

Influence Propagation and Sustainable Development through the BRICS New Development Bank.

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Abstract. The following article examines the emergence and role of the New Development Bank (NDB), established by the nations of the BRICS acronym, focusing on its contribution to sustainable development and global influence through the bank. The NDB's primary objective is to promote infrastructure projects and sustainable development, particularly in emerging or developing economies. To analyze the NDB's impact, a qualitative approach was employed, involving comprehensive analysis of various sources, including agreements, articles, and books. The study begins by exploring the bank's creation to enhance the global influence of BRICS countries, followed by an examination of its member states and operational areas. Subsequently, the article defines sustainable development and evaluates the NDB's role in advancing it. The importance of sustainable development will be underscored, aligning with the United Nations' Sustainable Development Goals (SDGs), as a prominent global theme. The article highlights that businesses and banks, like the NDB, can adopt the SDGs in their agendas. For instance, the NDB offers loans and technical assistance to facilitate funding and project implementation. Notably, the bank has primarily been focusing on its founding member countries, but it could also aim to expand its reach to non-member nations. The potential of the NDB to promote sustainable development and enhance the geopolitical influence of BRICS nations is significant. Expanding the bank's projects to more countries and simplifying the investment process can further advance sustainable development and elevate the global leadership of BRICS nations. However, acknowledging ongoing efforts and complexities related to the NDB's role within the BRICS framework, more research is needed to comprehensively address this situation.

Keywords. BRICS New Development Bank, Sustainable development, Geopolitical influence, Financial and technical support.

1. Introduction

The creation of the New Development Bank (NDB) by the countries of the acronym BRICS has sparked discussions surrounding its inception and its role in the sustainable development of member countries.

Initially coined, in 2001, as "BRIC" by Jim O'Neill, former Chief Economist of the multinational financial group Goldman Sachs, this concept encompassed Russia, India, Brazil, and China, characterizing them as emerging economies with the potential for global prominence.(1)

Subsequently, discussions among these nations commenced during a working luncheon at the United Nations General Assembly in 2006, paving the way for the establishment of this political-diplomatic entity.(2)

In 2010, South Africa was incorporated into the group during the second meeting of foreign ministers, formalized during the third BRICS Summit held in the People's Republic of China in 2011, resulting in the acronym becoming "BRICS". (2)

BRICS emerged with the aim of increasing the global influence of its member countries, seeking access to international markets, and advocating for the formation of a multipolar world where these nations could exert their power.(3)

In line with this vision, the member countries decided in 2015 to establish a bank in which they would be the largest shareholders, with a focus on promoting infrastructure projects and sustainable development in BRICS and other developing nations.(4)

Consequently, after numerous meetings, the New Development Bank was established, headquartered in Shanghai, China, with former national Brazilian President Dilma Roussef serving as its current president.(4)

The understanding of the bank's role in promoting sustainability and influence are pertinent, given the need to shape global geopolitics and the role this bank can play in sustainable development.

The participating countries are striving to enhance their global influence, making it imperative to scrutinize any advancements in this regard to track the development of an agenda that prioritizes influence and sustainability.

The research aims to analyze the emergence of this bank in the geopolitical landscape and its potential to promote sustainability.

It is noteworthy that, in this current article, the reference to BRICS pertains exclusively to the member countries encapsulated within the acronym. This distinction is made due to the fact that new entrants, up to the present juncture, have not attained official membership status.

In order to achieve the objective, a qualitative approach was employed, involving interpretative and comprehensive analysis of bibliographic and documentary sources, including articles, books, and the agreement that led to the bank's establishment.

Additionally, deductive research was conducted, considering the geopolitical context, investments, and loans made by the bank to comprehend its operational framework.

In the initial stage, the study pursues to understand the bank's creation as a mean to expand the global influence of BRICS countries, followed by an analysis of its member states and areas of operation.

Subsequently, the concept of sustainable development will be defined, and an evaluation of the bank's role in advancing sustainable development will be undertaken.

2. The BRICS Bank as a Tool for Influence Expansion

In an effort to bolster their global presence, foster economic development for themselves and their allied nations, the BRICS nations resolved to establish a multilateral development bank (MDB).

That bank offers an alternative avenue for accessing credit, addressing the challenges associated with securing loans from traditional Western banks.

Those member countries aspire to wield greater social influence in global governance, characterized by their ability to establish widely accepted and desirable guidelines, principles, and values without relying on coercive measures or financial incentives.(5)

As an illustrative case, Humphrey's research highlights that development banks like the World Bank, Inter-American Development Bank (IADB), and Andean Development Corporation (CAF) primarily derive their influence and resources from the United States of America.(6)

The strategy of establishing their own multilateral development bank serves as a tool to counterbalance Western power and facilitate the elevation of founding countries on the international stage.

