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**Multilateral Development Banks:
Comparisons between the European Investment Bank
and the New Development Bank**

Fernando Pessoa University

Porto

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Fernando Pessoa University
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Supervisor Professor Dr Cláudia Ramos

Resumo

No contexto atual, os bancos de desenvolvimento multilaterais (BDM) estão entre os principais contribuintes globais para o desenvolvimento, por utilizarem mecanismos multilaterais com vista à prevenção de crises globais e para a reconstrução de infraestruturas mais sustentáveis. Devido a alterações no poder geopolítico e às próprias alterações dos seus mandatos, os BDM podem encontrar-se numa posição sensível, em relação à implementação dos seus próprios projetos.

Esta dissertação de mestrado propõe-se então analisar a situação atual dos BDM, ao comparar o Banco Europeu de Investimento (BEI) e o Novo Banco de Desenvolvimento (NBD), e esclarecer se as atividades e responsabilidades das duas instituições alcançam soluções semelhantes.

Palavras-chave: Banco de Desenvolvimento; Banco Europeu de Investimento; Novo Banco de Desenvolvimento; economias emergentes; Países BRICS; Novo Banco de Desenvolvimento; sustentabilidade

Abstract

In today's world, multilateral development banks (MDBs) are among the largest global contributors for development, by using multilateral mechanisms to prevent global crises or rebuild more sustainable infrastructures. Due to geopolitical power shifts and stretching mandates, the MDBs can be found challenged by their own mechanisms going forward.

This master dissertation aims to analyse the current stance of the MDBs by comparing the European Investment Bank (EIB) and the New Development Bank (NDB), thus trying to establish whether or not their functions achieve similar results.

Keywords: Development Bank; The European Investment Bank; The New Development Bank; Emerging Economies; BRICS countries; New Development Bank; sustainability

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Abbreviations

| | |
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| ACP | Africa; Caribbean & the Pacific |
| BNDES | Banco Nacional de Desenvolvimento Económico e Social (Eng. The National Bank for Economic and Social Development) |
| BRICS | Brazil, Russia, India, China & South-Africa |
| CAB | Climate Awareness Bonds |
| CDB | China Development Bank |
| DB | Development Bank |
| EC | European Commission |
| ECB | European Central Bank |
| EEC | The European Economic Community |
| EIB | The European Investment Bank |
| EU | The European Union |
| FDI | Foreign Direct Investment |
| G20 | Group of 20 largest economies (19 countries and the EU) |
| IBRD | International Bank for Reconstruction and Development |
| IDA | International Development Association |
| IFI | International Financial Institution |
| IMF | International Monetary Fund |
| MDB | Multilateral Development Bank |
| NBD | The New Development Bank |
| NGO | Non-Governmental Organization |
| OECD | Organization for Economic Co-operation and Development |
| PPP | Public-Private Partnership |
| RCRC | Red Cross and Red Crescent |
| ROI | Return on Investment |
| SME | Small Medium Enterprises |
| SAB | Sustainability Awareness Bonds |
| TAP | Trans Adriatic Pipeline |
| TANAP | Trans Anatolian Pipeline |
| UN | The United Nations |
| WHO | World Health Organization |
| WB | The World Bank |

Introduction

This dissertation focuses on analysing Multilateral Development Banks (MDBs) – with a comparison focus on the European Investment Bank (EIB) and the New Development Bank (NDB) – thus, considering whether their individual approaches, by providing sustainable financial mechanisms, achieve similar results or not.

The role of Development Banks as a whole has evolved as the world has progressed with new technologies at hand. Furthermore, the power balance between the developed versus developing world has reached new dimensions, considering the evolved BRICS countries. Today the world faces resourceful organizations such as the European Investment Bank interacting with potential competitors such as the New Development Bank, intending to promote the development, elevating developing countries and generating economic growth (Moyo, 2009; Clifton et al., 2017).

Development Banks, whether national or multilateral, have not been heavily researched nor are these institutions themselves focused on transparency regarding their full intent and influence. The pure academic definition of what constitutes the reason for Multilateral Development Bank's existence is not often clear and its members are regularly influenced by higher political endeavours. Moreover, in the Multilateral Development Banks case, the global partners and ad-hoc projects have their stakeholders' political past and current trade interests as essential factors defining their mission and desired outcome. Nevertheless, Multilateral Development Banks' influence and projects include aid – not exclusively – to developing countries (Lazzarini et al., 2018).

Thus, the researcher's objective with this dissertation for the Master's Degree in Humanitarian Action, Cooperation and Development is: To perform a deep dive towards the complex role of Multilateral Development Banks such as the European Investment Bank (product of the European Union) and the New Development Bank (formed by the BRICS countries), thus performing a comparative analysis of the two. This topic is aligned with the researcher's professional background, which coincides with the subject under discussion.

The dissertation provides a higher understanding and a deeper knowledge, shedding clarity, which grants professional and academic development for the author. Furthermore, it can also potentially enlighten future organizations such as these institutions under research, aiming to enhance their results. Moreover, the research aims to further analyse the necessity of implementation of the MDBs' strategies and focuses on their comparisons, together with the analysis of their contributions towards poverty reduction and sustainability.

The critical research question this dissertation aims to answer is whether the MDBs such as the EIB and the NDB actually facilitate the process of developing nations becoming more sustainable. Moreover, how successful these projects are and, in doing so, if any level of dependency has been created are questions stemming from the first.

The research objectives are therefore to understand if one bank's approach leads to more sustainable mechanisms – which is the virtue of the MDBs – together with the intent to perceive if their methods coincide or substantially diverge from each other.

To achieve a conclusion, a research into Development Banks' critical role, such as the EIB and the NDB, is needed. This research will further analyse their necessity for existence and consider their implementing strategies in a comparative way. These comparisons will allow to gain clarity over their actions and to research their contributions towards poverty reduction and self-promoted sustainability principles. It is crucial to re-analyze these institutions with their post-war structure while simultaneously considering how their global impact carries their mission, principles and beliefs towards the developing world. This study can provide clarity over how their impact has influenced or improved nations through their projects. In other words, have Development banks improved the conditions of the targeted countries, or on the contrary, further impoverished them? Moreover, could it be that multilateral agencies' Systematic Development Aid, if regulated or administered with accuracy into impoverished nations, with pre-condition factors such as time-bound projects and entrepreneurship objectives, would succeed?

The underlying reason to pursue this area of study within the Degree of Humanitarian Action, Cooperation and Development is that it evidently focuses on the organizational framework provided by courses for this degree itself and more so, this quintessentially analyses the European Union's agency to define financial development projects in comparison with the emerging market's vision. In addition, the discrepancy between Development Aid and Humanitarian Aid must be clarified. The influence of aid, be it successful or not, regarding its underlying goals, is acknowledged. The world is increasingly focusing on prevention mechanisms more than ever due to it being a political trend. Such focus influences the importance of development policies in all industries as a critical priority, especially in developing and emerging countries. Therefore, it becomes important to utilize this opportunity to master and understand the aforementioned Multilateral Development Banking industry and its interventions, especially at a time when global banking development programs became the basis of criticism in the academic world (Moyo, 2009).

The motives to precisely choose the EIB and the NDB for this study are as follows: The European Investment Bank is the largest in the market and operates globally under European Union values. Its origins are traced back to 1958 with the treaty of Rome, which established the foundation for the European Economic Community. Besides, it has been operating for more than 50 years and its investments raised billions of dollars beyond Europe. The New Development Bank was established in 2014 by the BRICS countries (Brazil, Russia, India, China and South Africa) to intervene not only in BRICS countries but also in other developing economies. It has become the newest MDB globally and has successfully grown its influence and programs to stand in among the emerging markets, thus becoming a crucial competitor in the market. Therefore, it made these two institutions comparable in the scale of budgetary measures, but ironically, they rely on a different approach from a political spectrum.

Thus, the choice of these two distinct approaches – one more mature with over 50 years of experience and another younger and with a more acute political background becomes interesting to analyse and assess. To understand the differences within their different mechanisms and how they uphold their mission provides an exciting and rare glimpse over

the disparity between western and eastern approaches. Moreover, their differences force us to analyze the Development banks' ultimate role on a higher level – what their projects offer when compared to other organizations; how do they work in practice.

This investigation was based on qualitative research on the data at hand from current academic and institutional channels, considering meanings, interpretations, and the processes of actions and relation between the EIB and the NDB. This research has therefore dwelled into the analysis of books from relevant authors and academic articles that cover the broad subject under study. Together with this, the information publicly provided by these MDBs themselves through their online channels was also thoroughly researched.

After the Introduction, this work consists of three main chapters. Firstly, the history and definition of Multilateral Development Banks are presented, and the root causes forming these organizations are analysed; moreover, their current functions globally speaking are also addressed. The second chapter debates how the forms of sustainability can be a core value to the MDBs – including humanitarian cooperation as an essential element. Furthermore, it discusses what Systematic Development Aid is and whether Multilateral Development Banks crucially facilitate it by assisting dependencies. Lastly, other forms of approaches in terms of infrastructural development such as the Chinese business cooperation are considered, in order to evaluate if there would be more fruitful ways to proceed. The third chapter compares examples of two of the biggest Multilateral Development Banks: the European Investment Bank and the New Development Bank, by analysing their different methods and mechanisms in the field and the outcomes of their projects. This dissertation is then followed by the Conclusion.

Chapter I Multilateral Development Banks and how it all began

1 The History of Multilateral Development Banks

The Concept of Development Banking might sound foreign to many of us. It does not interfere with the majority's daily life, nor do many of us even know about them. However, many of us contribute to their function as taxpayers; thus, it would be essential to comprehend and reiterate their International Cooperation role and explain what they do. Furthermore, we live in times of socio-economic turbulence, where power shifts between G20 countries and global pandemics shape most nations stance on finance and development issues. Moreover, the concept of “developing versus developed” or “developed versus the emerging markets” are shifting, due to countries' own rapid and competitive out take on business and productivity. Therefore, we are left with the crucial question on whether the post-war architecture – that officially still is implied in structures of international organisations such as the United Nations or within global development banks or institutions – remains valid or functional in today's world.

The term Development Bank was officially introduced to the world as we know it today post-World War II, as the concept in the 1950s was to ensure the equal and peaceful rebuilding of the world that had been destroyed. The idea behind it was to assist countries in rebuilding roads, power lines & factories, and providing agriculture machinery, thus creating jobs and stability. Therefore, development banks became by no mean regular banks. There are either private or public institutions that lend money via shareholders or investment portfolio gains to rebuild or build roads, trains, equivalent transportation systems, power and energy provisions, technological resources, or even agricultural food manufacturing or educational structures. In some sense, they become the financing organ for development and sustainability projects; therefore, a humanitarian organization to a certain extent (Clifton et al., 2017; Crippa, 2010; Lazzarini et al., 2018).

What happened since post-World War II that created the need and concept for Development Banking as we know it today? Essentially, the critical post-war element, during the early 1950s, was to create stability and rebuild the world put simply. In a more complex context,

there was high international pressure to develop financial possibilities globally, not only in war suffered Europe but also in the poorer countries where colonialism had begun to show eruption symptoms institutionally. Thus, it made sense to finance and lend money for high industrial projects such as railways, roads or factories that enforce productivity and create jobs and, therefore stabilise wealth. In fact, many development banks or institutions are a product of some international treaty or multilateral cooperation. The creation of the United Nations (the UN) in 1945 emphasised significantly international collaboration among its members. It was the first to create committees to advocate for global infrastructural projects, leading to the creation of the International Bank for Reconstruction and Development (IBRD) which later would join with IDA, to form the World Bank (WB, 2020).

In 1944, the International Bank for Reconstruction and Development was initiated over the Bretton Woods conference to ensure the developing world that modern infrastructure was not just for the western part of the world. The creation of the UN and its related organisations, such as the World Bank, climaxed the new global atmosphere of cooperation (Babb, 2009). The World Bank's formation encouraged the foundation of other International Financial Institutions (IFI) and banks to focus on development issues. The oldest and biggest development banks, both the World Bank and the European Investment Bank, have gained a prosperous role in the world stage of cooperation in sustainability and infrastructure investment (Rewizorski, 2018, p. 283).

The creation of the Bretton Woods institutions (including the World Bank and the International Monetary Fund), post-World War II, provided new multilateral sources of financing. However, multilateral funds were insufficient to ensure the sustainability of any bank, so many sought to further diversify their domestic sources of funding. This resulted in new instruments and sometimes a change in the structure and/or ownership of the bank. The development banks began to issue bonds, and when domestic bonds were insufficient, they expanded to issues of foreign currency bonds (Lazzarini et al. 2018, p. 15).

In this excerpt, Lazzarini et al., (2018) highlight a common funding issue these institutions faced. Multilateral funds were often insufficient to ensure international long term financial strategies; therefore, development banks developed their own domestic funding sources. Besides creating more instruments and reorganising the bank's structure, a necessary solution was to issue national and international bonds. By issuing bonds, the Development Banks were, in fact, creating an instrument of debt, in which the bond issuer (DB) owes the

bond buyer (lender). This lending provides the bond buyer with the opportunity to collect an interest rate as the bond matures, thus providing the vehicle for Development Banks to develop the aforementioned global infrastructure projects.

The largest Development Bank in Europe and the largest regional MDB, The European Investment Bank (EIB), was established by the Treaty of Rome in 1958, to function as an infrastructural financing pillar in a bipartisan manner. This was the first MDB focusing on a region (Europe) known as the regional Multilateral Bank. The EIB's first projects took place in Southern Europe and included road and electricity rebuilding projects (Clifton et al., 2017).

However, as Europe continued to recover from the II World War, the pressure moved towards international horizons: where the colonial challenges of international conflicts began to rise investment (Rewizorski, 2018, p. 283). Moreover, not much has been spoken about the institution since, although its role in European integration has been meaningful throughout the cold war years, the sub-sectors within the EU are often undermined (Clifton et al., 2017 pp. 1-2). The mechanisms presented in the Treaty of Rome introduced the challenges of project placements during the EIB first years. One can argue that the geographical challenges might have increased poverty in small villages versus bigger cities (Griffith-Jones and Tyson, 2011) as the central infrastructure was targeted in capital areas. This was later reconfigured within the Treaty's articles, but as the European Economic Community (EEC) grew, problems in management in the field arose across the border and inside. Much of the EIB's first aid was allocated to boost Italy's divided economic state as the poor south struggled to connect with the much prosperous north. This influenced other small European states to join the European Community as lending was made to appear successful and European cooperation crucial for stability (Clifton et al., 2017, pp.1-2).

