

BRICS New Development Bank: An Option to World

Bank-IMF?

By

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Abstract:

The aim of the paper is to evaluate and study the objective, functions and role of the BRICS New development bank as an organization or financial institution in international relations. The major question is whether emerging states, fast economic growth and interest for a multiple international system and antipathy against the US lead unipolar international system and World bank and International monetary fund are factors enough to make BRICS and BRICS new development bank a coherent and relevant international factor.

It seems to be clear that all BRICS members have their own national interests and they have realized that BRICS bank is a useful idea for advancing those interests. On the other hand the five BRICS countries make a diverse combination of countries with different civilization, geographical and cultural backgrounds. In seventh summits which was held in Fortaleza, Brazil, in July 2014. In this summit all the member countries decide to take institutional initiative BRICS development bank called new development bank. The bank headquartered in Shanghai, China. The first regional office of the NDB will be opened in Johannesburg, South Africa. K. V. Kamath, from India, is the first elected president of the NDB.

Keywords: Objectives, Functions and Role of New development bank

Introduction:

The term BRIC (BRAZIL, RUSSIA, INDIA and CHINA) firstly coined by chief economist of Goldman Sachs (Investment Banker) in year 2001. In a paper titled “**Building better economic BRIC’s**” the term specially focus on four emerging economy which are culturally, geographically and demographically disparate. These communities first

time they met in New York as a group in year 2006. In year 2009 South Africa join BRIC communities. The new name therefore BRICS (BRAZIL, RUSSIA, INDIA, CHINA and SOUTH AFRICA) it’s a symbol of super power communities. The tag line of BRICS is “**Zero poverty, Zero unemployment and Zero net carbon**”

The BRICS New Development Bank was created in mid- 2014 by the government of BRAZIL, RUSSIA, INDIA, CHINA and SOUTH AFRICA. It will have a fairly large capital contribution initially of US\$ 50 billion from BRICS countries from other countries. It will fund in infrastructure and sustainable development on a significant scale.¹

Objectives:

1. To study the Objectives and functions of New development bank
2. To study the role of New development bank

Research Methodology:

The present study explores the said subject using a qualitative research approach. This research paper is purely based on the secondary sources of the data collected from books, journals, research article, and websites.

¹ German development institute, D.I.E. , Financial global development: The BRICS New Development Bank

Significance of the study:

Reducing the dependence on the leading world financial institutions, provide new infrastructural facilities to member countries and developing countries. The BRICS Development Bank will provide a fresh source of finance for developing and emerging economies to meet their development needs.

Definition:

1. The New Development Bank is a logical extension of the raison-d'être of the BRICS itself.²
2. The New Development Bank is the first multilateral development bank established by developing countries and emerging economies — Brazil, Russia, India, China and South Africa.³

Review of Literature

1. T.T. Ram Mohan, BRICS bank future hinges on governance

In this article Ram Mohan spoke about Mission of new development bank. This will provide long term finance for developing economies and member countries. Reducing dependence – west – dominated international institutions like IMF and World Bank. Ram Mohan raises the question like what is the need of Development Bank. What will be the benefits to established NDB? In what way NDB meet the expectations of member countries. Is NDB will be a worthwhile alternative to the present sources of funds? In conclusion he said that, the structure of NDB is different from IMF and World Bank. Whether it succeeds in the long run hinges entirely on the quality of governance.

2. Anil Kamboj, Regional Diplomacy: SAARC, ASIAN, BRICS, and SCO

In this article Anil Kamboj, the group's

success is mainly due to the establishment of the New Development Bank in response to the lack of reforms in the outdated Breton woods institutions and norms. All these grouping gave a strong platform to the member countries to have a better cooperation and understanding amongst themselves.

Objectives and functions of New Development Bank

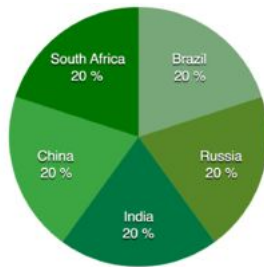
1. **Mobilize resources:** The Bank's purpose will be to mobilize resources for infrastructure and sustainable development projects, public or private, in BRICS and other emerging economies and developing countries, complementing the existing efforts of multilateral and regional financial institutions for global growth and development.
2. **Technical Assistance:** The NDB shall operate according to sound banking principles, providing support for infrastructure and sustainable development projects. Additionally the Bank will provide technical assistance for the preparation and implementation of projects to be supported by the Bank.
3. **Financial Assistance:** The Bank will provide support, in the form of loans, guarantees, equity participation and any other financial instrument to, public or private projects in member countries.
4. **Emerging Markets:** The Board of Governors may approve operations in non-member emerging markets and developing countries.
5. **Utilization of internal saving and investment:** Rommani, Stern and Stiglitz (2012) have argued that the NDB 'could play a strong role in rebalancing the world economy by channeling hard-earned savings in emerging markets and developing countries to more productive uses than funding bubbles in rich-country housing markets'.
6. **Climate change:** All over the world facing Global warming problem, every

² www. Oxfam.org, 11 July 2014

³ New Development Bank Factsheet

country want solution. BRICS aim is that, How to keep zero carbon? Natural resource depletion has become a major threat to the overall environment as well as to the economies of several developing countries. For environment protection, NDB taken initiative to Assist and provide finance for the controlling this situation.

Share holding structure of BRICS



SOURCE: New Development Bank factsheet

The Role of the BRICS New Development Bank

1. **Productive development:** If NDB have the better financial and technical support of banks, the BRICS bank would provide a valuable addition to the existing network of multilateral, regional and national development banks, which seems to perform far better support for productive development.
2. **Existing and experience bank:** BRICS bank can and will initially benefit from the experience and expertise of existing successful development bank. Like World Bank and IMF at the multilateral level.
3. **Valuable platform for finance:** BRICS bank will be a valuable platform for Developing and emerging countries.
4. **Achieving sustainable development:** BRICS bank help to achieve policy aims, such as helping to achieve the sustainable development goals. BRICS bank provides a important instrument and fund national,

regional and global strategies.

Key sectors where additional development funds are required

Brazil	Russia	India	
-Infrastructure: Ports, Airports, High Speed Rail -Oil and Gas -Electricity	-Transport -Manufacturing -Mining -Electricity -Gas -Water Supply	-MSMEs -Infrastructure: Roads, Bridges, Railways, Ports, Airports -Electricity -Telecom	-Hea -Bio -Pha -Ren -Hig Man

Source: International Economics, James Gerber, page no. 418 to 444

Conclusion: This is the beginning of the BRICS bank. In future BRICS Bank would to both the BRICS countries themselves and to other developing countries. The vision of the NDB to present itself as a viable and dynamic alternative to the World Bank and international monetary fund architecture in not bereft of impediments. In this global era the role of BRICS New Development Bank is very important.

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