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ATTENDEES INCLUDE

Academicians, Ambassadors, Advocates, Researchers
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BRICS NEW DEVELOPMENT BANK

AGENDA - Meeting the development needs in BRICS and other emerging economies and developing countries

Letter from the Executive Board

Dear Delegates,

We would like to take this opportunity to formally welcome you to SYM-MUN 2014. On our behalf, we assure you that our sole endeavour shall be to try and make this experience worth remembering for each one of the delegates. We shall especially ensure that the highest quality of debate and simulation is witnessed. Before you begin reading further, please note a couple of crucial points that we wish to bring to your notice. The background guide is only the starting point of your research. We advise you to undertake much more detailed research so that you are much more aware about things to be discussed, and have an edge.

Secondly, you must ensure that you gain a fair understanding of the Committee's way of operation, any doubts regarding which shall be entertained and resolved. Since it is the first time that the BRICS bank is being simulated, we have brainstormed extensively and have come up with the framework wherein the debate although will be moderated, but, negligible Rules of Procedure will be employed in the council. It goes without saying that since it is an unconventional committee, any suggestions for the simulation will be appreciated and considered for inclusion into the Committee's working structure. Feel free to contact us in case you have any questions, doubts or clarifications.

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VISION & MISSION:

The recent creation of the BRICS Bank (New Development Bank) by the BRICS nations (Brazil, Russia, India, China & South Africa), which will compete with the World Bank and IMF, is yet another example of how the international control is skittering away from those nations that are failing to adapt to a changing world. The current economic crisis could well go down in history as the turning point where the entire West failed to turn and adapt itself to the change.

Western countries not only invented the World Bank and IMF – up until now, the major international lenders of last resort – but also gave themselves a controlling stake within both the institutions. They set out the rules of the game. Therefore, all they had to do to stay at the top was to throw the other players some incentives which were more or less crumbs out of the loaf of bread of advantages they had while staying at the top.

It isn't exactly rocket science.

When people or countries are made to feel that they have a chance to succeed, they are motivated to participate. Generating this mind-set does not even demand that the rewards for success be particularly large or that the rules of the game be completely fair. Most people and economies are willing to settle for a reasonable chance of success and modest rewards accompanying the same. Provide these things and you can enjoy any advantage you may have for a surprisingly long time.

One of the modest rewards implicitly offered by the World Bank and IMF was the chance to have a real say in the projects these institutions undertake, i.e. to someday participate within these institutions as an important partner.

Nations were never accorded equal voting power at the World Bank and IMF. Instead, voting power was distributed based on the economic strength of a country. As a result, decisions were based on not what most people want, but on what most of the richest people want. This meant that the top 5 shareholders (Japan, Germany, the US, the UK and France) held nearly 40 per cent of total voting power at these institutions, but only a miniscule 10 per cent of the world's population, while countries like India and China, each with approximately 20 per cent of the world's population, enjoyed only about 2-3 per cent of total voting power.

For a long time, this voting system was justified with the argument that nations which are habitually lenders and not borrowers should have the final say in World Bank and IMF decisions. Implicit within this was the idea that a nation that managed to transform itself into a major economic power with an economy stable enough to make it a habitual lender instead

of a habitual borrower could expect to have its shares reallocated and thereby acquire a meaningful stake in global economic decision-making.

That was hard, not to mention that some would even say it was very unfair, but it was within the realm of the possible. All the populous nations that were allotted miniscule fractions of voting power at the World Bank and IMF would have to do was to put their noses to the grindstone and work their way up towards success.

As they say in German “hope dies last.”

The Germans don’t offer any advice about what happens when it finally does die, but we have gotten a rough idea of what it can translate into.

People in BRICS countries put their noses to the grindstone and worked hard towards rising up. And in the end, they made it. BRICS countries are now substantial contributors to the international system, from United Nations peacekeeping missions to international lending programs, and they do so at a time when many Western nations have scaled down their own contributions.

But the promised reward failed to materialize for these nations.

As of 2010, despite being the world’s second-largest economy, China was still locked out of the IMF’s top five shareholders, with only 3.81 per cent of the voting power, whereas Brazil, whose economy is comparable to France and the UK, was only permitted to wield 1.72 per cent of total voting power at the institution (France and the UK each hold 4.29 per cent of the total voting power).

The top five IMF shareholding nations (as well as other Western countries which are also unjustly overrepresented at the institution) have literally refused to make room at the table for these powerful states, which could, with some compromise, easily have become their allies. BRICS countries played, and succeeded at, the global economic game, even during the financial crisis, in order to have a chance of attaining a meaningful and respected position within the international community. They hadn’t done all that work just so that traditional powerbrokers such as the World Bank and IMF could continue to ignore them. It isn’t too surprising that under those circumstances anyone would look for alternatives.

Ladies and gentlemen, we have an alternative in place now. Something to look up to after “hope has died”.



