



**FACING CHALLENGES, BUILDING CONFIDENCE**

**BRICS BUSINESS COUNCIL  
SECOND ANNUAL REPORT 2014-2015**

**Ufa, Russia  
2015**

## FOREWORD

The Chairpersons of the BRICS Business Council (BBC) countries are honored to submit the “BRICS Business Council 2014-2015 Second Annual Report” to the Governments of the BRICS nations.

The current world economic situation is characterized by low growth, low trade flows, low investment, combined with high equity prices and high debt levels. According to the United Nations World Economic Situation and Prospects 2015 Report (Update as of mid-2015), growth of world gross product is projected to improve slightly from 2.6 per cent in 2014 to 2.8 per cent in 2015. In 2016, global growth is forecast to improve to 3.1 per cent, which is still well below the pre-crisis pace. The report notes that the growth divergence between the various regions will likely widen in 2015 because of the differing impacts from the recent drop in the prices of oil and other commodities. The short-term growth prospects of most commodity-exporting economies have been downgraded; by contrast, commodity-importers tend to benefit from the lower prices in the form of reduced inflationary, fiscal and balance-of-payment pressures.

There are still significant downside risks to the forecast related to the impact of the upcoming monetary policy normalization in the United States, ongoing uncertainties in the euro area, potential spillovers from geopolitical conflicts and persistent vulnerabilities in emerging economies. These individual risk factors are interconnected and could be mutually reinforcing, potentially leading to a weaker than expected expansion of the global economy. The broad-based weakness in investment worldwide not only holds back current growth, but also reduces potential growth in the future.

During the last years, the emerging countries have had an important role on the world stage, even as they faced a huge financial crisis. Their image has undergone a radical change through the most dynamic growth in the world and through the diminishing of the population growth rate which has led to an increase in GDP per capita. This was possible due to the increasing degree of economic integration of emerging countries in the global economy materialized in the trade and financial sectors.

BRICS countries are part of those emerging countries, and they have been playing an important role on the global economy. They are developing countries with relevant global economic performance and high potential and with systemic importance for the world economy. In this respect, their national performances have profound implications both regionally and globally. All these features together with a number of common interests’ shows that BRICS countries have emerged as a group of developing countries where government representatives have some weight in decision-making at the international level.

However, it should be noted that there are important differences in the five countries in terms of production structure by sector, opening outward, exchange rate regime etc., and social challenges that need to be considered.

The BBC is aiming at articulating the opportunities of cooperation from the perspective of the private sector communities of the BRICS countries, and suggesting initiatives and actions to the BRICS Governments in order to foment and enhance trade and investments ties.

Considering the above mentioned scenario, the BBC recognizes that public finance is essential for providing public goods and services, increasing equity, enhancing macroeconomic stability, and protecting sustainability. The emergence of new public development finance institutions in developing countries presents new opportunities to transform the outlook for international public finance to promote sustainable development. In this sense, the BBC congratulates the BRICS governments on the New Development Bank (NDB) initiative, which presents potential for scaling up financing for sustainable development and infrastructure.

In relation to sustainable growth, the BBC considers that climate change is a real issue that confronts all the countries, and that there is a collective responsibility to contribute to the mitigation effort. On the path towards energy efficiency and the use of renewable sources of energy, the achievement of a balanced agreement on climate change and sustainable growth at the global level is equally important, including all aspects related to climate action plan such as adaptation, emission reduction, availability of finance and transfer of technology at affordable cost. The energy sector should be based on three principles: affordable, reliable, sustainable energy for all; low carbon economy; and energy sector to be dovetailed as a catalyst to create sustainable economy and long term jobs, thereby attaining energy security in the BRICS region.

Considering this background, the BBC adopted this Second Annual Report, themed “Facing Challenges, Building Confidence”. Our work program for 2015-2016 is focused on the following priorities:

- Creating a favorable business environment;
- Trade in local currencies;
- Facilitating business travel;
- Implementing trade facilitation;
- Regulatory cooperation;
- Promoting cooperation in infrastructure development;
- The New Development Bank;
- Enhancing investment ties;
- Business promotion;
- Recognizing the advisory role of the BBC and establishing dialogues within the governmental structures of the BRICS.

The above list of priorities identified by the BBC under the Brazilian leadership was built having in mind the current macroeconomic situation and based on the

recommendations made by members in the First Annual Report, developed with the guidance of South Africa and delivered to BRICS Heads of State during the VI BRICS Summit, in Fortaleza, Brazil.

In this document, BBC reports on its initiatives during 2014-2015 and sets out practical actions that BRICS economies could take to advance greater economic, trade and investment ties amongst the BRICS countries.

The reports of the six BBC Working Groups are annexed to this report, bringing detailed information of their activities and recommendations in the following areas: Agribusiness, Energy and Green Economy, Financial Services, Infrastructure, Manufacture, and Skills Development.

This Second Annual Report brings also the document “Recommendations for the NDB”, prepared jointly by the Working Groups, and the text of the “BRICS Business Council Declaration on Investment Principles”, which will be also delivered to the BRICS Leaders during the VII BRICS Summit in Ufa, Russia.

BBC commends this report to the BRICS Leaders and looks forward to discussing its recommendations during a future dialogue between the private sector and the Governments of the BRICS economies.

Ufa, 8<sup>th</sup> July 2015.

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## KEY RECOMMENDATIONS FOR THE BRICS GOVERNMENTS

The recommendations of the BBC to the BRICS Governments in this Second Annual Report are summarized, as following:

- **Favorable business environment** - Concentrate efforts in deepening the provision of information on how to do business in their respective countries, focusing on transparency promotion over local legislations and requirements for trade and investments, and establishing national focal points, where business doubts could be resolved;
- **Trade in local currencies** - Develop the infrastructure to support payment in the local BRICS currency, including the settlement system, and to formulate the relevant supporting policies, establishing an on-lending cooperation mechanism and also improving the arrangements on bilateral currency swaps;
- **Business travel facilitation** - Initiate discussions about developing a “BRICS Business Travel Card”, as well as to agree on Reciprocal Visa Exemption Arrangements and Visa Facilitation Agreements;
- **Trade facilitation** - Reinforce their cooperation on ratification of the Protocol of Amendment to insert the Trade Facilitation Agreement into Annex 1A of the WTO Agreement, organize a roundtable among BRICS customs authorities on trade facilitation, and sign mutual recognition agreements of the Authorized Economic Operator programs;
- **Regulatory cooperation** - Begin negotiations on regulatory coherence and convergence between the BRICS countries, and promote a closer relationship amongst regulatory authorities;
- **Cooperation in infrastructure development** - Invest in infrastructure, particularly in integral development projects, which ensure not only the basis for economic growth, but also for improvement of the population’s quality of life, and for environment preservation; and cooperate in the existing regional physical integration initiatives within the five countries;
- **Investment ties** - Prioritize the initiatives related to investment facilitation and cooperation in the BRICS, develop joint initiatives and studies on foreign investment, and endorse the BBC Declaration on Investments Principles;
- **Advisory role** - Recognize the advisory role of the BBC through presenting its recommendations to BRICS Leaders at Annual Summits and sharing its recommendations with the CGETI, and also in relation to the NDB;
- **NDB** - Endorse the recommendations of the BBC concerning the NDB, as stated in this document, particularly those affirmed in the Annex X of this Second Annual Report, called “Recommendation for the NDB”.

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## **I. ENSURING GREATER ECONOMIC, TRADE AND INVESTMENT TIES AMONGST THE BRICS COUNTRIES**

### **1. Enhancing trade and investment ties**

#### **1.1. Favorable business environment**

In its First Annual Report, the BBC suggested that the BRICS Governments should create a favorable environment to promote trade, business, investments and manufacturing ties amongst BRICS countries. In this context, the BRICS Governments should establish an economic environment that is favorable to BRICS companies doing business in the BRICS countries and treat BRICS businesses, corporations and investments similar to local businesses, corporations and investments.

With the aim to collaborate with BRICS Governments, the BBC elaborated and shared information on how to do business in their respective countries through the BRICS Business Portal ([www.brics-info.org](http://www.brics-info.org)), developed by the FUDAN University. The Council has also managed to assist companies solving specific problems and barriers that hinder their business in BRICS countries.

Although the above mentioned progresses, the public private partnership is fundamental in order to eliminate obstacles that hinder trade, business, investment and manufacturing ties amongst BRICS countries.

Therefore, the BBC encourages Governments to concentrate efforts in: deepening the provision of such information; focusing on transparency promotion over local legislations and requirements for trade and investments; and establishing national focal points, where business doubts could be resolved.

The BBC will work through close communication with the Government to achieve a more favorable business environment. The “BRICS Business Council Declaration on Investment Principles” assumes great relevance in this challenge and brings many recommendations for the Governments regarding investment issues.

#### **1.2. Trade in local currencies**

Aiming at promoting the common interests and objectives of BRICS countries on trade, business, investment and manufacturing ties, the First Annual Report of the BBC stated that the BRICS countries should expand the scope and scale of pricing and payments in local currency for BRICS deals and transactions. The BBC also encouraged them to develop the necessary infrastructure to support payment in the local BRICS currency, including the settlement system and formulate the relevant supporting policies.

In order to implement local currency settlement in bilateral trade among BRICS countries, expand the scope and size of settlements, and address the risks caused by exchange rate fluctuations, the BBC suggests that:

- (a) The governmental authorities and financial institutions of the BRICS countries shall work together to establish an on-lending cooperation mechanism;
- (b) The central banks of BRICS countries should establish and improve the arrangements on bilateral currency swaps. Currency swap agreements shall be signed among all BRICS countries. Such mechanisms have already been announced between China and Brazil, and between China and Russia. The current situation and potential of bilateral trade should be considered in designing the scale of currency swaps. Meanwhile, the exchange rates of countries within the swap mechanism should be stabilized in order to avoid risks caused by exchange rate fluctuation.
- (c) The BRICS countries should consider allocating a certain quota in their existing bilateral currency swap agreements to support their trade and investments with other BRICS countries. With the authorization of the central banks of two BRICS countries, the banks of one country may, within the quota limit, directly provide borrowers from the other BRICS country with loans in currencies that the borrowers need.

The Financial Services Working Group shall analyze during the next years how the announced agreements are evolving in order to learn from their experience and develop new propositions.

### **1.3. Business travel facilitation**

In its First Annual Report, the BBC suggested that the BRICS Governments should make special arrangements on visas to facilitate and encourage BRICS people-to-people exchange, including simplifying the visa approval procedures and reducing the time of approval.

The BBC is analyzing the feasibility of the adoption of a “BRICS Business Travel Card”, through a study of the pros and cons of similar initiatives within other economic integration frameworks, namely the Asian Pacific Economic Cooperation (APEC) Business Travel Card.

