

## BRICS BANK: WORLD BANK ALTERNATIVE

At a meeting held in Durban, South Africa, in 2013, representatives of the BRICS states — Brazil, Russia, India, China and South Africa — committed to organizing and funding a development bank to rival the World Bank and the International Monetary Fund (IMF). Last week, the group met in the coastal town of Fortaleza, Brazil, to finalize various matters, including location of the bank's headquarters. Will this economic powerhouse group trump the United States and its Western allies as the preferred source for global infrastructure funding?

### A New Paradigm

The BRICS forum, initiated in 2009 in the midst of the world financial crisis, represents 43 percent of the world's population, and 17 percent of global trade. The impetus for forming the group was the cutback in capital funding to emerging markets by the United States and others dominating the World Bank. More recently, Russia became motivated to organize the BRICS Bank following the imposition of economic sanctions against it in the wake of its takeover of eastern Ukraine and what many see as continuing undue hegemony over Ukrainian politics. Formation of an alternative world development bank is in some respects a rebellion against dependence on U.S. and European funding for roads, railways and industrial infrastructure and in other ways a flexing of emerging-market economic muscle — or at least a display of same at this point.

### Funding Commitments

The intended \$100 billion bank has had a rough start with member disagreements over everything from funding to oversight and headquarters' location; however, Russian Finance Minister Anton Siluanov announced that funding will be equally divided among the core BRICS members with an initial \$10 billion in cash funded over seven years plus \$40 billion in guarantees. Other reports claim that China — holder of the world's largest foreign exchange reserves — will contribute \$41 billion, while Brazil, India and Russia will invest \$18 billion each, and South Africa another \$5 billion. The initial \$50 billion is expected to rapidly grow toward the \$100 billion goal so that project lending can begin in 2016, although a Brazilian official claims that the pool could begin operations as soon as 2015. As to choice of location, the front runners are Shanghai and New Delhi.

### Partnering With the West

Patrice Motsepe, chairman of the BRICS Business Council, downplayed the notion that the BRICS bank would compete against the World Bank: "There's a huge need for partnerships and a role for all financial institutions and I've no doubt they'll continue to play that role." He praised South Africa's economic and compliance accomplishments, noting, "If you look at the strength of South African financial institutions, our corporate governance and auditing and accounting have been recognized as world class."

### CONTACT US!

**DAVID KINNEAR**

O: 212.913.0500 x565

M: 917.886.3222

E: DAVID.KINNEAR@GREENPOINTGLOBAL.COM

**WILLIAM H. ANDERSON, ESQ**

O: 212.913.0500 x586

M: 914.672.4975

E: WILLIAM.ANDERSON@GREENPOINTGLOBAL.COM

**PETER K. OVERZAT, ESQ**

O: 212.913.0500 x557

M: 917.807.1321

E: PETER.OVERZAT@GREENPOINTGLOBAL.COM

WWW.GREENPOINTLEGAL.COM