

Feasibility and acceptability of BRICS Development Bank

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THE acceptance of feasibility of BRICS Development Bank at recently concluded Fifth BRICS Summit at Durban has sent a shivering effect on a certain section who criticise the very idea. A close observation of such concerned criticism can be grouped as who believes in 'status quo' since 1944- the establishment of the Siamese twins as International Bank for Reconstruction and Development (IBRD/World Bank) and International Monetary Fund (IMF) followed by regional institutions like Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), African Development Bank (AfDB) and Inter-American Development Bank (IADG). Ideally, the BRICS Development Bank (BDB) is a paradigm shift against existing handful of 'developmental-knowledge brokers' those claim to rescue poverty.

Post 9/11, the bloc building is the only means to achieve and secure desired economic goals of ambitious countries while consistently advocating for a multipolar world. To maintain and sustain the so-called economic growth, emerging economies are bound to form blocs to protect their interests irrespective of likeness of Neo-liberal mandarins. Thus, BRICS- Brazil, Russia, India, China and South Africa- each placed in as regional power centres, has emerged potentially challenging the ongoing world (dis)order.

The rationale of BDB is that existing International Financial Institutions (IFIs) are insular to reform. Developed countries (donors) who are holding all decisions from restructuring economy of borrower countries to approving developmental loans and grants, don't agree that IFIs could not be reformed. Many Civil Society Organisations (CSOs) based in these countries and their counterparts in developing countries are also trying hard to reform the IFIs. But, nobody has such authority knowhow the functioning of IFIs than Indian Prime Minister Dr Manmohan Singh who earlier had numerous impressive assignments ranging from Governor to, Alternate Governor in IMF, IBRD and ADB since 1970s. During BRICS Summit in 2009, India proposed for establishment of BDB.

Unable to reform existing developmental financial architecture is not only rationale behind establishing BDB. Internationally, the growing economic strength of India and China have not translated into actual decision-making power in IFIs. India, China and somewhat Russia feel uneasy witnessing business of consultants, private companies and staffs of donor countries side by side with developmental projects



People, human rights, information disclosure, public consultations, gender empowerment), India and China as well as other developing countries could not stand at par with IFIs. As a result, many infrastructure projects are being dropped or delayed or sources from unaccountable and non-transparent offshore funds. Could World Bank or ADB finance infamous Three Gorges Dam on Yangtze River?

Since 2004, India and China have been relentlessly suggesting to dilute the ADB policies for receiving quick money for high risk projects. Somehow ADB has tuned to their demands by creating in-house project processing facilities. Infrastructure needs of the BRICS countries amounted to \$4.5 trillion over the next five years, not to mention other developing countries. The BDB will be an immediate window without attaching any stringent policies to be violated or conditions to be followed.

As of now, major donor countries led by US and EU have established their area of influence through their financial arm- DFID, USAID, JICA, GTZ, SDC, EU and so on- along with IFIs- 3 Ps (projects, programs and policies). Comparing to these bilateral agencies, China, India and Russia have increased their outward development assistances in Africa, Asia and South America. For example, in last 20 years all donor agencies including IFIs

Eastern Himalayas Rivers, Syr Darya River are waiting for funds. For the cash crunch countries, BDB will be another additional financial mechanism. Do remember that most controversial Kudankulam Nuclear Power Plant in Tamil Nadu (India) is supported by Russia.

For a decade or so, India, China and Russia are being able to fund various development projects in Africa, Asia and South America. Through BDB, they will formalise the channel of financial support and get international acknowledgement as a multilateral fund. Through IBSA (India-Brazil-South Africa) Fund, India has already been supporting Mekong, Africa and South American countries.

Islamic Development Bank (IDB) has been extending financial support to predominantly Muslim countries. Eurasia Development Bank has set for developing Eurasia- The Bank of the South (BancoSur) with an initial capital of US\$20 billion is to counter World Bank and IMF in South America.