When the EIB was created in 1957, it was strongly influenced by the economic and political context, which permanently shaped its constitution and evolution. World War II had left European countries devastated (Temin, 1994) and, it was perceived, highly vulnerable to the spread of Communism (LaFeber, 1999). The International Bank for Reconstruction and Development (IBRD) (today the World Bank) was created in 1944 to support Europe, but it was soon seen that more resources were needed, hence the US implemented the Marshall Plan as a short-term measure (1948-51). However, this was inadequate to cover the region's huge investment needs, to which the creation of the EU added two concerns: the extra need for cross-border investment (HAEU, 1956a)

and the fear that integration would create divergence among the least developed regions (HAEU, 1956b). It was in this context that the EIB was created (Clifton et al., 2017, p. 3).

Clifton et al. (2017) enhanced that EIB's early goals and concerns were to incentivise economic growth within the common market and stabilise financial development. Central states favoured independent organ lender, where borrowing was made inexpensive and affordable. Hence the EIB was formed as an independent organisation. The first 20 years of the EIB were challenging as it focused on the southern European lending that was soon overshadowed by global challenges. The Middle East's oil embargo forced other energy sources to be assessed, and the collapse of the Bretton Woods system shook the financial markets in the 1970s. This left very little room for a wide-scale strategy as the EIB focused on managing what it had. It was only after the 1980's that the EU's expansion at the time brought new horizons to the table. The end of the cold war finalised the post-world war era regarding the financial cooperation at hand and brought a new political and economic climate to the table resulting in the Maastricht Treaty in 1992 (Clifton et al., 2017).

Thus, the end of the 20th century for Multilateral Development Banks such as the EIB or the WB consisted of building their enlargement capacity as they gained more members during the collapse of the Soviet Union. This meant increasing their budget and targeting new development issues in Eastern Europe and within the developing world, such as the Middle-African Countries (Rewizorski, 2018, p. 283).

However, right after the financial crisis of 2009, financial liquidations to several emerging economies have re-structured and challenged the banking mechanisms overall; thus, logically, MDBs' role has been re-designed, their roles reshaped in more ways than one (Gutierrez et al., 2011). Moreover, due to the necessity to mitigate risk, MDBs' role grew overall during the '90s as the WB took over many public development projects in Latin America and the EIB in Eastern Europe. The financial crisis of 2009 and the distress it globally caused naturally questioned the MDBs' capabilities and forms of function. The mere focus of adding sustainability and long-term structure seemed impossible. The EIB sought very old-fashioned mechanisms to help the most damaged European economy as Poland, Portugal and Greece participated in the high lending process alongside the IMF and

the ECB (Griffith-Jones and Tyson, 2011 p. 8-9). It can be stated that the role of the MDBs has become crucial throughout the instabilities our world has faced during the last 70 years. Moreover, considering the technological steps forward our infrastructures have gained – many countries would not have implemented them alone. Having the possibility for a third party to take over when a government is incapable of doing so is vital, due to the lack of resources or professionals in the field. Furthermore, MDBs carry important inputs, together with financial and robust infrastructural plans that local governments failed to implement, which can be life-altering for an unstable economy. Interestingly, Kellerman states that perhaps the challenges that the MDB were to face had already commenced since the 1945 formation of the World Bank:

Since 1945 the number of multilateral development banks (MDBs) has increased at a linear rate, with approximately one new MDB created every three years. The proliferation of MDBs has resulted in an inefficient duplication of international institutions with overlapping functions (Kellermann, 2018. p.1)

This contributes to the idea that the MDBs political agenda during the cold war was run based on one single methodology, which the west dictated. Kellermann (2018) uses the World Bank as an example, as the majority of Asian countries were left out receiving subsidies due to western coalitions (the US, Canada and Europe). This unequal standpoint has commenced a spiral that Kellermann (2018) highly wants to address, which is simply: does the world need hundreds of investment banks? Kellermann (2018) suggests that MDBs have fallen into a hole where they run themselves unproductive by fierce competition between states, thus enforcing the members to seek to form other MDBs where their voices can be heard.

Hence, Kellermann (2018) emphasises that new MDBs have continued to appear as older coalitions have failed. This can also explain the newcomers, such as the New Development Bank in Asia. All the BRICS countries had memberships with regional and global (the World Bank) institutions, but the new structure enhanced the emerging economies' finance policies.

Rewizorski (2018) analyses the fact that the current form of more regionally focused MDBs was formed overtime after the creation of the World Bank, where the effort of the debt of global politics came to start its narrative. This meant that the MDBs known today, according

to Rewizorski (2018), came in three different phases. Firstly, he emphasises the pre-phase on decolonial influence to eradicate poverty coming to focus on the poorest countries in Africa between the 1950s until the 1970s. The second phase focused on rebuilding the world after the soviet collapse, from the 1990s until the early 2000s; this returned the focus on Europe. The third phase, according to Rewizorski, occurred post-2010's, where the BRICS' collaborations thrived on forming MDBs in Asia on a global scale.

The third wave of the multilateral development banking has been marked by the creation of the New Development Bank (NDB), also referred to as the "BRICS bank," and the Asian Infrastructure Investment Bank (AIIB). These new banks have appeared at the time of power shift in the international system – from industrialised countries to emerging economies. The already mentioned recalibration of the world economy, with the center of gravity shifting towards the East Asia is the case here, as NDB and AIIB can be considered the shadow institutions of the Bretton Woods system institutions especially given the fact that BRICS" and other emerging markets and developing countries' (EMDCs) voting rights in the IMF and WB do not correspond with their share in the global economy. (Rewizorski, 2018, p. 284-285).

Furthermore, this strongly entails that the emerging markets have realised their self-worth regarding socio-economic capabilities. Also, their joining forces among all BRICS countries demonstrate that western ideals are not primarily essential for developing emerging markets. It might even predict that the unequal voting rights from the beginning have made the decision-making power reluctantly redundant. Rewizorski (2018, p. 285) describes that within the IMF, all BRICS form 32.1 % of the worlds GDP, however maintaining solemnly 14.2 % of voting rights in comparison to Europe that holds 30.2% of voting power whilst keeping only 18% of the combined GDP. Thus, today's power balance favours and entitles the west over the east that clearly has caught up. However, the question one should be asking is: even if the voting rights would be re-designed in favour of the emerging markets, would it matter? China has demonstrated a strong capability of enriching its middle class in the last 40 years without western idealisation but maintaining its people satisfied with their standard of living. This is appealing to the others, where enriching can happen on their own terms (Moyo, 2012).

2 Definition of Multilateral Development Banks

As already briefly explained, Multilateral Development Banks came to exist to re-establish quintessential particles within nations' financial infrastructure, by providing necessary financial support. Without such support, the receiving nation's economy would be incapable of sustaining itself (Lazzarini et al., 2018). However, the legal definition of an MDB is rather complex, which explains why our perception can be interpreted in more ways than one. Crippa (2010) defines MDBs as being international intergovernmental institutions that perform as non-state actors but are being influenced by states.

MDBs are international organisations created by states or regions and charged with fostering economic and social development, either in the public or private sector. In this regard, they constitute a particular category of International Financial Institutions ("IFIs") (Crippa, 2010, p. 533).

Although Crippa (2010) does not consider MDBs as private institutions, this means on a generalized level that MDBs can function globally between states like the World Bank does, for example, or as a regional barometer that is economically vital for the region like the European Investment Bank does for the EU. To pursue these financial mechanisms, MDBs' function is based on the Articles of Agreement, framework, or structural guidelines. This can thrive from the Vienna Convention article, especially as it can be considered a treaty for an international organisation (Crippa, 2010).

These guidelines are then respected by the staff working in the MDB. However, the organisational structure often beholds the "board of Directors" as the decision-making organ and is usually construed by state leaders or foreign affairs ministers. Although Crippa (2010) identifies an MDB as an intergovernmental institution formed by states, he highlights that a Multilateral Development Bank is not defined within International Law, thus making it rather complicated to address their legal responsibilities. Therefore, it leaves a grey area for interpretation, in case problems occur or legal issues arise within the infrastructural projects.

A much more optimistic analysis was made by Houghton and Mendez (2020), where they emphasised that impartiality grants more diplomatic leverage and flexibility:

MDBs are typically the first “port of call” for international governmental organisations (IGOs) and civil society organisations wishing to establish a sustainable financial framework for development; and are the likeliest political agents to pioneer sustainable banking in future. MDBs would do well to develop an awareness of the methods of Constructivism, which they have actually been unwittingly using, to empower themselves to meet the challenges of the 21st century (Houghton and Mendez, 2020, p. 1).

As it is well indicated by Houghton and Mendez (2020) here the MDBs do have a platform and a voice to use on a global stage. They can offer leverage to a situation that otherwise would perhaps lack consensus. Definitely, these MDBs can be the first to design a global framework and bring a number of countries together in a number of things, such as climate change, for instance. But have they? In addition to creating a global framework also comes the responsibility. Therefore, does a Multilateral Development Bank have a role in increasing poverty and if so, what can be done differently? Considering that the MDB span a wide range of founding principles – such as the EIB’s main purpose was to offer peace and structure to a post-war Europe; and the NDB’s main purpose was to merge the BRICS countries within a common goal to enforce their stance in regards to prosperity vs productivity – the emerging question is which approach has been the most successful in sustainable project management, and moreover how do these MDBs actually differ.

3 Function of Multilateral Development Banks

Development Banks can significantly differ from one another and they can work internally within a nation such as the US’s Inter-American Development Bank or within the multilateral context of certain countries together, such as the World Bank, as well as via supranational European Union like the (already mentioned) European Investment Bank does (Babb, 2009).

The newcomer in the scene is the New Development Bank being a great example of the collaboration of emerging market countries or BRICS countries by coming from similar financial and socio-economic growth standpoints, aiming to improve their shared goals and not necessarily base their projects on rebuilding per se, but relating to their creative freedom perhaps wanting to avoid the western standardisation by creating the version that is best suited to their needs. This is a peculiar example of why western idealisation for financial and social development does not solemnly dictate the global markets. Countries like India, China

or Brazil have found comfort and common goals due to their increasing prosperity, rather than emulate the American dream of wealth in industrialisation (Kellermann, 2018; Rewizorski, 2018).

Firstly, understanding an MDBs' core function and acknowledging it, much depends on what aspect one looks into a development bank in general. Many academics and IFI's themselves still today have very different definitions of an MDB (Houghton and Mendez, 2020; Babb, 2009; Lazzarini et al., 2018). It can be argued (Lazzarini et al., 2018) that the industrial sector considers an MDB as a financial mechanism or a tool when deficiencies occur in the capital markets; or, from the social perspective, the MDB could be viewed as a governmental intervention towards an industry when financial instability has occurred and lastly from purely a political perspective: where personal political influence can intrude into the space of public monetary policy.

Sarah Babb (2009) highlighted in her book "Behind the Development Banks" regarding the MDBs that their concept is interesting since, while their value and mission is mainly to provide help to others, making a corporate profit is also within the bank's main interest - because profitability of their institution is critical to keep themselves active. Also, when ulterior agents or circumstances change politically or economically due to elections, goals and focus also shift along just like any other political institution. Furthermore, it is often forgotten that governments are actually the shareholders; thus, the active agents in the decision-making process. This means that, very often, the criticism is not targeted towards the shareholders but the organisation (Babb, 2009). This perhaps suggests that the role of a state as a member could be emphasised and questioned.

This raises a question many academics have pondered. Should all MDBs be called development banks? As Babb (2009), as well as Clifton et al., (2017), suggest some DB's are more banks than others, as the development of sustainable living is ignored or forgotten, such as 'European Bank for Reconstruction and Development'; and some are more humanitarian organisations or institutions like "the World Bank" (Babb, 2009, p. 9).

Babb (2009) also emphasises that MDBs are often influenced by the governmental idealism that happens to be in power; instead of the expert or academic science perspective. Furthermore, not all governments have the same voting power as often the size, GDP or population dictates the terms. Interestingly, Babb adds that the national ideals might be crossed with the shareholders' aims instead of the joint multilateral goal. However, what is essential is that the legislative structure or national norms of the recipient are often not discussed; therefore, it can be argued that this is why the late development economist Peter Bauer (2000) was correct about the dependency issue. The poorer country is defeated not only economically but also politically. This will be examined in the next chapter.

In summary, the creation of Multilateral Development Banks commenced as a by-product of the post-world war II strategy to keep Europe and the world balanced and maintain peaceful integration and create equal means for all. During the post-war period, as Europe continued to recover, economic and political context became apparent, where significant economic needs were dictated by geographic challenges, which underlined the relation between the investment funds and the receiving nations.

The cross-border investment within European borders called for the birth of the EIB as an independent organisation with the intent of incentivising internal economic growth. With the collapse of the Soviet Union and overall enlargement of these institutions, the focus then turned to the developing world (middle African countries), up until the early 2000s when the European economic situation forced to pull the focus back into European borders, with higher attention over the south European nations.

This localised approach, overall due to geographical constraints, colonization history and older coalitions, much overlooked the Asian countries development needs. As a result, the BRICS collaborations formed the latest MDB in Asia. These organisations' main intent is to provide a political, financial framework for the development of local or global projects, despite states being their principal shareholders. Therefore, they become a primary instrument for organisations in need of financial mechanisms towards financial stability.

Furthermore, the core idea for an MDB, while being an intergovernmental institution, is that it can independently function as a stimulator for economic cooperation and development by using lending and investment mechanisms to finance infrastructural projects, which can be often influenced by governmental idealism.

Chapter II MDBs, sustainability and the concept of aid

Whether we talk about the Global World Bank or Regional Multilateral Development Banks, all can entail various forms of advisory processes or aid as they all offer multiple forms of financing or actual construction projects. Many MDBs have been criticized for the lack of transparency and by implementing methods that empower dependencies that work within ‘grey areas’ (Baumann et al., 2020). This argument can challenge the core foundation as described in chapter 1, that their history was brought by an aspiration to aim towards a balanced world order. Thus, as we look at the definition of basic forms of aid, how do these forms compare within the MDBs? Furthermore, why is it that the research community questions the use of Development Aid within these institutions?