The BBC urges BRICS Governments to also initiate discussions about developing a “BRICS Business Travel Card”. As it may be a challenge to get all the BRICS countries to agree to a common card system, alternative measures should be considered in short and medium terms. The BBC recommends BRICS Governments to:

- (a) Agree on Reciprocal Visa Exemption Arrangements in order to permit visa-free entry for a limited time under certain conditions (e.g. Brazil and Russia and Brazil and South Africa arrangements); or
- (b) Conclude Visa Facilitation Agreements, which provide procedural facilitations of the issuance of visas for nationals of BRICS countries (e.g. reduction of the visa fee, issuance of multiple-entry visas for specific categories of applicants, shorter processing times) ; or
- (c) Issue ten-year-multiple-entries visa to bonafide business executives of all BRICS countries, as the South African example.

#### **1.4. Trade facilitation**

The Trade Facilitation Agreement (TFA), adopted in the World Trade Organization (WTO), contains provisions for expediting the movement, release and clearance of goods, including goods in transit. It also sets out measures for effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues. It further contains provisions for technical assistance and capacity building in this area. The BBC considers that the implementation of the Trade Facilitation Agreement is decisive for reducing transaction costs in international trade.

In the Fortaleza Declaration and Plan of Action, the BRICS Leaders state that they looked forward to the implementation of the Agreement on Trade Facilitation, and they called upon international partners to provide support to the poorest, most vulnerable WTO members to enable them to implement this Agreement, which should support their development objectives. The BBC applauds their commitment and asks to the BRICS Leaders to reinforce their cooperation on ratification of the Protocol of Amendment to insert the Trade Facilitation Agreement into Annex 1A of the WTO Agreement.

The BBC recommends to the BRICS Leaders, the organization of a roundtable among BRICS customs authorities, for a discussion of measures that could be adopted by BRICS Governments to facilitate trade as well as to advance cooperation initiatives, including the provision of technical assistance to all countries on the implementation of their commitments related to the TFA.

The BBC believes BRICS customs authorities' meetings should be regularly organized to facilitate movement of goods and services as well as to advance cooperation initiatives. A final goal suggested to the BRICS customs authorities could be the signature of mutual recognition agreements of the Authorized Economic Operator programs, as soon as their respective programs are concluded.

Information on steps being considered by Governments to facilitate trade amongst BRICS countries and between the BRICS countries is of great interest to the

BBC. We ask the Government to put attention on this subject and to share information on the public initiatives in this area.

### **1.5. Regulatory cooperation**

Technical barriers and sanitary and phytosanitary measures are becoming a source of concern in international trade. Regulations and private standards are proliferating and creating barriers to trade, particularly when they are set individually by countries outside of the umbrella of international organizations. The BBC defends the observance of the WTO rules on technical barriers and sanitary and phytosanitary measures, so they are developed in a transparent manner and avoiding unnecessary discrimination against imported products.

The BBC believes that the regulatory cooperation across key industries is fundamental to support investment and trade. Through the BBC Working Groups, the BBC will work to gather a list of standards and regulations identified as bottlenecks to trade among BRICS countries.

The BBC suggests that the BRICS Governments would consider beginning negotiations over some specific issues, including regulatory coherence and convergence between the BRICS countries, aiming to promote equivalence and mutual recognition agreements on regulations, standards, tests and certifications in specific sectors. A closer relationship is also required amongst regulatory authorities.

### **1.6. Cooperation in infrastructure development**

Infrastructure expansion is a fundamental driver of sustainable economic, social, and environmental development. In the BRICS nations, the rapid increase in the urbanized working populations requires the investment in infrastructure, and particularly, the promotion of integral development projects. These projects ensure not only the basis for economic growth, but also for improvement of the population's quality of life, and for environmental preservation.

Aiming to exploit the BRICS infrastructure development potential, the Infrastructure Working Group actively tracked existing regional physical integration initiatives within the five countries, and shared success stories among members. Attention was placed on the Integration Priority Agenda (API) in Latin America, the Programme for Infrastructure Development in Africa (PIDA), the Belt and Road Initiative and the Trans-Eurasian Belt "Razvitie", both in Eurasia.

Based on the information gathered, each BBC chapter selected key integral development projects to promote, in order to establish infrastructure cooperation among the BRICS countries. Further information regarding the selected initiatives and projects are presented in the annexes of this Annual Report, namely the Annex VI - Infrastructure Working Group Annual Report and on the Annex II - Business Interests, respectively.

## **1.7. The New Development Bank**

The BBC is following the progress concerning the establishment of the NDB, which will promote and facilitate trade, business, investment and manufacturing ties amongst the BRICS countries and expand their influence and respect at the international level.

In this context, the BBC commemorates that all the five BRICS Governments have given attention to the ratification process of the “Agreement of the New Development Bank” and the “Treaty for the Establishment of a BRICS Contingent Reserve Arrangement” (CRA). The Brazilian Government, as Depository State of the CRA, registered that the receiving process of ratification of the Treaty of letters was completed in 30 June 2015. In the case of NDB, the ratification letters of Brazil, Russia, India and South Africa were already received. China indicated that the ratification will be completed soon.

The Bank is an important maneuver in growing cooperation between the countries of the BRICS and is a concrete contribution of this group of countries to systemic challenges related to international development. The NDB is an institution open to any United Nations member country. The BRICS countries, however, given their status as founding members, maintain a voting power set of at least 55%. Moreover, no other individual country will have the voting power of a country of the BRICS. This forecast provides the BRICS a privileged position at the Bank's governance.

The BBC would like to work more closely to the BRICS Governments on the institutionalization of the NDB, in order to recommend specific lines for financing private projects on sustainable development, infrastructure, skills development and renewable energy. The BBC strongly believes that it could play an important and constructive role as an advisory body to the BRICS Leaders, and in particular to issues related to the NDB, in preparatory frameworks and during the functioning of the Bank.

The NDB should highlight regional infrastructures, energy and mineral resources, connectivity and skills development requirements in developing countries, and finance investment projects with medium and long term loans.

The NDB is suggested to play a positive role in the following areas:

- (b) To strengthen the economic, trade and investment ties among BRICS countries;
- (c) To promote trans-regional industrial cooperation and unleash the comparative advantages of BRICS countries;
- (d) To push forward infrastructure construction for better connectivity among BRICS countries, as well as between BRICS countries and their surrounding regions;

- (e) To optimize the allocation of financial resources among BRICS countries;
- (f) To act as an assurance bank for the intra-BRICS commerce of manufactures;
- (g) In the domain of skills development, to establish a “Skills Development Fund”, designed to promote investments in the quality and access to technical, vocational education and training (TVET), taking as a starting point the concept note prepared by the Skills Development Working Group of the BBC. This funding mechanism would provide a platform for sharing of knowledge and lessons learned on improving systems and responses to evolving demands on TVET in BRICS and emerging/developing economies;
- (h) To collaborate with commercial financial institutions, so as to reduce costs and risks. It should provide diversified financial products including loans, guarantees and consultation, the price of which need to be lower than that of commercial products. The current conditions of the developing countries need to be considered when devising relevant standards of the Bank;
- (i) To enhance its risk prevention mechanism by establishing reserve funds, improving reserve structures, and creating effective guarantee model for project financing. It should also consider providing guarantees to large scale projects in BRICS and other developing countries;
- (j) To serve as an information platform. An effective mechanism could be established through the NDB to share information on major projects among BRICS countries.

The reports of the Working Groups also bring specific suggestion on the role of the NDB. Furthermore, the six Working Groups agreed on a document, which is annexed to this Annual Report (Annex IX), with recommendations on the role and functioning of the NDB.

### **1.8. Investment ties**

The increasing internationalization of national economies is one of the most obvious changes in recent years. According to UNCTAD data, in 1980, the stock of foreign direct investment (FDI) in the world amounted to only 4.7% of the sum of gross domestic product (GDP) of all countries. In 2000, this ratio had risen to 24.8% and in 2012 reached 33.1%. Throughout this period, developed countries remained the main sources of FDI in the world. However, its share of world FDI stock declined significantly. In turn, developing and emerging countries have emerged as important sources of FDI. Regarding the BRICS, its share in global FDI inflows rose from meager 0.6% in 2000 to 10.5% in 2012 - or \$ 7.2 billion to \$ 145.4 billion. This data shows the potential of investments between the BRICS countries.

In this context, the BBC welcomes the commitment of the leaders of the BRICS countries to raise the economic cooperation to a qualitatively new level with a view to

intensifying trade and investment flows among BRICS countries as well as between BRICS and other partners around the world, according to the Fortaleza Declaration and Action Plan adopted in the Sixth Summit 2014.

The BBC also applauds the adoption of the BRICS Trade and Investment Plan during the VI Summit in 2014 and of the BRICS Perspective on International Investment Agreements.

The BBC understands that there is an imperative need to provide a level playing field to businesses from all BRICS countries in whichever geography they are in operation, and emphasizes the importance of promoting domestic environments that are conducive to attracting foreign investment including stable growth, adequate infrastructure, adequately developed human resources, and protection of intellectual property rights.

Aware that the BRICS countries are both sources and recipients of foreign investments, and that the investment flows among them have potential to be improved considering their sectoral compatibilities and the adoption of facilitation and cooperation initiatives by the governments, the BBC adopted the Declaration on Investment Principles aimed at contributing to the implementation of the BRICS Trade and Investment Plan, especially in the area of investment.

The BBC requests the leaders of the BRICS countries to prioritize the initiatives related to investments facilitation and cooperation in the BRICS agenda, and to endorse the BBC Declaration on Investments Principles.

The BBC also suggests that the BRICS Governments develop joint initiatives and studies on foreign investment, through their respective agencies responsible for investment promotion, in order to discuss common goals, identify priority sectors and focus on building mutually beneficial long-term relations that will promote trade, manufacturing and investment ties amongst the BRICS countries.

## **2. Business promotion**

### **2.1. BRICS Business Portal and BBC National Websites**

The BBC has engaged in the promotion of economic, trade, business and investment ties amongst the BRICS countries and between the BRICS countries and Africa.

The BRICS Information Sharing and Exchanging Platform (<http://www.brics-info.org>) was established with the valuable support of the Chinese Fudan University, creating a dedicated BRICS Business Portal to stimulate and accelerate the exchange of trade, business and investment information, and partnership opportunities in the BRICS countries.

The BBC is engaged to assure that this portal works as a repository of all the relevant information sought by the BRICS business community. Practical business information and best practices have been shared through the Portal by the BBC, such as the official Investment Guides of the BRICS countries, and the website of the “Make in India” initiative. The BBC Working Groups also gathered significant information on investment, trade, development and technical exchange interests, which are being constantly updated on the BRICS Business Portal.

The BBC has established a Database of Major BRICS Businesses on the Portal, which has the potential to become an important source of consulting to the private sector.

The BBC has worked closely together with Fudan University in producing and circulating video seminars, instructing ordinary users to obtain information from the Portal, and authorized BBC coordinators to post information on the Portal remotely. The BBC is assisting Fudan University in creating an Internal Online Forum on the Portal, where only the BBC and its Working Groups members would be able to log in, in order to share internal information and documents.