With formation of BDB, the Manila based ADB will be hit hard. World Bank and IMF have welcomed the initiative BDB and happily looking forward to work with as co-financer of high risk projects in coming years as Islamic Development Bank is doing. The ADB has not issued any statement immediately barring a blog opinion by its official. India and China are the third and fourth largest shareholder

economy growth than environment preservation. While Putin's Russia is reluctant to care environment, Communist China greedily exploits natural resources to feed its gigantic economy. Dilma Rousseff's Brazil- home to largest rain forest- has witnessed Earth Summit (1992) and Rio+ 20 (2012) as well as Juma's South Africa hosted WSSD (Rio+10). BRICS are distinctly diverse not only in their economies but approach to sustainable development. But finding unity in BRICS like Indian famous ethos 'Unity in Diversity' has more hurdles ahead.

However the track record of violations by India, China and Russia speaks volume when it comes to development projects. In India, POSCO, Kudankulam nuclear plant, Sardar Sarvar Dam, Vedanta, Teesta Hydrel, Tata in Singur, Kalinga Nagar to name a few have highlighted gross violation of environment, social and economic rights of people in India. Not to mention the sporadic land grabbing by Indian companies in Africa (Ethiopia) and Latin America. Unless, the procedural flaws in governance can't be addressed within and beyond and making accountable the Indian inc. to its citizens, the BDB seems to be unacceptable. India first makes its house in order by demonstrations. Same applies to China, Russia, Brazil and South Africa.

raise and outside respective countries. With a structured development project cycle of investment, procurement and implementation, it is distinctly clear that World Bank and ADB facilitate, create and establish market for the donor countries. Therefore, BDB would also aim to facilitate such business and finding market for the BRICS exclusively.

There are many high risk projects in India and China and other developing countries which are being dropped or not entertained at conceptual or approval stages by IFIs as non-compliance of established policies of the latter which anger the leaders and officials in the countries. This shouldn't imply that IFIs are immune to execute dirty development projects across the world. Notwithstanding of internationally accepted policies adhered by IFIs as mandatory (Environment, voluntary Resettlement, Indigenous

have lent approximately \$ 395 million in energy sector of Kyrgyzstan. Last year, through China EXIM Bank, it declared to support massive \$ 595 m to lay the transmission line. Similarly, Russia extended support amounting \$ 790 m to build series of hydropower. The BDB will be expected to channel such funds as required within BRICS and beyond.

In close vicinity, World Bank has withdrawn from massive \$ 1.5 b Padma River Barrage project in Bangladesh due to corruption. In Nepal, Arun series of hydropower structures are dropped by World Bank. In Pakistan, \$11.9 b Diamer-Bhasha dam project is finding difficulties in receiving funds from WB and ADB. The Jetigada dam project in Indonesia rejected by World Bank but picked up by China.

Many hydropower structures in Mekong River, Amazon River, Indus River,

and top two largest borrower of the Bank (annually \$ 4.5b on average out of ADB's \$ 22 annual lending). Mostly the infrastructure portfolio accounts 32 percent of total ADB annual lending.

As a regional IFI, ADB's operations in Asia will be rivalled by BDB even it seems to be complimentary and supplementary. The balancing act of the ADB between India and China has seen many ups and downs. Even appointing Vice President from India and China into its five collegiums of VPs, ADB has failed to tame Asian giants.

The forthcoming Annual Governor's Meeting of ADB in Noida (May 2-5) will be interesting to watch as the donor Governors take on BDB with Indian Finance Minister PC Chidambaram. PC has a record of being twice chairman while hosting ADB AGM (2006, Hyderabad) Manmohan's India needs

BDB won't be acceptable unless the group of five address these transparency and accountability problems within and beyond. BDB can draw lessons of last 60 years of grave mistakes of IFIs. There will be inherent frictions to finalise the piece of headquarter, subscribe capital, amount of funds and so on as normal procedures in public and private banks. Manila was not first choice for ADB.

Likes of Indonesia, Chile, Viet Nam would glad to join to satisfy their infrastructure needs. Notwithstanding premature criticism hurled on the BRICS and BDB, the success remains as a Unique platform of discussion, debate and dialogue on issues close to the three continents- South America, Asia, Africa- the continents of exploitation by the North. BRICS has all potential as an evolving organisation to properly represent South in all Fora.

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