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# THE BRICS DEVELOPMENT BANK

## Why the world's newest global bank must adopt a pro-poor agenda

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Leaders of the five BRICS countries – Brazil, Russia, India, China and South Africa – will convene in Fortaleza, Brazil in July 2014 to hold their seventh round of discussions. While global interest in their activities is far less than the levels of enthusiasm seen in the period between 2009 and 2012, there is a fair level of anticipation around the announcement of their first major institutional initiative – a new Development Bank, so far known as the BRICS Development Bank.

It was in 2013, at its fifth Summit in Durban, South Africa that the BRICS announced its intent to launch the Bank the following year – with little else revealed than an agreed focus on “mobilising resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries”, and in a manner that will “supplement the existing efforts of multilateral and regional financial institutions for global growth and development”. The new Bank is expected to provide a fresh source of financing for developing and emerging economies whose development needs are currently not being met through existing financial institutions. The BRICS Bank, it is hoped, will help meet this gap by not only channeling savings available from within its membership, but also mobilising resources from other middle-income countries and potential supporters, such the oil-rich nations. Loftier ambitions for the Bank include the development of an intra-BRICS currency market through measures taken to foster easy convertibility of the real, ruble, rupee, renminbi and rand thereby allowing a diversification of foreign exchange reserves. The creation of a BRICS reserve currency that could challenge current dependence on the dollar as the sole global reserve currency and be positioned on par with the IMF's Special Drawing Rights (SDR) is a scenario that is envisaged by those enthusiastic about the BRICS' ability to fundamentally challenge the current financial system.

It is crucial that the BRICS commits to taking its flagship initiative beyond traditional notions of the development banking and work instead to define and detail a transformational agenda for the new Development Bank.

Oxfam's recommendations for the work of the BRICS Development Bank therefore include the following:

## I - The new Bank is an opportunity for BRICS to demonstrate leadership on the agenda of Sustainable Development

As the world gears up to adopt a new global framework on development, the BRICS has the opportunity to provide conceptual and operational leadership on the all-important agenda of 'sustainable development'; the call for which emerged most notably from discussions held at the Rio+20 Summit of 2012 held in Brazil. The BRICS Bank must adopt a vision of 'sustainable development' that is directed towards ending deprivation and building human capacities, while also paying attention to the responsible use of natural resources within planetary limits. A commitment to sustainable development requires that the BRICS Bank goes beyond a market-orientated approach to one that demonstrates an emphasis on social, environmental and economic aspects of development across its projects. Activities of the Bank must be geared to support sustainable patterns of consumption and production and inclusive, transformative strategies of growth. While infrastructure development has been an explicitly stated focus area of the BRICS Bank, it is important to ensure that its investments serve first and foremost the interests of socially and economically disadvantaged communities, and projects undertaken do not repeat the socially and environmentally damaging trajectory that the developing world has seen and suffered in the traditional context of international lending.

## II - The new Bank can serve as a platform to globalise BRICS-led efforts to end poverty and reduce inequality, with a special focus on gender equity and women's rights

The new Development Bank must represent the firm understanding that in the present day, inequality is a major barrier to growth. A focus on addressing social exclusion, on achieving gender equality, and on fulfilling the rights and needs of the most marginalised and vulnerable groups in a society is crucial if the new Bank is to make a difference. The Bank must recognise access to essential services - including health, education, water and sanitation - as a strategy that promotes greater equality of opportunity and helps to foster economic growth. At a macro level, this involves working to end extreme inequality so that wealth, opportunities and assets are shared fairly, within and between countries. Increased capacities for domestic revenue mobilization, improved tax transparency and accountability systems are an integral part of the challenge to end extreme inequality.

Oxfam recommends that the new Development Bank adopt as part of its objectives, a commitment to tackle inequalities that exclude women and girls and limit their opportunities for economic, social and political participation. The BRICS' Bank must include in its mandate the exchange of knowledge and resources to promote the reform of discriminatory legislation and institutions, targeted action to meet women's health and educational needs, and the removal of barriers to women's participation in quality employment.



### III - BRICS countries must have an explicit policy on international cooperation that is informed by public debate and backed by strong institutional capacities

Despite their claim to an agenda of reform and democratisation in the international arena, the work of the BRICS is marked by a near-complete absence of discussion around positions and strategies. There is an urgent need for the BRICS to ensure that foreign policy becomes public policy.

In the context of the proposed Bank, the challenge is to harmonise approaches towards international cooperation and investment across the BRICS countries, while ensuring that the commitment to South-South cooperation and global standards of human rights, social and environmental justice are agreed and actively pursued in the process. Regional development and cooperation frameworks – such as the Africa Consensus Position on Development Effectiveness, and the Common African Position on the Post-2015 Development Agenda – must also be recognised and integrated into this context. Further, the proposed Bank makes it necessary for member countries to commit themselves to develop competent and mutually coherent institutional capacities. A common framework guiding operational objectives and outcomes and well-established mechanisms for planning, review and exchange of lessons, expertise and innovations is essential if the BRICS Bank is to operate in an effective and sustained manner.

### IV - The new Development Bank must adopt a radically democratic governance structure

Given that the idea of the new development bank has emerged as a reaction to unequal power and resource arrangements within the Bretton Woods institutions, we anticipate that the BRICS countries will ‘be the change’ when putting in place membership and governance structures for the BRICS Bank. Strong arguments have been made for the choice of small and equal contributions as the starting point for the capital base of the new Bank. This would allow the BRICS Bank to mobilise the participation of other potential donors in the developing world and set the stage for a more equal distribution of voting and decision making powers – including the adoption of a ‘one country, one vote’ practice and the election of the Bank’s President through the Board. The Bank should serve as an example of leadership provided by the five countries to mobilise new and more democratically managed financial resources for development in the global south.

### V - The BRICS Bank must ensure environmental and social safeguards; establish mechanisms for information sharing, accountability and redress

The creation of a composite and enforceable framework of social and environmental safeguards is not just necessary but critical in the context of the BRICS Development Bank. Globally agreed practices in relation to the protection and sustenance of environmental resources and the rights of communities – which includes those directly affected by specific activities as

well as those indirectly affected by changes in macro policy – are an important reference point in this context. The effective engagement of stakeholders is an important challenge that confronts the BRICS Bank. In addition to learning from ADB's Open Forums as well as the CSO town hall meeting and policy forum of the World Bank, there is a need for the BRICS Bank to establish an ongoing process of information sharing and consultation with civil society and other stakeholders across internal and external aspects of its operation.

Transparency around the role and activities of private sector is a critical aspect of the accountability agenda. Currently, information around the extent and impact of BRICS related corporate activities in other regions is severely limited and a strong apparatus to ensure transparency around the activities and investments of the private sector in this regard is critical. This should include considerations around an independent effort to monitor and track private investments in agriculture and extractive industries through the collection of ground level information in Africa, Eastern Europe and Latin America.

## Being the change

The launch of a new development bank is an idea that is not just welcome but crucial in the context of the political and economic disruptions that have surfaced since the financial crisis of 2008. The transition into a multi-polar, economically fragile and politically unstable world has been accompanied by a new generation of development challenges that include addressing growing inequality, coping with demographic challenges, balancing environmental sustainability with economic growth and promoting peace and stability – all of which require radically new thinking and approaches and fundamental changes in the way in which countries of the 'north' and 'south' have traditionally engaged with each other. Skepticism about individual competencies and interests within the BRICS notwithstanding, the new Development Bank offers the first institutional apparatus for the emerging economies to go beyond their specific limitations to construct a more holistic and even radical agenda of development.

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