



BRICS

Voices from BRICS Civil Society

VOICES

NEWSLETTER

JUNE / 2016

BRICS Voices is a quarterly newsletter to foster greater engagement of CSOs on BRICS with a view to promote inclusion and accountability. An initiative of civil society groups on BRICS issues from the member countries, in partnership with Oxfam India, the newsletter shares thought pieces and information with a view to amplify voices from the ground to influence the Policies at BRICS summit.

SECTION I

VIEWPOINT

By Dr. Sudha Mohan, Professor, Department of Civics and Politics, University of Mumbai; BPC Fellow at Centro de Estudos e Pesquisas BRICS - BRICS Policy Center, in Rio de Janeiro, Brazil for June 2013

We understand through newspaper articles that the BRICS bank is going to start operations this year. Related to the above, what in your view should be the priority lending areas for the New Development Bank and should it be similar to the thrust areas of the World Bank and the ADB and if not, in what way?

BRICS Bank is a welcoming change in this regional organization for it focuses on the financial dynamics which are both important and a much required feature to bridge the gap between countries and their financial architecture. The fact that a Bank was created by five countries in different parts of the continent, united by their desire to cooperate, collaborate and coordinate highlights that the main focus would be the following: Assist the unserved areas and unmet needs in the developing world; help in Infrastructure development, both physical as well as social; creation of jobs that would mitigate poverty and aim towards capacity building and community development. These thrust areas are not familiar to the WB (World Bank) or ADB (Asian Development Bank) and hence, are

much needed departures from conventional international financial institutions.

NDB has sanctioned a loan to India for green projects as a way of furthering its priority lending scheme. What role do you think this plays in the overall lending portfolio of the bank?

It is an absolutely welcoming change in lending ventures to this priority area that was much ignored in many of the traditional financial institutions. These green projects would not only enhance its own credibility but also result in renewable energy according to reports to the tune of 500 MWs and savings of about 800,000 tons of carbon emissions. Brazil is also supposed to receive a big credit worth \$300 million to help build 600 MWs of renewable energy capacity. These green initiatives will go a long way, not just in the bank's trajectory of priority lending schemes, but also in the current and future environmental and ecological sustainability of countries in the developing world.

An initiative developed by
Vasudha Foundation, India



And in association with BRICSAM Partners



Other than green financing, what are the current developments of the NDB in terms of priority lending? Are they similar to that of the World Bank and ADB or not? If not, why?

It is reported that the current focus of the bank is its desire to raise major currencies but more importantly this is with a view to create more funds in its member's currencies. This endeavor is to raise more bonds denominated in local currencies of the BRICS countries. In fact, as in May 2016, the private sector lender, ICICI Bank became the first financial institution in the country to tie up with the NDB for a partnership in bond issuances, co-financing and human resources. This may well be followed by other private sector banking institutions in other BRICS countries soon. The strength of such financial collaboration will be an interesting feature to examine and analyze in the coming days/years. The NDB priority areas transcend beyond that of the World Bank or ADB. Since its creation was aimed to break the monopoly and the hegemony of these two financial players, unless it earmarks areas that are more suitable to its member countries, it would only be replicating the WB and ADB. However, it also needs to be highlighted that during the first decade, it may function as a complimentary rather than a contradictory financial institution.

With respect to the previous question, what do you think would be the implications of green priority lending on the nations that have scarce as well as untapped clean energy resources? Do you see it as a source of conflict among the member countries?

The grouping's focus on green priority or environmental concerns is not entirely novel. The topic featured prominently during debates at the 5th BRICS Summit in Durban in 2013. In April 2015, the ministers of the environment from Brazil, Russia, India, China and South Africa, along with the executive director of the United Nations Environment Programme (UNEP), met to discuss a road map for transitioning to green economies to ensure sustainable development, without compromising on their competitiveness. Hopefully, China in particular will now regard climate change and pollution key threats to its legitimacy in the International arena. This proves how all these 5 countries will be made to preserve, protect and promote its scarce and untapped resources. Without a doubt, it would lead to competition and not conflict among member countries to emerge as a leader in this arena. For instance, the report, entitled "[Delivering a Sustainable Financial System in India](#)" jointly produced by FICCI and the UNEP was published by the United Nations Environment Programme, 2016. This report inquired into the Design of a Sustainable Financial System, profiles the actions that

have been taken to advance environmental and social factors as a core part of India's banking, capital markets, investment and insurance sectors is a very good initiative in this direction.

In terms of socio-economic and development indicators, such as FDI flows, governance mechanisms and other macroeconomic indicators the five economies differ intensely; do you think this could be a cause of concern for the NDB in future?

While very different in nature, size and geography, the five countries share many challenges as well as opportunities. Standing at the threshold of change in a globalizing world, these countries are negotiating, mediating and transforming rapidly. However, in terms of their economic ambitions, narratives on economic development, FDI flows that would be facilitated by new flexible and feasible governance mechanisms, they are far less different than assumed. Hence, instead of a cause of concern for NDB it may be surprising to see how similarly competitive they are when precisely these issues are concerned. Hence, there is certainly more competition for financial loans towards the fulfillment of all or most of these concerns for all the BRICS countries in the coming years.

We understand your research on the BRICS countries has revolved around the politics of Urban Space in BRICS. What according to you is the role that urbanization, in populated cities of BRICS, could play in enhancing the cooperation among the member countries?