1 Defining sustainability

In the early 1970s, many international treaties or global framework endeavours became a hard pass in the middle of the Cold War due to the global tension. Sustainability, as a concept, was born among the fear that the world could not gather when it came down to protecting our planet, eradicating poverty, or even simply making wiser decisions together; this was summoned to the Bruntland Report by the UN in 1987 (Leiserowitz et al., 2006; UN, 1987). Therefore, sustainability grew as a complex concept that can have subcategories emerging in multiple directions – yet, it is mainly a mixture of human interaction and the environment aiming towards stability and durability. These are broad topics that can stretch to socioeconomic issues like education or even consumerism (Cheney et al., 2004).

Since the 1970s, the conversation has taken off towards many initiatives and research levels, such as the UN 2030 sustainability goals, which aim globally to eradicate poverty and tackle issues such as climate change on a multilateral level (UN, 2018). Moreover, research demonstrates that sustainability is about a global framework and a concept of ethics where society participates. This should be targeted not only towards the individual to make more conscious decisions but also to corporations and governments altogether (Dahl, 2012).

It can also be stated that each time new policies ought to be implemented or even presented, whether it is on a local level, national level or a multilateral level, it always combines political tendencies (Cheney et al., 2004).

In other words, sustainability and its inherent principles have a broad definition, cultural indicators and identifiable processes. Moreover, international technological progress allied to globalization also contributes to alter and accelerate how sustainability is perceived globally, especially when comparing nations in different development stages. The dynamism in which the world evolves precludes an immediate and strict definition of the term. However, it is possible to find common ground that identifies sustainability as a stable equilibrium situation where economic evolution is achieved. At the same time, collected resources for consumption and production patterns are sustainable and not extinguished. Notwithstanding, this definition is limited and incomplete. Cheney et al. (2004) from the Institute of the Sustainable Futures identify sustainability as more than a constrained environmental perspective.

Rather than simply a discourse of the environment movement or the competing tension between environment and development, sustainability is primarily a discourse of modernity. (...) The original or literal meaning of the term is equivalent to permanence and implies notion of durability, stability and eternalness. (Cheney et al. 2004, p. 225)

The time factor, as well as development stages, is evoked in this excerpt. The notions of permanence and durability in one developed country can be understood differently in an underdeveloped nation. Furthermore, the idea of a developed country can also be questioned since development criteria vary between nations. The article 'Sustainability as Social Change' (Cheney et al., 2004) argues that the validity of using an economic and environmental discourse concerning sustainability is flawed since it removes the social component from the equation and further helps to segment the world into developed and underdeveloped sections. Nevertheless, the principles for Sustained Development Goals have been agreed upon by the United Nations. The General Assembly of the United Nations in January 2015 established principles in a resolution defining 17 Sustainable Development Goals with targets to eradicate the world's poverty, hunger and disease, to be achieved by 2030 (UN, 2018). Those development goals are deeply allied to the notion of a world where

consumption and production patterns are sustainable. The sustainability factor is mainly present in the search for affordable and clean energy while ensuring access to sustainable and modern energy for all. The need for sustainable human settlements with responsible consumption and production patterns is also clearly identified in the United Nations Sustainable Development's 17 goals. However, three specific goals (13, 14 and 15) urge climate action to combat climate change, ocean conservation, and the restoration, protection and sustainable use of terrestrial ecosystems to combat land degradation and biodiversity loss (UN, 2018). Although the United Nations' targets focus on Sustainable Development, it is possible to conclude that the inbuilt sustainability principles rely on preserving natural ecosystems, as stated below:

The phrase "sustainable development" focuses on economic development as the operative concept. The simple word sustainability, however, implies no presumption of economic development. It implies that the roots of sustainability may be found outside the realms of economic development and may, in fact, preclude them. (Ehrenfeld, 2005, p.23)

On a further note, John R. Ehrenfeld (2005) develops the sustainability discussion, considering that it should be possible to discuss it as a foundation, since 'economic development' principles might be incompatible with 'sustainability'. Also, when considering natural ecosystems, it is invariably necessary to insert the human component.

Most advocates of sustainable development recognize the need for changes in human values, attitudes, and behaviors in order to achieve a sustainability transition that will meet human needs and reduce hunger and poverty while maintaining the life support systems of the planet. Values are abstract ideals, such as freedom, equality, and sustainability. (Leiserowitz et al., 2006 p. 414)

In this article by Leiserowitz et al., (2006), the human component is highlighted since human needs as life support systems in relation to land and sea use, such as agricultural and piscatorial, are undoubtedly connected to human behaviour. Therefore, the 'sustained' intervention without interfering with causing harm to the growth of future generations becomes directly associated with the cultural ideals of freedom, equality and sustainability.

Thus, when it came to forming Multilateral Development Banks such as the World Bank or the EIB for instance, socioeconomic stability has always been the founding and essential goal where it could be stated that sustainability has formed to become a core value.

Obviously, sustainability in the 1950's emphasized more peaceful and prosperous living: indicating that the environmental influence to the term was added later from the 1970s onwards (Leiserowitz et al., 2006).

However, "sustainable development" represents a bundle of interlocking concepts of vast environmental, socioeconomic, legal and institutional implications. 20 MDBs, therefore, find themselves thrust into the centre of a process in which the formal requirement of abstention from "political decision making" might seem to put them at odds with the normative implications of "sustainable development. (Handl, 1998, pp. 643-644)

Handl (1998) highlights the complexity of sustainability, especially its wide range of subcategories, which necessarily places MDBs in a difficult position because of their need to abstain from political influence. Furthermore, this is true considering the UN Development goals that consist of various sectors' team effort and multiple forms of aid and development cooperation. One could ponder whether, if the guidelines were simplified, it would impact on the outcome of these institutions' implementation of the goals. Moreover, as sustainable development has shaped itself into a broad concept, it has created grey areas within the field of international cooperation. The MDBs work for sustainable development often via Development Aid or even Humanitarian Aid, leaving academics to analyze the terminology used and compare the process's action (Baumann et al., 2020).

The increasingly fast-paced nature of today's world has not facilitated the standpoint to keep things clear. Furthermore, the global pandemic of Covid-19 of 2020-2021, for instance, has attracted the attention and actions of many MDBs that were involved in the supply of medical aid: vaccines or even logistics, but mainly their involvement tackled financial mechanisms. However, the EIB in late 2020 was criticized by its relief methodology, which was put together by a forced atmosphere, mainly focused on salvaging SME's rather than focusing on developing a preparedness plan with a wholesome point of view:

We argue that especially in view of the public health crisis, it is high time for the EIB to establish a health sector strategy – as already recognized (EIB-European Commission 2018) and step up its contribution from its own funds, beyond risk-sharing facilities with the Member States and the Commission as EGF and IDFF respectively. In its response to the Covid-19 economic crisis, it is imperative for the EIB to focus squarely on the final beneficiaries (SMEs, innovation, social and environmental projects) rather than the private financial intermediaries. (Clifton et al., 2020, p. 144).

This indicates that the approach to global pandemics could be revised and the allocation of funds reassessed. As mentioned by Houghton and Mendez (2020), the MDBs have the capacity to become frontrunners in the global framework.

Therefore, what role do the MDBs play in Development Aid and Humanitarian Aid and how are they linked to sustainable development principles? This chapter examines this question while considering the sustainability principles in the various forms of aid and development cooperation.

2 Forms of aid and MDBs

2.1 Humanitarian Action: Humanitarian Aid & Human Rights

The regulating principles for humanitarianism can be traced back to June 1859, to the battle of Solferino. Upon witnessing the destruction and soldiers suffering after the war, Swiss businessman Henri Dunant decided to initiate a relief response. His impartiality and neutrality inadvertently established the pillars that would create the International Committee of the Red Cross and the International Humanitarian Law. The International Humanitarian Law is made up of several regulating conferences, particularly the Hague conventions, starting in 1863, that ultimately established the Law of Geneva or later the Geneva Conventions (Haug, 1993).

Furthermore, Dunant pursued the concept of permanent aid societies to assist soldiers, and he also called for the adoption of treaties that could ensure the protection of the voluntary personnel. His efforts would ultimately result in a permanent sub-committee entitled ‘The International Committee for Aid to Wounded in Situations of War’ by the private Geneva Society of Public Welfare. Together with the United Nations, the Red Cross and the Red Crescent are today the most recognized organizations to lead with humanitarian character issues. The international community relies on the Red Cross to provide Humanitarian Aid efforts across continents to communities suffering from natural and man-made disasters, with impartiality and neutrality (Haug, 1993).

In addition, all the primary humanitarian standards have been placed into one guidebook by the Sphere Project, which consists of several NGO professionals together with the International Red Cross:

The Humanitarian Charter expresses our shared conviction as humanitarian agencies that all people affected by disaster or conflict have a right to receive protection and assistance to ensure the basic conditions for life with dignity. We believe that the principles (...) are universal, applying to all those affected by disaster or conflict, wherever they may be, and to all those who seek to assist them or provide for their security. These principles are reflected in international law, but derive their force ultimately from humanity's fundamental moral principle: that all human beings are born free and equal in dignity and rights. (The Sphere Project, 2018, p.28)

Furthermore, Humanitarian Aid evolved from the military conflict point of view and can today be analyzed as a human-focused approach to provide impartial and neutral assistance to achieve human dignity. A clear objective definition has been established by the Development Initiatives as follows:

Humanitarian assistance is intended to save lives, alleviate suffering and maintain human dignity during and after man-made crises and disasters caused by natural hazards, as well as to prevent and strengthen preparedness for when such situations occur. Humanitarian assistance should be governed by the fundamental humanitarian principles of: humanity, impartiality, neutrality and independence. These are the fundamental principles of the International Red Cross and Red Crescent Movement (ICRC), which are reaffirmed in UN General Assembly resolutions and enshrined in numerous humanitarian standards and guidelines. (Global Humanitarian Assistance, 2021)

It is essential to acknowledge that every organization interprets these principles in their own way; however, the core values remain the same. Furthermore, it is important to distinguish that Humanitarian Law and International Human Rights came to represent two different concepts: Humanitarian Law applies during a war or a conflict, yet, International Human Rights can be applied at all times (ICRC, 2010). Moreover, the crucial element to defining 'Humanitarian Aid' is the suddenness of an eventual crisis, regardless of whether its origins are man-made or natural. Thus, what is the link between Humanitarian Aid and the MDBs? The connection is actually quite intriguing and can be analyzed from a twofold angle.

Firstly, it could be debated that humanitarian values are not directly linked to the world of Development Banking. From the MDBs perspective, it was never the MDBs intention to provide Humanitarian Aid. Babb (2009) justifies this aspect, stating that first and foremost, their vital function is to keep the corporate world running and portfolios growing.

Secondly, MDBs generally seek projects that expand their curriculum rather than the opposite, which means that certain egotism enrolls within their own capital gains. Babb (2009) also claims that the MDBs do not share liability towards the member states and, in fact, act as ‘private corporations.’ In that sense, however, they are capable of reacting to external request or outputs, if it is in their own interest to do so. Thus, as explained by the author, the shareholders who are nations often carry out their self-interest, which can become cumbersome in terms of consensus and in worst case scenario could even lead to corruption (Babb, 2009, p. 21).

On the other hand, it can be argued that in some cases, the MDBs role should be simply to be able to provide quick assistance or leverage; which in some cases can be proven functional. In fact, discussing whether or not to include Human Rights within their agenda has been highlighted during the last 20 years. As Christopher Stephens (2017), from the Asian Development Bank explains:

The moral imperative of including human rights in development work gained prominence four decades ago. But it was only recently that economists concluded that the advancement of human rights also contributes to economic development...The core mission of MDBs has evolved beyond their original mandate. The Sustainable Development Goals reflect the shift from infrastructure-related project loans to include the financing of “human development”. (Stephens, 2017, n/p)

Thus, acknowledging the true value of ‘Human Development’, as he puts it, should be further discussed. Stephens (2017) further analyses that many MDBs use the justification that they shouldn’t necessarily turn their narrative towards political invasion. The MDBs fear this would disrupt the course of their development projects in a developing country. Stephens (2017) also mentions that most MDBs carry out some level of correct human values through ‘safeguards’ and reminds them that it would be within the organization’s interest to do so.

However, while safeguards are mechanisms that protect the investment of the MDBs, with the aim of ensuring the success of the project, they may lack tact and when not interfering, they tend to run astray from the receiving country’s own development plans. The criticism that current MDBs safeguards are not designed to protect the environment against adverse

impacts from infrastructure projects is highlighted by Chris Humphrey (2016). Ultimately, safeguards might create a parallel policy to the borrower's socioeconomic context. In some situations, they might even require governments to diverge from a policy by consulting NGOs with no legal standing.

Current MDB safeguards do not address the core developmental problem facing environmental and social oversight – weak legal frameworks and implementation capacity. Protecting against negative environmental and social impacts of infrastructure projects has often fallen short in many developing countries. Ignoring these impacts can not only threaten the effectiveness of an investment project itself but more broadly undermine a country's social fabric and environmental sustainability, with potentially global implications related to climate change, conflict and migration. While many countries increasingly recognize this and are strengthening their oversight frameworks accordingly, others continue to take a more short-term approach of pushing ahead with the project first and worrying about problems later. (Humphrey, 2016, p. 2)

Furthermore, the critic also refers that some safeguards are unrealistic and might postpone the project's implementation for several years due to the time required to undertake assessments or consultations. For these causes, when a development loan might trigger safeguards, most borrowing developing nations aim to avoid using the World Bank and significant MDBs. Instead, they prefer to find the capital elsewhere, even if facing higher financial costs. This point of view, if generalized, might endanger the relevance of MDBs in the future.

The best way to protect the environmental and social rights in developing countries is to build on countries' existing legal and regulatory frameworks, not design safeguards to allow MDBs to sidestep them (Humphrey, 2016, p. 7)

Humphrey (2016) refers in this excerpt that it is beneficial to use governmental frameworks since they endured the test of time and are fundamental for the nation's continuity. To minimize corruption or political pressure, a high level of transparency should be adopted, documented and made public, thus transforming the potential development into more robust assistance. This approach might hinder or even eliminate specific projects, such as constructing a 'new highway through an environmentally protected area'; however, it would also mean higher acceptance and accountability for the projects that do proceed.