The BBC will make continuous efforts to provide the relevant information to the larger business community through the BRICS Business Portal. The Chinese Chapter of the BRICS Business Council has signed a cooperation agreement with Fudan University, with a view to further promoting the cooperation between the University and the BBC.

The national chapters of the BBC developed a special section on the website of each one dedicated to the BBC, containing the basic information. The national websites of Brazil, Russia and India have been connected with the BRICS Business Portal.

## **2.2. Fairs, exhibitions and forums**

The BBC, in partnership with the Business communities in the BRICS countries, will continue to support the holding of sector specific trade fairs, exhibitions and forums within the BRICS nations to promote trade, business, investment and manufacturing ties amongst BRICS countries.

The BBC members, in partnership with the BBC Working Groups, listed key trade fairs, exhibitions and forums, in which they consider relevant the participation and engagement of BBC sections. The information, mainly prepared by the Working Group on Manufacture, is annexed to this Annual Report (Annex I) and is also available at the BRICS Portal.

## **2.3. Business interests**

In order to create opportunities to increase the trade and investment ties amongst the BRICS countries and for the establishment of globally competitive partnerships and joint ventures, each BBC Chapter identified key industries/sectors

and projects that it wants to promote domestically as well as industries/sectors and projects that it wants to pursue in the other BRICS countries.

The updated and refined list of interests (Annex II of this Annual Report) was elaborated by the BBC sections, with the support of the BBC Working Groups. The efforts focused on the achievement of practical results, which could showcase projects and partnerships among BRICS members in the future.

It is also important to highlight the initiatives of the Manufacture Working Group that provided us in its report with a cross-matching exercise on the areas of complementarity in the BRICS economies.

Global value chains have become a dominant feature of the global economy, involving economies at all levels of development. When value chains are global, economies' trade and investment policies become more interdependent and the costs of restraints measures are higher and more pervasive. This growing fragmentation of production across borders reinforces the need to focus on complementary sectors within the BRICS economies.

### **3. The advisory role of the BRICS Business Council**

The BBC was established during the V BRICS Summit, in 2013, in Durban, South Africa, in terms of the Declaration on the Establishment of the BBC.

The Declaration states that:

The BBC will constitute a platform which will strengthen and promote economic, trade, business and investment ties amongst the Business communities of the five BRICS countries. The BBC will ensure that there is regular dialogue between the Business communities of the BRICS nations and the Governments of the BRICS countries. The BBC will also identify problems and bottlenecks to ensure greater economic, trade and investment ties amongst the BRICS countries and recommend solutions accordingly.

Business is the engine of economic growth. The BRICS Leaders recognize the integral role of business and representative business advice on key issues. In this regard, the BBC can play an advisory role through presenting its recommendations to BRICS Leaders at Annual Summits and sharing its recommendations with the CGETI.

The BBC will continue to work to realize its mission of ensuring regular dialogue between the business communities of the BRICS nations and the Governments of the BRICS countries. The BBC is prepared to provide advice on the implementation of the BRICS agenda and on other specific business sector priorities, and to respond when the various BRICS fora request information about business-related issues or to provide the business perspective on specific areas of cooperation

The BBC is willing to work in close partnership with and provide its recommendations to enrich the discussions with the Government of the BRICS economies. This interaction may avoid duplication of efforts and may maximize the results of the public initiatives. The BBC will also work closely with the following BRICS mechanisms:

- Trade Ministers of the BRICS meetings;
- CGETI, which reports to the Ministers of Trade and is responsible for proposing institutional framework and concrete measures to expand cooperation on economic and trade issues amongst the BRICS;
- BRICS Think Tanks Council, established in 2013, which includes the following institutions: Institute of Applied Economic Research (Brazil); National Committee for BRICS Research (Russia); Observer Research Foundation (India); China Center for Contemporary World Studies (China); and Human Sciences Research Council (South Africa);
- BRICS Finance Ministers meetings;
- BRICS Financial Forum, which encompasses the cooperation between BRICS National Development Banks, since 2010;
- The BRICS Ministers of Science and Technology meetings;
- The BRICS Ministers of Agriculture and Agrarian Development meetings;
- The BRICS Ministers of Education meetings;
- Working Groups related to trade and investment issues meetings.

## **II. BEST PRACTICES OF SPECIFIC PARTNERSHIPS FORGED VIA THE BRICS BUSINESS COUNCIL DURING 2014-2015**

The BBC aims at creating opportunities to increase the trade and investment ties amongst the BRICS countries and for the establishment of globally competitive partnerships and joint ventures between companies from the BRICS countries. During 2014-2015, there were successful partnerships that clearly bring out the results being achieved through the BBC efforts.

In this perspective, it is important to highlight the business to business engagements that were organized between Indian and Chinese companies over the last few months and which resulted in Memorandum of Understandings (MoUs) being signed worth nearly US\$ 3 billion. Another good example is the signing of a MoU between Federation of Indian Chambers of Commerce and Industry (FICCI) and “Delovaya Russia” - “Business Russia” for promoting engagement between entrepreneurs and businessmen from the two sides.

In March 2014, China South Rail (CSR) and China North Rail (CNR), two Chinese equipment manufacturers, signed a R 50.4 billion contract for the production of new-generation locomotives for Transnet South Africa’s state-owned transport company. This was South Africa’s largest locomotive supply contract to date. Transnet is a member of the BBC, while CSR and CNR are members of the Infrastructure Working Group of the BBC.

Healthcare is a priority sector for all BRICS nations and a team from India visited South Africa from 12-15 August, 2014 with the objective of understanding the policies and guidelines that facilitate private sector engagement in HIV/AIDS and other healthcare programs in South Africa. The Indian team met with Business Unity South Africa (BUSA) and Black Business Council. The visit received a lot of support from African Rainbow Minerals (Mr. Patrice Motsepe) and Aspen Pharma Care (Mr. Stavros Nicolau). In fact, African Rainbow Minerals deputed a senior official to India to participate in further discussions at FICCI at a seminar titled ‘Partnerships Beyond Borders: HIV/AIDS Health Conclave - India Africa Private Sector Engagement’.

On September 12, 2014, COSCO and Vale signed a Framework Agreement for Strategic Cooperation. Under the agreement, Vale shall provide a 25-year contract of ore transportation to China COSCO Bulk Shipping. Accordingly, China COSCO Bulk Shipping shall build 10 large ore carriers for Vale and acquire 4 large ore carriers currently owned and operated by Vale. The two companies are both members of the BBC. Their membership in the BBC has helped enhance their mutual trust, settle disputes, and accelerate the process of negotiation.

On the side-lines of President Xi Jinping’s visit, FICCI organized an India-China Business Meeting on 17 September 2014 where Chinese companies signed buying orders from India for about US\$ 740 million for the supply of products such as copper cathodes, marine products, industrial salt, cotton yarn & fabric.

FICCI organized the largest India-LAC Investment Conclave in New Delhi on 16-17 October 2014. Nearly 175 business people and entrepreneurs from almost 15 Latin American and Caribbean Countries participated at this Conclave. 15 industry representatives from Brazil participated and firms like GERDAU supported this initiative.

FICCI set up an India Pavilion at “Agroprodmash” – an International Exhibition for Machinery, Equipment and Ingredients for the Food Processing industry from 6-10 October, 2014 at Expocentre Fairgrounds, Moscow, Russia and at Zdravoodukhniye (Healthcare Exhibition) in Moscow from 8-12 December, 2014.

Mr. Jack Ma, Executive Chairman, Alibaba joined the high powered 100-member business delegation to India led by H.E. Mr. Xia Baolong, Party Secretary of Zhejiang Province, the senior most political leader of the Province for the India-China (Zhejiang) Business Cooperation Conference organized jointly by FICCI and Zhejiang Federation of Industry and Commerce (26 November 2014). Eleven MoUs worth US\$ 2.40 billion between Chinese and Indian Companies were signed during the Conference followed by more than 1000 business to business meetings between them. FICCI and Zhejiang Federation of Industry and Commerce also signed an “Agreement for Cooperation” during this meeting.

Russian Deputy Prime Minister Mr. Dmitry Rogozin led an 80-member business delegation for the 8<sup>th</sup> India-Russia Trade and Investment Forum co-organized by FICCI and DIPP on 5 November 2014 in New Delhi. About 200 Indian companies participated in the Forum.

In November 2014, China section of BBC received a letter from a Chinese association in South Africa, reflecting that the South Africa’s new regulation of Intra-Company Transfer Visa has posed great difficulty for local Chinese companies doing business there. Taking the opportunity of President Zuma’s state visit to China, the Chinese and South Africa sections of BBC held a meeting in Beijing. During the meeting, Chairman Ma Zehua reflected the problem to Chairman Patrice Motsepe. Both sides had a constructive discussion, and the problem was successfully resolved after the meeting.

FICCI signed an MOU with “Delovaya Russia”, an association of Russian entrepreneurs from the new and emerging sectors of the Russian Economy on 11 December, 2014 during the summit meeting between President Putin and Prime Minister Modi in New Delhi.

Mr. Denis Manturov, Minister for Trade & Industry of the Russian Federation visited FICCI on 12 December, 2014. The Minister emphasized engaging Russian regions with Indian states, offered Russia’s support to engineering institutes in India and invited Indian companies to participate in INNOPROM in Ekaterinburg.

FICCI in partnership with the Ark of China organized India-China (Liaoning) Business Conference on 24 April, 2015 in New Delhi. Several MoUs between Indian and Chinese companies in areas including E-Commerce, Consultancy, Animal Feedstock, Waste Management, Tourism and Infrastructure, generating business worth US\$ 100 million, were signed during this meeting.

FICCI along with other partners including CCPIT from China co-organized the India-China Business Forum on 16 May, 2015 in Shanghai, China alongside the visit of Prime Minister Narendra Modi to China. As many as 21 agreements were signed between Indian and Chinese firms worth US\$ 22 billion across various sectors at the India-China Business Forum.

On advice of Ministry of External Affairs, Government of India and under the aegis of the BBC (India Chapter), FICCI and EXIM Bank of India have initiated a series of “Capacity Building Workshops on Promoting Trade and Investments with BRICS countries”. As part of this project, details on policies, financing frameworks and trade instruments available with institutions like EXIM Bank, ECGC, DGFT and Public Sector Banks for supporting export to and investments in BRICS nations are shared with Indian companies. Two such workshops have been held – New Delhi (17 April, 2015) and Ahmedabad (5 June, 2015).

FICCI organized a focused program – “Doing Business with Russia” - on 2 June 2015 with a view to encourage Indian companies to look at the Russian market as a key business destination. Nearly 60 Indian companies participated in this program wherein discussions were facilitated with senior representatives of VTB Bank, SBER Bank and Federal Customs Service of the Russian Federation.

The issuance by the South African Government of port of entry long-term multiple entry visas for BRICS Business Executives, announced in 2015 must be also pointed out as a best practice that facilitates trade in a broad sense.