Each BRICS country's experience with urbanization has its distinct context, content, characteristics and processes. In Brazil, failure to prepare for internal migration into the cities gave rise to favelas. China, on the other hand, has taken urbanization seriously in its national development strategy, as it successfully lifted millions of people out of poverty - at the same time, a significant amount of urban dwellers in China also lack permanent residence rights in the cities. Russia is still dealing with the negative effects of centrally planned migration during the Soviet Union, which led to the creation of cities in inconvenient regions with economies that struggle to diversify. South Africa's apartheid forced many black residents to live in confined, unsafe spaces at the periphery of cities. And the legacy of urban segregation has not been successfully overcome by the democratic governments since 1994. India, perhaps worst of all, lacks a coherent approach to Urbanization, Urban development and urban administration. Studying each other's' strategies and cooperating at the city level is bound to be mutually beneficial for all BRICS Cities in the century that is deemed to be the Urban.

Related to the above – “Critics fear that a BRICS bank would be less concerned about upholding labor and social standards than the World Bank or the International Monetary Fund. If the BRICS bank becomes active in international capital markets, like the World Bank is, then it must respect international economic and social standards.” Please state your viewpoint on this particular concern.

Existing financial power centers and Bretton Wood institutions’ would most certainly be concerned about any new actor in the world financial stage. If that actor also represents nearly half of the world’s population at 42 percent, with expected increase to account for half of the world’s economic output by 2030 and an estimate which suggests that by 2020, the combined economic output of three leading developing countries alone - Brazil, China and India – will surpass the aggregate production of Canada,

France, Germany, Italy, the United Kingdom and the United States. (UNDP 2013), it is not surprising to hear criticism and disparaging comments about the regional organization as a whole in general and its financial arm, the Bank in particular. The birth of this bank was supposed to be a departure from and a challenge to the existing financial structures, hence, its endeavor (theoretically at least) would be to adhere to some commonly arrived consensus about these concerns. However, once it is on firmer footing and establishes itself firmly in the market place of world financial arena, the manner it is “allowed” to strengthen or degenerate, time alone would tell. However, it is up to the BRICS countries with a solid resolve to prove doomsayers wrong and to lead by example to the rest of the regional organizations and the world indeed that it is here to stay and stay for clear-cut reasons for sustainable economic, ecological development and substantive inclusive progress!

SECTION II

A SHORT STUDY

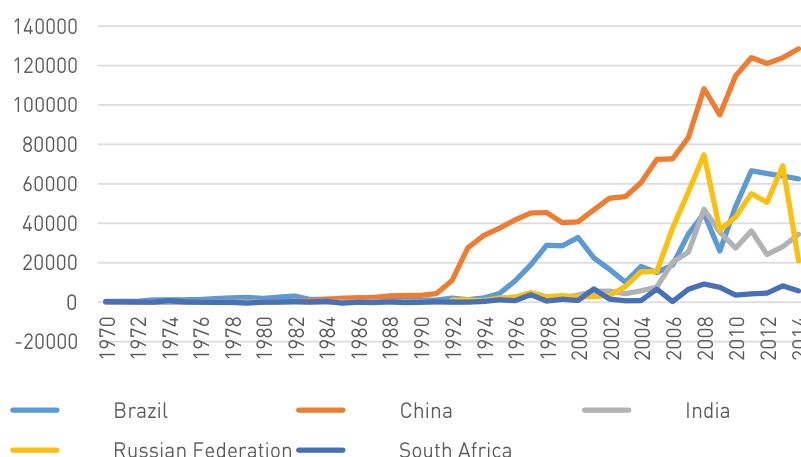
By Vasudha Chopra, Assistant Research/Policy Officer, Vasudha Foundation

FDI and the BRICS: Trends and Analysis - A Study

The BRICS alliance (Brazil, Russia, India, China and South Africa) has witnessed emerging growth rates in the recent past, coupled with an incessant growth of population and the mounting levels of foreign investment, which makes this club stand a good chance of becoming a much superior group in future. In terms of FDI flows, governance structures, and social indicators, these countries are poles apart; the thread tying these economies together is their growth rates.

The FDI outflows from the BRIC nations towards the rest of the world has risen evidently from US\$7 billion in 2000 to US\$ 126 billion in 2012 (UNCTAD, 2013). South Africa, an odd member in terms of the size, economic composition and contribution to BRICS’ FDI inflows (4% of total), has recently provided a gateway to the entire African subcontinent along with an opportunity for the other African states (UNCTAD, 2013).

Figure 1: FDI inflows for BRICS



(Data Source: UNCTADSTAT; <http://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx>)

FDI in an economy influences growth by inducing the inflow of physical capital such as infrastructure, raising productivity of the host nation, that in turn generates technology spillovers that has a progressive impact on the level of sophistication and growth of an economy (Kapoor & Tewari, 2010).

Figure 1 depicts the FDI inflows of BRICS from 1970 to 2014.

The trends in the above figure depict a change in the global investment structure. The onset of the financial crisis in 2007-2008 upholds developing nations as stable hosts for foreign investment. The governments of the BRICS economies play a vital role in doing so, by promoting policies that administer goals by establishing sustainable and sound infrastructure, poverty reduction and promotion of free as well as fair trade with rest of the world.

