

BRICS agrees to form development bank

In what could be a major boost for India's campaign to reform the international financial architecture, the BRICS grouping of nations (Brazil, Russia, India, China and South Africa) on Wednesday decided to establish a development bank to finance infrastructure and create a \$100-billion Contingency Reserve Arrangement to tackle any financial crisis in emerging economies.

The decision was taken at the BRICS summit here which also saw the launch of a business council to encourage investment and trade in member countries and to expand business cooperation.

Leaders of the inter-continental grouping, including Prime Minister Manmohan Singh, met here this morning for an extended session and accepted the report of their respective finance ministers, saying: "We are satisfied that the establishment of a new development bank is feasible and viable."

"We considered that developing countries faced challenges of infrastructure development due to insufficient long-term financing and foreign direct investment, especially investment in capital stock. This constrains global aggregate demand. BRICS cooperation towards more productive use of global financial resources can make a positive contribution to addressing this problem," the leaders said in a statement after the two-hour summit.

However, they did not decide on the capital for the proposed bank, leaving it to finance ministers to negotiate this and other issues before September.

The development bank, mooted by India at last year's summit in Delhi, was originally proposed to be started with a capital of \$50 billion, with \$10 billion from each member.

Hailing the initiative along with the other leaders, Singh said it gave him great satisfaction that one of the ideas they discussed first in New Delhi - of instituting a mechanism to recycle surplus savings into infra investments in developing nations - had been given a concrete shape in Durban.

Differences among the members over contribution, however, appeared unresolved, with South Africa and Brazil expressing their reservations.

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