## **ANNEXES**

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## Annex I

### Fairs, exhibitions, and forums

Year	Date	Event Name	Subject	Location	
2015	Feb	09-02	Mining Indaba	Mining	South Africa
2015	Mar	9-11	SIAF (Guangzhou)	Industrial	China
2015	Mar	23-27	FIEE	Electric	Brazil
2015	April	April 9-11, 2015	Technotex 2015	Technical Textile	India
2015	April	April 16-18, 2015	India Steel 2015	Steel	India
2015	April	27-01	Agrishow	Agriculture	Brazil
2015	April	28-30	FIPPPA	Animal Processing	Brazil
2015	May	04-08	Feiplastic	Plastic and Recycling	Brazil
2015	May	12-14	AUW - African Utility Week	Mining	South Africa
2015	May	12-15	Nampo Show	Agriculture	South Africa
2015	May	18-23	Feimafe	Machine-tools	Brazil
2015	Jun	9-11	CIPTC	Industrial	Beijing
2015	Jun	23-26	Fispal	Packaging and Logistics	Brazil
2015	Jun	3-5	International Rail Business Forum 1520 Strategic Partnership	Railway industry	Russia
2015	Aug	11-13	Naval Shore	Naval	Brazil
2015	Aug	18-20	SASTA Conference South African Sugar Technologists Association	Sugar and ethanol	South Africa
2015	Aug	25-26	COBEE	Energy Efficiency	Brazil
2015	Aug	25-28	FENASUCRO	Sugar and Ethanol	Brazil
2015	Sep	01-03	Brasil WindPower	Wind	Brazil
2015	Sep	01-03	EMA - Electra Mining Africa (Mining)	Mining	South Africa
2015	Sep	02-04	All China Leather Exhibition	Leather	China
2015	Sep	09-12	FMC China	Furniture Manufacturing & Supply	China
2015	Sep	10-12	BIG 5 Construct India (Mumbai) - FICCI	Construction	India
2015	Sept	14-16	Annapoorna-World of Food (Mumbai) – FICCI	Food	India
2015	Sep	14-17	EXPOSIBRAM	Mining	Brazil
2015	Sep	14-17	Worldfood Moscow	Food and Processing	Russia
2015	Sep	22-25	FEBRAVA	Refrigeration, AC	Brazil

2015	Sep	24-26	Veículos Elétricos	Transportation	Brazil
2015	Sep	28-30	Vastra 2016 (Jaipur) - FICCI	Textile & Apparel	India
2015	Oct	4-7	AMEU Convention -Association of Municipal Electricity Utilities	Municipalities/Utilities	South Africa
2015	Oct	5-7	Advantage Healthcare India 2015 (New Delhi) – FICCI	Healthcare	India
2015	Oct	9-11	Acetech (Bangalore) - ABEC	Construction	India
2015	Oct	27-29	OTC	Technology Offshore	Brazil
2015	Oct	TBD	IndiaChem	Chemicals, petrochemicals and plant machinery	India
2015	Nov	10-12	Negócios nos Trilhos	Transportation	Brazil
2015	Nov	13-15	FHC	Food and Processing	China
2015	Nov	Nov 14-27, 2015	India International trade Fair (IITF)	General Trade fair	India
2015	Nov	TBD	PapFor	Pulp & Paper	Russia
2015	Dec	TBD	India Telecom	Telecom, IT, digital Devices	India
2015	Dec	TBD	Pharmaceutical Expo	Pharmaceuticals	India
2015	TBC	TBC	WISA- Water Institute of Southern Africa	Water	South Africa
2015	TBC	TBC	CWME	Industrial	Wuhan
2016	Jan	7-11	Plexpo (Gandhinagar) - AIPMA	Plastics	India
2016	Jan	TBD	Petrotech 2016 (New Delhi) - Petrotech Society	Oil & Gas	India
2016	Jan	TBD	PHARMAceutical EXPO	Pharmaceutical machinery	India
2016	Jan	TBD	India Pharma (Bangalore) - FICCI	Pharmaceuticals	India
2016	Jan	TBD	India Medical Expo 2016 (Bangalore) – FICCI	Healthcare	India
2016	Jan-Feb	TBD	Defexpo India (New Delhi) – DEO	Defense	India
2016	Feb	3-6	Stona (Bangalore) – AIGSA	Stone	India
2016	Feb	4-7	Auto Expo 2016 (NCR Delhi) - SIAM	Auto & Auto Components	India
2016	Feb	13-17	Elecrama (Bangalore) - IEEMA	Power	India
2016	Feb	18-20	Re-Invest (New Delhi) – FICCI & CII	Green Energy	India
2016	Mar	16-20	India Aviation (Hyderabad) - FICCI	Civil Aviation	India
2016	Mar	TBD	Aahar (New Delhi) – ITPO	Food	India
2016	April	21-23	Technotex India (Mumbai) - FICCI	Technical textile	India
2016	May	TBC	Feira Mecânica	Machine-tools and Industrial Automation	Brazil
2016	May-Jun	TBD	International Rail Business Forum 1520 Strategic Partnership	Railway industry	Russia

2016	Sep	1-3	India Chem 2016 (Mumbai) - FICCI	Chemicals	India
2016	Dec	3-5	EIMA Agrimech 2015 (New Delhi) - FICCI	Agriculture	India
2016	TBC	TBC	Rio Oil & Gas	Oil & Gas	Brazil
2016	TBC	TBC	PTC Fair	Power & Transmission	China
2017	Jan	TBD	Plast India (Gandhinagar) – Plast India Foundation	Plastics	India
2017	Feb	2-5	India Stonemart (Jaipur) - FICCI	Stone	India
2017	Feb-Mar	TBD	Aero India 2017 (Bangalore) - DEO	Aerospace	India
2017	April	20-22	India Steel 2017 (Mumbai) - FICCI	Steel	India

## **Annex II**

### **Business Interests**

The business interests were listed by country, considering the inputs of the six working groups of BBC, as following:

#### **Brazil**

1. Bioceanic Railway Corridor Paranaguá – Antofagasta [Brazil, Argentina, Chile, Paraguay];
2. Northeast access to Amazon River [Brazil, Colombia, Ecuador, Peru];
3. Road Connection Foz do Iguazu – Ciudad del Este – Asunción – Clorinda [Brazil, Argentina, Paraguay];
4. Navigation improvement in the Plata River Basin [Brazil, Argentina, Bolivia, Paraguay, Uruguay];
5. Transoceanic Corridor Brazil – Peru [Brazil, Peru];
6. São Luiz do Tapajós Hydro Power Plant [Brazil];
7. TCP terminal in Paranaguá Port [Brazil];
8. Lucas-Campinorte Railway [Brazil];
9. Rio de Janeiro-São Paulo High Speed Railway [Brazil];
10. Madeira Amazonas Logistic Corridor [Brazil];
11. Santarém – Tapajós Logistic Corridor [Brazil];
12. Tocantins Logistic Corridor [Brazil];
13. East-West Logistic Corridor [Brazil];
14. The equipment transportation and logistics opportunities in the wind power projects [Brazil];

#### **Russia**

1. Moscow – Kazan High Speed Railway Project as a part of Eurasian high-speed transport corridor Moscow – Beijing [Russia, China and others];
2. The project of Trans-Eurasian Belt “Razvitie” (“Development”).

#### **India**

1. The project of Bank of China establishing branch in Mumbai [India];
2. Mysore-Bangalore-Chennai railway project [India];
3. The six-lane road and bridge project in Bihar [India];
4. Electronics sector (Opportunities exist in setting up of electronics manufacturing clusters, semiconductor wafer fabrication (FAB), electronic components, semiconductor design, telecom products, and industrial/consumer electronics) [India];
5. Capital Goods (Some of the prominent capital goods produced in India include heavy electrical machinery, textile machinery, machine tools, earthmoving and construction equipment including mining equipment, road construction equipment, printing machinery, dairy machinery, industrial refrigeration, and industrial furnaces. Given the growth prospects of the Indian economy, the demand for capital goods is expected to be further enhanced. Investors from BRICS nations can invest directly in the

capital goods sector to not only cater to the domestic market but also export overseas) [India];

6. Industrial Corridors & Smart Cities (The Government of India in order to boost manufacturing sector, intends to develop industrial corridors and smart cities for providing infrastructure based on modern technology with high-speed communication. The Government has conceptualized five industrial and economic corridors and all are at different stages of implementation. The corridors are - Delhi-Mumbai Industrial Corridor (DMIC); Bengaluru-Mumbai Economic Corridor (BMEC); Chennai-Bengaluru Industrial Corridor (CBIC); Visakhapatnam-Chennai Industrial Corridor (VCIC) and Amritsar-Kolkata Industrial Corridor (AKIC). These projects across India offer foreign investors tremendous potential. BRICS countries experienced in developing such dedicated industrial corridors could take advantage in developing such world-class corridors and cities [India];
7. Ports (Increasing trade activities and rising cargo traffic is putting pressure on the existing ports in India. India today is keen to see private participation in port infrastructure development. The existing ports are at the same time investing on improving their draft depth. There is also enhanced focus on the development of terminals that deal with a particular type of cargo, for e.g. LNG. India plans to create port capacity of around 3200 MMT to handle the expected traffic of about 2500 MMT by 2020. Opportunities exist in port development, port support services (operation and maintenance services such as pilotage, dredging, harbouring and provision of marine assets such as barges and dredgers), and ship repair facilities in ports (demand for ship repair services will increase, providing opportunities to build new dry docks and set up ancillary repair facilities) [India];
8. Renewables (India has embarked on a major program for developing renewable energy sources within the country. BRICS countries have already made significant progress in harnessing renewable energy. Experienced investors from other BRICS member countries could help in attaining India's objective to be less dependent on fossil fuels, and utilizing clean energy to its maximum, and working towards sustainable growth) [India].

#### **China**

1. "The Silk Road Economic Belt and 21st Century Maritime Silk Road" National Initiative (One Belt and One Road). [China and other countries].

#### **South Africa**

1. The PIDA priority projects and particularly the North-South Corridor development [South Africa];
2. Clean Coal and Renewable Energy Projects [South Africa];
3. Development of the Marine Economy [South Africa];
4. Deepening manufacturing in targeted sectors identified in South Africa's Industrial Policy Action Plan (IPAP) [South Africa];
5. Improving maritime connectivity with BRICS countries [South Africa];
6. Increasing the connectivity of the regional freight system [South Africa];

7. The investment and equipment transportation opportunities in nuclear power projects [South Africa];
8. The equipment transportation and logistics opportunities in the wind power projects [South Africa];
9. The project of rebuilding the old Durban airport to a large sea port [South Africa];
10. The THABAMETSI coal power plant project [South Africa];
11. Durban-Johannesburg high speed railway project [South Africa];
12. Free State N8 Corridor project [South Africa].

**General**

1. Hydro Power and Nuclear power plants construction;
2. Mobile sea and river harbor construction on unimproved shore;
3. Cooperation in aviation industry.