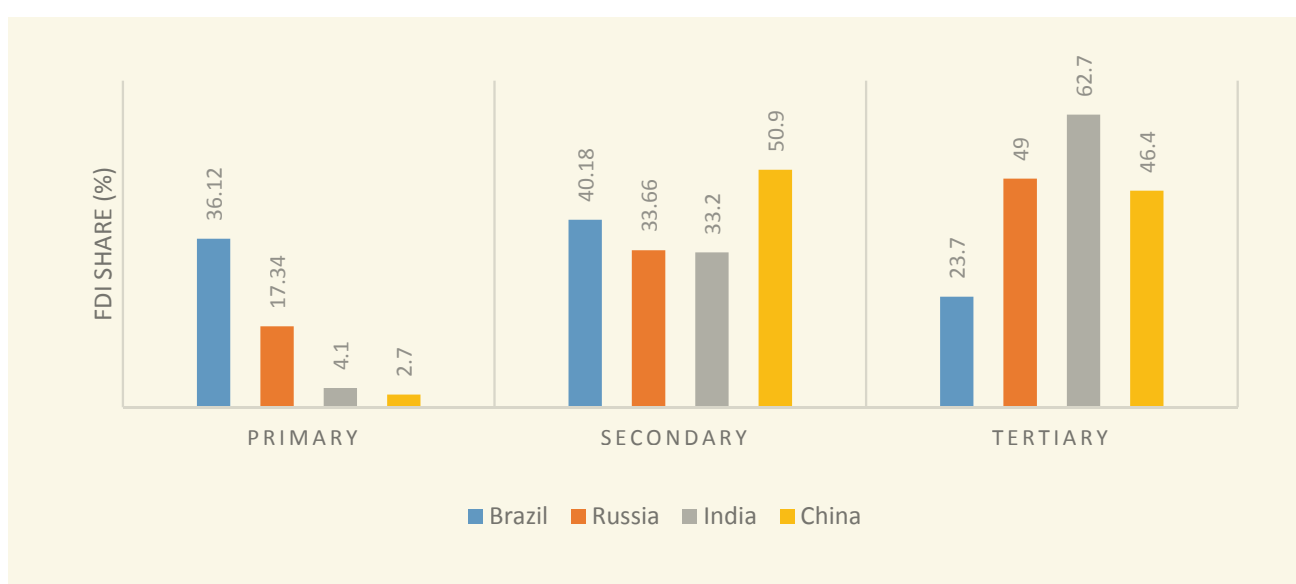
We have analyzed linkages between FDI and the primary (agricultural and allied activities), secondary (industries including manufacturing) and the tertiary (services) sector respectively.

sector forms the backbone of China's inward FDI after the establishment of Ministry of Commerce of the People's Republic of China. South Africa, on the other hand, faces structural bottlenecks, such as poverty, illiteracy, poor health care infrastructure curbing the inflows, in spite of a sound legal environment for foreign investment.

Economic Indicators and FDI: Linkages

For developing countries, FDI has a stronger causal impact on growth rates and GDP given the push that FDI gives to technological innovation (Hansen & Rand, 2005). An important measure of macroeconomic stability is the rate of inflation. This study analyzes the trends of determinants

Figure 2: Sectoral composition of FDI inflows for BRICS



(Data source: International Trade Center)

*Comparable data for South Africa is not available

Compared to India and Russia where the tertiary sector has the highest share in total FDI inflows, in China and Brazil the secondary sector dominates.

Policy regimes and FDI: BRICS

Brazilian firms attract huge FDI flows owing largely to its open investment regime and FDI support policies. Its sectoral distribution of inward FDI has seen drastic changes from the year 2000 to 2010, whereas in Russia, it has remained the same, owing to the enormous endowments of natural resources (Kapoor & Tewari, 2010). Its policies on improving macro-economic stability, low risk environment for investors and pro-investment reforms like tax incentives etc. has led to a surge in IFDI lately. For India, there was a major shift observed from the secondary sector towards the tertiary sector owing to the relaxation of FDI norms. As opposed to India's sectoral distribution, the manufacturing

highlighted in previous studies using a panel data approach for which data is collected from the World Bank Indicator (WDI DATABANK) 2010, UNCTADSTAT database and UNDP website.

The results are in line with the literature, suggesting that the relationship between all of the determinants (except inflation rates) conforms to economic theory. The results indicate that a country's income (GDP), social development (HDI) and fixed level of investment (gross capital formation) has a positive and significant impact on its FDI inflows. The proxy used for infrastructure i.e. electric power consumption (KWH per capita) has a positive relationship with FDI inflows. Infrastructure tends to showcase the wealth of the country that in turn attracts FDI (Ranjan & Agrawal, 2011). The study is subject to limitations of data unavailability.