Chris Humphrey also defends that MDBs should have clear minimum standards for human rights and environmental protection and allow the receiving nation to align with such

frameworks. The importance to maintain MDBs as a development tool to reinforce a nation's infrastructure and systems instead of seeking alternatives with higher financial cost allows the borrower to engage in higher-profile projects, not only by benefiting from knowledge and assistance to develop such projects but also by attracting private investors. MDBs must respect each nation's priorities while concurrently guaranteeing the planet's social and environmentally sustainable standards if they intend to achieve the best development solutions, particularly in developing countries. A positive alignment between MDBs and borrowers should focus on strengthening the relationship with local regulations instead of dictating higher interests.

Furthermore, according to Crippa (2010), the solution regarding MDBs obtaining a more acceptable stance on humanitarian action could only be completed if the legal addition within the field of International Law is applied.

The existing gap under international law needs to be filled with new rules in order to govern the human rights responsibility of MDBs. In this regard, the different international law sources can play a critical role in establishing new standards. Treaty rules can promptly lead to an agreeable solution to the issue at hand by the main actors: states and MDBs as international organizations. (Crippa, 2010, p. 577)

On the other hand, if MDBs would dwell their focus on implementing human rights, would it be beneficial to them? An empirical study made by Koob et al. (2017) discovered direct links where respected universal Human Rights proved positive for economic growth.

A population that feels empowered by the freedom of speech, freedoms to assemble and to associate and by electoral self-determination may be more productive and motivated to contribute positively to the economy. Additionally, strong freedom and participation rights may promote predictability and transparency that encourage trade and investment that furthermore contribute to growth. Moreover, we find some indications that government effectiveness and control of corruption are possible intermediate factors. Freedom and participation rights such as freedom of speech, freedom of assembly and association, and electoral self-determination may also enforce accountability and transparency of a government and thereby government effectiveness and control of corruption that form a basis for strong institutions, which has also been shown to affect growth positively. (Koob et al., 2017, p. 49)

The study previously mentioned highlights also that implementing human rights is a long process, which adds its own complications to the process.

Thus, it can be stated that Humanitarian Aid that thrived from the horrors of war adjusted the Human Rights adopted in 1948 by the UN Assembly. Together they established a foundation for international stability. The MDBs have not openly embraced human rights officially as part of their values; however, it has been shown that emphasizing international human rights has the capability to influence the economy positively. However, this does not entail that the MDB should become an activist organization entirely towards humanitarian and human rights issues, but rather aim towards humanitarian and human rights cooperation. Moreover, the link between MDBs' missions to help developing countries stand on their feet by creating financial possibilities via infrastructure equals to sustainability, and sustainability can be comprehended as a solution for eradicating poverty. Therefore, as a result, the humanitarian action affluence shouldn't be a disadvantage. Global Pandemics such as Ebola, SARS or Covid-19 that have shaken the world in recent decades should become part of the "humanitarian" relief action of the MDBs. Later in the third chapter examples of these will be mentioned.

3 Development Aid and its comparability with MDBs

According to the Organization for Economic Cooperation and Development (OECD), Development Aid can be defined by Financial Aid towards a developing economy's promotional goal (OECD, 2021). One of the controversial aspects is that the definition is not clear. Its terminology is widespread as different agents or organizations can use additional terms from foreign aid, to development projects, to Financial Aid, making it quite complex to justify what Development Aid actually is. Regardless of the terminology aspect, these projects' goal is usually the same: aiming to either finance or plan development projects in a developing country that the developing country in question cannot purely perform on its own. Development Aid can also be allocated into various projects from education to healthcare to urban infrastructure.

3.1 EU as an example

The roots of the EU's idealism of foreign aid lies in the Cotonou agreement from 2000, that continues the previous Lome Convention's guidelines from 1975, by focusing on the ACP countries (Africa, Caribbean and Pacific) to boost up cooperation by economic terms in order to reduce poverty (EU, 2021a). Notwithstanding EU's intent to reduce poverty, is the EU actually responsible for poverty increase? By its terms, the EU is the world largest Development Aid provider, where every year, 0.7% of its annual budget is targeted towards Development Aid. However, since it is stated that Financial Aid alone cannot solve poverty (Bauer, 2000), it becomes essential to reconsider European implementation policies – through the EIB – to achieve a positive outcome. Yet, the EU's massive role regarding Development Aid continues to increase on a yearly basis (EU 2021d).

New additional terms are said to continue the Cotonou Agreement after December 2020 as it has come to its end, although they have delayed the re-assessment due to the Covid-19 pandemic of 2020. These agreements' structure covers 80% of African countries and a small proportion of the Caribbean and Pacific Islands – with a majority of the former colonies of European descent – and thus, guaranteeing a beneficial standpoint for these countries in terms of trade & manufacturing, for instance. So far, 79 countries have ratified the agreement; therefore, complying with the APC-EU treaty rules, the countries that have ratified the agreement are also the countries with the pleasure of becoming a client of the European Investment Bank, the largest regional MDB.

It remains to be seen how the newly formed treaty will perform, after it has been reassessed. It has been debated within the European Parliament (European Parliament, 2021b) that the former donor-recipient relationship will be dully challenged. Of course, the interest lies in the fact that this treaty emphasizes business terms by binding the EU's norms of eradicating poverty without humanitarian principles due its trade agreement nature.

3.2 Systematization of Aid

Development Aid and its systematization have faced scrutiny from academic professionals as data has unveiled that the concept is not fit for every country or location due to various reasons. After the global financial crisis in 2009, this understanding became more evident and started showing more concrete symptoms of unstable economies. The question arose regarding transparency and whether the donor-receiver relations were just poorly positioned (Jakupec et al., 2020). This obviously shows a problematic rise regarding global sustainability.

Hungarian born economist Lord Peter Bauer (2000) and Zambian born economist Dr Dambisa Moyo (2009) among many other academic researchers, have criticized the pure concept of Development Aid, stating that by creating dependencies it increases poverty rather than reduces it. The late Emeritus Professor Peter Bauer argued extensively regarding the Development Aid's problematic framework and favoured for the independent mechanisms he believed all developing countries had. Bauer (2000) dedicated his life to economic factors to stabilize the developed countries and long argued throughout his academic career about allocating resources: the "population problem" and the domestic market domination. Bauer stated that since WWII, financial loans and aid have been given to emerging countries known as Development Aid (US Eng.: foreign aid). He criticized that the UN summits in the last 30 to 40 years have significantly been why the figures have become more prominent, as the UN has been the leading example for how aid should be allocated and why other institutions such as MDBs have taken influence from.

Since the collapse of the Soviet Union, the world rushed to westernize the collapsed countries thinking they had been missing on western living style. Bauer importantly highlighted that a great deal of the aid always goes to the governments, not to the "people"; more importantly, the term 'Third World' was therefore invented by the West to implicate the north-south status quo relationship. Thus, the west could feel superior towards the south (Bauer, 2000). Bauer reminded the West that their resources often feed the enemy and uses Iraq as an example, where foreign aid provided the state to grow its military arsenal rather

than feed the poor. He also reminded us that poverty is a pre-condition where extensive revenue can emerge from a successful business no matter the circumstances. All this depends on socioeconomic and political standpoints. He states:

Development aid is thus clearly not necessary to rescue poor societies from vicious circle poverty. Indeed, it is far more likely to keep them in that state. It promotes dependence on others. It encourages the idea that emergence from poverty depends on external donations rather than on people's own efforts, motivation, arrangements, and institutions. (Bauer, 2000, p. 67)

Lord Bauer also highlighted that the social and technological progress within more impoverished regions is not in sync with these countries' abilities. He uses India's case study as an example where industrial projects in the early 1950s were a significant investment, where 4/5 of the adults were illiterate. This means that upcoming revenue numbers often overlook the wholesome picture of an undeveloped city or a country if a development project is taken over and not by socioeconomic factors. Thus, we cannot presume that building a road or a factory or a train line stabilizes or sustainably changes the society as claimed.

He also points out that Development Aid, regardless of its form, ruins the receiver's ability to compete in the market and export their goods. This also happens because usually poorer countries' governmental structure does not have the framework for a trading platform, and the fact that since aid kicks in, there is no need to think about trade revenue anyway. Bauer (2000) also brings out the problem of landownership which hinders the ability to survive and gaining an income through farming for instance and the fact that in many African countries, much like in central Asia, the land is a free good; thus, the legislation lacks structure and mostly human conduct making it difficult practice farming as a profession and can at time lead to conflicts. Therefore, outsourced investment mechanisms do not bring a consensus to this problem (Bauer, 2000, p.71).

According to Bauer (2000), the answer to this is: if not quitting the aid entirely, at least exchange the loans to direct grants because such setting of loaner-receiver creates an immediate dependency issue. Furthermore, he also argues that colonialism, albeit it worsened the socioeconomic and political status of many countries is not accurately the pure reason for the existence of the 'Third World' – as there are a handful of countries in Africa

and in Asia that were never colonies yet have suffered from extreme poverty for more than a decade, like Chad or Nepal for example.

Interestingly very little criticism against Bauer has been presented since the 1950s. Many critiques remained as simple as unknowledgeable, as his opponents could not find reasons to defeat his idealism. The only somewhat reasonable argument was dictated by Stern (1974), stating that ethically it is our obligation to assist the suffering. Otherwise, we lack morals. Nevertheless, much like other researchers (Moyo, 2009; Schleifer, 2009; Brumm, 2003) that agreed with, Bauer always highlighted that the distinction of Humanitarian Aid and Development Aid is essential. Dambisa Moyo, essentially in her book *Dead Aid* (2009), fundamentally claimed this to be the excuse why West justifies to itself the continuation of the Development Aid, explaining that Development Aid is often thought of as Humanitarian Aid and vice versa.

Moyo (2009) famously debated that in her native Zambia, from the 1970s till the millennium, poverty had increased remarkably from 11% to 70 %. The reason behind this fact, according to Dambisa, is that systematic Development Aid had begun in the mid-1970s. Thus, Moyo (2009) defends the Chinese approach for considering Africa's expertise to do business. Moreover, this approach treats nations as equals rather than under post-colonial hierarchy or orientalism.

Moyo (2009) has spent most of her career researching the fundamental reasons why particularly some African countries fail to prosper and some become financially sustainable. The results of this research have argued that in comparison to some developing Asian countries, the complexity of historical, geographical, institutional and tribal culture altogether challenge the economic flow. According to Moyo (2009), many researchers analyse the difficulty within the African continents economic growth from the perspective of natural resources – coastline and climate influences as main reasons – and leave institutional or governmental challenges as secondary, despite Africa having the highest rate for civil war due to its rich ethnicity factors and having more than 1000 tribal families.

Therefore, Moyo takes one step further from Bauer's foundation by finding reasons beyond colonialism to debate Development Aid's refusal (Moyo, 2009).

One fundamental aspect that Moyo (2009) emphasizes is the Marshall Plan's effect, which was the US's voice to assist post-war Europe to rebuild. The Marshall Plan was often understood as the foundation for aid and as a loan experiment that MDBs have continued. However, what differentiates it from African aid is that firstly, Europe already showed signs of having started the recovery and secondly, the Marshall Plan had an ending date defined. It was not meant as indefinite ongoing support. Furthermore, African countries have had several conditions included within the programs and often tied to using the donor's own product. This has been highlighted in the projects founded in the 1980s, which became the former colonies' loophole on how to practice business in Africa.

Interestingly, much like EIB and World Bank and other US-based institutions, a fundamental part of their regulative contract in terms of aid policies is implementing democracy. Thus, Moyo outlines that whilst these agents have increased democracy in the sense of fair elections in some African countries, this has not necessarily benefited these countries with economic growth. On the contrary, Moyo further pursues that the countries that are found to be substantially less democratic – such as Sudan – have turned their economic growth upscale.

So, there we have it: Sixty years, over US 1 trillion dollars of African Aid, and not much good to show for it. We aid simply innocuous – just not doing what it claimed it would do – this book would not have been written. The problem is that Aid is not benign – it is malignant. No longer part of the potential solution, it is part of the problem aid is the problem. (Moyo, 2009, p. 82).

In this excerpt, Moyo (2009) concludes that aid is, in fact, not a blanket solution that may be applied indiscriminately to every situation. In some situations, as the case for the 1 trillion dollars invested in African aid, the aid has actually harmed the receiving nation. Thus, both Bauer (2000) and Moyo (2009) emphasize the dependency cycle that the development aid under the current terms delivers. Aid as a concept involves political touch-ups with local authorities, which can cultivate corruption, especially in a society where education and illiteracy can be an issue. As a result, according to Moyo (2009), the answer is setting up an

'end-date' to the program. Every project needs a beginning and an end, a 5-10-year period that gives enough buffer to create a sustainable outcome and fix what is necessary and reduce the sums as the country prospers. Another essential emphasis is a more focused and individual take on each African nation due to Africa's enormous cultural diversity.

On the other hand, within the specificities of aid, the continuous Systematic Development Aid's essence can be perceived and widely understood as having predominantly humanitarian selfless objectives and a significant fight against poverty – regardless of being successful or not in their goals. At the same time, Humanitarian Aid aims to tackle urgent, specific human crisis or development issues within a particular timeframe. Systematic Development Aid is understood as a continuous supply of support – be it financial, infrastructural or advisory – without an end in sight, provided by developed nations into impoverished nations (Moyo, 2009).

The comparison between these two aids, from Development Banks and the more straightforward form of Systematic Aid from developed countries, allows us to consider their lasting effects in the targeted states. Also, by analysing both forms of investment and aid, it is possible to assess whether or not dependencies have been created due to the systematic and timeless manner of the assistance, versus long term investments, resulting in improvement and poverty alleviation or its inefficiency. What is aid dependence? Deborah Bräutigam's (2000) Aid Dependence and Governance study proposes the definition of Aid Dependence as:

A situation in which a country cannot perform many of the core functions of government, such as operations and maintenance, or the delivery of basic public services, without foreign aid funding and expertise. (Bräutigam, 2000, p. 2).