## **Annex III**

### **Agribusiness Working Group Report**

#### **1. Introduction**

This report aims to provide a short but deliverable list of issues that affect the agribusiness sector in the BRICS countries.

#### **2. Priorities identified by the Working Group**

The Agribusiness sector is key in all BRICS economies. The BRICS Governments should recognize the importance of private sector by accepting advice on issues related to agricultural activities in the BRICS.

The Agribusiness Working Group of the BBC could serve as an advisory body to the meetings of the BRICS Ministers of Agriculture and Agrarian Development, presenting recommendations and advise to BRICS officials on business sector priorities and concerns.

This measure is essential for the BBC to realize its mission of ensuring regular dialogue between the business communities of the BRICS nations and the Governments of the BRICS countries.

In this context, the Agribusiness Working Group appreciates the opportunity to present the priorities identified by the private sector in the context of the BRICS multilateral dialogue, as below.

##### **2.1. Promotion of innovation, technologies and ecosystem services**

Aware of the growing demand for food, fuels, forests and fiber (4Fs), investments in innovation and technologies are required towards the development and deployment of bio-products and more products resource-efficient (use less water, land).

According to Food and Agriculture Organization (FAO) current investment in biotechnological research tends to be concentrated in the private sector and oriented towards agriculture in higher-income countries where there is purchasing power for its products. In view of the potential contribution of biotechnologies for increasing supply of the 4Fs and overcoming the challenge of the growing global demand, efforts should be made to ensure that BRICS members benefit more from biotechnological research. Thus:

- (a) A “technology and innovation” fund could be established amongst members to promote and develop strategic projects that could support scientific research to promote the rational use of natural resources, reduce

CO<sup>2</sup> emissions and deal with adaptation of species to help solve the problems related to climate change;

- (b) Establishment of a government and private sector forum to discuss regulatory aspects of development and deployment of biotechnologies aiming to share experiences among countries and improve national frameworks for regulation of biotechnology. A solid and robust regulatory framework focused on biosafety and risk assessment analyses would certainly increase civil society (including market, final consumers) understanding and need for the development and use of biotechnologies;
- (c) Encourage communication about biotechnologies (including transgenic and bio-products) and constant dialogue between public sector, private companies and civil society to increase public awareness and understanding around the topic. Thus, whenever the need arises, this Working Group could act as a facilitator by providing forums for discussion and knowledge sharing;
- (d) Valuation of carbon benefits as well as sustainable development benefits, including the agriculture, forestry and land use sector; promotion and incentives of greenhouse gas emission reductions and removals; and
- (e) Recycling – efficient development of the circular economy for job creation and poverty alleviation – create platform for shared experiences around what works and what doesn't – also how to develop policy with no unintended consequences.

## **2.2. Climate change negotiations**

Considering the impacts related to climate change and the upcoming United Nations Conference of the Parties to the Convention on Climate Change to be held in Paris this year (COP 21), the promotion of cooperation and greater integration among BRICS on this issue should be done by:

- (a) Improving and promoting existing carbon market mechanisms, such as the Clean Development Mechanism of the Kyoto Protocol and other emission trading schemes in order to guarantee the liquidity of certified emission reductions combined with environmental integrity;
- (b) Promoting zero net deforestation and large scale enhancement of forest carbon stocks for multiple uses in a way to considerably increase carbon stocks and the availability of sustainable wood for the market; and
- (c) Establishing and promoting global biofuel standards, in order to stimulate renewable fuel sources and a stable market to consumers and producers as an important alternative to fossil fuels.

### **2.3. Trade and investment facilitation**

Since the global crisis of 2008-2009, world economic growth has been led by developing countries, especially the BRICS.

One of the consequences of this economic growth is the increased demand for agribusiness products, such as food, feed, fiber and biofuels. Moreover, economic growth allied to population growth in developing countries leads to increased urbanization and per capita income. This results also in further growth of consumption of animal protein, compared to vegetables and grains, because meat consumption is linked to the income level of the population.

Nowadays, sanitary, phytosanitary, technical and bureaucratic barriers greatly hamper trade, investment and partnerships among the BRICS. Therefore, the Agribusiness Working Group:

- (a) Encourages BRICS Governments to agree to cooperate on regulatory issues across the industry to support investment and trade;
- (b) Supports the establishment of regulatory cooperation mechanisms by BRICS countries;
- (c) Supports greater integration amongst regulatory authorities. The process of regulating the compliance with these standards and regulations should be elaborated within the BRICS countries;
- (d) Encourages the BRICS Governments to promote actions aiming to reduce barriers to trade on agricultural products between their members;
- (e) Seeks greater integration of value chains of the five countries through mutual trade liberalization, large cross-investment, facilitated movement of people and regulatory convergence;

There are also opportunities to win-win partnerships that leverage the enormous synergies and complementarities among the BRICS economies in agriculture, industry, services and energy. The BRICS better governance would also be an alternative to the Mega-Regional Trade Agreements (Trans-Pacific Partnership - TPP and Transatlantic Trade and Investment Partnership - TTIP). In addition, it would allow greater access to markets by reducing trade barriers and increasing transparency in the processes (win-win situations), leading to stronger partnerships and more investments.

### **2.4. Definition and promotion of biomass energy**

Except traditional energy, renewable energy (solar energy, nuclear energy, biomass energy, etc.) should be encouraged. Biomass energy is a kind of renewable energy, and it comes from forest, agriculture, wastewater, etc. It is very important for

the governments of the BRICS countries to have a unified definition on biomass and promote development as well as the adoption of biomass energy.

## **2.5. Promotion of combined heat and power system (CHP)**

There are many industries which consume both steam and power, and pulp and paper industry is one of them. In forest industry especially pulp and paper industry, CHP is proved to be highly efficient in energy conservation. Therefore, China Paper Association recommends the working group helps raise the awareness of this energy conservation system among the BRICS governments in order for the member countries to support the adoption of this system legislatively, administratively as well as financially.

## **2.6. Multilateral trade negotiations**

In regards to the multilateral trade negotiations at WTO, member countries aim at the conclusion of a fair and balanced agreement of the Doha Round. The negotiations have been delayed for too long and it is essential to have progress in agriculture and all other areas. The BRICS countries, composed in its majority by developing nations, should be the ones promoting the negotiations and the conclusion of the Doha Round.

In that sense, this Working Group claims for cooperation between the governments to resolve pending issues and major concerns on agriculture as well as other areas, with a view to reach an agreement for the urgent revitalization of the multilateral trade system.

In order to move forward, this Working Group recommends the following actions by their governments on each issue related to WTO negotiations on agriculture:

- (1) Export competition:** Complete elimination of export subsidies.
- (2) Domestic support:**
  - a. **Amber Box:** Reduce the AMS limits to the numbers accorded in 2008;
  - b. **Blue Box:** Full elimination of the subsidies on this box;
  - c. **Green Box:** Reevaluate the rules of the subsidies' classification and increase the transparency on the notification process for the green box.
- (3) Bali Package:**
  - a. **Tariff Quota Administration:** Monitoring the implementation of the agreement;
  - b. **Public Stockholding for Food Security Purposes:** Seek for a permanent solution by 31 December 2015. This solution should include an appropriated definition on the rules on stocks building process, so there is transparency on the measures adopted by the BRICS members on production and international commercialization of the products.

**(4) Reforms on the SPS Agreement:**

- a. **Measures Notification System:** Promoting efficiency on the SPS measures notification;
- b. **Private Standards as Technical Barriers to Trade:** Propose clear rules as regarding to the utilization of private standards by governments.
- c. **Recognition of the Position of the Specialized International Organizations:** Promoting recognition of the guidelines and technical opinions of specialized organizations such as the World Organization for Animal Health (OIE) and the *Codex Alimentarius*.

**(5) Trade and Environment:**

- a. **Negotiation of New Rules:** Avoid that new rules on environment are turned into barriers to trade.

**(6) Implementation of New Bilateral and Regional Agreements:**

- a. **Proliferation of New Rules:** Create a mechanism that is able to ensure transparency in implementation of new agreements.

## **2.7. Technology exchange**

Recognizing that BRICS countries share a tradition in agricultural goods production, the maintenance - and the deepening - of the already technological and knowledge exchange is largely desirable. The Working Group will put efforts in identifying opportunities in areas of mutual interest, based on the comparative and competitive advantages, and specificities of each country.

An interesting example of this knowledge exchange is ethanol production and consumption. In fact, Brazil relies on a 40-year experience in developing the largest program in the world to substitute fossil for renewable clean fuels. Cooperation opportunities in this area could be in various links of the supply chain such as:

- (a) Agricultural sector - technological transference and adaptation for sugarcane varieties and agricultural management;
- (b) Industrial processing and other technologies, such as second generation production;
- (c) Logistics and distributions, including blending processes and pipelines;
- (d) Knowledge exchange on the automobile industry, such as flex-fuel, diesel running on ethanol, etc.;
- (e) Public policies, including knowledge exchange on sustainable practices; and
- (f) Direct investments.

## **2.8. Infrastructure**

The Agribusiness Working Group recommends the use of the NDB for infrastructure projects that will contribute to the development of the agribusiness sector, according to priorities attached to this report.

## **3. Participants**

**Current Coordination:** Brazil Section

**Coordinator:** Brazilian Tree Industry (Ibá)

### **Brazil**

- Brazilian Tree Industry - Ibá
- Brazilian Confederation of Agriculture and Livestock - CNA
- Brazilian Sugarcane Industry Association - UNICA
- Brasil Foods - BRF
- Brazilian Association of Citrus Exporters - CitrusBR
- Brazilian Beef Exporters Association - ABIEC

### **Russia**

- Awaiting indication from Russia Business Council Chairman

### **India**

- Awaiting indication from India Business Council Chairman

### **China**

- China Paper Association - CPA

### **South Africa**

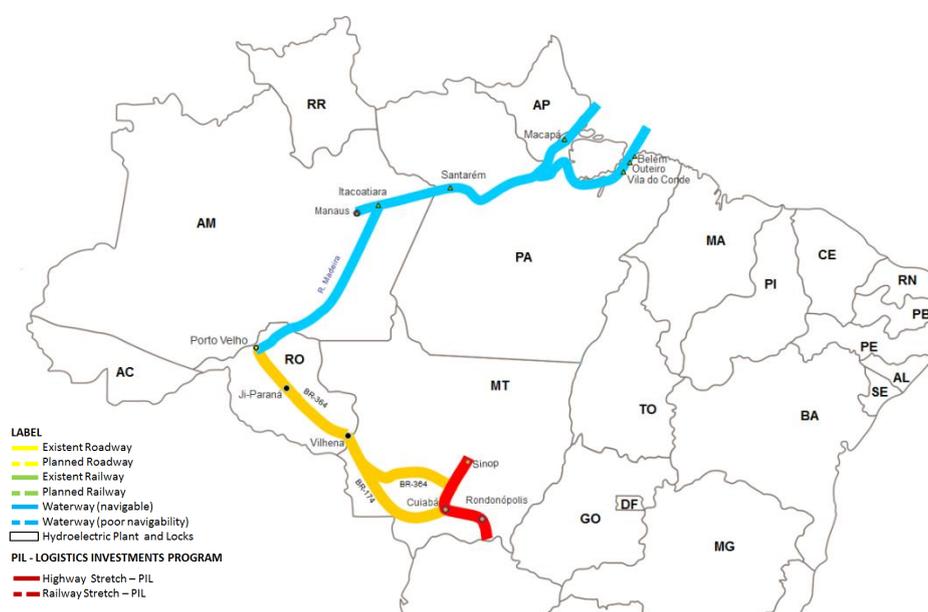
- Paper Manufacturers Association of South Africa – PAMSA

## Recommendation of the Working Group on Agribusiness on investments in infrastructure and logistics

This item addresses the infrastructure works required for the production flow of agricultural products in Brazil. The suggestions were grouped by export corridors, which compose the so-called "Arco Norte" (North Arc), presented below. The North Arc represents the regions in Brazil in which the lack of infrastructure is more significant.

