

BPC Policy Brief

National Development Bank – BNDES and New Development Bank – NDB: a strategic partnership for development and sustainability?

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BPC Policy Brief V.11 N.8

October-November/2021.

Rio de Janeiro. PUC. BRICS Policy Center

ISSN: 2318-1818

20p ; 29,7 cm

1. **New Development Bank;**
2. **BNDES;**
3. **Sustainability**



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1. Introduction

The precedence afforded in recent decades to environmental issues and to the centrality of a sustainable development agenda has led financial institutions to redefine and redirect their funding as well as their institutional and market arrangements to contribute towards balanced and inclusive development, such as strategies to support national environmental targets that will secure the sustainable development goals.

Development banks have therefore attempted to steer towards projects and initiatives that will incorporate sustainability criteria in their funding decisions. Their approaches are based on adopting guidelines for funding decisions, thus avoiding potential damage and anticipating potential social and environmental impacts.

Furthermore, management systems were also created to allow them to identify, measure and manage the environmental and social impacts of their business. By means of the Equator Principles, the main international banks established a series of voluntary guidance for environmental and social risk management of certain transactions such as infrastructure investments and funding for mega projects. This is the realm in which the so-called Socioenvironmental Safeguards were introduced, whose main purpose would be to protect human rights (GRIFFITHS, TUGENDHAT, 2013). Conceiving and applying measures to mitigate adverse impacts of development projects would help stop additional costs that could be a burden for years on end. Financial entities thus incorporate their decisions to grant funding not only on economic solvency criteria but also on social and environmental criteria.

That being said, it is important to study the New Development Bank (NDB) as the first bank created under the sustainability label if we are to understand its socioenvironmental standards and practices, in addition to engaging in more profound examination of funding and their socioenvironmental management.

The NDB has one specificity: its socioenvironmental framework is based on a *Country Systems*¹ approach – that is, funding projects must be developed and implemented in accordance with legislation and procedures from the country where the proposal will be implemented. So, processes involved with evaluating impacts, project approval and implementation with regards to the local agency that will perform socioenvironmental management steps of funding will have to be clearly understood.

(1) "National mechanisms and procedures for the public management of finance, accountability, auditing, acquisition, results structures and monitoring" (DECLARAÇÃO DE PARIS, 2005).

This research will therefore explore some elements that underline the relation between the NDB and the BNDES, the Brazilian Development Bank, which can be considered one of the main agencies implementing funding geared for Brazil, with various joint projects approved.

Since the NDB was founded and the early projects were approved, in 2016, these two institutions have established joint initiatives. Of the nearly US\$ 5 billion in funding approved by the BRICS Bank geared for Brazil, almost US\$ 5 billion have the BNDES as the implementing agency, with projects in renewable energy, sustainable infrastructure and adaptation to and mitigation of climate change.

Their joint approaches therefore need to be examined and projects implemented within this scope ought to be monitored in order to evaluate the nature of those agencies' socioenvironmental policies. Furthermore, NDB's sustainability concepts are to be understood, and so is its socioenvironmental approach in relation to projects being implemented with the BNDES.

2. Partnership between the NDB and BNDES

The BNDES has been establishing partnerships with multilateral banks that support funding for the implementation of investment projects in various areas. Those partnerships are implemented both for the structure of joint projects, with the IDB and the CAF, and with shared funding.

One such partnership that is worth highlighting here is the cooperation between the BNDES and the NDB, also known as the BRICS Bank. Since that multilateral bank was founded, in 2015, the partnership between the two institutions has been consolidating in such way NDB' first project approved for Brazil has the BNDES as its implementing agency.

2.1 Formalizing the partnership between the two institutions

At the time the NDB was founded, as a small and young bank, its executive team understood the importance of securing support and experience from the BRICS countries. As such, several cooperation mechanisms were established with those banks. A cooperation initiative with the BNDES was one of the very first ever, since the NDB's first project approved for Brazil already enjoyed a partnership with the Brazilian development bank (BATISTA JÚNIOR, 2021).

