

# The Multilateralism of the New Development Bank on the Sustainable Economic Growth in BRICS Nations and Beyond



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Emerald Publishing Limited  
Emerald Publishing, Floor 5, Northspring, 21-23 Wellington Street, Leeds LS1 4DL

First edition 2025

Editorial matter and selection © 2025 Ndivhuho Tshikovhi, Fulufhelo Netswera, Jiejun Zhu,  
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**British Library Cataloguing in Publication Data**

A catalogue record for this book is available from the British Library

ISBN: 978-1-83662-293-2 (Print)

ISBN: 978-1-83662-292-5 (Online)

ISBN: 978-1-83662-294-9 (Epub)



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# Foreword

*Irina Yarygina*

With recent transformations in the International Order signaling trends toward changes in the various dimensions of power, it is important to reflect on the initiatives of the BRICS grouping, with their challenges and potential.

In this context, the functioning of the New Development Bank (NDB), often referred to as the BRICS Bank, needs to be analyzed as one of the central elements of the new trends in multilateralism.

Edited by Ndivhuho Tshikovi, Fulufhelo Netswera, Jiejun Zhu, Bruno De Conti, Rajeev Sijariya, and Maria Apanovich, the book “The Multilateralism of the New Development Bank on the Sustainable Economic Growth in BRICS Nations and Beyond” presents discussions dedicated to unraveling the complex elements of the NDB.

Introducing a new era in global finance and cooperation, the emergence of this institution signifies a pivotal shift in the dynamics of international development. An insightful exploration about this debate is presented within the pages of this book.

In the following chapters, the authors navigate the intricate landscape of the NDB, weaving together a comprehensive narrative that dives deeper into its origins, mission, and impact on the world stage. The BRICS nations – Brazil, Russia, India, China, and South Africa – have come together to establish a financial institution that seeks to improve sustainable infrastructure and increase economic development in BRICS nations and beyond.

What makes this book particularly compelling is the ability to discuss about the complex financial and geopolitical concepts into accessible insights through the history and functioning of the NDB. The readers will gain a profound understanding of its role in fostering sustainable development, infrastructure projects, and innovation across diverse regions.

The publication also makes it possible to understand different perspectives from the five countries that founded the NDB. The chapters bring together varied debates by Brazilian, Russian, Indian, Chinese, and South African professors and researchers.

In this sense, readers will be able to examine the work of the main institution within the BRICS grouping, based on an in-depth analysis of the challenges and opportunities that the NDB presents. Through meticulous research and thoughtful commentary, the author explores how the BRICS Bank has become a catalyst for collaborative initiatives that transcend borders and conventional norms.

**xx** *Foreword*

Congratulations to editors and authors that contributed to this book for capturing the essence of this groundbreaking institution in these pages. May this book contribute to a broader dialogue on global finance, development, and the collaborative spirit that defines the NDB.

# Acknowledgments

This work is based on the research project supported by the NIHSS, South Africa.



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Part I

## **Introduction to Multilateralism and NDB**

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## Chapter 1

# Introduction To: The Multilateralism of the New Development Bank on the Sustainable Economic Growth in BRICS Nations and Beyond

*Ndivhuho Tshikovi<sup>a</sup>, Fulufhelo Netswera<sup>a</sup>, Jiejun Zhu<sup>b</sup>,  
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The BRICS New Development Bank (NDB), alternative to the World Bank (WB) provides alternative development financial resources thereby filling a massive gap in investment infrastructure and sustainable development in the BRICS and developing countries. NDB's focus is resources development in the emerging and developing economies. Its expenditure is estimated to reach at least US\$ 1 trillion annually. It will also give emerging and developing countries a greater voice in the development finance architecture. Emerging and developing countries have significantly increased their weight in terms of global GDP and global economic growth. Perhaps most importantly, some emerging and developing economies have accumulated very large, long-term foreign exchange assets, which they have typically placed in sovereign wealth funds. Many of these resources are invested in developed countries with relatively low yields. The NDB provides a valuable addition to the existing network of multilateral, regional, and national development financiers, which seem to perform far better. NDB's support for productive development infrastructure investment works closely with national development banks, which have far greater local knowledge. The BRICS Multilateral Cooperation and Co-Financing Agreement for Sustainable Development spotlights the low-carbon economy and will include elements such as projects for mitigating and

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**The Multilateralism of the New Development Bank on the Sustainable Economic Growth in BRICS Nations and Beyond, 3–7**

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doi:[10.1108/978-1-83662-292-520251003](https://doi.org/10.1108/978-1-83662-292-520251003)

adapting climate change, infrastructure projects in keeping with the principles of sustainable development. Investments are mainly in renewable energy and energy efficiency or that foster the sustainable use of biodiversity, ecosystems, and the regeneration of natural resources, in addition to efforts aimed at developing, disseminating, and transferring environmentally sustainable technology.