### 1. Madeira Amazonas Corridor

**Figure 1.** Infrastructure of the Madeira (Amazonas) Corridor



**Table 1.** Interventions in the Madeira (Amazonas) Corridor

MODAL	INTERVENTIONS
<b>PORT</b>	Improvement and expansion of the Porto Velho Port system: public area and private terminals.
<b>WATERWAY</b>	Improving navigation of the Rio Madeira dredging, overthrows and signaling.
<b>ROADWAY</b>	Adequacy of BR-364 and BR-174: paving, maintenance, construction of a third track, signaling, doubling and implementation of side roads in urban crossings, among others.
<b>ROAD - PIL*</b>	Duplication of the BR-163, from the SINOP to the borders of the states of Mato Grosso and Mato Grosso do Sul stretch.

\* PIL - Work included in the Investment Program in Logistics.

## 2. Santarém-Tapajós Corridor

Figure 2. Infrastructure of the Santarém-Tapajós Corridor

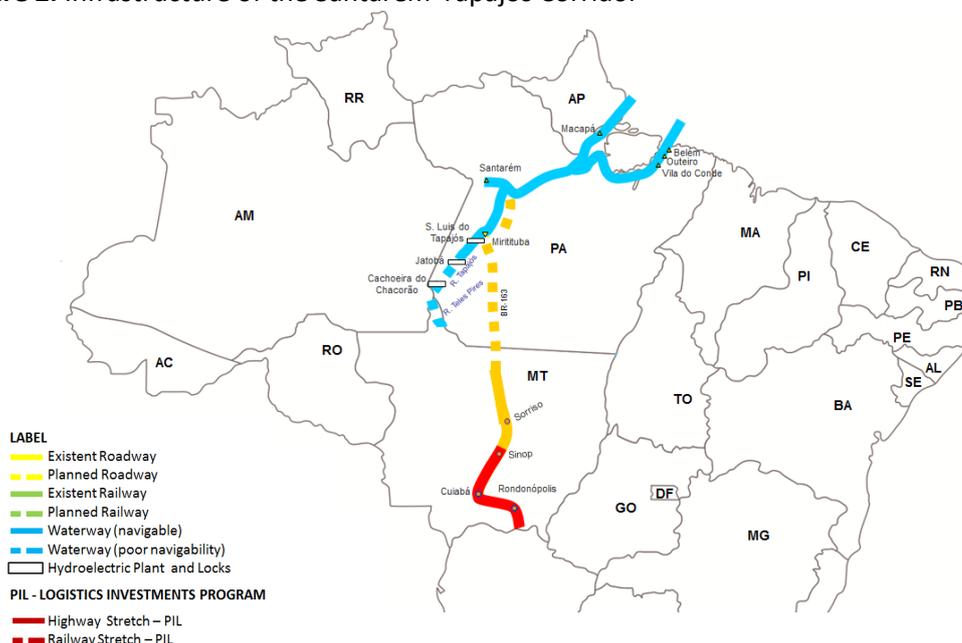


Table 2. Interventions on the Santarém-Tapajós Corridor

MODAL	INTERVENTIONS
PORT	Capacity expansion of the Port of Santana in Pará and improving infrastructure along the Capim River.
	Expansion of operating capacity for containers in Santarém, Pará.
	Expansion of Santarém Grain Terminal in Pará.
	Construction of the Public Cargo Terminal in Miritituba, Pará.
WATERWAY	Improved navigation of the Tapajós River (Miritituba stretch, in Pará, to the outfall of the Amazonas River, in the state of Amazonas); signaling.
ROADWAY	Completion of the BR-163 (From the borders of the state of Mato Grosso to Pará, crossing Itaituba/Miritituba and Santarém)
ROAD - PIL*	Duplication of the BR-163, from the SINOP to the borders of the states of Mato Grosso and Mato Grosso do Sul stretch.

\* PIL - Work included in the Investment Program in Logistics.

### 3. Tocantins Corridor

Figure 3. Infrastructure of the Tocantins Corridor

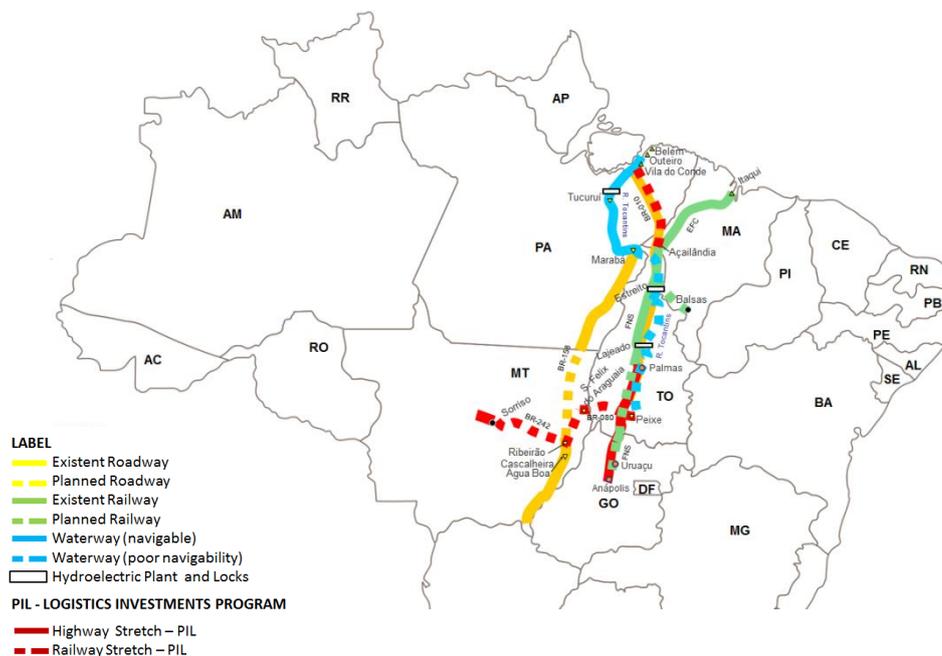


Table 3. Interventions in Tocantins Corridor

MODAL	INTERVENTIONS
WATERWAY	Navigation improvement in Quiriri Channel: dredging.
	Navigation improvement in the stretch from Tucuruí to Estreito.
	Overthrow of the “Pedral Lorenzo”.
	Construction of the Lock of Estreito, in the state of Tocantins.
	Construction of the Lock of Lajeado, in the state of Tocantins.
ROADWAY	Adequacy of the BR-153 (Stretch from the borders of the states Tocantins and Goiás to Belém, in Pará).
	Construction of the BR-080 (Stretch from Ribeirão Cascalheira to Luiz Alves in São Miguel do Araguaia).
	Construction of the BR-242 (Stretch from Sorriso to Ribeirão Cascalheira).
ROAD - PIL*	Completion of the BR-158 until the border with the state of Pará and restoration of BR-158 and BR-155 in the state of Pará.
	Duplication of the BR-153 (Annapolis stretch - BR-060 junction and TO-080 junction); 56 km from Palmas, in Tocantins.
RAILWAY	Construction of the North-South Railway (Stretch from Uruaçu, in Goiás to Palmas, in Tocantins).
RAIL - PIL*	Construction of the North-South Railway (Stretch from Açailândia in the state of Maranhão to Vila do Conde, in Pará).
	Construction of the Integration Railway in the Midwest (Stretch from Uruaçu in Goiás to Lucas do Rio Verde).
PORT	Expansion of operating capacity for containers in Vila do Conde, Pará.
	Expansion of facilities for the reception of fertilizers in Vila do Conde, Pará.
	Expansion of facilities for the reception of fertilizers in Itaqui, Maranhão.
	Bidding of the Grain Terminal in Outeiro, Pará.
	Support the implementation of private terminals in the port systems of Belém, Pará and São Luís, Maranhão.
	Bidding and redefinition of the Grain Terminal in Vila do Conde, Pará.

\* PIL - Work included in the Investment Program in Logistics.

#### 4. East-West corridor

Figure 4. Infrastructure of the East-West Corridor

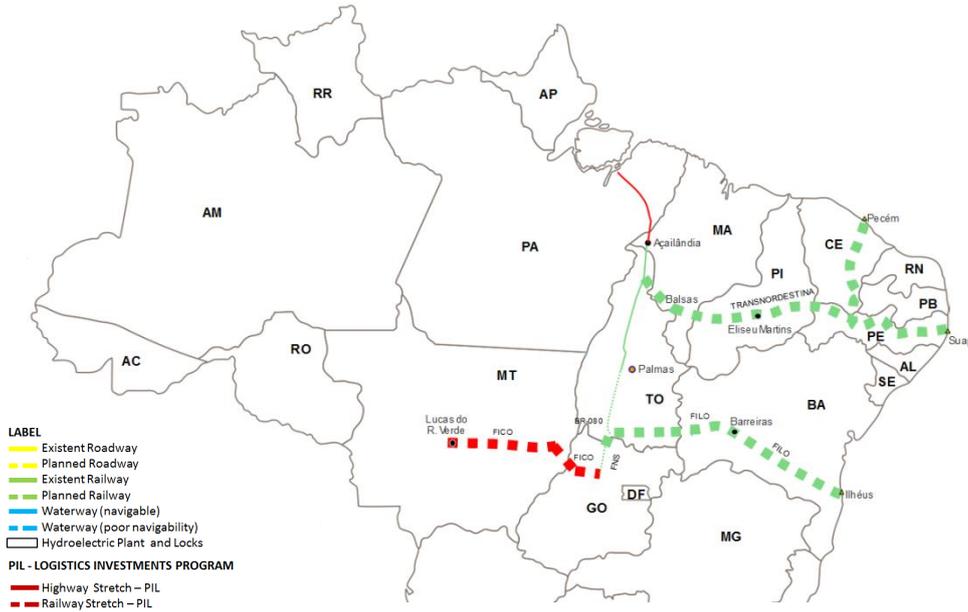


Table 4. Interventions in the East-West Corridor

MODAL	INTERVENTIONS
RAILWAY	Construction of the Integration Railway in the Midwest (Stretch from Ilheus, to Barreiras in Bahia – total of 990 km).
	Construction of the Transnordestina Integration Railway (Stretch of Eliseu Resende, in Piauí, Suape in Pernambuco and Pecém in Ceará - Private Investment – total of 2.278 km).
ROAD - PIL*	Construction of the Integration Railway in the Midwest (Stretch from Uruaçu in Goiás to Lucas do Rio Verde, in Mato Grosso – total of 890 km)

\* PIL - Work included in the Investment Program in Logistics.

