

BRICS' New Development Bank launched in Shanghai

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Shanghai: The New Development Bank (NDB) of BRICS commenced business here on Tuesday. The BRICS countries comprise the world's major emerging economies: Brazil, Russia, India, China and South Africa.

Chinese Finance Minister Lou Jiwei, Shanghai Mayor Yang Xiong, and NDB President K.V. Kamath from India attended the opening ceremony held in a hotel here, Xinhua reported.

The NDB will supplement the existing international financial system in a healthy way and explore innovations in governance models, Lou said at a seminar following the ceremony. "Our objective is not to challenge the existing system as it is but to improve and complement the system in our own way," Kamath said on the occasion.

"New institutions are coming together with a completely different approach," he said, adding that the NDB had decided to set up a "hotline" with the recently established Asian Investment Infrastructure Bank in Beijing to discuss issues and forge closer ties with the China-led AIIB.

China has pledged \$41 billion to the NDB, giving it the largest share of voting rights at 39.5 percent.

The NDB has an initial capital of \$50 billion, which will be raised to \$100 billion in a few years. Brazil, India and Russia will each contribute \$18 billion, while South Africa will contribute \$5 billion.

The creation of newer multilateral development banks like the BRICS bank and AIIB demonstrate the aspirations of the developing world for greater infrastructure and economic development.

On the eve of the 7th BRICS summit held earlier this month in the Russian city of Ufa, Kamath said he hoped to operationalise the BRICS bank and approve the first loans by April 1, 2016.

Further, clarifying that the NDB's mandate allows assistance only to member countries, he said the bank will look at expanding its membership in the coming months. "We will primarily lend to member countries. In due course, we will look at opening membership, in the next few months," Kamath told reporters in Ufa.

Russia's ITAR-TASS news agency on Thursday said the NDB had to not only meet the aspirations of the current member-countries, but also prepare for accommodating new members joining in future.

"We realise we will need to work with other partners, to meet aspirations in terms of loans and other assistance for not only our BRICS member-countries as of now, but an increased number of members as it happens, so that will be laid out in our policy as we go along," Kamath told ITAR-TASS.

He also said that the NDB will also look to lending in local currency to protect the BRICS countries from currency fluctuations and volatility. "It is critical that we do it."

"In developing countries, particularly BRICS, there are pools of capital which can be tapped and lent. Local currency financing is what we will look at in addition to hard currency finance. We will look at all pools of capital in addition to hard currency," he said.

The five BRICS countries represent almost three billion people, or approximately 40 percent of the world population. They have a combined GDP of \$16.039 trillion, or 20 percent of the gross world product.

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