In Chapter 2 “Challenges and feasibility of a democratic global financial governance” by Murilo Gasparido and Daniel Campos de Carvalho, the challenges and the feasibility of a democratic global financial governance (GFG) are discussed. The authors argue that a democratic GFG will only be feasible if its institutional framework has as reference a concept of democracy which is compatible with the complexity of this field, and a flexible design suitable for facing its multilevel democratic deficit. The BRICS, on the one hand, are key actors for GFG reforms. However, on the other hand, the world faces a very unfavorable political scenario due to thematization of the GFG democratization by the BRICS. The authors seek to fulfill the gap in literature and provide a framework for future specific empirical-normative research.

In Chapter 3 “Finance, Governance, and Sovereignty after COVID-19: A Normative Argument for the Need to Democratize Global Finance,” Robert Hanson explores how the COVID-19 pandemic has given us renewed cause to reflect on the nature of national sovereignty and what it means to value it in an era of global crises and certain crediting International Organizations (IOs). The author does so by focusing on the role disproportionate voting power in crediting IOs played during the pandemic in projecting certain Nation States’ (NSs’) short-term financial interests at the expense of tackling the virus’ threat to every NSs’ national sovereignty. The pandemic has demonstrated that a commitment to valuing national sovereignty in an era of global crises entails a commitment to democratizing global finance by pooling sovereignty and capital into more democratic crediting IOs.

Chapter 4 “BRICS – A Comprehensive Mechanism Bringing Changes into the World Financial System and International Climate Diplomacy” by Eka Khorbaladze explores BRICS being a “comprehensive coordination mechanism” dealing with a multilateral agenda of cooperation. The short list of shakes, on the one hand, adjusted BRICS’s strategy to global crisis, but, on the other hand, BRICS has been facing a variety of modern-day challenges which are far beyond this scope. The paper intends to examine the most important issues for BRICS development and pay special attention to such prominent spheres as finance and climate change. As a result, a coherent picture of BRICS agenda of cooperation, as well as a prospective path of fostering, is presented. The author concludes that the BRICS countries have made outstanding achievements in the field of financial and economic cooperation. Among them are: deepening their economic cooperation, the advancement of the BRICS countries in the reform of international financial institutions which resulted in an increase in the representation of emerging market and developing countries.

Chapter 5 authored by Ndivhuho Tshikovhi, Fulufhelo Netswera and Bruno De Conti “De-dollarization, the New Development Bank, and BRICS Trade Currency changing Multilateralism and Geopolitical Arrangements” delves into

the questions and excitement raised about the beginning and end of USD dominance and examines the role of the BRICS banks in the rising power of de-dollarization. The authors suggest that over the long term, the diversifying implications to the BRICS bloc and other nations such as the “so-called BRICS plus/friends” depend on the influence and buy-in from the raw material resources countries. For instance, the Gulf countries, which play a crucial role in supporting the USD (e.g., via oil prices and large USD reserves to maintain the peg), are increasingly looking toward China due to the structural changes in the oil market, which plays into the geopolitics of the multilateralism. As a result, slowing globalization, driven by events like the COVID-19 pandemic and the war in Ukraine, has prompted – among other things – some countries to use non-USD currencies for bilateral trade, which plays a role in the decrease of the share of USD in total reserves globally.

In Chapter 6 “NDB and SDGs: Does the bank fulfill its mandate?” by Leonid Grigoryev and Alexandra Morozkina, the authors discuss the changes to global sustainable development agenda and contribution of NDB to sustainable development goals (SDGs) in member countries, potential instruments and priority sectors in the longer-term and implications for the global financial architecture given the changing global economic environment. They looked at the alignment of NDB projects with the SDGs and concluded that NDB primarily contributes to the SDG 6, SDG 7, SDG 8, and SDG 9 with the lead of SDG 9 (41 projects). This is consistent with the Bank’s mandate highlighting infrastructure as a primary sector of investment.

