BRETTON WOODS project

Critical voices on the World Bank and IMF

The CRA, BRICS bank and the future of the Bretton Woods Institutions

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CRA, BRICS Bank, BWIs

- The Contingent Reserve Arrangement
  - How will it work?
  - Is the CRA a genuine alternative to the IMF?
- Changing geopolitical order: G20, BRICS…
  - Are the NDB and CRA important new institutions or political symbols?
- What are the implications for the World Bank and the IMF?
- What does it mean for Arab nations?

CRA

- $100 contingency arrangement in case of crisis, based on BRICS' reserves
- Not new money put aside but a promise to provide it if needed
- China $41 billion
- Brazil, Russia, India $18 billion
- South Africa $5 billion

Note: India's likely budget deficit in 2014 in region of 80% of whole of CRA's resource

Lessons from CMIM, FLAR

- CMIM, FLAR existing regional arrangements
- Lessons: Asymetric financial power is translated into imbalanced power
- Countries seemingly just as uncomfortable contemplating indebtedness ot regional rivals
- Lessons of weaker states in eurozone not missed by smaller states

Return of an old friend

- Only 30% of quota permitted before IMF required to conduct surveillance and oversee implementation of conditionalities

Sound familiar?

- Insufficient resources and need for IMF suggest CRA is heavily symbolic, but not much of an alternative
- IMF can call on almost $900 billion, CRA $100 billion

CRA – changiness, not change

- Countries, esp China, will still want to be repaid!
- CMIM secretariat unable to provide surveillance – how will CRA?
  By relying on IMF's article IV surveillance and global role
- China's and others' influence in IMF still crucial for global macroeconomic influence

Changing geopolitics

- G8 into G20 (where all BRICS are members)
- China set to gain in IMF reform no matter what
- Resource (land-grabbing) contest accelerating
- Key role of African infrastructure investment needs – defined by Bank and glamorised by media in the ‘Africa Rising’ euphoria, 2011

All over for the Fund and Bank?

- Implications for the Fund less worrying than for the Bank
- Fund remains pre-eminent crisis lender
  - An open international financial system needs a lender of last resort, flawed as the IMF or not
  - CRA not able to provide alternative, and probably not for long time to come
  - Thousands of economists, surveillance and usefulness of established forum to turn to in crisis not easily bypassed

All over for the Fund and Bank?

- Challenge to World Bank far more real
- Response: search for relevance and pre-eminence in new fields –
  - Private sector turn and championing of PPPs
  - WB a development institution slowly turning into IFC – the private sector arm of the World Bank
- World Bank not the main player in many countries and regions – for BRICS the World Bank not in a position to lend more

An early judgement

The NDB and the CRA

- *A challenge to the old order of leading states*
- *Can grow into more significant institutions… but need time and expertise to build capacity*
- *But not about to change the world overnight*

NDB: the BRICS' Goldman Sachs?

- Not a challenge to the system, but a new player within it
- Governance structure of NDB less of a development and state-led institution than World Bank, more like a multinational financial institution

A new development model?

- More of the same – far from state-led banking of post-war Asia
- Reliance on capital market funding and disciplines
- Investment into NDB for ‘donors’ and ‘beneficiaries’, while giving BRICS as a group the golden share

A conundrum for advocacy

- Not the long-awaited bank of the South
- Global international financial architecture changing
- The nature of global financial institutions less so
- Routes to challenge and hold BRICS institutions to account seem almost non-existent

A happy ending?

- Developing countries faced a monopoly, and suffered accordingly
- NDB, and the symbolism of alternatives, providing room for manoeuvre that can be – if cunningly used – a long overdue increase in policy space