The NDB seeks not only financial returns for its investors but also economic development for its member nations. Hence, the bank's primary focus lies on infrastructure projects and sustainable development.(4)

2.1 Members and Areas of Operation

The Agreement for the establishment of the bank was signed on July 15, 2014, in Fortaleza, Brazil, with founding members including Brazil, the Russian Federation, the Republic of India, the People's Republic of China, and the Republic of South Africa (BRICS). However, the actual establishment occurred on July 3, 2015.(4)

Currently, the Bank has welcomed Bangladesh (joined on September 16, 2021), the United Arab Emirates (joined on October 4, 2021), Egypt (joined on February 20, 2023), and Uruguay as a prospective member. Uruguay's membership was approved by the NDB's council members, pending the initial deposit to become a part of the financial institution.(4)

According to Article 2 of the creation agreement, any United Nations member country is eligible to become a member of the bank.(7)

The bank's objective is to provide resources for infrastructure improvement and sustainability within BRICS and developing countries, aiming "to complement the existing efforts of multilateral and regional financial institutions for global growth and development," as stated in Article 3.(7)

The NDB was designed to facilitate power rotation among its members, hence stipulating in its statute that the president must be from one of the founding countries, with a rotational presidency among these founders.(7)

Article 16, titled "Use of Resources," in the agreement specifies that NDB resources can only be used for the activities outlined in the aforementioned Articles 2 and 3.(7)

In this regard, the bank cannot support any project indiscriminately and must focus on specific areas and locations, with proposals for sustainable development being of utmost importance within the NDB's scope of activities.

3. Promoting Sustainability through the New Development Bank

Sustainable development is a prominent topic in contemporary society and within international organizations striving to promote sustainable attitudes and ideas.

For instance, in 2015, the United Nations adopted the 2030 Agenda for Sustainable Development, encompassing 17 Sustainable Development Goals (SDGs) to be achieved by 2030.(8)

Those SDGs encompass a wide array of objectives, including infrastructure improvements, promotion of innovation, sustainable industrialization, sustainable cities and communities, sustainable production and consumption, among others, to be pursued by nations.(8)

Companies have increasingly shown concern for the dissemination of sustainability, making it a significant theme on the international stage, with numerous businesses aligning their agendas accordingly.(9)

Although the SDGs were designed for nations to follow, it is noteworthy that companies or banks can also adopt them, as will be demonstrated subsequently using the NDB's case.

3.1 Loans and Investments with a Sustainability Focus by the NDB

The bank, as one of its core objectives, places emphasis on providing financial support for a sustainable development.

Financial support from the NDB can be extended through loans or various other financial instruments, thereby facilitating the funding of public, private, or public-private partnership initiatives.(7)

As a rule, the bank restricts investments and loans to initiatives within the territories of "borrowing member countries." It's worth noting that there are two categories of members: borrowing and non-borrowing.(7)

An exception arises when the Board of Governors, through a vote with special majority (defined as "an affirmative vote of four of the founding members concurrent with an affirmative vote of two-thirds of the total voting power of the members"), establishes a broad policy that empowers the bank to expand its operations to encompass initiatives in non-member countries, provided they are emerging or developing economies. However, it is imperative that a member of the bank demonstrates a substantial interest in such projects.(7)

Furthermore, in exceptional cases, the Board of Directors may approve investments and loans in the aforementioned non-member countries, once again through a special majority vote.(7)

In addition to providing financial support, the NDB also offers technical assistance for the implementation of projects in which the bank is involved, highlighting that its support extends beyond financial aid.(4)

As of the last update on December 31, 2022, the bank had exclusively undertaken projects in its founding member countries (BRICS), despite having other member nations. However, it is worth noting that Bangladesh had a project proposal concept approved in the field of Water & Sanitation on August 29, 2023.(4)

The countries that received the most funding for their initiatives were China and India, as illustrated in the chart below:

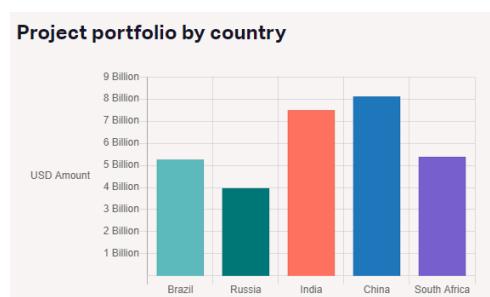


Fig. 1 – Investment in each country.(4)

