monitor and report on the alignment of the Bank's financing with the SDGs. The mapping of NDB's project approvals shows that the Bank's financing commitments are primarily aligned with 11 out of the 17 SDGs. In addition to their respective primary SDGs, most of the projects supported by the Bank are also expected

to have direct contribution to the achievement of additional SDGs through the cascading effects of their development outputs and outcomes. Taking into account both primary and additional SDGs, projects in the Bank's current portfolio are expected to contribute directly to achieving 12 out of the 17 SDGs. The Bank and the UNDP exchanged official letters in 2020 to establish a channel of communication and technical knowledge exchange to advance SDG financing. Lessons learnt will be shared with broader stakeholders to push forward SDG-aligned investments globally.

NDB also places a strategic emphasis on supporting its member countries' transition towards low-emission and climate-resilient development. Tracking and reporting of NDB's commitments to projects that contribute to climate change mitigation and adaptation have increasingly become an integral part of development impact management of the Bank's operations. Based on the jointly developed MDB tracking methodology, it is estimated that NDB's cumulative climate finance commitments amounted to USD 4.7 billion by the end of 2020, accounting for approximately 19% of the Bank's cumulative approvals.

Read more

NDB Environmental and Social Framework

To learn more about our policies and Environmental and Social Framework please scan the QR code



Sustainability and environmental, social and governance (ESG) considerations

NDB maintains a risk-based and outcome-focused approach to addressing ESG impacts. It promotes the use of country systems in the preparation and implementation of its projects.

NDB aims to ensure that all projects financed by its funds are implemented in a sustainable way and their ESG impacts are assessed, minimised and mitigated during project implementation.

The principles of sustainability and sound management are incorporated into the Bank's policies and NDB Environmental and Social Framework. NDB's projects are to be implemented in a way conducive to achieve development goals with transparency and collaboration. Besides being economically viable, environmentally sound and socially responsible, NDB-financed projects aim at improved operational performance, efficient procurement and adherence with good corporate governance practices.

NDB maintains a risk-based and outcome-focused approach to addressing ESG impacts. It promotes the use of country systems in the preparation and implementation of its projects, whenever such systems are consistent with the requirements of the Bank's policies. In 2020, NDB completed a series of reviews of environmental, social and procurement country systems of all five member countries and engaged with countries' regulatory agencies and government agencies for consultations and dissemination of the studies' findings. NDB also conducted a series of ten information dissemination and capacity-building workshops for its clients in all member countries on managing environmental, social and procurement risks in projects financed by the Bank. These thematic workshops concentrated on the use of country systems, NDB's core policy requirements and areas that require further interventions to bridge the gaps between country systems and NDB's policy requirements.

NDB and its shareholders assign great value to enhancing the Bank's development results via ensuring sustainability of NDB-funded projects and introducing best industry practices in projects. With the growing portfolio and focus towards mainstreaming sustainability in Bank's operations, NDB's BoD approved the creation of a new ESG Department in 2021, aiming to make sustainability and ESG considerations cross-cutting themes across the various aspects of Bank's activities, including operations, treasury and strategy.

NDB's cumulative project approvals by primary SDG alignment				
As at December 31, 2020				
Primary SDG alignment	Number of projects	Cumulative net approvals ²² USD m	Share of total approvals %	Direct contribution to additional SDGs
	2	2,000	8.09	
	1	345	1.40	
	2	2 070	8.37	
	2	550	2.22	
	6	1 546	6.25	
	14	3,496	14.13	
	2	2,000	8.09	
	24	8,301	33.56	
	13	3,466	14.01	
	1	500	2.02	
	1	460	1.86	

²² Cumulative approvals in the period 2016-2020 excluding full and partial cancellations.