The first document between the NDB and the BNDES was the MoU signed on September 8, 2015, by the BNDES president Luciano Coutinho and Brazilian then NDB vice-president Paulo Nogueira Batista Jr. It is important to mention that the BNDES "was the first partner with whom the NDB signed a memorandum of understanding" (AYRES, 2019). This document formalizes the start of a cooperation relationship between the two banks, based on a scope revolving around two central aspects: (1) exchange of knowledge, information and successful practices; and (2) sharing experiences related with support to infrastructure projects and initiatives geared to promote sustainable development (NDB, 2015). In that regard, though it did not establish obligations towards joint operations, this first document does enable the space for interaction in areas of mutual interest and for consolidating bonds for future partnerships.

In 2019, the Memorandum of Understanding between the two institutions was renewed when a new document was signed between Gustavo Montezano, current BNDES president, and K.V. Kamath, NDB president at the time, in order to not only continue but also expand cooperation between the two banks, promoting initiatives of common interest. From that perspective, in addition to the central aspects previously outlining the scope of that partnership, some extra challenges were added: (1) explore and seek opportunities to jointly create mechanisms that would support infrastructure investment; (2) establish instruments for performance analysis or research in the macroeconomy, industries and other fields of mutual interest; (3) provide mutual training and personnel development by means of collaborative and individual exchange programs (NBD, 2019a).

Remarkably, the partnership between the two institutions has gathered strength and increased since the NDB was founded. That can be seen in the institutional and legal realms, with an expanding scope of cooperation on documents signed, but also in the financial practice, with relative increase in projects and amounts approved.

2.2 Joint projects between the NDB and the BNDES

The first BRICS Bank's funding to Brazil is geared for the energy transition agenda. In order to provide incentives that will increase the energy capacity out of renewable sources, the NDB's US\$ 300 million funding also involved a local same amount compensation, where the Brazilian bank was responsible for funding renewable energy subprojects in the country.

This NDB funding is intent on providing an alternative funding source to the BNDES, facilitating infrastructure development, particularly to support wind, solar, hydroelectric and bioenergy projects in Brazil (NDB, 2016a). This project has therefore provided the BNDES with incentives to diversify and increase sources and to promote the existing funding lines to the sector of alternative energies.

One of the relevant disbursements, made in 2018, amounting to US\$ 67.3 million, was geared for six wind energy parks in the states of Piauí and Pernambuco, comprising the Araripe 3 Wind Complex, with an installed capacity of 357,9 MW (O GLOBO, 2018). Other disbursements were directed to the Campo Largo I Wind Complex, with installed capacity of 326,7 MW, amounting to US\$ 190 million, in the State of Bahia, and to the Pirapora I Solar Complex, with installed capacity of 321 MW, amounting to US\$ 163 million, in the State of Minas Gerais, both amounts including BNDES and NDB transfers (BNDES, 2018).

In addition to this first project, whose scope clearly focus on the energy transition, other funds have been approved for Brazil, with BNDES partnership, in related areas. In 2019, a US\$ 500 million funding was approved to support the Climate Fund, which is run by the BNDES and makes transfers to climate change adaptation and mitigation sub projects in various sectors, including areas of renewable energy and energy efficiency (NDB, 2019b). Remarkably, "negotiations around these funds were mentioned by Minister of the Environment Ricardo Salles as a political alternative to freezing transfers from Norway and Germany to the Amazon Fund" (FRAZÃO, 2019).

In 2020, the NDB project geared for the BNDES on Sustainable Infrastructure was approved in order to provide support to funding sustainable infrastructure sub projects in key sectors such as Renewable Energy and Energy Efficiency (generation, transmission and distribution), Urban Mobility, Water and Sewage, Transport and Logistics, Information Technology and Social Infrastructure and Communication. This broader scope project thus provides

incentives to drive the development of sustainable infrastructure and to favor compliance with Brazilian commitments made in terms of the 2030 Agenda, with funding that goes beyond US\$ 1 billion (NBD, 2020a). Remarkably as well, in addition to supporting such projects, that funding also secures efforts to map infrastructure sector innovations in Brazil (PRATES, 2021b).

