the second reflects the size of the active portfolio.
One of the NDB's most important strategic priorities has been the expansion of local-currency financing. Under its 2022–2026 strategy, the Bank set a target of 30 percent for local-currency financing, while discussions surrounding the next strategic period have contemplated raising that share to the 40–50 percent range. This matters significantly for developing economies because one of the central risks in infrastructure finance is currency mismatch between project revenues and debt obligations. If a project generates revenue in domestic currency while its debt is denominated in US dollars, a depreciation of the domestic currency can dramatically increase the real burden of debt service; by contrast, financing in renminbi, rupees, or other local currencies that are better aligned with a project's revenue structure can mitigate part of that risk. The New Development Bank itself raises funds in domestic capital markets, and its issuance of bonds denominated in renminbi and other currencies demonstrates that local-currency financing is not merely a theoretical aspiration but an operating feature of the institution.
For Iran, however, there is a fundamental institutional issue: BRICS membership does not automatically confer membership in the New Development Bank, and Iran has not yet been included on the NDB's official membership list. Completing this institutional link should therefore be one of the Pezeshkian administration's priorities. This is a clear example of the second phase of Iran's BRICS strategy: political membership was achieved under the previous administration, while the current administration must now expand Iran's access to the financial institutions surrounding the BRICS framework.
Even after membership in the NDB, access to financing would not be automatic. Iran would need to prepare a credible pipeline of bankable projects with rigorous feasibility studies, clearly defined cash flows, transparent legal structures, appropriate environmental and social assessments, and a defensible repayment capacity. Rail networks and international corridors, ports, power grids, renewable energy, energy-efficiency projects, water management, digital infrastructure, and urban transportation would all be plausible candidates.
At the same time, the New Development Bank should not be viewed as an anti-sanctions bank. To preserve its credit standing and maintain access to global capital markets, the NDB must comply with established risk-management and regulatory standards. It could therefore help Iran diversify its sources of capital, currencies, and financing channels, but it cannot by itself eliminate all constraints arising from sanctions.
The real value of Pezeshkian's proposal lies in the possibility that, if BRICS develops dedicated credit lines, local-currency lending, guarantees, and co-financing mechanisms, member states could finance a larger share of their development projects with less dependence on the traditional dollar-centered financing architecture. Iran, provided it completes the NDB membership process and develops a professionally structured pipeline of bankable projects, could benefit meaningfully from that capacity.

The photo shows the headquarters of the New Development Bank in Shanghai, China, on July 10, 2023.
REUTERS

One of Iran's most important challenges under sanctions is restricted access to international payment networks and financial resources. To what extent can BRICS financial mechanisms, including the use of local currencies and the interconnection of member countries' payment systems, reduce these constraints?
Any discussion of BRICS financial mechanisms should distinguish among three separate issues: the currency in which a transaction is denominated, the network through which financial messages are transmitted, and the mechanism through which final settlement takes place.
In recent years, BRICS has focused less on the immediate creation of a common currency and more on developing a multi-channel architecture for cross-border payments. The BRICS Cross-Border Payments Initiative, the BRICS Payment Task Force, and discussions on interoperability among national payment systems all reflect efforts to reduce transaction costs, shorten settlement times, and limit dependence on multiple financial intermediaries.
During India's 2026 BRICS presidency, this agenda has received greater attention, including discussions about the possible interconnection of member countries' central bank digital currencies and the interoperability of fast-payment systems. For Iran, such arrangements could offer several important advantages: fewer intermediary banks, reduced reliance on the US dollar for a portion of trade, lower settlement costs, alternative channels when one network is disrupted, and greater capacity for direct trade with major economic partners.
That said, the concept of de-dollarization should not be overstated. The dollar still accounts for more than half of global official foreign-exchange reserves, while the international role of China's renminbi remains considerably smaller. Neither the rapid displacement of the dollar from the global economy nor the claim that BRICS has already created a unified operational alternative to SWIFT would be realistic. What is feasible is a gradual reduction in dependence on a single currency and a single financial channel.
Another issue is trade imbalance. If Iran exports heavily to a particular BRICS member but imports relatively little from that country, and transactions are settled in the partner's national currency, Iran could accumulate significant balances in a currency that has limited convertibility or limited domestic usefulness. Successful use of local currencies therefore requires supporting infrastructure: central-bank swap arrangements, functioning foreign-exchange markets, mechanisms for investing surplus currency balances, correspondent banking relationships, and instruments for hedging exchange-rate risk.

> The appropriate objective for Iran is not to remove the dollar entirely from foreign trade. It is to ensure that every cross-border payment does not depend on a single currency, a single correspondent bank, and a single financial network. That kind of diversification can raise the economic cost of imposing restrictions on Iran while giving the country greater flexibility in conducting external trade.