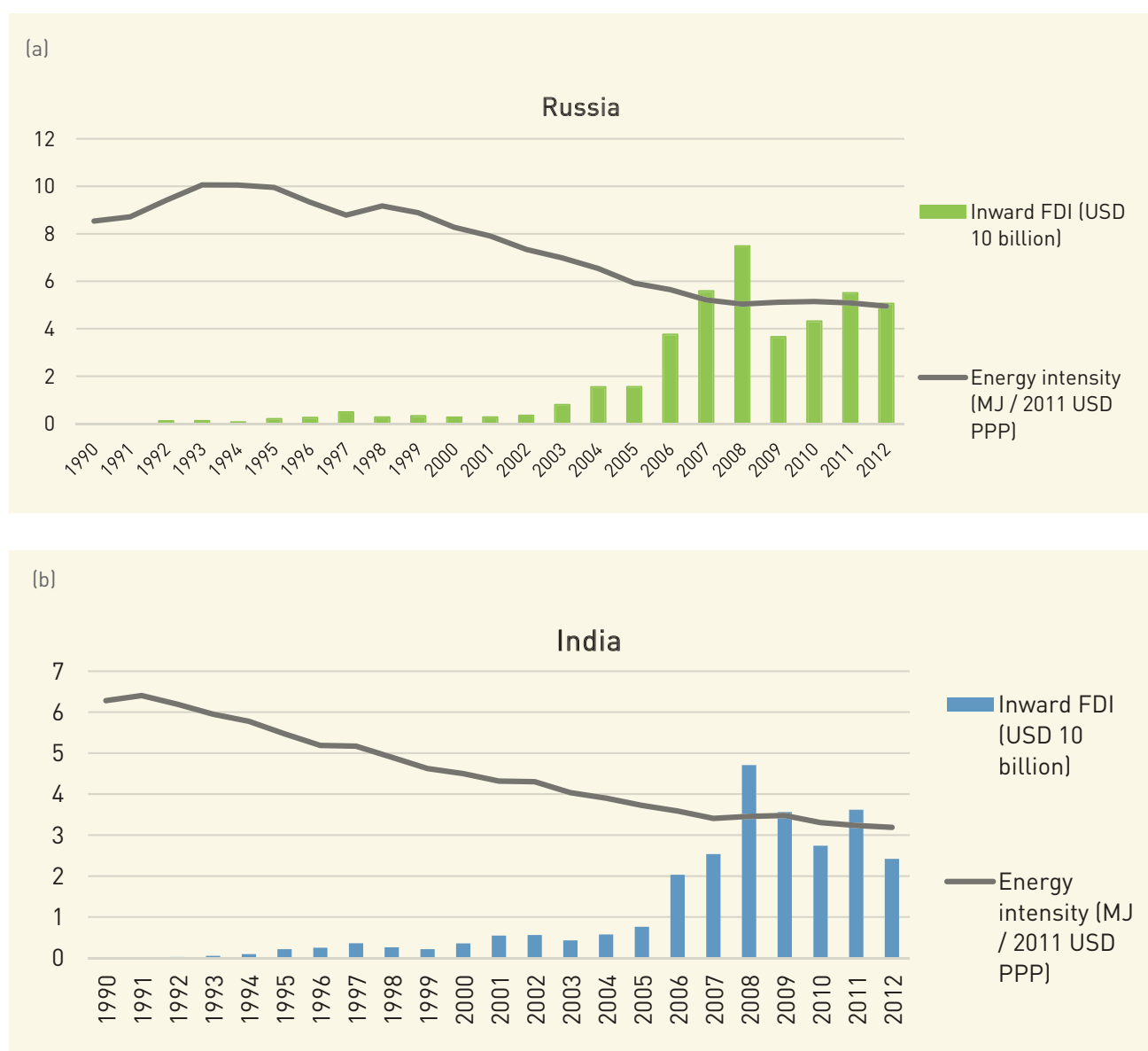
Linkages between FDI and energy intensity level of final energy: BRICS

Economic growth and development in an economy leads to higher energy consumption and a simultaneous increase in GHG emissions; as familiar across BRICS nations. Conventional economic theory essentially suggests a

negative relationship between energy use and FDI inflows assuming the structural composition of an economy remains unchanged (Hübler & Keller, 2010). The intuition behind this is that the FDI inflows from developed countries is considered to spur technological innovation that reduce energy intensities and ecological footprints.

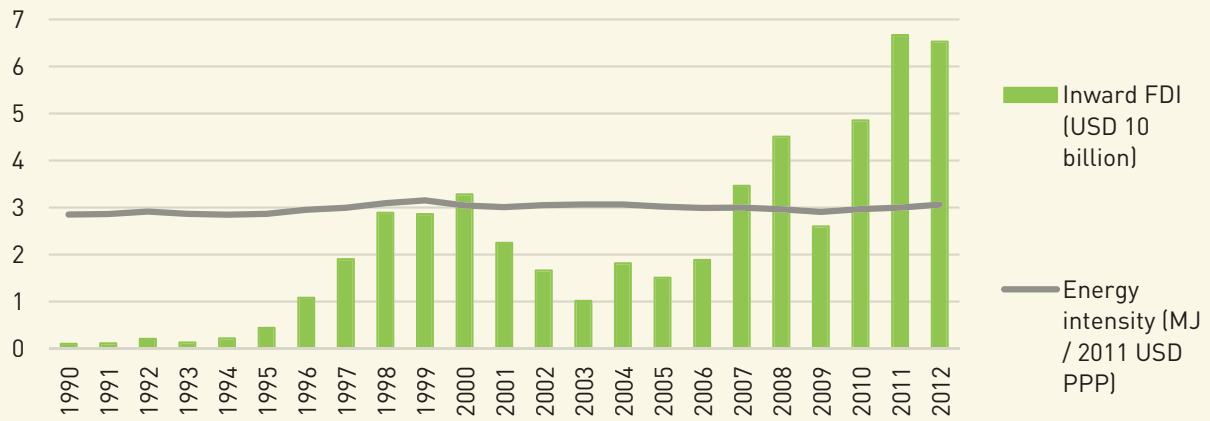
Relationship between energy intensity & FDI inflows

Figure 3: Energy intensity and FDI inflows (1990-2012)



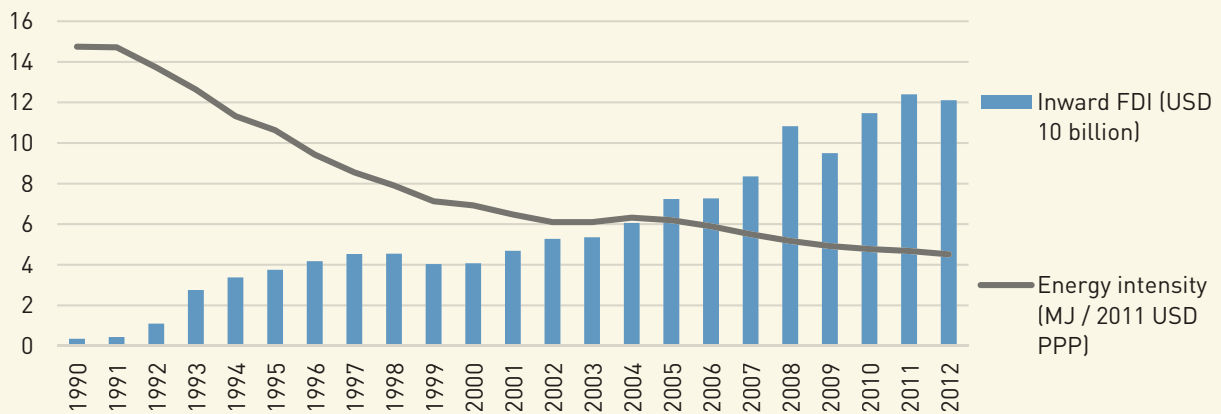
(c)