In that same year, funding to fight the economic impacts caused by the pandemic was approved in order to create favorable conditions for economic recovery. This project is focused on assisting Small and Medium Companies (PMEs, in the Brazilian acronym), granting credit and offering collaterals to support them overcome temporary liquidity problems, in addition to ensuring continuity to their operations and to strengthening their financial sustainability, thus avoiding significant job losses (NBD, 2020b).

Lastly, it is important to mention a project approved in June 2021, which seeks to enhance investment in climate change adaptation and mitigation projects in Brazil, in line with the country's commitments to reducing carbon emissions. With US\$ 500 million fun, this initiative is actually reshaping the structure of a 2019 project and is related with the BNDES Climate program, which, as such, cannot be characterized as new funding. It will provide incentives to various sectors, and, once again, the area of renewable energy makes another imprint as one of the project outcomes. The final purpose here is to reduce 4,000,000 tonnes of CO2 emissions by 2030, so the BNDES will be responsible for the monitoring and overall evaluation of the project, which will include selecting the sub projects, collecting all the relevant information and overseeing sub project performance (NBD, 2021a).

The table below shows the main characteristics of such joint funding:

Figure 1 – NDB's projects approved in partnership with the BNDES

Ano	Valor	Setor	Título	Objetivo Central	Alguns dos Subprojetos Desembolsados
2016	US\$ 330 mi	Energia Renovável	Financing of Renewable Energy Projects and Associated Transmission	Fornecer incentivos para a ampliação da capacidade energética oriunda de fontes renováveis	Complexo Eólico Araripe 3 (357,9 MW) Complexo Eólico de Campo Largo I (326,7 MW) Complexo Solar de Pirapora I (321 MW)
2019	US\$ 500 mi	Meio-Ambiente	Fundo Clima – Brazil National Climate Fund Project	Apoiar o Fundo Clima, que realiza repasses para subprojetos de adaptação e mitigação das mudanças climáticas	Projeto reformulado e transformado no projeto BNDES Clima aprovado em 2021
2020	US\$ 1,2 bi	Infraestrutura Sustentável	BNDES-NDB Sustainable Infrastructure Project	Dar suporte ao financiamento de subprojetos de infraestrutura sustentável em setores-chave	Processo de tramitação no Ministério da Economia para a obtenção da aprovação da garantia da União
2020	US\$ 1 bi	Programa de Emergência - COVID-19	Brazil Emergency Assistance Program for Economic Recovery	Lidar com o impacto econômico da pandemia e permitir a recuperação econômica, melhorando acesso das PMEs ao crédito	Tramitação no Senado (aguardando aprovação para ser repassado ao Programa Emergencial de Acesso a Crédito, operado pelo BNDES)
2021	US\$ 500 bi	Meio-Ambiente	BNDES Clima – Sustainable Financing to Support Global Climate Change Mitigation and Adaptation in Brazil	Aumentar o investimento em projetos de mitigação e adaptação às mudanças climáticas no Brasil	Processo de tramitação no Ministério da Economia para a obtenção da aprovação da garantia da União

Source: NDB's website and BNDES's Citizen Information Service (author's own contribution).

Remarkably, the BNDES plays an implementing agency's role in nearly US\$ 3 billion out of the almost US\$ 5 billion funding approved by the BRICS Bank for Brazil.

The role of those banks for sustainable development therefore needs to be evaluated, including a thorough examination of their approaches and a comprehensive investigation of their socioenvironmental policies.

3. NDB's socioenvironmental framework

The NDB was established in 2014 by an agreement signed during the BRICS' Annual Summit in Fortaleza, where the countries decided to build a bank that would strengthen cooperation among them. Furthermore, it would be supplementary to the efforts by multilateral institutions towards funding infrastructure and sustainable development projects for emerging economies and for developing countries across the world. The bank started to operate from Shanghai in 2016. After the recent approval of three new members – Bangladesh, United Arab Emirates and Uruguay – the bank is no longer composed of the BRICS countries and starts a new journey towards a global scope.