By dwelling deeper into the GDP factors of specific aid receiving countries, Deborah Bräutigam (2000) performs a statistic analysis to identify potentially aid dependant countries, in which the aid volume has reached 10% or more of the GDP. This constant influx of aid inevitably creates dependency and deteriorates governance quality. Data shows that GDP also becomes highly dependent on external help, the longer the period a nation and its governance faces aid. Besides losing budgetary constraints, financial reforms also become

less likely to happen, and bureaucratic corruption is likely to thrive. This scenario becomes the perfect condition to make a nation ultimately dependant on aid. That dependency contributes for governments and political leaders, with inevitably short-term horizons, to engage in riskier financial behaviours, knowing they are likely to be bailed out, thus perpetuating the need for external support indefinitely. She identifies three principles which should be considered during the selection process for aid, in order to achieve the desired contribution outcome and she foresees the maximum length of the aid for a period of 15 to 20 years:

(1) pursuit of macroeconomic stability and fully accountable budget and expenditure management (including plans for increasing foreign exchange and domestic revenue generation over time); (2) progress toward establishing the rule of law, a meritocratic civil service and reducing corruption; and (3) progress toward improving the social welfare of the poor. Both donors and recipients in selected countries need to plan for a termination of official aid in fifteen to twenty years. (Bräutigam, 2000, p. 5)

Deborah Bräutigam (2000) also identifies the need for an action plan for the applicability of aid, creating a winding down effect in order to prevent the systematisation.

Furthermore, Acemoglu and Robinson (2013, p. 453) defend that low-income countries in Africa (such as Malawi) failed to tackle poverty due to poor state structure. That structure leads foreign ‘aid’ – initially targeted to secure the social infrastructure – to the corruptive hands of the country’s elite leaders. Thus, the core function of an MDB practicing Development Aid projects to developing countries brings out doubtful positions from the academic perspective. Therefore, what other practices could be explored or developed?

4 Development and sustainability mechanism alternatives: The Chinese Approach

In comparison to the MDB role in development and sustainability, things could also be done differently. Perhaps in a more business-like manner as the Chinese have. In the last 20 years, China has placed great socioeconomic efforts in various African countries infrastructural projects, including high-speed railways, engineering road initiatives, and construction in general, all have started to become very noticeable. The Chinese have also spread to purely financial market products and manufacturing businesses, not forgetting the educational exports, for instance, in pharmaceutical and medical sectors, to name a few (Moyo, 2012).

This shows that there is an alternative way to advocate for better infrastructure rather than solemnly rely on MDB aid. Even though China is a member of several MDBs, it seems to be doing the most on its own, simply through targeted investments on bilateral terms.

It is China's massive infrastructure projects, including dams, railways, ports and telecommunications networks, that capture the most attention. Between 2000 and 2014, the stock of Chinese investment in Africa went from 2 per cent of US levels to 55 per cent. McKinsey estimates that, at the current breakneck pace, China will surpass US levels within a decade. (Feng and Pilling, 2019, n/p).

However, while regarding China's efforts in Africa and its multiple forms of projects, as just mentioned, it might be hard to find a definition of what China's global role in Africa really means. It is known that it involved loans for infrastructure for non-existing interest rates, and lending workforce regarding infrastructure-related projects, such as railways, and relocating Chinese companies to multiple African Countries. China has created freedom in exporting its 'know-how' (Park et al., 2016). Thus, the fogginess of interpreting its mechanism can be quite challenging, forming the question: Should we call China's efforts in Africa 'Foreign investment', 'Cooperation', 'Development Projects' or 'foreign aid'? These hybrid forms are challenging the traditional status-quo definitions of foreign aid. Thus, the lack of transparency miscalculates the definitions, since China has not clarified nor clearly stated what it is offering (Martinez, 2015).

Therefore, what does this mean in terms of global economic balance, and how can we define the Chinese endeavours in Africa? The OECD (2021) definition of FDI (Foreign Direct Investment) tend to be a "normal" analytical indicator of "an investment made to acquire a lasting interest in enterprises operating outside of the economy of the investor". The FDI is typically calculated on a foreign company's existence abroad with more than 10% allocated holdings (OECD, 2021).

Regarding those figures, China has declared to have invested \$60 Billion into Africa in 2018 and has registered over 10 000 Chinese companies by relocating them to Africa in the same year (Weforum, 2018). To clarify, China and many African countries are not OECD members. Thus, they are not obliged to declare their actual figures and are leading the OECD to run their FDI estimations. China has been condemned over its economic development

policies since it does not apply internationally set standards such as the OECD's. Others suggest that the EU's long overdue and old-fashioned way of demeaning its former colonies has created dependencies, causing China to become the crucial partner, even though it did not commence the bickering (Hackenesh, 2013, p. 8-9).

Chinas African charm offensive has not gone unnoticed. Criticism abounds, notably from those who currently rule the roost in determining Africa's destiny - The western liberal consensus, who believe (often in the most paternalist way), is responsible for looking after Africa. But what exactly is their motivation? Is it that they care? Or is it the underlying political fear that, left unchecked China will use Africa as a stepping stone on its relentless march towards world aggrandizement. Given the state of play. Perhaps they have reason to be worried. (Moyo, 2009, p. 107).

While the human rights issues have hindered in the sidelines of China's development goals in Africa, as its willingness to cooperate with corrupt leaders such as Mugabe, its reputation still remains more positive than the US for example (Moyo, 2009).

Moreover, the western aid and the Chinese approach differ from each method and values significantly, but both aim to believe their own policy is valuable. Thus, on a concrete level, how does this reflect in today's world within the area of Multilateral Development Banks? Furthermore, does the EIB with its European idealisms confuse the developed countries and can the European values be implemented throughout these infrastructure projects? Can the BRICS countries offer a better solution and prove that Western idealism can create a Chinese inequality approach? These two MDB comparisons will be made in the next chapter, aiming to better understand their function and to analyze their fundamental techniques and differences.

In summary, throughout their history, Multilateral Development Banks have encouraged financial mechanisms by investing in developing nations in order to become more sustainable. Sustainability is crucially still a relatively new concept that dominates multilateral cooperation and developing projects. Due to socioeconomic tendencies, as MDBs pursue development mechanisms to invest and elevate poorer countries, it is crucial that terminology within Humanitarian Action and Development Aid does not get confused. Within Humanitarian Action: the underlying foundation remains as the need for universal Human Rights and what we ultimately comprehend as applied Humanitarian Aid.

Furthermore, recent studies demonstrate that implementing Human Rights can guide developing countries to prosper economically in the long run.

Regarding Development Aid, it is targeted to rebuild economic tendencies but not to assist societies under sudden humanitarian crisis. According to many academics, the systematization and the lack of deadline endanger the project's success and possible outcome. MDBs do have the platform to lead the way and form new ways of cooperation and, in the case of the EU, the EIB has already shown interest of exploring new horizons as the EU will question the donor-receiver relationship later in 2021, regarding the aftermath of the Cotonou Agreement.

Economy theorists such as Bauer, Moyo and Bräutigam have all demanded institutions such as MDBs to clarify the purpose of their projects and questioned the lack of transparency on the field. Furthermore, countries like China have shown that trade efforts and business practices bilaterally speaking, raise the self-esteem of developing countries; moreover, the poorer countries have capacity to proceed and carry through trade negotiations and deals without being necessarily forced to implement other values or political ideals as such. Generally speaking, the eastern approach has become rather successful among emerging economies and other developing nations.

Chapter III Comparisons between the EIB and the NDB

In the previous chapter, the concept of sustainability which became a central issue for an MDB, was questioned through the perceptions of humanitarian cooperation and the malfunctioning of Systematic Development Aid. The core question of this chapter now is: How do these characteristics of sustainability or humanitarian cooperation actually carry through in European MDB such as the EIB or emerging economy MDB such as the NDB? These institutions/banks are the two most significant players in the Multilateral Development Banking world. Despite apparent similarities, these two institutions present subtle divergences. This is what we shall examine next, with the aim of identifying their main distinctive characteristics and the way they approach the sustainability concept. Firstly, the presentation of both organizations will be made individually, followed by a compilation of their features into a merging comparison.

1 The European Investment Bank

Today the 63-year-old regional multilateral development bank celebrates being the biggest in the market. Due to the EU expansion, over the last six decades since its commencement, its territory and membership not only expanded, but it has also benefited Europe's strategic economic presence, growth and commercial ties around the world. Those links evolved as essential ties to the emerging market countries and developing countries throughout its EU based trade agreement. The main objective of the EIB, since its foundation, was to support the continent's needs for recovery funds, internally but also outside the European Union. This strategy to support Europe was critical to focus on the continent's significant investment needs, thus providing guarantees to the market while simultaneously minimizing economic burden and promoting smaller investment plans (Clifton et al. 2017). The EU presents the bank as follows:

The European Investment Bank (EIB) furthers the objectives of the European Union by providing long-term project funding, guarantees and advice. It supports projects both within and outside the EU. Its shareholders are the Member States of the EU. The EIB is the majority shareholder in the European Investment Fund (EIF), and the two organizations together make up the EIB Group. Within the Commission's Investment Plan for Europe, the EIB Group is part of a broader strategy aimed at overcoming the large investment gap by relieving investors of some of the risk inherent in projects. (European Parliament, 2021a)

By itself, the European Investment Bank announces to be the biggest lender on a global level whilst leading international development projects using EU-based structure instruments. This means that the cooperation's core is founded on the trade-based peace consensus where human dignity and cultural diversity are respected via technological progress, while the single market dominates its revenue (EIB, 2021a). Therefore, by association, the EIB has also incorporated the values and missions that regulate the single market's fundamental rights, such as: 'Human Dignity' for all; 'Freedom' of movement, thought and expression for all individuals; 'Democracy'; 'Equality' for all races and genders; a respected 'Rule of Law'; and 'Human Rights' (EIB, 2021b). Therefore, these values obviously reach far beyond European borders and become attached as unspoken interests together with its economic reach and development projects:

The EIB is the European Union's bank. We are the only bank owned by and representing the interests of the European Union Member States. We work closely with other EU institutions to implement EU policy. We are the world's largest multilateral borrower and lender. We provide finance and expertise for sustainable investment projects that contribute to EU policy objectives. More than 90% of our activity is in Europe. But we also are a big investor around the world. (EIB, 2021a, n/p)

1.1 Structure and Shareholders

So how is this EU bank-based and structured, and who makes the decisions? Based in Luxembourg, the EIB's shareholders are formed by the 27 member states of the EU. The Member states pay in as the membership fee is based on their GDP capital when their accession to the European Union occurred (EIB, 2021c). EIB's main structure consists of 12 different departments, and decision-making power is positioned as follows: The statutory bodies of the decision-making process are identified to be as the Board of Governors (by default, these representatives tend to be the current ministers of finance of each member state and define the credit policy guidelines); The Board of Directors (who maintain control over the activities and processes within each department, approving the decisions over each funding grant or borrowing program; each member state can appoint one director, and another is appointed by the Commission); as well as the Management Committee (that is in charge of the day to day banking procedures and duty performance and are selected by the board of governors) under the direct authority of the EIB's president (currently Mr. Werner

Hoyer, 2021); and lastly the External Audit Committee, an independent body that performs clearance approval, and responsible for auditing the bank's accounts (EU, 2021b).

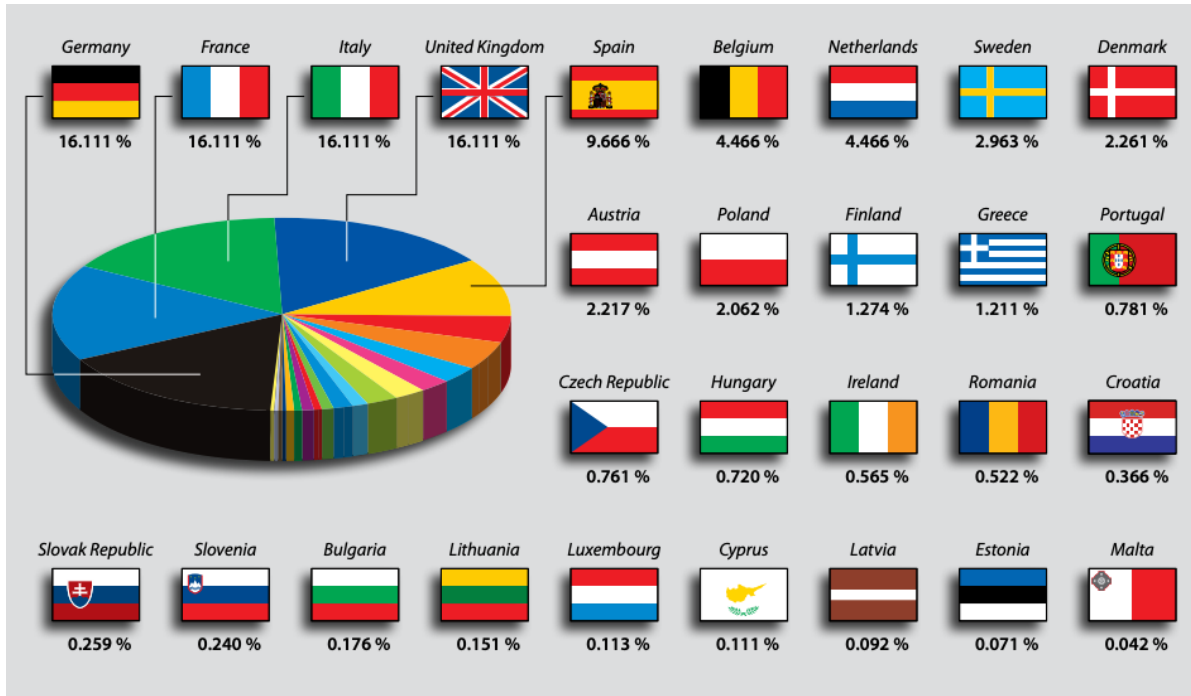
Figure 1 - The EIB Governance Structure

| GOVERNING BODY | MAIN ROLE | DECISIONS |
|----------------------|---|---|
| Board of Governors | <ul style="list-style-type: none"> - Guiding principles - High-level policies - Approval of annual accounts - Appointment and remuneration of members of the other governing bodies | The Board of Governors lays down credit policy guidelines, approves the annual report and financial statements, gives authorisation, on a country-by-country basis, for the Bank to operate outside the EU and decides on capital increases. |
| Board of Directors | <ul style="list-style-type: none"> - Approval of financing operations - Approval of policies and the operational strategy - Control of the Management Committee | The Board of Directors approves every decision to grant finance (e.g. EIB loan or guarantee) and the borrowing programme. It reviews borrowing and treasury operations and exerts control over the activities of the Management Committee. |
| Management Committee | <ul style="list-style-type: none"> - Day-to-day management of the Bank under the authority of the EIB President | Management Committee members are solely responsible to the Bank and independent in the performance of their duties. Staff come under the direct authority of the President. |
| Audit Committee | <ul style="list-style-type: none"> - Auditing of the annual accounts - Verifying that the Bank's activities conform to best banking practice | The Audit Committee is an independent body, directly answerable to the Board of Governors. It is responsible for verifying that the operations of the Bank have been conducted and its books kept in a proper manner. The Audit Committee is also responsible for auditing the Bank's accounts. It verifies that the Bank's activities conform to best banking practice applicable to it. |

(Source: EIB, 2015a, p. 6)

This is how the EIB describes its statutory bodies. The voting power within the EIB is distributed as follows: The four largest economies before 2021 were France, Germany, Italy and the United Kingdom. As such, their voting power reached over 16%. This means that together with Spain, their shareholding presence represented over 3/4 of EIB's capital. This leaves the remaining smaller countries with limited voting power, (for instance 0,042% - the lowest voting power is assumed by Malta). In comparison, Belgium and the Netherlands each total 4.466% (combined still represent half the shareholding power of Spain). This clearly demonstrates an unbalanced decision-making interest towards five nations, prior to 2021 (EIB, 2015a p.5).