The bank primarily engages in infrastructure projects but allocates a significant amount of investments to areas such as clean energy and energy efficiency, environmental protection, and water sanitation:

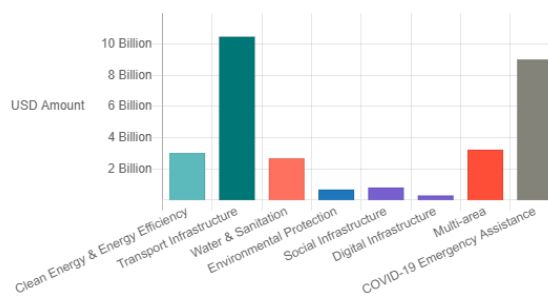


Fig. 2 – Project portfolio by area of operation.(4)

As mentioned above, the projects financed by the bank are directly aligned with the United Nations' Sustainable Development Goals (SDGs), notably Goals 6 "Ensure availability and sustainable management of water and sanitation for all", 7 "Ensure access to affordable, reliable, sustainable and modern energy for all", and 9 "Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation". (4)

To exemplify the context of sustainable development projects, a brief overview of an initiative in each of the aforementioned areas will be presented respectively.

The New Development Bank will provide up to USD one billion to the Department of Cooperative

Governance in South Africa (SA) for a project known as the "South Africa Municipal Water Supply and Sanitation Program", aimed at supporting the National Water and Sanitation Master Plan 2030 formulated by the SA government.(4)

The investment project encompasses three key areas of focus: "Construction/refurbishment of water supply infrastructure, Construction/refurbishment of sanitation infrastructure, and Institutional capacity enhancement".(4)

The initiative's goal, starting from 2027, is to increase access to safe drinking water and expand sanitation facilities in South Africa.(4)

In alignment with UN SDG 7, the bank has allocated EUR 93.67 million for the "Brasilia Capital of Solar Lighting Project," pursuing to enable Brasilia Energy Company to reduce the energy consumption of the public sector in the Federal District of Brazil by approximately 50% through the replacement of vapor lamps with LED lamps.(4)

Furthermore, it has provided resources to generate 162.5 MW of sustainable energy, equivalent to the annual energy expenditure of the public sector following the lamp replacement.(4)

The project's objective is to replace 300,000 lamps with LED lighting and construct a solar photovoltaic plant in the Federal District of Brazil capable of meeting the energy needs of the public sector.(4)

Aligned with the UN SDG Goal 9, the bank will provide up to USD 50 million to The Municipality of Teresina in Brazil as part of its educational infrastructure program, aiming to construct new education buildings and enhance existing ones.(4)

The project envisions that over its 5-year duration, it will be possible to accommodate more students in full-day education, increase the number of nursery places, and enhance the infrastructure in the vicinity of schools.(4)

The anticipated benefits include enabling up to 16% of enrolled students to engage in full-time education, constructing 2,300 new kindergartens, fostering an enhancement in the city's education system, and improving the quality of life for the city's residents.(4)

4. Conclusions

With the advancement of BRICS nations, there is a progressive trend towards strengthening the New Development Bank (NDB), which could enhance the global influence of these countries and promote sustainable development.

In this context of shared interests, the proactive stance of participating countries in establishing a bank dedicated to advancing sustainability in emerging or developing economies is commendable and essential for addressing the current imperative for sustainable development and a more active role

for these nations on the global stage.

The NDB is poised to deliver significant benefits to the projects it finances, offering involved countries competitive access to financial mechanisms with a sustainability-oriented perspective. In addition, the NDB aims to focus on countries that sometimes encounter difficulties in securing funding for their initiatives through other development banks.

It is important to emphasize that, based on the current research, the bank is already operational and actively supporting projects through financial contributions and technical consultancy. However, these initiatives predominantly concentrate on the founding member countries. The bank's regulations themselves exhibit a predisposition for NDB support to be contingent on the interests of its members.

If the bank seeks to promote sustainability, enhance infrastructure in countries, and assist emerging or developing economies, it should expand the number of countries with funded projects. This expansion should allow the participation of more nations and eliminate the requirement for member countries to demonstrate interest in a project, streamlining the investment process for non-member nations.

The aforementioned actions not only have the potential to advance sustainable development in alignment with the United Nations' 2030 Agenda for Sustainable Development but also hold the promise of increasing the geopolitical influence of BRICS nations, facilitating the spread of their leadership in a global context.

However, there remain numerous efforts to be undertaken concerning this topic, which is why this research does not seek to exhaust all the issues related to the New Development Bank founded by BRICS.

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