3.1 Use of Country Systems and a socioenvironmental framework for funding

In addition to an effort that typically sought to use local member-country currency for funding, a novelty in NDB's approach is the use of Country Systems, that is, funding projects must be developed and implemented in accordance with the legislation and procedures of the country where the proposal is to be carried out (HUMPHREY, 2016, p. 05).

Multilateral banks' socioenvironmental safeguards are a positive influence to funded projects in order to reduce social and environmental impacts. However, in certain cases, the safeguards may represent rigid standards imposed by international instances in such way that they supersede national laws, which does not translate as an incentive to strengthen national systems.

As such, the Country Systems' based approach implemented by the NDB was praised by some analysts, since it encouraged the institution's team to delve into national laws and regulations, with the possibility to suggest changes and indicate weaknesses at the same time as it ensures the projects abide by general requirements, because of the right to deny project approach in case of inconsistencies (HUMPHREY, 2016, p. 03-07).

On the other hand, various civil society organizations warned of the challenges the NDB still had to overcome in order to properly consolidate. The institution's regulatory framework for socioenvironmental issues was unveiled but a month before the first five projects were approved in 2016.

A document called "*Environment and Social Framework*" highlights the NDB approach to environmental and social management of their operations, establishing mandatory requirements for the Environment, for Involuntary Resettlement and for the Indigenous Peoples. The central objective of this framework is to provide a structure to handle potential socioenvironmental risks and impacts not only in design but also in project implementation, as it must also serve to encourage the best international environmental and social practices in the institution's operations, thus strengthening national systems. In this scope, the document indicates the following

guiding principles: (1) inclusive and sustainable development; (2) using and strengthening national systems; (3) integrating environmental and social sustainability principles; (4) mitigating and adapting to face climate change; (5) conservation of natural resources; (6) gender equality; (7) preventive approach; and (8) cooperation and knowledge dissemination to other multilateral financial institutions (NDB, 2016, p. 03-04).

Remarkably so, this structure regulating socioenvironmental issues underlines both parties' responsibilities. On the client's part, it is responsible for checking potential socioenvironmental risks and developing management plans to avoid, minimize or offset them, in addition to engaging the parties affected by the project, creating consultation mechanisms and conflict resolution as well as to monitoring activity implementation in compliance with the plans in place by sending periodic reports to the NDB (NDB, 2016b, p. 12).

On the NDB side, the institution is mostly responsible for screening each project in order to give it a category, which may be: Category A, when the project has significant environmental and social impacts that are irreversible, diverse or unprecedented; Category B, when the impacts are less adverse than those in Category A; and Category C, when the project has minimal environmental impact, if any. When the project has greater potential for impacts, the bank requires the client to evaluate the scope and magnitude in order to implement mechanisms to mitigate or repair those impacts, and they have to be integrated to project design and to legal agreements. Furthermore, the bank is responsible for analyzing reports and documents sent by the client, for determining the feasibility of the relevant funding, and for monitoring compliance with the requirements in place, in addition to providing support to increasing the strength of the countries' regulatory systems and sharing knowledge and best practices (NDB, 2016b, p. 11).

There are projects beyond those categories that fall in the scope of Category FI – Financial Intermediary. That is when third party institutions mediate the funding. What it means is: the intermediary agency will be responsible for evaluating and monitoring environmental impacts, in accordance with the project's local national legislation. The NDB is thus only responsible for evaluating the existing gaps in the legislation and in the intermediary institution's socioenvironmental management so that there will be compliance with all NDB's socioenvironmental framework objectives (NDB, 2016b, p. 08). Remarkably, projects implemented jointly with the BNDES are categorized in this group, as we shall see in the next section.