The freshly named New Development Bank (NDB) or the BRICS bank is designed to provide development finance as well as balance of payments funding on a global scale — a clear potential rival to the World Bank and the IMF.

The initiative can be viewed on several levels.

At the most sweeping level, it represents the biggest challenge till date to the world monetary establishment since the creation of the Bretton Woods institutions. Within the purview of international politics, the BRICS initiative is the most substantial sign yet of developing countries' rebuttal of the West-led policies on many issues ranging from tough conditions on development assistance & international payments to reformation of the voting structures at such international institutions.

At a more practical level, there might be certain difficulties that might be faced by these five distinct but very different emerging-market economies while agreeing on fundamental issues over the running of a new international institution.

DEVELOPMENT NEEDS OF EMERGING/DEVELOPING ECONOMIES:

Key development needs of emerging economies can be mainly classified as under:

1. **Meeting the basic needs**

Basic needs in any economy focus on education, healthcare, food security and ensuring a minimum standard of living to the citizens. It can be translated in the form of Millennium Developmental Goals or MDGs for certain countries. On a more specific, national level, these may be ensured to the citizens of the economies through domestic legislation which ensures that every citizen is provided with certain minimum amount of basic amenities.



2. **Infrastructure Development**

Infrastructure basically refers to services and facilities necessary for an economy to function smoothly. Such facilities & services can be in various forms such as schools, hospitals, roads, telecommunications, etc. Investment in infrastructure projects is imperative for any nation to fast pace the process of its economy's development.



3. Research & Development of Cleaner Technologies

As we all know, most developing countries have their energy needs met by non-renewable resources. As a country undertakes the process of its development, it must find out alternative sources in the form of cleaner technologies which cause less degradation to the environment.

Note – This is just a briefing on the development needs. Representatives to be present at the meeting are expected to research extensively on the same.

STATUS QUO OF FUNDING:

Apart from the World Bank and the IMF, about which we already know, other organisations from the World Bank group that assist in funding the development needs of emerging economies are as follows -



1. International Development Association (IDA)

The International Development Association or IDA, which is the World Bank's fund for the poorest, has for more than 50 years taken on the most complex and difficult challenges. IDA is one of the largest sources of development finance. It provides support for education, health, infrastructure, institutional, and economic development to the world's poorest countries—almost half of which are in Africa. Being the home to 2.8 billion people, within these countries, around 1.8 billion people survive on \$2 a day, or less.

With IDA's help, through the creation of jobs, access to clean water, schools, roads, nutrition, electricity, and more, hundreds of thousands of people have escaped poverty. During the past decade, funding from IDA immunized nearly half a billion children, helped 65 million people receive health services and provided access to better water sources for 123 million people.



2. **International Finance Corporation (IFC) - Investment Services**

IFC continues to develop its broad suite of investment services which can help ease poverty and help spur long-term growth by encouraging entrepreneurship, promoting sustainable enterprises, and mobilizing resources that wouldn't otherwise have been available. Simply speaking, IFC invests in projects in emerging economies which focus on inter-alia infrastructure development, cleaner technologies, etc. For instance, IFC has recently invested in a Hotel in Gurgaon, India, which a "Green Hotel". In FY13, IFC invested to the tune of \$18.3 billion in 612 projects, out of which \$6.6 billion went to the poorest countries as per World Bank's classification. It mobilized an additional \$6.5 billion investment into the private sector in developing countries. Presently, IFC holds a portfolio investment of \$50 billion spanning 2,000 corporations in 126 countries.

MATTERS TO BE DISCUSSED AT THE MEETING

The businesses to be discussed at the meeting must include inter alia -

1. Establishing priority areas which require focus by the bank in the near future
2. Devising the mechanism to assess whether to invest in a developmental project in an emerging economy or not
3. Creating a concrete structure for future inclusion of members

GROUND RULES FOR VOTING AT THE MEETING:

We would not like to restrict you in framing a structure for voting in the committee. However, in order to smooth things, we would like to establish the following ground rules-

1. Each member of the BRICS New Development Bank would enjoy one vote. At present there are 5 members, so there will be 5 votes in total.
2. No member has a power to veto any decision.
3. As a result, a simple rule of majority will be followed while taking decisions.

RESOURCES FOR FURTHER READING:

1. http://www.oxfam.org/sites/www.oxfam.org/files/bp-brics-development-bank-110714-en_0.pdf
2. <http://www.forbes.com/sites/jonhartley/2014/07/28/the-brics-bank-is-born-out-of-politics/>
3. <http://www.economist.com/news/finance-and-economics/21607851-setting-up-rivals-imf-and-world-bank-easier-running-them-acronym>
4. <http://blogs.wsj.com/briefly/2014/07/21/5-things-to-know-about-the-new-brics-bank/>
5. <http://thediplomat.com/2014/07/3-reasons-the-brics-new-development-bank-matters/>