

What you need to know about The BRICS New Development Bank

What is the New Development Bank?

The New Development Bank (NDB) is a multilateral financial institution established in 2015 by the BRICS countries (Brazil, Russia, India, China and South Africa). Its purpose is to fund infrastructure and sustainable development projects in BRICS and other emerging market economies and developing countries. The Bank has an initial authorized capital of 100 billion dollars, and an initial subscribed capital of 50 billion dollars. While NDB officials have stated that they want to do something different than the traditional Western-controlled development banks, like the World Bank, they have also stressed that the NDB is not meant to challenge the Western banks, but rather to complement them. The Bank has its headquarters in Shanghai, China and an Africa Regional Centre is being established in Johannesburg, South Africa.

How is the NDB governed?

The NDB was founded by the five BRICS countries, though membership is open to any member of the United Nations. New members are expected to join NDB in the next years, with the Bank targeting big emerging economies such as Mexico or Indonesia. The Bank is governed by a Board of Governors made up of the finance ministers of the five BRICS countries, and a Board of Directors. Voting power within the Board is based on each country's shares in the bank. While new members can join the NDB, the five BRICS countries will retain a minimum of 55% of total shares. The NDB's management includes a presidency which rotates among BRICS members, and four vice presidents who are selected from the remaining BRICS countries. The current NDB President is K.V. Kamath from India.

What does NDB finance?

In the NDB's first year, it approved a first set of projects, one in each of its five member countries, totaling \$911 million. The projects, which focus on energy, include the following: a \$250 million loan to India's Canara Bank for 500 megawatts of renewable-energy projects in India; an \$81 million loan for 100 megawatts of rooftop solar power in China; a \$300 million loan to Brazil's national development bank, BNDES, to develop 600 megawatts of renewable energy capacity in Brazil; a \$180 million loan to South Africa's public electricity company, Eskom, for investment in transmission lines and the connection of renewable electricity capacity to the national grid; and a \$100 million loan to the Eurasian Development Bank (EDB) and the International Investment Bank (IIB) for a small-scale hydropower project in the region of Karelia, Russia. Thus far, the NDB has only lent to public sector entities, but there are plans to expand to the private sector. Projects may be located within NDB member countries or outside, as long as the projects in some way benefit the member countries.

What rules or policies govern NDB?

Although the NDB has already begun financing projects, it is still in the process of developing the internal rules that will govern project selection and implementation. In August, the Bank disclosed a set of policies, including an Interim Information Disclosure Policy and an Environment and Social Framework. Despite

repeated calls to engage with civil society, these important policies were developed without civil society input or consultation. While the framework sets out laudable principles, it lacks meaningful requirements to ensure that projects are sustainable and do not harm communities or the environment. There are also concerns that the framework does not provide affected communities sufficient access to information and input into NDB-financed activities or the ability to hold the bank accountable.

What concerns does civil society have?

Although the first year of operations of the Bank has shown some positive aspects, including an initial focus on small-scale energy projects, civil society groups have raised serious concerns as to whether the NDB will be a force for South-South cooperation and sustainable development as was hoped. In particular, there are significant concerns regarding the NDB's lack of transparency and engagement with civil society. There are also serious doubts as to how the NDB will promote sustainable, pro-poor development and avoid harm without having in place sustainability criteria and robust social and environmental safeguards.

A Better NDB

The existing development model in force in many emerging and developing countries is one of export-oriented, extractivist strategies that are socially harmful, environmentally unsustainable and have led to greater inequalities between and within countries. If the NDB is going to break from this history, it must commit itself to a different path – supporting transparent, participative, and accountable development that is socially and environmentally sustainable, respects human rights, and meets the needs of poor and marginalized communities.

1. Establish sustainability criteria for project selection and evaluation to ensure that NDB investments are both socially and environmentally sustainable. Such criteria should ensure that NDB investments support environmental protection and climate resilience, reduce use of unsustainable fuel sources, and shift toward renewable decentralized energy systems. They should also ensure that NDB financed projects are inclusive and accessible and support equitable, rights-respecting, pro-poor development.

2. Promote transformational investment that meets critical development needs. NDB investments should move beyond centralized, large-scale megaprojects that primarily benefit business sectors, to ensure that development benefits are targeted to those most in need. NDB's investments should focus not just on physical infrastructure, but on social infrastructure that fuels local economies and provides the most poor and disenfranchised populations with access to essential services such as housing and education.

3. Develop a robust environmental and social policy framework through active consultation and engagement with civil society. The NDB's policy framework should be strengthened to ensure that NDB investments are sustainable and prevent harm to people and the environment. These policies should meet international human rights and environmental standards and reflect best development practice.

4. Promote meaningful participation by affected communities and the public. The NDB must develop effective mechanisms to ensure transparency and meaningful civil society participation in policy development, project design and implementation. Affected communities must have access to relevant information and the ability to influence NDB policies and projects that may impact their rights or interests.

5. Be accountable to affected communities and the public. The NDB should establish an effective independent accountability mechanism which can provide redress for individuals or communities who may be harmed by NDB-financed activities.