3.2 Existing gaps and civil society's criticism

Despite this structure put together by the institution to assess potential socioenvironmental impacts, some gaps and challenges remain to be evaluated. One of the issues brought up by several civil society groups is that both the document and other sources that comprise the bank have not offered any clear definition to the meaning of sustainable development, nor which sustainability criteria are considered for their investments (MINEIRO et al, 2018, p. 19; KWEITEL, KRISHNASWAMY, 2016).

To that effect, the bank does not show how their understanding of sustainable infrastructure relates with and is connected to “the internationally accepted definitions of sustainable development”, inasmuch as it does not set sustainability criteria and goals for their investments, nor does it lay down the way in which it will do socioenvironmental and risk analysis” (BUENO, 2019, p. 135).

This lack of a clear definition may pose challenges to the bank's sustainable commitment, since the institution eventually funds projects that may not directly contribute to sustainable development.

In their exclusion list, which includes sectors for which the bank does not approve any funding, there is no mention of fossil fuel related projects, even if this investment area could be harmful to the energy transition and decarbonization process.

Furthermore, it is worth reflecting whether lack of a more material definition for Sustainable Infrastructure in NDB's procedures could be considered as the institution's intention to maintain open and ample parameters in order to avoid setting limits to the bank's scope of action and thus enabling adaptations to the different specificities of member countries and accommodation to various perspectives and approaches.

Furthermore, actions and projects implemented by the bank eventually fail to consider gender specificities. As such, it is important to bear in mind that a more thorough commitment with implementing the SDGs requires including gender equality and women/girls empowerment if one is to fully achieve sustainable development. In order not to leave anyone behind, sustainable must therefore include gender equality (BRICS FEMINIST WATCH, 2015).

The bank takes a gender neutral position, not considering local and regional gender specificities that eventually leave a gap, if the institution is to really contribute to gender equality.

One example of that is mentioned in an NDB backed project called "*Major District Road Construction Project*" in India. Because there are only males in that project, gender issues were neglected and that road was constructed with no benefit to men and women equality and no regard for different habits, routines and conditions, thus perpetuating unequal gender structures (from an interview with Priti Darooka, Executive Director of the *PWESCR International*).

Importantly enough, the NDB needs to be cautious not to fall in the trap set by other development banks before when it approves "funding to ill-conceived mega infrastructure or extractive energy projects that can be to the advantage of corporate elites but effectively not to national development" (KWEITEL, TONI, GORDON, 2017), nor to the achievement of sustainable development in all regards.

Founding members of the bank, the BRICS countries are not only connected to the dynamics of global capitalism but also adopt a development model that eventually produce social inequalities and environmental injustice. Various socioenvironmental conflicts and a lot of injustice resulting from the exploration of natural resources and from precarious working conditions cause intense resistance fighting in those countries (MINEIRO et al, 2018, p. 20). It is therefore of utmost importance that the bank fend off models of extractivist development if it is to come forth as de facto "new" (KWEITEL, KRISHNASWAMY, 2016).

3.3 Transparency and participation of local communities

Another element pointed out by civil society organizations is the issue of institutional transparency with projects approved and public participation in efforts to design and implement funding.

Recurring criticism points at the absence of mechanisms to ensure effective participation of affected communities and civil society groups in designing and implementing projects as well as in developing policies and strategies for the bank (KWEITEL, KRISHNASWAMY, 2016; KWEITEL, TONI, GORDON, 2017).

In spite of a document that was issued in 2016 on issues around disclosing information – “Interim Information Disclosure Policy” – the NDB still needs to enhance and consolidate interfaces with civil society at large and populations that are most affected by funding projects, and to publicize management projects and plans that seek to mitigate or avoid socioenvironmental impacts (MINEIRO et al, 2018, p. 36; OXFAM, 2021, p. 4).

Furthermore, the BRICS Bank also presents a transparency deficit in relation with the process of monitoring and implementing the projects that are funded.

