



HOME | SCIENCE | IMPACTS | MITIGATION | ADAPTATION | NEGOTIATIONS | POLICY

SEARCH

Polycymaking

New Development Bank yet to find its green groove

Aditi Roy Ghatak , 04.09.17



Established to finance development projects in BRICS countries in an ecologically responsible manner, the New Development Bank needs to do more on transparency and disclosure to allay fears of stakeholders and civil society organisations



The New Development Bank has its headquarters in Shanghai, China. (Photo by Lawrence Wang)

The New Development Bank, established in 2015 by Brazil, Russia, India, China and South Africa (BRICS) with the promise to affect a paradigm shift on how development projects are financed, is still struggling to find

its feet in terms of its quality of capital, the green credentials of the proposed projects it seeks to finance and its commitment to transparency and accountability.

Concerns have surfaced on adequate capitalising of the NDB, which is important because the quality of financing was supposed to be its principal differentiator from other multilateral lending institutions such as the World Bank Group. “There is concern that governments of the BRICS member states are not meeting their commitment to back the NDB with adequate financial resources,” Biswajit Dhar, Professor at the Centre for Economic Studies and Planning, School of Social Sciences, Jawaharlal Nehru University, told indiaclimatedialogue.net.

The initial subscribed capital was supposed to be USD 50 billion, which was to be shared equally by the five countries. “However, as on June 30, 2016, the bank’s paid up capital was just USD 1 billion,” Dhar said. “The bank is raising resources from the private capital market to carry out its mandate.”

“These numbers hardly merit an organisation that was seen as the funding arm of the BRICS, through which it would assist other developing countries as well,” Dhar told indiaclimatedialogue.net. “My point is that, given the nature of funds that the NDB has at its disposal, it will be very difficult for the entity to fulfil its mandate of funding green projects.”

Raising capital

Significantly, the bank *successfully sold* three billion Chinese yuan-denominated green bonds worth USD 435.5 million on China’s interbank market in June last year. Next on the agenda is raising USD 500 million via Indian rupee-denominated masala bonds in the second half of 2017, *according to* NDB president K. V. Kamath. The first elected president of the NDB, Kamath was earlier the chief executive of ICICI Bank, India’s largest private sector lender.

“By being forced to enter into private capital markets, the NDB will have to first think of remaining financially viable, which will happen at the expense of its mandate,” Dhar points out. “Since it has to function as a commercial entity and not a development finance body, it can ill afford to involve civil society organisations to due diligence of the projects it is funding.”

Other economists, environmentalists and civil society organisations (CSOs) are voicing similar concerns on the nature of projects that the NDB would likely fund. The unique propositions of the Shanghai-based NDB, earlier referred to as the BRICS Development Bank, were its commitment to green standards, transparent working and a high level of engagement with civil society and host communities, which were seen as disappearing qualities in traditional development funding. A questionnaire on some of the concerns, addressed to Kamath and sent to him both through the bank’s web site and its corporate communications team, remained unanswered despite several reminders.

The lack of capitalisation by the founding nations may have forced NDB to modify its stance somewhat. In its [strategy paper](#) approved on June 30, 2017, which will provide the bank direction in the five years to 2022, the lender said: “NDB aims to be fast, flexible and efficient by designing a more streamlined project review and implementation oversight without unnecessary bureaucracy. The bank is using a risk-based approach to project approval and oversight that mandates more intensive ex-ante reviews for complex, risky projects, while low-risk projects go through a more streamlined procedure with ex-post checks.”

Worrisome checks

The ex-post checks can be particularly worrisome, according to eminent ecologist Dhrubajyoti Ghosh, a UN Global 500 laureate and winner of the 2016 Luc Hoffmann Award. “It would worthwhile asking whether funds have been disbursed without the NDB knowing the actual end use or whether the bank is shying away from a full public disclosure,” Ghosh told [indiaclimatedialogue.net](#).

The bank has said that project developers would be required to address indigenous peoples in a way consistent with the key requirements and would “disclose the draft plan, including documentation of the consultation process and the results of the social impact assessment in a timely manner, before project appraisal, in an accessible place and in a form and language(s) understandable to affected indigenous peoples communities and other stakeholders”. It has also promised to “disclose the final plan and its updates to the affected indigenous peoples communities and other stakeholders in a timely manner”.

In India, NDB would likely fund the Madhya Pradesh Major District Roads Project and extend a multi-tranche financing facility to government-owned Canara Bank for Renewable Energy Financing Scheme for USD 250 million for unspecified projects, Finance Minister Arun Jaitley [told Parliament](#) on December 16, 2016.

India has sought loans for five projects from the NDB, Jaitley said in response to a question in the Lok Sabha. These include a water sector restructuring project for desert area worth USD 350.00 million in Rajasthan; Madhya Pradesh road development programme worth USD 350.00 million; Madhya Pradesh bridges development programme worth USD 150.00 million; Bihar Mukhya Mantri Gram Sampark Yojna for USD 841.00 million; and multi village rural water supply schemes at USD 470.00 million in Madhya Pradesh.

Veering towards opacity?

Ghosh points out that in the case of the Canara Bank investments, it is not known what these final projects are. Even the Indian finance minister’s statement in Parliament does not disclose these details, he said. “Where is the complete disclosure around lenders?” asks Ghosh. The bank seems to be veering towards “an opaque disclosure regime that is inconsistent with its declared environment and social framework.”

Ghosh is not alone in the points he has raised. The bank of moving away from the promised “reformed lending platform,” as it supports large projects that have the potential for causing great harm, according to the

Peoples' Forum on BRICS, a *platform* of several people's movements, networks and civil society organisations from across India. NDB is promoting "sustainable infrastructure" without even defining it, the collective *alleges*.

At its *March 2017 convention*, the forum raised issues related to the lack of transparency, accountability, benchmarks about the environmental and social, grievance redressal mechanisms and spaces of engagement for the civil society organizations and peoples' movements in NDB. "The NDB, given its wide implications, ought to have an accountability and transparency structure," Ciao Borges, a lawyer representing Conectas, a Brazilian non-profit, said at the convention.

"The current funding (of the NDB) is for the large scale projects, which leads to the large-scale displacements," Madhuresh Kumar, convener of the National Alliance of Peoples Movement, said at the March convention. "For any project to be sustainable and inclusive the benefits have to be equally distributed."

Some of Kamath's statements have also rattled critics, especially around learning from the World Bank. "We greatly appreciate timely support offered by the World Bank Group throughout our establishment process, and look forward to advancing and deepening our cooperation. We at the NDB, will listen, learn and collaborate to promote sustainable infrastructure development in our member countries," he *said* after signing a memorandum of understanding for co-operation between the two institutions in September 2016.

There was further dismay when the NDB statement on its website after its 10th board meeting in Shganghai *said*: "The Bank will complement the efforts of other financial institutions and establish a network of global, regional and local partnerships with multilateral and national development banks as well as other institutions and market players."

"This bank was expected to wear its marked differences from the Bretton Woods institutions, at a philosophical, ethical and ecological level, like a badge of honour. It was supposed to uphold excellence in its approach to development funding and get the lending process to unlearn the set ways of the multilateral institutions that has wrought grave injustice to indigenous communities," says Ghosh. "Instead, its president now talks of partnerships and learning from them."



LEAVE A REPLY