Brazil



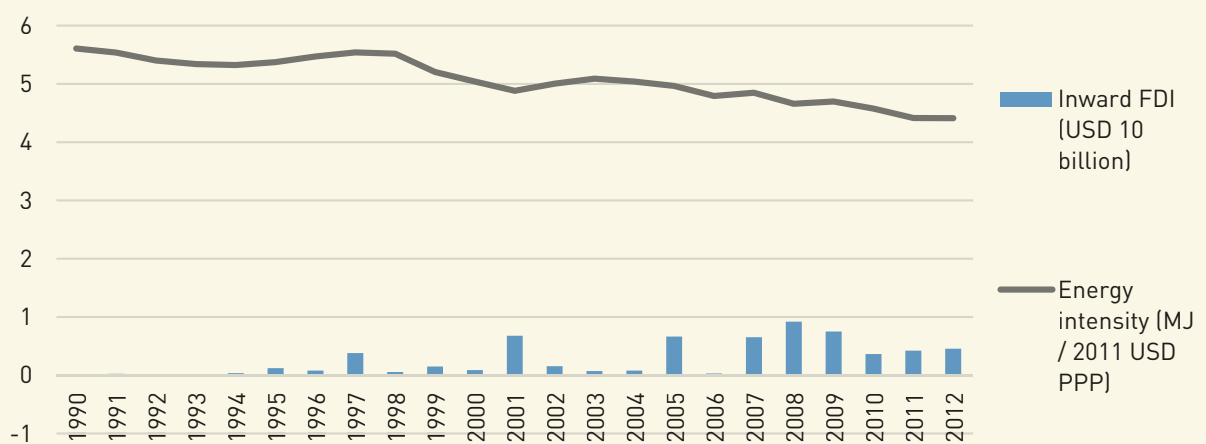
(d)

China



(e)

South Africa



[Data Source: UNCTAD, World Bank] <http://databank.worldbank.org/data/reports.aspx?source=sustainable-energy-for-all>

A quick interpretation of the graphs is a noticeable fall in energy intensities¹ across the countries with an increase in FDI inflows. Some countries have stronger conclusive evidence such as China, India and Russia. South Africa has seen a consistent dip in the energy intensity, through an uneven IFDI trajectory.

On the other hand, Brazil has an interesting economic composition that has contributed to its low energy intensity from the start, due to its heavy reliance on renewable technologies (95% of total energy production in 1991 was through renewable resources) and supportive policy environment. Brazil's economy initially shifted from the

manufacturing sector to the services sector explaining low energy intensity before 2010 due to energy efficiency improvements, however, there has been a recent shift towards industrial production that is linked to minor increases in the energy intensity. It is also interesting to look at this peculiar trend of falling deployment of renewable technologies (now at 77% of total industrial production) compared to what it started with. Though, Brazil has been witnessing declining carbon emissions (Geller, et al. 2004), given the large scale exploration of ethanol fuel for electricity as well as that of natural gas for heat and power systems, and the policy initiatives have been fostering the use of renewables in the fuel mix.

SECTION III

FORMAL UNVEILING OF INDIA'S BRICS LOGO AND LAUNCH OF BRICS WEBSITE IN NEW DELHI



India assumed BRICS Chairmanship from the Russian Federation for the year 2016. Following this, the eighth BRICS Summit will be hosted in Goa on the 15-16 October 2016.

The Indian external affairs minister stated "It gives me tremendous happiness to unveil India's BRICS Logo, and to launch our BRICS Website for the duration of India's Chairmanship"

During India's BRICS Chairmanship, well over fifty sectoral meetings will be organized at the Ministerial, official, technical, and track II levels. The core-theme for the BRICS Chairmanship is - Building Responsive, Inclusive and Collective Solutions (BRICS). A five-pronged approach will be adopted during India's Chairmanship. It will comprise of Institution Building, Implementation, Integration, Innovation, and Continuity with Consolidation (IIIC or I4C). The emphasis would be on institution building, implementation of previous commitments flowing from the past Summits, and exploring synergies among the existing mechanisms.

Enhancing greater people-to-people participation in BRICS events will be a priority during India's chairmanship. Keeping this in mind, India has planned a series of events including - the BRICS Under-17 Football Tournament, BRICS Film Festival, BRICS Wellness Forum, BRICS Youth Forum, Young Diplomat's Forum, BRICS Trade Fair, BRICS Friendship Cities Conclave besides the Think-Tank and Academic Forums.

During its 'chairmanship, India will strive to organize various BRICS events across the country in different States. This will give people a greater opportunity to enrich the BRICS process, and will continue to work closely with the BRICS partners in taking the BRICS agenda forward.

Source:: <http://www.mea.gov.in/Speeches-Statements.htm?dtl/26559/Statement+by+External+Affairs+Minister+on+Formal+Unveiling+of+Indias+BRICS+Logo+and+Launch+of+BRICS+Website+in+New+Delhi+March+22+2016>

1 Energy intensity level of final energy (MJ/2011 USD PPP) is a ratio between final energy consumption and gross domestic product measured at purchasing power parity captures energy required for producing 1 unit of final economic output in 2011 USD PPP terms.

SECTION IV

NEWS SNIPPETS ON BRICS

BRICS pay in 1st tranche of \$750 million to BRICS Bank capital

BRICS members made their first contributions worth a total of \$750 million to the capital of the New Development Bank. According to the report, the tranches to the bank's capital were paid in accordance with the lender's agreement signed during the BRICS Summit last year. Paid up capital is the key asset for the development bank. It is expected to total \$10 billion to be paid through 7 tranches. The new lender's subscribed capital will total \$40 billion.