If, on the one hand, the Asian Infrastructure Investment Bank (AIIB) provides documented procedures in details for each project, thus underlining not only the socioenvironmental evaluation in place but also reports on the implementation, the NDB, in its turn, only presents project related information during the funding request process and does not disclose details on what happens after approval. As such, civil society groups find it ever more difficult to monitor those processes and also to defend local community rights.

4. Environmental evaluation of joint NDB and BNDES projects

Considering approved NDB-BNDES partnership projects, assessing how the socioenvironmental management of those projects becomes relevant, and so it is to examine both parties' responsibilities.

When we look at projects presented in the first section of this paper, the four more recent ones, between 2019 and 2021, are still going through their institutional instances of approval before any effective disbursement is made.

So, only the first project, approved in 2016 between the two banks, will provide clear illustration of the socioenvironmental approach of that joint funding.

Intent on providing grants for renewable energy sources, the project comprised three sub projects, which received disbursements from both institutions in 2018. Both in Campo Largo I Wind Complex and in the Pirapora Solar Complex, there are no conservation areas, nor any quilombola communities or indigenous land. However, near the project area, including six wind farms that are part of the Araripe 3 Wind Complex, there are quilombola territories.

4.1 The complexities of implementing the Araripe 3 Wind Complex

According to research done by the Conectas, in partnership with the International Accountability Project (IAP), the landscape and the territory of the region where the project was implemented have been dramatically modified by the wind park facilities. After a visit to the region and a series of interviews with local community families, the project was found to generate inconveniences to the surrounding communities (CONNECTAS, 2021b, n.p).

Upon deployment, the project was related to positive gains for the local populations, bringing employment and energy to the local homes, in addition to a contract that would allow residents leasing their land to be paid annually and thus become project partners (CONNECTAS, 2021a, n.p).

However, residents indicate impacts generated by implementing the wind farm in the region. Community routines are affected by wind fan operation, with high noise that make it difficult for them to fall asleep. Furthermore, the presence of wind turbines also causes environmental issues that include wildlife death and greater incidence of lightning in the region (CONNECTAS, 2021a, n.p).

And this situation is further aggravated since the quilombola community, where the Araripe Wind Park is located, is not articulate enough to summon their demands and engage leased areas in a collective bargaining process. Talks between families and the relevant companies have been mostly individual, leading to mistrust among residents. The research shows that this strategy may start to corrode the community's social and traditional bonds, and is likely not to consider the residents' traditional ways and world views (CONNECTAS, 2021a, n.p).

From this perspective, Conectas's Socioenvironmental Rights Defense Program Director Julia Neiva understands that energy projects, even the renewable ones, "can have extremely severe effects on the lives of local community residents" (CONNECTAS, 2021a, n.p). Therefore, more careful attention is required because, in the process of funding the transition to a low carbon economy, clean energy projects may and most likely will have relevant socioenvironmental impacts if they fail to respect local communities and to avoid potential human rights violations.

4.2 Criticism to and Limitations of Institutional Actions

This case very well illustrates some limitations to the process of evaluating socioenvironmental impacts and social participation mechanisms in funding provided in partnership by the NDB and the BNDES.

On the other hand, the BRICS Bank replicates old multilateral bank practices that are not so transparent. As bank created in 2014, it was expected to innovate in their practices too: a socioenvironmental framework developed on

grounds of public consultation and with references to human rights and to respect for local communities, including mechanisms for monitoring and for claims.

On the other hand, the BNDES has also been targeted by criticism on their scarce transparency and socioenvironmental responsibility in certain projects, if any at all. As a Brazilian development bank, in a position to implement various funding projects with the NDB, the bank is responsible for receiving resources for corporate loans as the institution that has the “closest” view on potential socioenvironmental impacts (CONNECTAS, 2021b, n.p).

In those cases, considering the BRICS Bank approach in adopting the Country Systems, this institution relies on the local legislation to ensure socioenvironmental rights and avoid negative impacts. But the bank does implement a thorough analysis of the country’s legislation and makes an in-depth evaluation of potential gaps or inconsistencies in the protection of rights.