## **Annex IV**

### **Energy and Green Economy Working Group Report**

The Energy and Green Economy Working Group Report represents a selection of challenges and opportunities that affect the energy and green economy sectors in the BRICS nations. Members of the Working Group understood that the points for action raised in this report were a priority and should be regarded during the 2015-2016 BBC's mandate.

The primary objective of the Working Group is to address the challenges of the energy trilemma relating to energy security of supply, energy social equity and environmental sustainability within the BRICS countries, to achieve the goal of secure and sustainable energy for all.

The issues addressed by the Energy and Green Economy Working Group were considered for the elaboration of related topics presented on the Second Annual Report.

#### **1. Promotion of trade and investment opportunities**

Aiming to promote cooperation and collaboration in the energy field, the Energy and Green Economy Working Group evaluated means to reduce restrictions on cross-border investments and financing for energy and green economy projects. The Working Group came up with a robust mechanism for BRICS cooperation, in which the following initiatives were suggested:

- Establish a forum to provide general information and communication on investment opportunities and projects amongst BRICS countries. Identify specific projects to be prioritized and that need country buy-in and support;
- Encourage and support the establishment of a BRICS energy fund to promote joint research in strategic scientific projects;
- Establish a BRICS renewable energy fund within the NDB to provide support for the implementation of the energy projects by the BRICS country-members on the territory of BRICS countries and in third countries;
- Establish a specialized BRICS renewable energy coordination agency to provide special services to enterprises and to assist in the communication between governments and business;
- Explore the possibilities to offer national treatment to energy projects and enterprises from BRICS countries so they may be treated like local companies;

- Promote and support projects, agreements and actions focused on the developing of power trade and exchange in multilateral markets located in the BRICS' regions:
  - Support Southern Africa regional power integration;
  - Support South America regional power integration;
  - Identify the key infrastructure projects related with the issue;
  - Promote long term partnerships among enterprises, investors and authorities of the BRICS countries with the objectives to design, supply, fund, build and operate those projects;
  - Disseminate the best practices related with the deployment of the projects as well the policies and bilateral or multilateral treaties established and related with their building and operation.
  
- Promote and support new energy generating and infrastructure projects to develop the common energy market in each BRICS' region, to maximize the cost-effectiveness of power exchange and to provide sustainable economic growth within these regions;
  
- Develop transparent legal and regulatory frameworks and regulations to facilitate long-term planning and investment;
  
- Negotiate multilateral and/or bilateral agreements to promote foreign direct investments among BRICS countries as well as to create joint ventures among their enterprises in BRICS countries or third countries in ventures related with the key strategic projects.

## **2. Promotion of innovation and technologies**

The promotion of inclusive growth and sustainable solutions can be achieved by thoroughly approaching cutting-edge technologies and fostering innovation in the energy field. By using clean energy sources and expanding their energy matrixes, the BRICS countries can avoid climate change at a great scale, since these countries have a huge potential to produce and consume energy. Regarding actions that can be taken in order to enhance sustainable energy production and consumption, the Energy and Green Economy Working Group made the following suggestions:

- Encourage the cooperation among BRICS countries with specific experiences in energy and those pursuing them;
  
- Implement means of using renewable and carbon-free technologies, aiming to reduce carbon emissions. Renewable energy projects could be negotiated in the carbon market;
  
- Provide electricity with social responsibility, ensuring the development of the community and energy access;

- Create a platform to facilitate high-level dialogue, experience sharing and best practices discussions on critical issues concerning the energy sector;
- Facilitate the exchange of scientific and technological knowledge and encourage the exchange and training of scientists and experts in the forefront energy production technologies;
- Support partnerships and collaboration among industry and academic institutions of BRICS countries to make a valuable contribution to capacity building in energy sector;
- Facilitate the exchange of best practices in connection with new clean energy projects;
- Develop cooperation programs and mechanisms to structure the development of joint projects and research related with the following energy sources:
  - Oil and Gas;
  - Nuclear;
  - Hydropower;
  - Solar;
  - Wind;
  - Coal.
- Develop innovative financing solutions to fund construction of new large-scale energy projects in BRICS countries;
- Promote new energy sources, for example nuclear technologies, for water production to supply households and industry with pure water and avoid water scarcity; and
- Promote joint new large-scale energy projects in the countries outside BRICS.

### **3. Establishing common technical regulations and standards**

The Energy and Green Economy Working Group considers that the collaboration among the BRICS countries is fundamental to enhance secure and sustainable energy for all. Therefore, in order to address the technical challenges related to energy supply, energy social equity, and environmental sustainability, the Working Group made the following recommendations:

- Governments should agree in setting common uniform technical standards across the industry to support investment and trade;

- Closer cooperation is required amongst regulatory authorities. The process of regulating the adherence to these standards and regulations should be recognized within the BRICS countries; and
- Explore the possibility of establishing common standards of environmental requirements, adopted within the framework of the Energy and Green Economy Working Group, which should be addressed to the governments of the BRICS countries.

**4. The barriers and bottlenecks to promoting trade and investment ties in the Energy and Green Economy industry include:**

- Broader regulatory environment that does not facilitate the foreign direct investment flows;
- Country policy framework is not agile enough;
- Exchange control challenges with international organizations wanting to invest or otherwise;
- Movement of people and goods as a barrier to trade;
- General visa issues - visa application procedures should be simplified and multi-year multi-entry visa should be considered.

## **Annex V**

### **Financial Services Working Group Report**

The Financial Services Working Group Report represents a selection of challenges and opportunities that affect the financial services sector in the BRICS nations. Members of the Working Group understood that the points for action raised in this report were a priority and should be regarded during the 2015-2016 BBC's mandate.

The primary objective of the Working Group is to help government with recommendations regarding the NDB. This Working Group also works in partnership with the Infrastructure Working Group on fostering relevant think tank analysis. The Financial Services Working Group strongly supports the Brazilian proposal of a BBC Declaration on Investment Principles, and believes that there is still room to better understand our financial services integration and recent developments.

#### **1. New Development Bank**

The mission of the NDB is to promote development focused on the developing world. Therefore, the Financial Services Working Group and the Infrastructure Working Group considered it important to define the concept of sustainable development. Both this concept and the idea of Integral Development Projects are aligned to the theme chosen for discussion at the Sixth BRICS Summit - "Inclusive Growth: Sustainable Solutions". The concepts were also important for the selection of priority projects, which could be supported by the NDB.

The Working Group understood that financing of infrastructure is an important way to promote sustainable development and to achieve the mission of the NDB. Thus, a set of concepts was proposed to help structure the bank, which was delivered on a separate document, called "Recommendations on the New Development Bank" (Annex X of this Second Annual Report).

#### **2. Currency agreements**

The Financial Services Working Group recommendation is to analyze, during 2015-2016, how the agreement involving the Ruble and the Renminbi are evolving in these countries, and use this experience to foster other FX agreements among the BRICS. Therefore, it is important:

- a) Research and learn what other existing FX agreements in place can provide as useful experiences;
- b) Work on a set of suggested activities which FX agreements can facilitate and accelerate, such as foreign investment in local investment funds, and international financing of infrastructure projects directly in the partner's local currency.

### **3. Thought leadership**

Sharing ideas and information among the business community is an important role of the BBC and its Working Groups. Therefore, the BRICS Information Sharing and Exchange Platform (the BRICS Portal) was created to stimulate and accelerate the exchange of trade, business and investment information.

To collaborate with this initiative, jointly with the Infrastructure Workgroup, the Financial Services Working Group also recommended the following topics regarding the BRICS Business Portal:

- a) Develop a series of web-based seminars to be presented and explained to other BRICS business partners, in order to foster adoption of the new platform;
- b) Implement an Infrastructure Companies Database, where information regarding the companies related to the Working Groups will be released;
- c) Implement an Infrastructure Project Database dedicated to interested investors, where relevant information about priority projects will be released;
- d) Implement an Exclusive Members Session on the website, where only the Working Groups and the BBC members will be able to login, in order to share information and documents: (i) provide an administrator login and password for each Chairman and Chairman Representative, who will be responsible for uploading documents, scheduling meetings and posting relevant information online; and (ii) provide a member login and password for each Working Group member, who will be able to consult the information released; and
- e) Publish basic information about other BRICS related entities and class associations: (i) provide links for the countries institutions' websites; and (ii) ensure that the registered institutions have an English version of their websites.

### **4. General achievements**

In addition to the three main topics pointed above, the Financial Services Working Group also sought to address general deliverables through the 2015-2016 mandate. The Working Group considered fundamental to foster the adoption of the BBC Declaration of Investment Principles, which is considered an important step in enhancing the confidence building process within the BRICS economies.

## Annex VI

### Infrastructure Working Group Report

The Infrastructure Working Group Report represents a selection of items that affect the infrastructure sector in the BRICS nations. Members of the Working Group understood that the three points for action raised in this report were a priority and should be regarded during the 2015-2016 BBC's mandate. The issues addressed by the Infrastructure Working Group were considered for the elaboration of related topics presented on the Second Annual Report.

#### 1. Regional physical integration perspective

In order to promote cooperation in infrastructure development among BRICS countries, the Infrastructure Working Group thoroughly investigated existing regional physical integration initiatives involving the BRICS nations. Success stories in terms of technologies, specifications, talent resources, operation, and management were shared among members, thus helping to determine the BRICS infrastructure development potential. Along this mandate, focus was placed on the following initiatives:

- **Integration Priority Project Agenda (API) in Latin America:** API is made of national, binational and multinational projects with a high impact on the physical integration of the region. The projects seek to increase different transportation modes in a viable and suitable way. All the members of COSIPLAN are represented, and there is a balance in the number of projects promoted by each of them.  
Website: <http://iirsa.org/Page/Detail?menuItemId=33>;
- **Programme for Infrastructure Development in Africa (PIDA):** PIDA is a continent-wide program to develop a vision, policies, strategies and a programme for the development of priority regional and continental infrastructure in transport, energy, transboundary water and information and communication technologies (ICT).  
Website: <http://www.au-pida.org/>;
- **Belt and Road Initiative in Eurasia:** this initiative aims to promote the connectivity of Asian, European and African continents and their adjacent seas, establish and strengthen partnerships among the countries along the Belt and Road, set up all-dimensional, multi-tiered and composite connectivity networks; and realizes diversified, independent, balanced and sustainable development in these countries.  
Website: <http://www.xinhuanet.com/english/special/silkroad/>;
- **Trans-Eurasian Belt "Razvitie" in Eurasia:** this project envisages creating a geo-economical belt of cooperation on the entire domain between the Atlantic and the Pacific oceans, forming on the territory of Siberia and the

Far East the major components for technological, industrial, social, and cultural development. The main goal is to develop a multimodal infrastructure system, which associates transportation, energy, telecommunication, water, and oil and gas conveyance.