See more at: <http://thebricspost.com/brics-pay-in-1st-tranche-of-750-mn-to-brics-bank-capital/#.VvDge-J97IV>

BRICS gets greater say in IMF

For the first time the four emerging market economies Brazil, Russia, India and China have entered the International Monetary Fund's top 10 biggest members. The IMF's 2010 quota and governance reforms have finally come into force. The IMF statement read "The reforms represent a major step toward better reflecting in the institution's governance structure the increasing role of dynamic emerging market and developing countries,"

See more at: <https://www.rt.com/business/330438-imf-quota-brics-russia-china/>

New Development Bank an assertion of BRICS' political sovereignty: Kamath

The formation of the New Development Bank (NDB) of the Brazil-Russia-India-China-South Africa (BRICS) grouping is an assertion of the Global South and its significance would be felt beyond the economic domain, said K.V. Kamath, the bank's President. Mr. Kamath also stated he fully supported the "Belt and Road" connectivity initiative taken by China to establish new growth engines along the Eurasian corridor.

See more at: <http://www.thehindu.com/business/Economy/new-development-bank-an-assertion-of-brics-political-sovereignty-kamath/article8289961.ece>

High expectations as BRICS New Development Bank to open African branch

With the African branch of the BRICS New Development Bank (NDB) set to be opened later this month in Johannesburg, expectations are high for the NDB from all sectors in the country. The bank is expected to fund infrastructural deficit and help address global economic governance, Cyril Prinsloo with the South African Institute of International Affairs, told a seminar in Johannesburg recently on the role of the NDB.

See more at: http://news.xinhuanet.com/english/2016-03/03/c_135149373.htm

Brics Bank now hiring in Johannesburg

Treasury said in a statement the bank is in the process of establishing the Africa Regional Centre in Johannesburg, as announced by Finance Minister Pravin Gordhan in his 2016 Budget Speech. The New Development Bank is formally "open for business" and the recruitment process for its Africa Regional Centre in Johannesburg has started, National Treasury announced this weekend. The start of formal operations of the so-called Brics Bank follows an agreement signed on February 27 2016 by the People's Republic of China and the New Development Bank.

See more at: <http://www.timeslive.co.za/local/2016/03/07/Brics-Bank-now-hiring-in-Johannesburg>

New Development Bank set to start disbursing loans

The much heralded New Development Bank is set to start disbursing loans in April. It will invest in infrastructure development projects, initially in the BRICS countries. Traditional development finance institutions have been criticized for taking project decisions, without consulting wider society. Civil society organizations are hoping the BRICS bank will be different.

See more at: <http://www.sabc.co.za/news/a/02199f804be2d857986a9c96fb2bb898/New-Development-Bank-set-to-start-disbursing-loans-20160302>

New BRICS bank set to fund green energy projects

The NDB is all set to fund more than a dozen projects this year, which will focus on renewable energy. NDB President K.V. Kamath revealed at a media conference that the "initial focus" of the bank would be on green energy projects. "I think it would be safe to say that more than half the projects both in number and value would be green and that is something that we are consciously doing and we are heartened by the response we are getting from various governments in proposing such projects," Mr. Kamath observed.

See more at: <http://www.thehindu.com/news/international/new-brics-bank-set-to-fund-green-energy-projects/article8285868.ece>

BRICS Bank's Kazbekov welcomes yuan's inclusion in IMF reserve currency basket

Vladimir Kazbekov, the Vice-President of (NDB) has welcomed the inclusion of the Chinese yuan in the IMF basket of reserve currencies, as it would benefit the five emerging economies. IMF's move would further consolidate the value of the yuan. He further said "I think it's very good. This will significantly reduce the currency risks," on the sidelines of the BRICS media summit.

See more at: <http://www.thehindu.com/business/Economy/brics-banks-kazbekov-welcomes-yuans-inclusion-in-imf-reserve-currency-basket/article7941949.ece>

Russia presents first investment project on small-scale power generation to BRICS Bank

Russia presented its first investment project on small-scale power generation development to the BRICS New Development Bank, Russia's Minister of Finance and Chairman of Bank's Board of Governors Anton Siluanov said on Friday after the Board of Governors' meeting. According to the minister, the BRICS New Development Bank plans to enter markets with borrowings in national currencies to finance investment projects.

See more at: <http://tass.ru/en/economy/859117>

Russia's Central Bank, BRICS discuss creation of global bonds

Russia's Central Bank is discussing with the BRICS countries creation of so-called global bonds, the bank's first deputy chairman Sergey Shvetsov said. He stated ""Now we are talking about the creation of so-called global

bonds which would have same rules for all five countries. If we issue bonds under these rules and list them on one of the exchanges, the remaining countries automatically get access to trade in these bonds".

See more at: <http://tass.ru/en/economy/852580>

BRICS Energy association to be formed in 2016

Energy association of the BRICS member-states may be formed in 2016, Russia's Energy Minister Alexander Novak said after the meeting of the block's energy ministers. He said "The idea of setting up the Energy association of the BRICS countries is under discussion. Next year will see development of such a platform". According to Putin, this could strengthen energy security of the BRICS member-states.

See more at: <http://tass.ru/en/economy/837998>

India to Get \$250 Million for Renewables from BRICS New Development Bank

New Development Bank sanctioned four loans, including a loan of \$250 million for a renewable energy scheme in India. Good beginning," Shaktikanta Das, India's secretary for Economic Affairs said after the meeting that was chaired by Finance Minister, Arun Jaitley. The projects will result in generation of 500 MW of renewable energy and savings of about 800,000 tons of carbon emissions.