Transport infrastructure

Brazil

North region transportation infrastructure improvement project

In November 2019, NDB approved a non-sovereign loan of USD 300 million to Vale S.A., one of the most important players in the mining and logistics sector in Brazil. The facility was structured as a dual currency loan in USD and RMB, an innovation that allowed Vale to drawdown USD 10 million equivalent in RMB. The project aims to improve the company's logistics and trading capacity in its northern system by supporting a double-tracking and remodelling of the Carajás Railway and the expansion of the Ponta da Madeira Port Terminal, which will increase Vale's capacity to transport iron ore from its mines to ports and then to global markets.

As of end-2020, implementation had proceeded as scheduled and funds were ready for full disbursement. According to NDB's SDG mapping, the project will directly contribute to SDG 9.

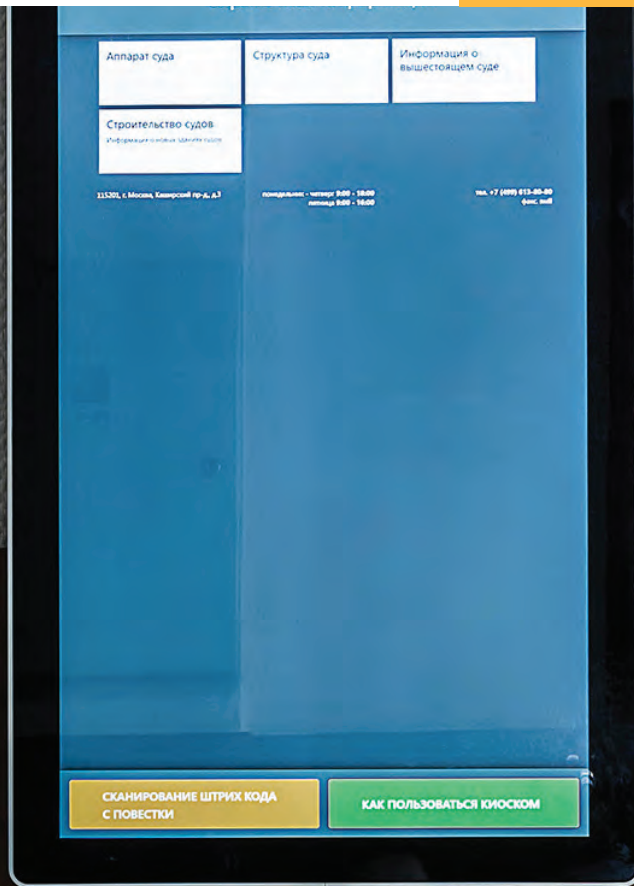
Going forward, NDB would like to continue to build a growing portfolio with the private sector in member countries, to complement the larger portfolio of sovereign loans. It also would like to continue to strengthen its links with relevant national and global players in the infrastructure sector to help draw experience from projects that entail significant ESG considerations.



USD 300 m

Loan amount

Photograph:
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Digital technology

Russia

Judicial system support project (JSSP)

In August 2017, NDB approved a sovereign loan of USD 460 million to Russia to support its judicial system. It was the Bank's first project in the social infrastructure area. The project aims to improve the efficiency, effectiveness and transparency of the Russian judicial system, especially through the implementation of a set of innovative technology solutions incorporating digital workplace and digital justice. Its long-term expected effects encompass the promotion of a business-enabling infrastructure in the country through faster and more reliable courts. Halfway towards its full implementation in 2023, the JSSP has completed several planned activities, with concrete development outputs.

In the Federal Bailiffs' Service (FBS), an initiative of a digital workplace is being rolled out, including videoconferencing and

mobile workplace systems. An improved centralised system is under development with enhanced processes. The key activities planned toward the project's full implementation include the development of the use of artificial intelligence technology and a pilot implementation of artificial intelligence-based systems.

The JSSP is aligned with SDG 16 on promoting peaceful and inclusive societies for sustainable development, providing access to justice for all and building effective, accountable and inclusive institutions at all levels.