In Chapter 7 “The New Development Bank’s Role in the Low Carbon Transition: An Analysis of Institutional Strategies and Projects Financed” by Rafaela Mello Rodrigues de Sá, the role of the NDB in financing the low carbon transition is examined. Considering a new guideline for 2022–2026 where there is a target of directing 40% of total approvals to projects that contribute to climate change mitigation and adaptation, including energy transition, it becomes important to reflect on in which way the BRICS bank has been acting in the sphere of sustainable finance in its first years of operation. Thus, the chapter aims to assess how the NDB contributes to the energy transition process in the BRICS countries toward a low carbon economy, based on the projects financed by the bank and through analysis of institutional strategies (for 2017–2021 and 2022–2026). It is evident that the NDB contributes to the BRICS transition process to a low-carbon economy, but with differences between countries. On the one hand, the NDB favors more the transition in the energy sector in China, South Africa, and Brazil; on the other hand, the institution collaborates more with the decarbonization process in India, China, and Russia. Despite this, there are still limitations and challenges that hinder the NDB from becoming one of the main sources of incentives for its member countries to reach the climate targets.

Jonnas Esmeraldo Marques de Vasconcelos and Ana Elisa Saggiaro Garcia in Chapter 8 “Notes on the performance of the New Development Bank” analyze the performance of the Bank. The NDB was intended to be a bank from and for the South, a green bank, and a noninterventionist bank, leading to high expectations

for its performance. However, after it started its operation, the analysis shows that NDB has faced limitations on the operational level. The chapter consists of three parts: discussing the creation of and expectations for the NDB, analyzing its funding policies and performance, and presenting challenges for its future. The financial institution created by BRICS was evaluated by considering NDB's Articles of Agreement, NDB's General Strategy (2017–2021), NDB's Annual Reports, and a comparison with the Asian Infrastructure Investment Bank's performance.

Chapter 9 “The role of BRICS Business Council and the New Development Bank in Environmental, Social, and Governance (ESG) agenda” by Rafaela Mello Rodrigues de Sá focuses on which ways the BRICS Business Council (BBC) and NDB expand and strengthen the ESG agenda within the BRICS grouping, particularly with regard to the activities of BRICS companies and the governance of the group's main financial institution. The authors do this by detailed mapping of the aspects involving the ESG agenda in both BRICS initiatives, in order to identify – in the institutional documents and reports – the role of these two mechanisms in ESG aspects.

Chapter 10 “Development Effectiveness: The Role of Multilateral Development Banks and Their Evaluation – Reference and Insights for New Development Bank” by Xiaochen Hou looks at the role of Multilateral Development Banks (MDBs) from the perspective of development effectiveness, compares and contrasts the evaluation mechanisms of MDBs, and points out that MDBs should closely integrate their development objectives with their policy frameworks to develop corresponding evaluation indicators. Through evaluation, MDBs can control the project process and gradually achieve development goals, thus playing a more significant role in international development, which is indeed an outlook deserving of more scholarly attention.

Chapter 11 “Export Sophistication and Industrial Upgrading: A Study of Energy Vehicles in BRICS” by Xuwen Cao and Rajah Rasiah offers the insight into the energy vehicles export industry in BRICS from 2015 to 2021, measuring the export sophistication of energy vehicles in BRICS with panel data. Considering that industrial upgrading is a long-term dynamic economic process, analyzing the export sophistication of energy vehicles with a dynamic panel model of industrial upgrading is necessary. The results show that the export sophistication of energy vehicles has a significant positive correlation with industrial upgrading in BRICS from an economic perspective. Export sophistication is critical in upgrading export trade technology structure as an internal influencing factor. In contrast, external factors such as R&D, FDI investment, and GDP growth are less influential. As a result, BRICS industrial upgrading could benefit from the exportation of energy vehicles.

Last but not least, Dr Zakia Tasmin Rahman, Dr Ruhi Lal, and Prof Ravinder Rena in Chapter 12 “New Development Bank in India: Growth, Development and Futuristic Prospects” describe the role of NDB in India, the growth and development of NDB, and to explore the future prospects of NDB in India.

The plans and strategies of NDB are studied thoroughly: the member nations and emerging nations of the world can get the advantage of infrastructural development, sustainable growth and development. NDB accelerates development in a flexible and effective way: various infrastructural developmental projects were undertaken. Initiatives like financial support for adopting various developmental technologies and strategies should be from medium- to long-term priority.

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