See more at: <http://www.newindianexpress.com/business/news/India-to-Get-250-Million-for-Renewables-From-BRICS-New-Development-Bank/2016/04/15/article3381870.ece>

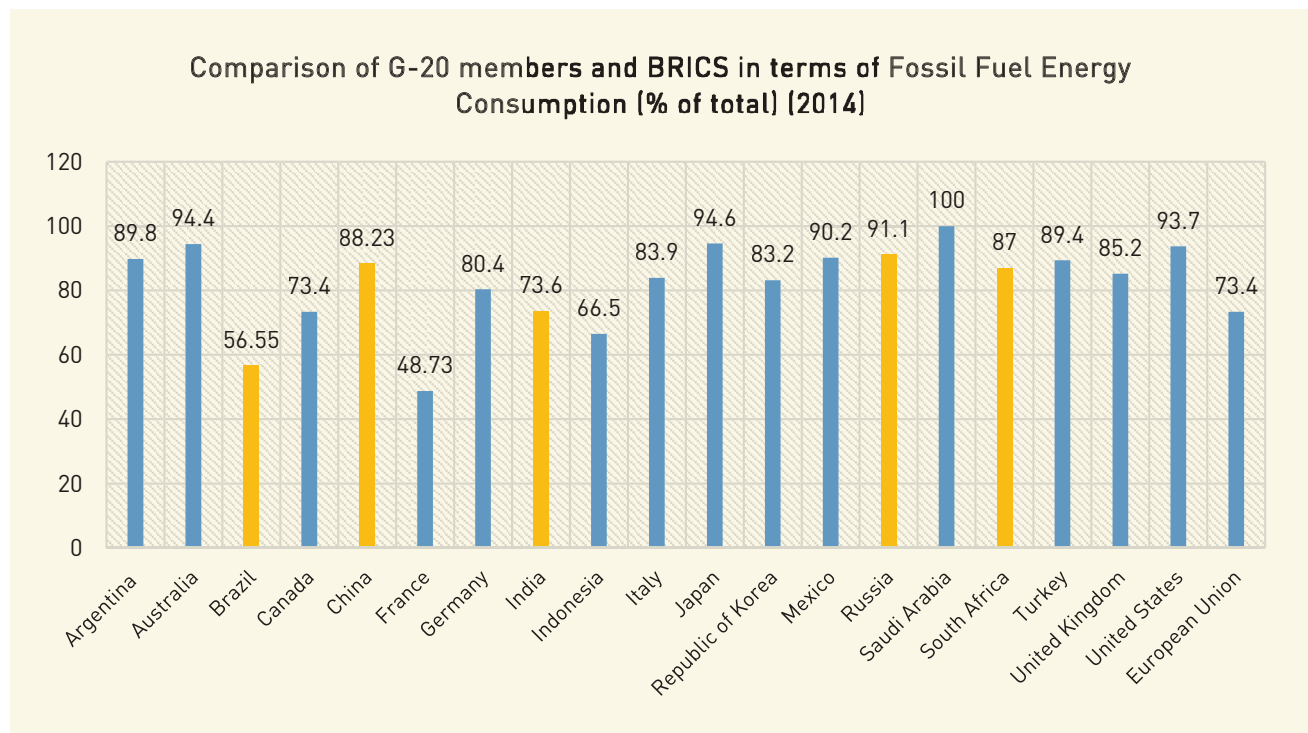
European Investment Bank seeks cooperation with BRICS bank

EIB and the Asian Infrastructure Investment Bank (AIIB) agreed to broaden cooperation to support investment in an agreement formed with the NDB. EIB President Werner Hoyer also expressed hopes for productive cooperation between AIIB and the BRICS bank. Hoyer said there is no rivalry among the AIIB, NDB, EIB and the World Bank, as they are complementary. "We need each other because investment projects, particularly those regarding construction of infrastructure objects are so huge that no one of us could deal with it alone. That's why we should work with each other, and we do it very well," the official said.

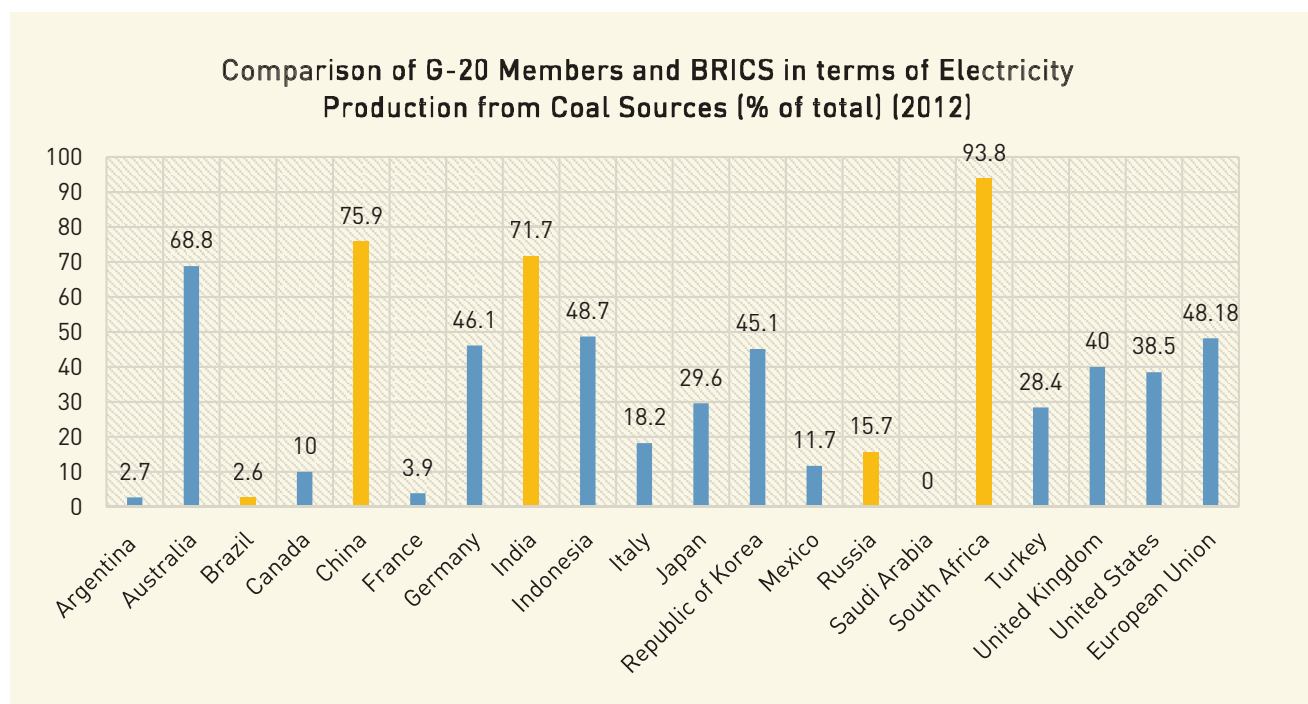
See more at: <https://www.rt.com/business/344858-eib-brics-cooperation/>

