

## BRICS NOT READY FOR JOINT DEVELOPMENT BANK

KEDAR PAVGI

At their recent summit in New Delhi, the BRICS heads of state signaled their intention to take play a larger role in efforts to promote global development with the creation of a BRICS-led and administered development bank. However, unless the BRICS must figure out a common definition of what constitutes development aid, and the best practices to administer it, the proposed bank is doomed to fail.

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# BRICS Not Ready for Joint Development Bank

By Kedar Pavgi

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Ever since Goldman Sachs economist Jim O'Neill defined the BRIC group of countries in 2001, policymakers have been closely watching the rise of the presumed leaders of the 21st century. And it was widely expected that as Brazil, Russia, China, India and [recently added South Africa](#) exercised growing power in global politics, they would also play a larger role in efforts to promote global development by using their own success as a template for smaller and lesser developed states. At their [recent summit in New Delhi](#), the BRICS heads of state signaled their intention to take up that responsibility. The most prominent idea to come out of the meeting was the joint proposal for a BRICS-led and administered development bank, directed toward creating a “South-South” model of aid distribution.

For [aid-weary Western policymakers](#), a development institution led and funded entirely by emerging countries is at first glance an ideal scenario. It would certainly relieve much of the pressures that the historical development practitioners have come under in an era of economic austerity. However, while the publicity and handshaking in New Delhi marked the first step toward their new aid partnership, the BRICS must figure out what exactly they seek to accomplish with this proposed institution. Unless they can figure out a common definition of what constitutes development aid, and the best practices to administer it, the proposed bank is doomed to fail before the delivery of its first check.

Unlike the members of the OECD, [who use a common standard](#) for development assistance, each of the BRICS countries has a different definition for what constitutes aid. Meanwhile, because most of their aid policies have emerged in the past 5-10 years as an outgrowth of their rising economic statures, the BRICS countries have had little experience in administering aid, planning a coherent strategy and building an effective distribution mechanism. Brazil, which [by its own law](#) is not allowed to conduct government-to-government transfers of money, relies on loans to Brazilian state-owned corporations operating in foreign countries to bolster its aid profile. Similarly, China [uses a complex network of government agencies and state-backed enterprises](#) (.pdf) to distribute money in recipient countries. Russia, having been a major donor in the past, is still [struggling to maintain its own aid goals](#) amid rising domestic concerns. India and South Africa both announced new aid agencies last year, but have shown little progress in terms of coherent plans.

Further complicating matters is the relative political disunity of the BRICS countries. While the New Delhi summit was intended to coordinate policies, the fundamental differences between their approaches to foreign policy and the aims of their aid apparatuses are proving to be a steep barrier. As Financial Times commentator [Martin Wolf noted in an interview with the Council on Foreign Relations](#), “There’s no reason whatsoever to expect them to agree on anything substantive in the world, except that the existing dominating powers should cede some of their influence and power.” In the past decade, the BRICS countries managed to loosely harmonize their positions in the debates on climate change and agricultural trade policy; outside of those forums they were divided on nearly every major international issue. It would be very difficult to operate a joint development bank with such intractable differences among the donor countries.

An alternative to creating a new institution would be for the BRICS to work within existing fo-

rums to develop their aid apparatuses, using the lessons these organizations have gained from the past 30 years to hone their strategies. While all of the BRICS [have Enhanced Engagement status agreements](#) with the OECD, they have limited representation and participation on the Development Cooperative Directorate, the body that coordinates the organization's global aid policy. By seeking participation in this global development forum, the BRICS could develop key knowledge in areas needed to create a functioning development apparatus. They could also take the lead on emerging ideas and practices, [including those in aid transparency](#) and good governance. Such an approach would also respond to the need expressed by developing countries for further representation and more influence at existing development finance institutions including the World Bank and IMF, and at regional banks like the Inter-American Development Bank, the Asian Development Bank and the African Development Bank. None of this institutional growth could occur if a new structure were created. Instead the goal of advancing the influence of the "Global South" would in all likelihood be set back, preventing ideas and resources from reaching the populations that need them most.

While the current prospect for a BRICS development bank is not promising, there is room for optimism in terms of the future of South-South cooperation through enhanced participation in global development activities by the BRICS. Twenty years ago, the BRICS countries were among a group of states that were net aid recipients, struggling to correct failed economic policies and grappling with deep social crises. Today, all of them are rising global powers and have shown an interest in contributing to the global conversation on best practices in development. It is also a good sign that the debates surrounding development have extended far past Washington and are now including the actors that will most likely implement the process in the future. Nonetheless, reinventing the wheel through a new development bank is not the solution that the developing world needs. A more realistic assessment of the BRICS' capabilities and potential will have a more significant long-term impact than high-profile announcements that, though appealing to journalists and academics, have little chance for success. □

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*Photo: Brazilian President Dilma Rousseff, Russia President Dmitry Medvedev, Indian Prime Minister Manmohan Singh, Chinese President Hu Jintao and South African President Jacob Zuma at the Fourth BRICS Summit, New Dehli, India, March 29, 2012 (photo from the [Russian Presidential Press and Information Office](#)).*