Likewise, the technical interconnection of payment systems does not by itself eliminate sanctions risk. A foreign bank may be technologically capable of processing a transaction but still choose not to participate because of secondary-sanctions exposure or because of its broader commercial interests in US and European markets. The financial potential of BRICS should therefore be assessed in terms of strengthening Iran's financial resilience, not eliminating sanctions altogether.
Meaningful progress would require Iran and key BRICS partners to establish a combination of bilateral and multilateral arrangements involving local currencies, swap lines, financial messaging, correspondent accounts, and interoperable payment systems. The appropriate objective for Iran is not to remove the dollar entirely from foreign trade. It is to ensure that every cross-border payment does not depend on a single currency, a single correspondent bank, and a single financial network. That kind of diversification can raise the economic cost of imposing restrictions on Iran while giving the country greater flexibility in conducting external trade.

Pezeshkian has proposed the creation of a joint BRICS reinsurance company with initial capital of $10 billion to cover risks associated with major infrastructure and energy projects. What effect could such a mechanism have on investment in member countries, particularly Iran, and what financial and operational obstacles would it face?
Pezeshkian's proposal to establish a joint BRICS reinsurance company with initial capital of $10 billion is financially significant because one of the less visible but critical elements of large-project finance is the ability to insure, absorb, and distribute risk. Banks and investors do not look solely at the expected rate of return on a power plant, port, railway, mining venture, or energy project; they must also assess how construction risk, accidents, physical damage, transportation risk, business interruption, liability, and catastrophic events will be insured.
A primary insurer is generally unable to retain the full risk of a multibillion-dollar project on its own balance sheet and therefore transfers part of that exposure to the reinsurance market. If access to international reinsurance capacity becomes restricted or prohibitively expensive, even an economically viable project can lose its bankability.
A BRICS reinsurance company could expand risk-bearing capacity, distribute project risks across a larger number of countries, reduce members' dependence on a relatively concentrated global reinsurance market, and improve the overall bankability of major projects. Nor is this proposal entirely disconnected from earlier BRICS initiatives. Members have previously placed the expansion of insurance and reinsurance capacity, as well as project-guarantee mechanisms, on their agenda. A $10 billion institution could therefore move this cooperation beyond working groups and policy coordination toward a financial institution with a meaningful balance sheet of its own.
For Iran, such an institution could be particularly important given sanctions, political risk, regional instability, and the restricted access of certain projects to major international reinsurance markets. If adequately capitalized and supported by a strong credit rating, such an institution could also contribute to lowering the cost of capital.
Several important questions remain unresolved, however. No final details have yet been published regarding the precise nature of the proposed $10 billion capitalization: whether it would represent paid-in, subscribed, or authorized capital; how contributions would be allocated among members; where the institution would be headquartered; which regulatory regime would govern it; how ownership would be structured; or how reserves would be managed. These issues would need to be resolved in the institution's design. A BRICS reinsurer must also avoid becoming a repository for excessively risky projects. If a disproportionate share of its exposure were concentrated in conflict-prone regions or in projects that private reinsurance markets had declined to cover, excessive risk concentration could undermine the institution's financial strength.
Pricing would also need to remain professional and actuarially sound. Artificially suppressing premiums for political reasons could rapidly erode the company's capital following several large claims. A credible credit rating, managerial independence, geographic diversification of the portfolio, a robust solvency framework, effective claims-transfer mechanisms, and access to BRICS payment networks would all be essential to the institution's success.
Pezeshkian's proposal therefore has considerable economic merit in principle, but its success would depend on ensuring that the proposed institution operates as a professional multinational reinsurer rather than as a politically driven risk fund. If those conditions are met, it could become, alongside the New Development Bank, project-guarantee mechanisms, and cross-border payment networks, an important component of the future BRICS financial architecture.
Overall, Iran's relationship with BRICS has now entered a new phase. Iran's membership created an important political and economic opportunity for the country. Today, however, the central challenge is no longer achieving membership; it is strengthening the foundations of that membership and converting political access into measurable economic benefits. At the recent summit, Pezeshkian focused precisely on the issues that define this second phase: project finance, the use of local currencies, payment-system interoperability, the development of shared production chains, and the creation of reinsurance capacity. The next step is to establish an operational plan and measurable performance indicators for each of these areas.
Iran's BRICS membership should ultimately be judged by whether it produces growth in value-added trade, attracts investment, finances infrastructure projects, lowers the cost of cross-border payments, expands transport corridors, and increases the participation of Iranian firms in regional and global value chains. The ultimate value of BRICS for Iran will not be determined by membership itself, but by the country's ability to convert that membership into trade, capital, technology, and greater economic resilience.

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