SECTION V AT A GLANCE

1. Fossil Fuel Energy Consumption² (2014)



2. Electricity Production from Coal Sources³ (2012)



² Source: <http://data.worldbank.org/indicator/EG.USE.COMM.FO.ZS>

³ Source: <http://beta.data.worldbank.org/?indicators=EG.ELC.FOSL.ZS>

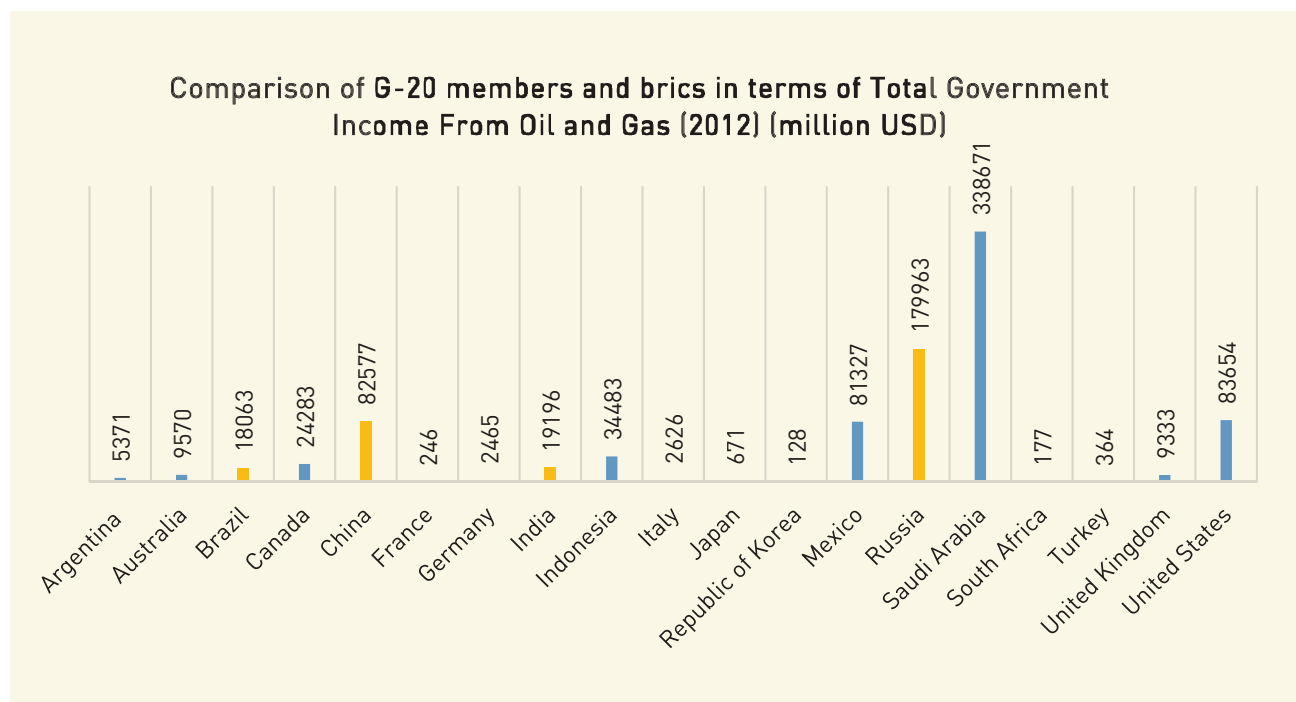
3. Annual National Subsidies for fossil fuel exploration^{4,5} (2013)

G-20 Members	National Subsidies to exploration and extraction (Million USD)
Argentina	0 - 5000
Australia	2897 - 3543
Brazil	530
Canada	928
China	1500
France	42
Germany	344
India	111
Indonesia	245
Italy	407
Japan	724
Republic of Korea	16
Mexico	NA
Russia	2436
Saudi Arabia	NA
South Africa	NA
Turkey	516 - 524
United Kingdom	543 - 1174
United States	5123
European Union	NA

⁴ Source: <http://priceofoil.org/content/uploads/2014/11/G20-Fossil-Fuel-Bailout-Full.pdf>

⁵ Ranges in estimates are results of projected subsidy value fluctuation in future years as well as different subsidy estimates from various sources.

4. Government Income from Oil and Gas⁶ (2012)



6 Source: http://2015.newclimateeconomy.report/wp-content/uploads/2015/11/Fossil-fuel-subsidy-reform_from-rhetoric-to-reality.pdf

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srinivas@vasudhaindia.org or
lakshmi@vasudhaindia.org
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samiksha@vasudhaindia.org
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