According to NDB’s Regional Americas Office General Director Cláudia Prates, gaps in the country’s legislation are related to resettlement issues. In those cases, Brazilian laws provide details on where the population can be relocated. However, they did not specify anything about the post-resettlement process, falling short of information on how people would make a living after relocation. As such, the bank ponders over this gap and implements mitigating factors to the potential social impacts, since the local system does not clarify any of that (PRATES, 2021a).

Those joint NDB and BNDES projects are categorized as FI, that is, Brazil’s development bank participates as an intermediary agency and takes responsibility over evaluating and monitoring the environmental impacts, according to the national legislation in place where the project will be implemented.

Therefore, in those on-lend projects, where responsibility is passed on to intermediary institutions, the NDB makes but an evaluation of existing legislation and socioenvironmental management gaps of the institution in charge, so that all of the bank’s socioenvironmental framework objectives are fulfilled, but it abides by practices and guidelines imposed by the funding bank and makes no direct intervention except for mere follow-up. In those cases, “the BNDES will ensure compliance with requirements by the country’s legislation and by the NDB’s environmental and social framework (NBD, 2016a, the author’s own translation).

This process of transferring responsibilities related with monitoring the potential socioenvironmental impacts of funding to the implementing agency calls for further considerations, since intermediary institutions may have limitations to their approaches, in addition to national legislation requirements that may not be enough to effectively ensure local populations social and environmental rights under funding impacts.

On the one hand, the BNDES has been criticized for approving projects under charges of not only violating indigenous peoples’ human rights but also generating environmental risks, thus showing some of its socioenvironmental policy incapacity to ensure the desired conditions (GARZON et al, 2015, p. 122).

On the other hand, the country has been subject to remarkable environmental legislation laxity in recent years, which may also affect its socioenvironmental management, since banks usually abide by governmental standards. For instance, since the Brazilian House of Representatives passed, in May 2021, the bill on a legal framework for environmental licensing (PL 3729/2004), which is awaiting Senate approval, making socioenvironmental criteria more flexible may generate greater costs to the BNDES and the NDB – because in face of less restrictive legislation institutions tend to reduce input for socioenvironmental analysis, in such way that they will need other mechanisms to offset the gaping flaws in evaluating and mitigating potential risks.

5. Final considerations

Since the NDB was founded, in 2015, its partnership with the BNDES has been consolidating, with remarkable 3 billion dollars approved for joint funding in Brazil.

After two Memoranda of Understanding were signed between the banks, projects have addressed strategic areas for the process of Brazilian development, including efforts to the transition to a low carbon economy as well as efforts in the fields of renewable energy and climate change, in addition to incentives to sustainable infrastructure and social-economical recovery after effects of the pandemic. It is therefore important to indicate that the cooperation between the two institutions can be seen as crucial, since it is related with sustainable efforts.

However, NDB's socioenvironmental approach falls short of it. Unclear definitions of concepts such as "sustainable infrastructure" and "development" eventually allow the bank to fund projects that may not contribute directly to sustainable development. Furthermore, the waning transparency in the design and implementation of funding and the absence of mechanisms to allow for the participation of affected communities are indicated as factors that the NDB still needs to enhance and consolidate.

Furthermore, by adopting the Country Systems, the bank eventually passes most of the responsibility to local legislations. Even if the NDB remains observant of the existing legislation gaps, the bank's commitment in evaluating and monitoring socioenvironmental impacts is still small. In joint projects with the BNDES, the Brazilian bank's socioenvironmental management limitations and the risks of laxing Brazilian legislations on the environment and on human rights raise a flag to this issue, as it may affect those projects' socioenvironmental risk management.

It is thus appropriate to check if the BNDES would have the conditions to thoroughly evaluate and monitor such funding events on its own, or would it be able to satisfactorily comply with those responsibilities if acting together with the NDB and thus provide directly affected populations with appropriate claims and reporting mechanisms that would avoid outsourcing those responsibilities since the two institutions are considered as co-funders in those cases?

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