NDB is fully committed to continuing to work with member countries on building a portfolio of projects with impactful lessons on improving national institutions design and operations, thus contributing to sustainable development in EMDCS.



USD 460 m

Loan amount





Improving connectivity

India

Madhya Pradesh major district roads I

In 2016, the Bank approved a sovereign loan of USD 350 million to India to improve the connectivity of rural roads in major districts of the state of Madhya Pradesh, a landlocked state that is India's second largest state by area and fifth by population. Madhya Pradesh is located at the intersection of north-south and east-west corridors of the country but its road coverage is relatively limited.

As of end-2020, disbursements have amounted to two-thirds of the loan. Construction works have rebuilt or upgraded about 1,215 km of road length, benefiting 917 villages. Upon completion, the project is expected to benefit four million people.

In September 2018, NDB approved two additional projects in Madhya Pradesh totalling USD 525 million to provide support to the construction of bridges and roads. Together, the three projects aim to comprehensively address the challenges of road connectivity in the state.

The project is primarily aligned with SDG 9 on building resilient infrastructure and fostering innovation and inclusive and sustainable industrialisation. Additional contributions to SDG 3 on health and well-being have been identified.

NDB is proud to support infrastructure and sustainable development projects that bring real changes to people's lives, creating new education and health opportunities and improving local livelihoods.



USD 350 m

Loan amount

Cleaner energy

China

Putian Pinghai Bay offshore wind power

In 2016, NDB approved a loan of RMB 2 billion to China to support the Phase 2 (250 MW) of an offshore wind power plant to be set up in the Pinghai Bay, in Putian, Fujian Province. The total project cost is RMB 5 billion and entails the generation of 873 million kWh of electricity per year. By generating electricity from a renewable energy source, the project will avoid the emission of 870,000 tonnes of CO₂ annually.

By the end of 2020, the project's implementation was well under way, with 73% of disbursements made. The installation of 22 turbines was completed in October 2020 and all turbines have been producing energy. The project has a strong technological component and represents the world's first solution for a large-scale, single-pile foundation to support the wind turbines, which significantly reduces costs for the installation of turbines

in rocky seabed areas. The Putian Pinghai Bay offshore wind power project is directly aligned with SDG 7 on affordable and clean energy and SDG 13 on urgent climate action. It is emblematic of the Chinese technological progress and leadership in the production of offshore wind energy, which has increasingly benefited other countries around the world.

NDB is fully committed to continuing to support projects with a clear role in combating climate change through clean energy projects. Ensuring a smooth energy transition to a low-carbon economy entails tremendous efforts from market economies and developing countries, which could immensely benefit from increased access to affordable financial and technological solutions from the global development community.



RMB 2 bn

Loan amount



Sustainable power generation

South Africa

Renewable energy integration and transmission augmentation project

In April 2016, NDB approved its first project to South Africa, a sovereign-guaranteed loan of USD 180 million to Eskom, the country's main power utility. The project aims to facilitate the provision of adequate and reliable supply of electricity across the country by expanding the transmission of renewable energy. The project also supports South Africa to achieve the emission trajectory targets of its international commitments. The project comprises six sub-projects, three of which are under implementation and should be completed in June 2021, namely Ankerlig Sterrekus 400kV transmission line, Kronos substation and Komsberg substation.

Once completed, the project will add 1,000 MVA transmission transformer capacity and 352.5 km transmission lines. It will

contribute to the reduction of total energy losses and facilitate the development of 18,000 MW additional generation capacity to the grid, of which 7,000 MW will be generated from renewable energy sources such as wind, solar thermal, solar photovoltaic, biomass, biogas, landfill gas, small hydro, small projects.

The project is aligned with SDG 7 on affordable and clean energy and SDG 13 on urgent climate action. The area of clean energy received strong demand from member countries, especially in the first years of the Bank's operation. As we go forward we expect to build a strong portfolio to share experiences and lessons learned with the development community network.



USD 180 m

Loan amount