Figure 2 - The EIB Shareholders



(Source: EIB, 2015a p.5)

1.2 Funding and financing models

Thus, the EU member countries as shareholders pay in their annual membership fees to the EIB which contributes to the annual budget. However, a significant amount of capital is generated within the EIB itself, thanks to its international portfolio management as stated:

EIB's lending activities are mainly funded via bond issuance in the international capital markets. Its borrowing authorization for 2021 is up to EUR 70 billion. EIB's debt products are purchased by both institutional and retail investors internationally. (EIB, 2021d).

Thus, a significant part of its budget and outgoings thrive mainly by bonds from its financial markets' investments. Therefore, it makes it challenging on transparency as the investment allocations lack public records, which is why very often in the annual auditing session, the Commission questions their yearly expenditure in an inquiry that is usually found to be quite explicit. However, the EIB has maintained its status as an excellent credit creditor, owning

up its triple-A category by multiple financial agencies such as Standard & Poor's (EIB, 2019).

Furthermore, the Board of Directors approves the Corporate Operational Plan on a three-year basis, together with the budgetary objectives and the definition of the needed funding to be raised on the capital markets (EIB, 2015a, pp. 5-6). Usually, the EIB supports up to 50 % of the project costs, if needed. Besides, lending can also be blended within general EU funding projects or even through other philanthropic organizations. In addition to lending, the EIB also manages the projects and works on an advisory body to its clients on an ad hoc basis, with the intent of providing knowledge and organizational support. This multitude of channels adds up to limit the transparency and clarity over the actual reach of the institution's investments which become rather blurred. Despite the projects' values or underlying missions, the focus diversity can be perceived as not straightforward. Furthermore, the EIB itself publishes its report on very general terms (European Parliament, 2021a).

1.3 Projects and Focuses

According to the EIB's governance paper (2015a), it is the Board of Governors who decides directives for the bank's operational objectives, which shall be in accordance with the European Union's own objectives, and who ensures those directives' implementation. On the other hand, the Board of Directors defines and approves EIB policies regarding the environment, procurement, transparency, fraud and non-cooperative jurisdictions. Today, the EIB takes part globally in different styles of projects, spanning through 160 countries around the globe. Moreover, its development projects thrive on being developed regarding the internal European Union Markets' best interests. This focus allows the EIB projects to target less developed areas and preferably aim to benefit more than one member state. Regarding infrastructure and although the origin of funds for infrastructure varies greatly, they can mainly be categorized as originating through Venture Capital investments and loans, as well as by investing capital in green bonds, for instance. These infrastructure projects are often crucial for the receiving nation's development and are, therefore, under a higher level of civil scrutiny and attention (Lesay, 2013).

Most recent projects in terms of infrastructure, besides Europe, have been located in parts of Africa, Latin America and central and south Asia. They mainly aim to tackle development in the area of sanitary systems, energy lines and, more recently, Covid-19 responses. The EIB also maintains a large (and increasing) focus and support on climate change and innovation, with a twist of development infrastructure, towards small to medium enterprises or SME's (EIB, 2021e).

1.4 Values: Goals & future challenges

The EIB's values and core legislation is in alignment with the EU legislative structure. It aims to be obedient to the supranatural decision making process within its member countries framework. Also, its initiatives thrive on fighting gender inequality and environmental issues together with public health issues, as previously mentioned (Lesay, 2013). Moreover, an active focus on green bonds and climate change has grown in interest in recent decades. Regarding this topic, the 17 UN sustainable development goals (described in chapter 2) can also be found on the EIB's list of values that portray Europe's common sustainability goals. However, data regarding exactly how environmentally friendly have the projects been throughout the years, or their outcome and influence in the receiving nation's carbon footprint, is less clear – despite the bank's commitment to sustainability as discussed next.

1.5 Sustainability

The EIB itself highlights green values and has been an advocate frontrunner regarding the green bond issuance. All infrastructure project has been said to go under a high effort due diligence and has to abide by the EU laws and efforts to fit in the larger environmental policy scheme pushed by the Union. Furthermore, it has been stated that the European approach is permanently abandoning support for fossil fuels by 2021 (EIB, 2021f). This stance can be regarded as the clearer, ambitious plan and the most environmental focused strategy. The EIB has therefore claimed itself as an advocate of climate change and looks closely towards the input of the Paris Agreement. The latest declaration of its green policies can be found from the environmental finance policies where Aldo Romani, the Deputy Head of Euro Funding, endorsed the sustainability of the EIB actions by stating that:

These commitments are essential because they crystallize the initiatives that the sustainability funding team has been working on in close cooperation with the projects directorate for the past three or four years," says Romani. "The extension of CAB and SAB eligibilities has permitted us to more than double our issuance in these two instruments last year compared with the year before. We issued €10.5 billion (\$12.6 billion), which was 15% of the total programme. (Taylor, 2021)

However, despite the valued and praised commitment, multiple NGOs in recent years have fearlessly approached and challenged the EIB on the grounds of its behavioral deception tactics, claiming that their publicized green advocacy has actually not been implemented and lacked due diligence in the initial stages leading to severe risks during the construction process. The latest case taken to court took place in 2020, when an NGO called ClientEarth sued the EIB for lacking transparency regarding the financing of a biomass plant in Northern Spain. Briefly explained, biomass plants use a thermal conversion process to produce electricity, often through the use of heat and its benefits are disputed by several research groups contesting its short-term climate benefits due to the increase of greenhouse gases production. The EIB denied passing access to the process's initial process, which then led to the NGO having to lean on the Aarhus Regulation forcing the EIB to publicize its role in the case (Taylor, 2021; EU, 2021c).

ClientEarth's lawyers consider the loan breaches the bank's financing criteria for responsible Investment in renewable energy generation and that numerous errors were made in the assessment of financing for the project. However, the EIB – world's largest multilateral financier – refused to revisit its funding decision, prompting the charity to take legal action for breaching EU law. This is the first time an NGO has brought such an action against the bank. (Client Earth Organization, 2019, n/p)

Having lost the lawsuit, the EIB's stance has enforced the fact that the EU law is now a potent tool on the road towards a more transparent stance. Especially, as taxpayers, the citizens of EU countries carry the right to know about massive industrial and environmental risks.

Moreover, in 2018, the EIB granted two loans worth 2.4 billion euros to finance two pipeline projects to Azerbaijan. This investment falls in line with the intent that every year, 10% of their budget should be allocated to global use, primarily within developing countries. This significant investment focused on the Trans Adriatic Pipeline (TAP) and the Trans Anatolian Pipeline (TANAP) raised eyebrows in the NGO communities around the world as both of these were fossil-based alternatives (Hasanov et al. 2020). Both pipelines were

destined for the supply of methane gas, which is proven to have a negative impact on the environment as a greenhouse gas.

In part, the reason for these striking discrepancies is the EIB's use of outdated methodologies which do not reflect contemporary scientific understanding of the climate impact of natural gas. According to the complaint, the bank underestimated the global warming effect of methane, known as a relatively short-lived but extremely potent greenhouse gas, up to 86 times more powerful than carbon dioxide, according to the Intergovernmental Panel on Climate Change. (Taylor, 2021)

In addition to this, many human rights organizations were questioning the EIB on its choice to proceed with the Azerbaijani Government whose ability to refute corruption accusations and being accused of Human Rights violations, in general, has been quite dubious and concerning (Human Rights Watch, 2018). The involvement of surrounding countries of Iran and Iraq, together with Turkey, which require to have their share of the gas line running through their territories, has raised geopolitical issues towards the EU on a general level.

Furthermore, humanitarian cooperation within the EIB has also been limited. The EIB openness has only focused on the bigger picture of the overall infrastructure that will improve the individual's status. However, the pandemic of Covid-19 has forced the EIB to acknowledge the humanitarian aspect and approach it slightly differently (EIB, 2021g). The EIB has declared that its focus to invest in the health sector in developing countries has been a priority, and it aims to reflect the efforts pursued within European borders. Most of that investment outside the EU (close to half the funding) was destined to least developed African nations as expressed below:

In a nutshell, what we have tried to do outside the European Union is similar to what we have done inside the EU; support the real economy and, as much as we can, health systems. Outside the EU last year, we did around €10 billion [\$11.4 billion] in activity, and close to half of that was in Africa. In sub-Saharan Africa, we did more than 70% of our activity in least-developed countries and fragile states. We've tried to accelerate disbursement and reprioritize. (...) This involved a €400 million EIB loan backed by the EC plus a €100 million grant from the EC. We are supporting countries on logistics as well because it's one thing to get the vaccines for free, but they also need to put in place a whole distribution system. (EIB, 2021h)

This excerpt clearly defines that the apparent altruistic Development Aid intention to develop health systems and logistics in the least developed receiving nations is, in fact, backed by the interest of achieving an optimal distribution system for the much-needed vaccines.

Although temporary, the EIB is surely concentrating on looking for mechanisms and solutions and has announced cooperating with the WHO (World Health Organisation). This focus aims to identify where an opportunity lies to step up and make a difference. It is unfortunate that the EIB is finding its core in the health sector for the first time since Covid-19; thus, previous pandemics have not been a priority.

Regarding the current and upcoming advocacies, the EIB's role is under a new era: As mentioned before, the Cotonou Agreement will be re-adjusted in 2021, and the EU is under a considerable post-Covid-19 policy adjustment. Brexit aftermath will also significantly affect the whole structure, not only from the financial standpoint but also from the policy perspective, as the EIB had several educational projects running in the UK (Kavvadia, 2019; EIB, 2015b). Additionally, the EU's Juncker Plan or the EU Invest programme where the European labour market was set to become a thriving catalyser and where lessons learnt from the euro crisis could be implemented, especially in the financial markets, may however be slowed down due to the Covid-19 pandemic (Kavvadia, 2019).

Dethroning the EIB from its long-held prominent position as the sole counterparty of EU's major financing initiatives and placing it on the same level as other major financing organizations will allow the EIB to continue supporting projects in economic sectors of prime importance, such as innovation and climate change mitigation. Furthermore, InvestEU appears as a way for the EIB to create closer ties with its sister institution, the European Commission, through 'integrated partnership' (EIB, 2019, p. 12). As shown in the analysis of the EIB's current BM, the bank's affinity with the Commission and the ECB, as well as the extensive shareholder support it receives, are some of the crucial factors that influence the EIB's prime position among its peer MDBs. (Kavvadia, 2019 p.191)

This also suggests that new balance and order will be emerging in the EU institutions and setting new positions for the future requires a closer look at its institutions as reconfiguration is needed.

2 The New Development Bank

Despite being a newcomer, the New Development Bank has quickly become one of the most prominent multilateral development institutions today. Officially created in 2014, with the agreement being signed at the Fortaleza summit, the NDB became the first development bank established by developing countries and has created and evolved a double-A-rated 100-

Billion-dollar portfolio to manage infrastructure projects within the BRICS countries and emerging economies. Much like the EIB, the NDB also highlights sustainability as its core value (NDB, 2021a).

In the Fortaleza Declaration, the leaders stressed that the NDB will strengthen cooperation among BRICS and will supplement the efforts of multilateral and regional financial institutions for global development, thus contributing to collective commitments for achieving the goal of strong, sustainable and balanced growth. (NDB, 2021a, n/p)

It is important to note that despite the official date of 2014, these countries had already developed a cooperation model on a multinational level as early as 2010 and the formation of the NDB solidified their development goals. That cooperation increased the exchange of experience in financing national development projects. Nevertheless, the founding nations already have strategic partnerships with the World Bank, explicitly tackling national challenges. As Morozkina (2015) mentions, India identifies sustainable growth, China's strategy includes green growth and the development of international relations, Brazil focuses on energy efficiency and climate control, and Russia tackles the modernization of the public management system (Morozkina, 2015).

Although the BRICS countries could choose to finance projects bilaterally, a number of interests have pushed them towards the establishment of the New Development Bank. First is the need to pool risk and limit reputational costs and second is to increase the legitimacy of their operations under the umbrella of South-South cooperation. (Barone and Spratt, 2015, p.10)

In this excerpt, Barone & Spratt (2015) also mention that the intention of creating the NDB not only allows these nations to surpass the limited financing of projects on a multilateral cooperation level, which would be constrained by each national bank's capital capabilities, but it can also minimize the inherent risks involved and further legitimize development programs throughout the southern hemisphere. This focus on the BRICS' increasing political and economic influence gained steam since the 2008 financial crisis, culminating in the intention of forming a 'new global partnership' with a focus on commercial ties. This development approach would steer away from the western Development Aid model and rather focus on the new concept of promoting 'sustainable development in the developing world' (Barone & Spratt, 2015).

Besides development cooperation, Barone & Spratt (2015) identify each nation's basic principles for cooperation and development with the formation of the NDB. China had as a primary objective political influence in Asia and the evolution of their economic interests in Africa, while maintaining a principle of non-interference. India's objectives are aimed at geopolitical influence besides an Asian and African focus and political stability while maintaining honest relationship principles. Brazil, on the other hand, maintained the majority of interests in Latin America & Portuguese Africa, while aiming for horizontal cooperation principles. South Africa's intentions relied on the aim of the African renaissance and African political interests (Barone & Spratt, 2015).

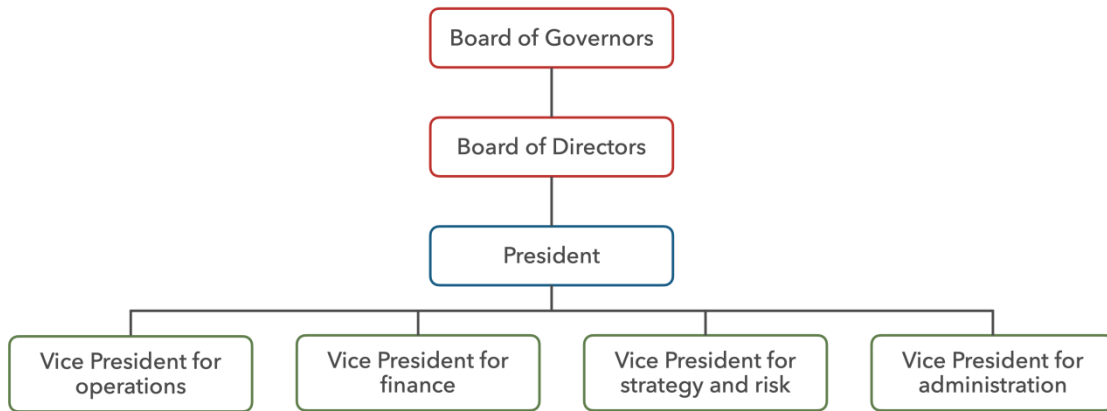
2.1 Structure & shareholders

At its creation during the sixth BRICS Summit in Fortaleza (2014), the NDB was founded with the signed agreement from the five shareholders: The Federative Republic of Brazil, the Russian Federation, the Republic of India, the People's Republic of China and the Republic of South Africa. The shareholder structure adopted an egalitarian stance, granting each founding member 20% representation and voting power equal to the subscribed shares in the bank's capital stock. According to its statutes, no founding member shall have veto power (Rewizorski, 2018).

According to Rinaldi (2017), "this type of measure serves as an incentive for members to participate in equivalent conditions, and also to reinforce their commitment with the institution". This equal stance for all founding-nations defines a clear separation from the Bretton Woods institutions, where each member's importance is determined by the size of their economy. It is due to note that the BRICS countries remained the main drivers of economic prowess in the world during 2019, collectively averaging a GDP growth of 5%, mainly supported by China and India (Rinaldi, 2017).

The bank's organizational structure as per the Board of Director's approval in December 2020 is on the next diagram:

Figure 3 - The NDB Governance Structure



(Source: NDB, 2021b; Shortened by the author)

Furthermore, the bank's processes and operations are independently evaluated by four approved committees: namely 'Audit, Risk and Compliance' which assesses the integrity of the internal controls and management framework; 'Budget, Human Resources and Compensation Committee' that is mandated to control and assess the HR budget and compensation-related activities; 'Credit and Investment Committee' destined to assist the bank in its responsibilities related to credit and Investment, as well as instructed to evaluate and recommend projects; and lastly, the 'Finance Committee' oversees financial and risk-related matters and provides recommendations regarding policies and guidelines (NDB, 2021c).

During 2020 the total number of employees was above 160, of which 60% were male (NDB, 2019). Surprisingly in comparison to the EIB, the NDB is quite open in regards to its organizational structure and the EIB does not share equivalent information publicly.

2.2 Funding & financing models

NDB's primary funding naturally comes from the membership fees from the member states. Slight fluctuation has occurred among member states – in 2019, for instance, Brazil contributed less than the remaining members. However, other sources of investment are also achieved through guarantees, equity participation and other financial instruments. The vast

majority of the 50 loans approved to date are destined for Clean Energy and Transportation infrastructure projects and Urban Development of member states (NDB, 2021d). The NDB also benefits greatly from their founding countries' national development banks due to their previous cooperation. As Morozkina (2015) mentions, by the time the NDB has been formed:

The national development banks have a large potential for lending. The largest are the CDB, which loaned in excess of \$1 trillion at the end of 2013, and BNDES with loans of \$271 billion. These amounts both exceeded the amount loaned by the World Bank. Thus, the NDB should make use of these existing mechanisms of BRICS cooperation for multilateral financing. (Morozkina, 2015, p.9)

What Morozkina (2015) highlights is the NDB's pre-existing foundation for funding, greatly leveraging the states' relationships with national development banks, thus enabling cooperation in the common goal arena of sustainable development.

Whatever the truth might be (and the global arena is too fluid to know yet), the BRICS members are aspiring global leaders and agenda setters, both as a collective and individually. They are potentially an alternative political formation to the US/G7. Their objective is to work towards a multipolar world where Western dominance is reduced. The ability of the BRICS (particularly China) to weather the economic storms of 2007/08 created a narrative of emerging economy' invincibility'. These views have been tempered more recently by the economic difficulties of all of the BRICS members, with the exception of India. However, their economic and demographic size as a whole means that collectively they are a voice to be reckoned with in global forums. (Bertelsmann-Scott et al. 2016 p.8)

The power stance and rising global domination can be sensed from Bertelsmann-Scott et al. (2016), where the economic capabilities shine a positive light via population growth and rising technology outlining the western leadership. The BRICS simply can proceed on their own. In fact, it is merely that the west has chosen to ignore the competence of the BRICS as even as late as 2015: France had more voting power per GDP comparison to China in the IMF (France 4.29 % vs. China 3.81 %). The majority of global institutions have forced the rising BRICS to show their thirst for power as the unequal voting in many still favours the western states driven by the Bretton Woods influence (Bertelsmann-Scott et al., 2016).

2.3 Projects & Focus

Regardless of any development, sustainable or even Humanitarian Aid intent, each founding nation has its own individual motivations for the creation of the NDB. As Rinaldi (2017) points out, the Chinese interest is mainly political to achieve a greater influence and presence in world affairs, placing China on the world stage as supporting the international structure. South Africa's interests are founded in an economic perspective – being the nation facing the greatest infrastructural challenges and in need of skills and expertise cooperation. Brazilian parts are mainly strategic – in the sense that the sheer association to the upcoming and rising nations in the economic perspective, catapults the country to a renewed global presence. The Russian interests are geopolitical – since their presence in the NDB can also reinforce their position on the world stage, even as a countermeasure to European and US's sanctions due to the Ukraine crisis. India, on the other hand, has a clear economic boost interest – since guaranteeing the continuity of its economic growth is paramount to start defining the norms in the world economic arena (Rinaldi, 2017).

Despite the individual nation's interests, NDB's projects mainly focus on core development needs. Its main areas of operation have the objectives of reaching clean energy; improving transport infrastructure; promoting urban development; achieving environmental efficiency; evolving social infrastructure; developing irrigation, water resource management and sanitation; and supporting other multi-themed projects. These development areas are applied not only through sustainable development projects in BRICS countries but also in developing countries, thus highlighting a multilateral effort towards global growth. Furthermore, as an international institution to promote sustainable development, NDB has aligned itself with the United Nations' socioeconomic field (NDB, 2016, p.4).

In 2018, the NDB joined the UN's inter-governmental organization list as an Observer, which grants them the right to cooperate globally in the field of sustainability and poverty eradication, reiterating their experiences in comparison to the World Bank, for instance (NDB, 2021e).

Besides the global advocacy of poverty relief, during 2020, due to the unexpected global impact of Covid-19, the bank provided support to its member countries to address the pandemic as stated by Mr Troyjo:

USD 10 billion is our committed support through an Emergency Response Program. The first USD 5 billion are directed to finance health and social relief," said the NDB President. "The second USD 5 billion contribute to boosting economic recovery. Especially, through the creation of jobs that come from infrastructure investment and the support for small and medium-sized enterprises. (NDB, 2020, n/p)

This is advantageous compared to the EIB, where relief policies were only discussed due to the pandemic's global severity (Clifton et al., 2017). As approved and ongoing projects, each member state has their specific needs, which authorized funds are tackling. Brazil has aimed mainly at environmental protection fund projects, infrastructure, and social safety. Also, an emergency assistance loan/investment of \$1 billion has been explicitly approved for a program of economic recovery. Whereas Russia, albeit also suffering from Covid-19 pandemic, has its programs focused mainly on social infrastructure areas, such as educational and judicial system development, and transportation projects such as Toll roads program, water supply and sanitation. Urban infrastructure development focuses mainly on India, where projects focus primarily on renewable energy and transportation issues. China has a clear focus on renewable energy and transportation projects. It is ecological and development projects and low carbon and green development that take the front line as the country prepares itself to lead a sustainable future. South Africa has a mix of clean energy and transportation. India, South Africa and Brazil, have also received funds destined to combat the Covid-19 pandemic during 2020 (NDB, 2021f; Bertelsmann-Scott et al., 2016). On this subject, it is essential to note that the loans/investments are conducted in multiple currencies, from the Chinese Renminbi to South African Rands, and not only in the most common leading international currency – the dollar (NDB, 2021f).

2.4 Goals & future challenges

Current NDB president Mr Troyjo, issued a video on the 17th of November 2020 (NDB, 2020), where he admits an immense infrastructure gap between the BRICS countries and the rest of the world, and NDB's commitment to overcoming that gap, while also highlighting

the importance of a digital platform to do so. While addressing the banks past achievements, he also outlines five main priorities for the BRICS leaders for the next five years.

The main objective is to position NDB as a premium bank for emerging economies. Troyjo (NDB, 2020) also acknowledges the need to increase the complexity and reach of its operation, given its established presence, and as a consequence, attracting talent becomes yet another priority. Its global vision is highlighted by the need to increase international cooperation. Still, the main topic is undoubtedly its intended membership expansion, aiming to attract more members, besides the initial five founding countries. Regarding its membership expansion, the bank's strategy aims to include a diverse geographic diversity while also including countries in different development stages. Its terms and conditions for the admission of new members limit the membership to United Nations' members, however BRICS nations shares cannot represent under 55% of the voting power. (NDB, 2014).

Despite initial scepticism, the NDB rose to become an important international tool that provides a platform for the BRICS nations to voice their global affairs with clear legitimate objectives (Rinaldi, 2017). As a future opportunity, Morozkina (2015) debates that although the NDB creates a partial duplication of institutions and mechanisms in the field of financing development – where the NDB's mission overlaps the missions of the World Bank, the Asian Development Bank, the African Development Bank and the Inter-American Development Banks, the European Bank for Reconstruction and Development – the NDB can instead primarily consider the founding nations' interests and redefine Development Aid as well as redefine the systems to monitor results.

Also, as future challenges for the NDB, it is possible to identify three main areas. Firstly, institutionalism represents the necessary commitment for leaders and high-ranking officials from the founding nations to ensure NDB's longevity. It is worth mentioning that despite the equal voting rights from the founding-states, they do consider the contribution and participation of all United Nations' members (Rinaldi, 2017). Secondly, it is the goal for economic growth, at a time when western states are facing economic recovery, constraining their ability to focus on financing developing nations. This places the NDB in a strategic

position to assist the BRICS nations in pursuing their development needs regardless of other financing sources' ability to support their economic and structural growth.

The multilateral development banks, in that way, may play a significant countercyclical role assisting the development economies to fulfil the lack of finance, hence the NDB's activities gain weight (Rinaldi, 2017, p.108).

Thirdly its complementarity, which can be understood as an important addition to the list of funding institutions, since, as mentioned by Morozkina (2015), the NDB increases the availability of international resources destined for development projects in developing nations. That proximity allows the NDB not only to work hand in hand with Multilateral Development Banks but also to benefit from their sources of expertise.

Together with political and economic interests that laid the foundation for the NDB, the mission is to partner with nations 'through capital and knowledge, achieving development goals' (Chacko, 2017). This aim for sustainable development, which aims to support poorer countries through Humanitarian and Development Aid into achieving long term growth, is equally essential together with the political and economic interests. That mission and ideal entail a higher set of social requirements, such as human rights overview and attracting public participation.

For the NDB to play its role as an advocate of a "sustainable" development paradigm and as a part of the international development community, its main pillars have to be rights-based, pro-poor development principles. There is a need to institutionalize participatory human rights impact assessments, that are based on (and generate) data disaggregated by social groups (Chacko, 2017, p. 10)

Considering Development Aid, according to Rinaldi (2017) it is still unclear if the NDB will follow guidelines from previous international funding institutions, implying economic policies and measures that the receiving state much comply with (such as the IMF modus operandi). However, the BRICS countries indicated that the NDB might follow the same principles used by the BRICS countries during their own development strategies. NDB President K. V. Kamath has stated: "The objective is not to challenge or replace the existing system of development finance – it is instead to improve and complement the system" (Goh, 2015).

However, critics have raised the concern that the NDB is merely a copy of regional development banks, which reflect the World Bank, and the intent is actually to build upon the cumulative experiences from all existing multilateral banks instead of creating a new system. According to Chacko (2017), this approach can potentially be seen as a missed opportunity. The idea of development could be approached from a different angle, where transparency and accountability could be enhanced to provide a more robust framework for the development of the southern nations. Nevertheless, it is clear that despite criticism, the founding nations gain a clear opportunity to legitimize their intentions in parallel with the western dominated world.

3 Resulting comparisons of the EIB and NDB

The comparison made in chapter one regards to whether all MDBs should be considered Multilateral Development Banks as their missions and focuses vary on many different levels. Thus, comparing the EIB and the NDB is not that simple. However, it is crucial to acknowledge how they differ for the sharpened understanding regarding the field of Development Banks in general. Furthermore, we live in a time where all industries are creating and questioning their global guidelines or framework, especially in the area of global development of finance. Moreover, we live in a time in which for going forward, it is crucial to part from the old structure to better respond to the need for today's stability. Thus, having explained the organizational structure of both institutions, what similarities and differences can be found and why?

Figure 4 - Comparison Table between the EIB and the NDB

| Features | The EIB | The NDB |
|--|--|--|
| Starting year | 1958 | 2014 |
| Current President (2021) | Dr Werner Hoyer | Mr Marcos Troyjo |
| Credit Rating | AAA (by Standard & Poor's) | AA+ (by Standard & Poor's) |
| Nr of shareholders | 27 Member states of the EU | 5 BRICS countries |
| Approved Projects (2019) | € 58.7 Bn for project approved (€ 51.1 Bn for the EU and 7.6 Bn for outside the EU) | US\$15 Bn of cumulative project approvals |
| Focus countries of Investment | Majority in European Nations | BRICS countries (South-South cooperation) |
| Voting allocation of members | Allocated according to the GDP of each member state when joined to EU | 20% for each member |
| Mission | European Union Bank. As the largest multilateral borrower and lender by volume, the EIB provides finance and expertise for sound and sustainable investment projects, contributing to furthering EU policy objectives. | To support infrastructure and sustainable development efforts in BRICS and other underserved, emerging economies |
| Latest Approved Projects (in millions) | 2021 – Cyprus Entrepreneurship Scheme II - €100 2021 – Spain Sabadell SMES relief covid-19 - €300 2021 – Spain Co-Financing Andalucia - €21 | 2021 – China Beijing Gas line - €436 2021 – China covid-19 emergency - €900 2020 – Russia Cellular network - €250 |

(Source: Author's own synthesis)

Figure 4 clearly demonstrates the similarities and differences between both banks. While the EIB carries the weight of time, experience and knowledge, associated with the European nations, the NDB is comparatively young and inexperienced. The main differences carry on to each institution's structure and shareholders. All European Union nations back the EIB, and the voting power is associated with each member state's GDP (therefore, it is currently

assessing the new voting share due to the UK's exit). The New Development Bank, on the other hand, decided early on to balance the voting scale, providing the same voting power of 20% to the five founding members, without veto power.

Regarding the origins for funding, both banks rely on similar member contributions. The EIB also relies on financial market investments, while the NDB places more emphasis on investments from other national development banks. When considering the objectives and focus of both banks, it is possible to understand how they begin to diverge. While the EIB is in alignment with the European Union's objectives, the foundation intent for the NDB has more auspicious objectives. The NDB, in alignment with its founder's aspirations, can be summarized in the intention to gain a presence on the world stage by relying on geopolitical and infrastructure interests. Those interests are also reflected in the need to close the infrastructure gap for the NDB founders. The BRICS countries, as rising economies, require a more considerable emphasis on this subject while concurrently focusing on membership expansion to achieve their strategic development needs.

On the other hand, the EIB, in alignment with the UN development goals, places a higher focus on sustainable. Specifically on the sustainable topic, despite criticisms, the EIB has committed to abandoning fossil fuels support by 2021, thus placing itself as an advocate for climate change. The NDB's approach to sustainable goals indicates the interest in providing sustainable development of poorer countries, and the fact that it gained the status of being an observer at the UN organizational committees places it in a great position to assimilate and implement the United Nations sustainability principles and goals.

3.1 Sustainability

Sustainability as we know it today, has become an important purpose for MDBs to exist today; thus, it comes as no surprise that both MDBs under comparison state that Sustainable Development is an essential part of their mission. However, putting the very word of 'sustainability' into practice, the differences began to emerge: the EIB, as mentioned, had a legal dispute regarding the undergoing energy financing in Spain, where NGOs questioned their full intentions. This has led to hypocrisy claims; where the EIB's policy line stating

‘Green bonds’ and ‘fight for climate change’ as a mission under the EU's mandate, has forced it to explain its actions. To clarify, The EIB has been transparent on these projects on their website but has been questioned about the mechanisms to produce energy (Beizsley, 2020).

In the case of the NDB, it being a newcomer, major fall-outs have not harmed sustainability, yet no new advanced sustainability goals have been announced either. Few industrial projects have been on the menu for the newcomer, and the portfolio has been placed running with green bonds. Yet, it has led to question if the slow pace has demonstrated unsuccessful management capabilities. Countries like China and India have been forerunners of electronic vehicles (Marquis et al., 2013) and energy alternatives. Thus, sustainability has not yet become a primary focus per se, but it could have. On the other hand, the NDB has cooperated with the UN as an observer member within its intergovernmental Forums, which implicates mindfulness of expanding its own practices.

3.2 On Humanitarian Cooperation

Both MDBs have demonstrated capabilities to provide a quick pandemic response during the Covid-19 pandemic beginning in 2020, where both banks provided easing mechanisms to their projects and SMEs on a wide range. However, this was the first time for the EIB since its creation to implement such a plan or mechanisms considering its creations since 1958. Thus, it can be questioned how come there was no need to provide assistance in previous years. In the case of the NDB, the preparedness plan had been in place since its creation. The reasoning might be that all countries have witnessed outbreaks and disasters and were, therefore, aware of possible future outbreaks effects on the economy and sustainability. There are examples such as Dengue fever in Brazil or AIDS virus outbreaks in South Africa, not forgetting the previous SARS infection disruption in Asia. In summary, the BRICS were considerate of pandemic possibilities.

3.3 Aid dependencies

As Moyo (2009) and Bauer (2000) claimed, Systematic Aid increases poverty, and geopolitical aims can be found as the real reason behind some systematization of Development Aid, leading to the suspected fact that both MDBs in question have reasons to influence such structure.

The EIB, throughout its existence, has prioritized its wealthier and oldest members via shareholder voting. Furthermore, its current global development policy (the Cotonou Agreement) is based on favouring its former colonies, thus maintaining the most senior members of the EU in charge.

The BRICS have a differentiating approach as they really provide assistance to themselves. However, the pure geopolitical appetite to reach for prejudiced policies obviously exists as they focus on themselves; however, this liberated them from the westernized ideals of the Bretton Woods orchestration.

Conclusion

The MDBs are global financial institutions that are formed to provide economic growth and offer sustainable opportunities by fostering cooperation among countries. The establishment of the Multilateral Development Banks arrived upon the aftermath of the second world war where infrastructure and stability were crucially required. Furthermore, it was also the birth of Regional Development Banks such as the EIB that collaborated within the fundamental European partnership that has proceeded to an extensive cooperation and framework via the European Community, today known as the European Union. However, as showcased throughout this text, there is a great complexity involving these institutions, their evolving missions and focuses.

New multilateral sources of financing evolved in the post-world war II period, as a resulting outcome from the creation of the Bretton Woods institutions – such as the World Bank and the International Monetary Fund. Nevertheless, multilateral funds alone were insufficient to ensure any bank's longevity, therefore many nations began diversifying their sources of funding by evolving new instruments and/or often also changing the ownership and structure of the development banks. Seeking progress, the development banks began issuing domestic bonds and when these were insufficient, they proceeded to issue foreign currency bonds.

Despite MDBs expansion, such as the WB or the EIB, the cold war and the fear of escalating communism arrived to hinder their potential. As a result, the MDBs became predominantly focused on the mindset of their founding states and prioritised the development of allied nations.

Unfortunately, the prioritisation of the founding western states slowed down the advocacy and progress of Asian and other developing countries. The voting allocation of the majority of Multilateral Developing Banks', was not considerate towards the potential of the Developing Asian countries. This led to the formation of several other MDBs focused on the developing countries, which ultimately led to the creation of more regionalised MDBs such as the Asian Development Bank or the African Development Bank. As a culmination of this

trend, the cooperation among the BRICS emerging economies was enforced, resulting in the New Development Bank.

With the ending of the Cold War, MDBs' target became the expansion of financial mechanisms in the light of financial crises. As the 2009 crisis has shown, risk mitigation and easing loans whilst concurrently cooperating with the IMF, for example, forced new perspectives regarding the core function of the MDBs in their counter-cycle function. The function and nature of these institutions, however, greatly differ from each other, which is why many academics question whether some of them should be considered as development banks rather than financial institutions.

One of these differentiated ideals is sustainability, both for the MDBs future and development projects. Since the creation of the World Bank, providing a sustainable development support to impoverished societies was a focal point and an aspired value. However, the definition of sustainability can differ between MDB agents. The academic approach defines sustainability as permanent act or mechanism to eradicate poverty. This is also listed as core goal within the UN's Sustainable Development Goals, by 2030. Be defined as it may, what this complex terminology should consider is essential and fundamental for the MDBs to operate, as they are the agents who provide and implement the mechanism for all this to become possible. Therefore, it was imperative to analyse how the MDBs implement sustainability into their form of function, furthermore, how they define it. In summary, besides the presumption of economic development, sustainability can also include a wide range of sub-categories such as humanitarian cooperation, Development Aid and even consumerism or environmental protectionisms. In all of these, the MDBs have an important participation role, thus turning the topic into a rather politicised approach regarding the banks' stakeholder's interests.

Importantly, it would be greatly beneficial to acknowledge these terms and foster the effects they have to our societies. Many organizations and even academics confuse the core concepts of what is Humanitarian Aid and what is Development Aid and what their consequences are, because considering Systematic Development Aid as a form of Humanitarian Aid can lead

to dangerous dependency issues. Furthermore, it appears there is a possibility that MDBs might have a role when it comes to the systematisation of Development Aid, by creating dependencies. As discussed in chapter II, a constant influx of aid may create dependencies and deteriorate governance quality. As suggested by development economists such as Bauer and Moyo, this approach highlights the possibility that the Systematic Development Aid may in fact increase poverty rather than decrease it, by creating a recipient-donor relationship status diminishing the recipient's existence. Both authors believe that each developing country's cultural architecture creates its standards for their own development and cannot be compared or generalised.

Also under consideration was the Chinese ability to rise out of poverty within the last 40 years, which has proven to be quite effective and its workability did not require westernisation. This has become appealing to other developing countries in Africa and in southeast Asia or even in Latin-America. The style of the Asian powerful nation hasn't come unnoticed in the west and the western cooperation in the area of development is facing a mandatory reform, as the EU is determined to challenge the current Cotonou agreement later in 2021. Therefore, this will without a doubt settle a new course for the European MDB, the EIB.

Lastly, by comparing two of the largest Development Banks globally, the EIB and the NDB: it can be stated that sustainability is a crucial characteristic and core function in MDBs today. As discussed in chapter III, both banks implemented distinct approaches due to their geopolitical interests. Both banks use geopolitical mechanisms to foster investment between themselves (their group countries). This has unfortunately hindered the global strategy line and reflected a lack of transparency regarding their development programs, and project's results. Both institutions thrive their structure from the very first World Bank model, however, the decision makers of their governing bodies are highly diversified in both banks as discussed in chapter III.

The fundamental question of how sustainable are the solutions of these institutions towards the future economies of the receiving nations depends upon the data that their policies

enhance. Although both openly stating that providing a sustainable development support is a critical goal, their available data is not transparent within neither institution and the long-term results are not clear. Furthermore, despite data indicating their interest of adding prosperity to developing countries, neither of them clearly demonstrates how International Human Rights are being respected. As a consequence, the EIBs projects have been questioned in the past, as financing environmental energy projects in countries that struggle with implementing International Human Rights and by proceeding with alternatives that are not necessarily long lasting, thus not being economically prosperous nor sustainable in the long run. The NDB, however has not transparently provided information on how its development projects have proceeded.

Most importantly, the relationship of the member states and the MDBs (in both cases) seems to be passive and sluggish, in the sense that in the eventuality of any occurring issue with the implemented projects, the members/stakeholders are not questioned nor their role clarified. Thus, the MDBs are often used as a political leverage and implementation tool for higher interests. This approach facilitates the conditions where the MDBs are always the culprit, and not the shareholders nor the member states.

As a positive effort, when faced with an unexpected and urgent situation, both institutions were nimble enough to provide relief alternatives due to the Covid-19 pandemic and therefore were forced to focus on humanitarian cooperation on their own way.

To summarise: Sustainability, as the presumption of economic development, humanitarian cooperation or environmental protectionism, is a core value within the realm of Multilateral Development Banks. However, the data to transparently share the results of their financial mechanisms regarding their development projects is not fully available, thus, making it challenging to analyse whether their projects are actually efficient and sustainable in the long term. It can also be stated that these institutions are living in a time of change, where the critiqued donor-recipient relationship should be altered. Furthermore, the comparison to programs such as the Marshall-Plan clearly demonstrated that the project management is

crucial. Defining a commence date together with ending deadline is essential towards the independence of the recipient country.

As a concluding thought, considering the initial question this thesis was set to answer – whether the MDBs such as the EIB and the NDB actually facilitate the process of developing nations becoming more economically sustainable – the answer is not clear and direct. Although MDBs aim to provide sustainable Development Aid projects, development economists are skeptical and raise their concerns regarding the systematisation of aid which creates dependencies in the poorer nations, perpetually attaching them to the need of financial support. Also, the lack of clarity and transparency regarding the MDBs' projects must be solved, in order to analyse outcomes and strategise on possible future development projects. Providing public and regular updates on the process of their projects and not hold back when NGO's ask for information, might be imperative to bring these organisations to a new transparency norm.

It also became clear that the existing policies and safeguards often do not take the receiving nation's reality into consideration, which indicates that the MDBs' focus should shift from the shareholders into the core of the mission. Since both institutions' finances originate from taxpayers, it would be beneficial to prevent doubts over decisions and publicise internal advisors' stance regarding the institution's future objectives. This is intrinsically connected with the actual decision-making structure of the MDBs, and as a consequence connected with the shareholder's voting power within each organization. While in the EIB the voting allocation is attached to the GDP of each nation, the NDB takes a step towards equality, by giving every founding nation equal voting right and no veto power, which can be understood as a more reasonable approach. Therefore, a policy adjustment regarding governance, rather than having the shareholders defending their own interests, might be necessary to bring the EIB towards a balanced future.

In theory it would be possible to reshape both the EIB and NDB structures and policies, but most importantly these institutions' mission is set to the higher calling towards the development of poorer and developed nations alike, into a sustainable future, thus achieving the optimal result should remain their ultimate pursuit.

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