Website: [http://eng.rzd.ru/newse/public/en?STRUCTURE\\_ID=15&layer\\_id=4839&refererPagelId=704&refererLayerId=4537&id=106642](http://eng.rzd.ru/newse/public/en?STRUCTURE_ID=15&layer_id=4839&refererPagelId=704&refererLayerId=4537&id=106642).

Based on the information shared, and taking into account the concept of integral development, each BRICS nation selected, on behalf of the Infrastructure Working Group, priority projects to promote. Integral Development Projects were considered a priority among Infrastructure Working Group members, since they ensure the basis not only for economic growth, but also for improvement of population's quality of life, and for environmental preservation. The list of selected projects is presented at the Annex II – Business Interests.

## **2. New Development Bank**

The mission of the NDB is to promote development focused on the developing world. Therefore, the Infrastructure Working Group considered important to define the concept of sustainable development. Both this concept and the idea of Integral Development Projects are aligned to the theme chosen for discussion at the Sixth BRICS Summit: “Inclusive Growth: Sustainable Solutions”. The concepts were also important for the selection of priority projects, which could be supported by the NDB.

The Working Group understood that the development of infrastructure is an important way to promote sustainable development and to achieve the mission of the NDB. Thus, a set of concepts was proposed to help structure the bank, which was delivered on a separate document. It included the following recommendations:

- Add to the NDB investment policy (prior to its ratification) a simplified procedure for project selection, including the possibility of providing financial means on the basis of project and/or corporate-wide principles, in order to reduce the timeframe of projects finalization and approval process;
- Identify opportunities for generating economic growth, and foster, fund and insure governments to develop physical infrastructure for: the introduction of new productive spaces, the integration of economic spaces, and the irrigation of economically congested areas;
- Finance early stage feasibility and engineering studies for the development of infrastructure projects that create regional development, giving special attention to the existing projects investigated by the Infrastructure Working Group;
- Finance for the long run all investments tied to any activity that contributes ethically, environmentally and socially to a better income distribution;

- Have the role as or include a Guarantee Fund for sovereign risk to allow for greater use of Project Finance structures and access to wider range sources of funding (i.e. pension funds, commercial banks, etc.) for infrastructure development in the targeted regions of interest to the BRICS;
- Develop mechanisms to provide Equity Financing for infrastructure projects.

Finally, the Infrastructure Working Group suggested that the BRICS nations try to bring attractiveness to the infrastructure development. Thus, apart from the recommendations made regarding the NDB, the Working Group also made the following suggestions to the BRICS governments:

- Promote attraction factors for pension funds from the BRICS nations to participate in infrastructure projects;
- Implement a credit insurance policy;
- Bring the private sector close to the bank's early stages so it can contribute more actively on the policies.

### **3. Thought leadership**

Sharing ideas and information among the business community is an important role of the BBC and its Working Groups. Therefore, the BRICS Information Sharing and Exchange Platform (the BRICS Business Portal) was created to stimulate and accelerate the exchange of trade, business and investment information.

To collaborate with this initiative, the Infrastructure Workgroup played an active role in consolidating the BRICS Portal as an exchange platform for all business community. The Working Group also recommended the following topics regarding the BRICS Business Portal:

- Develop a series of web-based seminars to be presented and explained to other BRICS business partners, in order to foster adoption of the new platform;
- Implement an *Infrastructure Companies Database*, where information regarding the companies related to the Working Groups will be released; Implement an *Infrastructure Project Database* dedicated to interested investors, where relevant information about priority projects will be released;
- Implement an *Exclusive Members Session* on the website, where only the Working Groups and the BBC members will be able to login, in order to share information and documents:

- Provide an administrator login and password for each Chairman and Chairman Representative, who will be responsible for uploading documents, scheduling meetings and posting relevant information online;
- Provide a member login and password for each Working Group member, who will be able to consult the information released;
- Publish basic information about other BRICS related entities and class associations:
  - Provide links for the countries institutions' websites;
  - Ensure that the registered institutions have an English version of their websites;

Trade fairs of the infrastructure sector were also considered good opportunities for the business communities to meet and promote cooperation among them. Therefore, a list of relevant events hosted in each BRICS nation was elaborated. The final list, which is to be included on the BRICS Portal, is presented at the Annex I – Fairs, exhibitions, and forums.

Additionally, the Infrastructure Working Group invited academic research institutions and thought centers that could provide relevant information regarding infrastructure policies, planning and financing to join the discussions. This was considered a priority, since the existing entities in the BRICS Think Tank Council, nominated by the governments, were distanced from the infrastructure business sector reality.

The Infrastructure Working Group recommended the chosen institutions be included in its business meetings and discussions. The main goal is to enhance the collaboration among the BRICS councils and other BRICS related entities that could improve the debates in the Working Group.

#### **4. General achievements**

In addition to the three main topics pointed above, the Infrastructure Working Group also sought to address general deliverables through the 2015-2016 mandate. The Working Group considered fundamental to foster experience sharing among the BRICS countries, and also to define a pattern for decision-making within members. The following list of topics represents the general achievements of the Working Group during the Brazilian chairmanship:

- Attraction of institutions and companies to the Infrastructure Working Group, in order to seek for increased representativeness, share innovation and best practices available;
- Elaboration and establishment of the Terms of Reference, which formalizes activities performed by the Working Group regarding aspects such as

proposed goals, chairmanship issues, voting system, communication system, and publicity of documents.

### **Companies members of the Infrastructure Working Group**

#### **Brazil:**

- Leader Company: ABDIB;
- Other Companies: Andrade Gutierrez, Camargo Corrêa, CCGI-FGV, Chamber of Commerce Brazil-Russia, Chamber of Commerce of South Africa, OAS, Odebrecht, OHK Steel, Progen, Queiroz Galvão, SINICON, Vale.

#### **Russia:**

- Leader Company: JSC Russian Railways;
- Other Companies: RZD International LLC, Glonass Union (National navigation system provider), National Research University Higher School of Economics, Russian Foreign Trade Academy.

#### **India:**

- Leader Company: Bhartiya Group.

#### **China:**

- Leader Company: China Railway Group Ltd. (CREC);
- Other Companies: China CNR Corporation Ltd., China Ocean Shipping Company, China Railway Construction Corporation, COSCO, CSR Corporation Ltd.

#### **South Africa:**

- Leader Company: Transnet Freight Rail (Pty) Ltd.;
- Other Companies: ACSA, African Investment Solutions, African Rainbow Minerals, Africa Rising Capital, Barry Angola, DTI, SANRAL, Sekunjalo Investments Ltd., South African Railways, Transnet National Ports Authority.

## Annex VII

### Manufacturing Working Group Report

#### 1. Introduction

Since the meeting in Fortaleza, Brazil, on 14 June 2014, the Manufacturing Working Group has come together five more times in the following dates:

- Teleconference on 12 November, 2014;
- Teleconference on 13 January, 2015;
- Mid-year meeting in Brasilia, Brazil on 9-10 February, 2015;
- Teleconference on 23 April, 2015;
- Teleconference on 3 June, 2015.

This report seeks to summarize the work and the proposals developed over this period. It is divided in two distinct, but complementary, sections. The first focuses on business promotion. The second, on policy recommendations for the BRICS governments that could deepen economic cooperation.

#### 2. Business agenda

This section comprises three subsections as following:

##### 2.1 BRICS Business Portal

The BRICS Business information exchange platform was created to stimulate and accelerate the exchange of trade, business, and investment information. What is proposed is that the Manufacturing Working Group uses this platform to improve information exchange among BRICS companies. In this market oriented-platform, any company based in one of the BRICS countries would be able to display the following information about the company and its products in a user friendly format:

Company Information	Products Information
Company Name	SH
Address	National code
Logo	Applications
Institutional Movie	Number of reference (If applicable)
Facebook	Similar Equipments
Twitter	Apresentation text
Youtube Channel	PDF of apresentation
E-mail for commercial contact	Video Link
Website	Pictures (sizes from 500kb to 2gb)
Area of expertise	Technical specifications

At a later stage, the platform may be also used to obtain information about official certificates for products. The Secretariat of each chapter should coordinate with the respective government and get government portals providing information on

product certification linked with the portal with contact details of departments and Ministries for BRICS companies to refer to in case of facing any difficulty.

This is an important step to bridge gaps of knowledge and trust that may keep companies of BRICS countries apart. As the BRICS platform gains legitimacy with the participation of a greater number of companies it could, for example, become a channel to facilitate access to credit lines offered by the NDB.

## **2.2 Priority sectors**

The Manufacturing Working Group agreed that member countries would indicate a few priority sectors on which to focus discussions and actions to promote business. South Africa has already indicated the infant formula segment and India has indicated pharmaceuticals & healthcare, mining and agriculture.

The next step would be for the Secretariats of each national chapter to look for interlocutors in their respective market and help arrange sector-specific side meetings during upcoming BBC sessions. The criteria for selecting such interlocutors would be their ability to discuss issues related to that sector and to become a business partner.

It is important to note that these priority sectors should not limit the inclusion of new products or sectors in the discussions and actions of this Working Group.

## **2.3 Areas of complementarity**

This topic was identified as an important one at both the Manufacturing Working Group and BBC levels. It is distinct from the topic covered in previous section to the extent that it involves economic complementarity – and therefore, a more structural approach - rather than the mere identification of sectors of business interest. Further research is needed here.

The Working Group could use as a base for further research the sectors identified in the cross matching exercise carried out by the Brazilian chapter and/or other expressions of interest by members. Further studies would be conducted by a group of universities or think tanks from BRICS countries and would be aimed at identifying complementarities in sectors of interest.

The Manufacturing Working Group would present preliminary suggestions of universities and think tanks that could potentially conduct further research. It would also discuss ways to fund this study and which sectors should be considered first.

Sectors identified in a cross-matching exercise based on expressions of interest of member countries (see annex 1 below):

- Energy and power equipment;
- Electrical appliances;
- Automotive;
- Capital goods;

- Transport/Railway technology and equipment;
- Navigation systems.

Sectors indicated in other expressions of interest:

- Glonass - Objectives: To Create unified standard system for BRICS countries. Compatible with SIMRAV system (Brazil) and the possibility of creating similar systems in other BRICS countries; unify educational system for specialists in navigation area;
- Process technology transfer and collaborate on joint R&D projects to enhance manufacturing operations and develop new products and technologies in targeted fields (such as green energy, agriculture, clothing, etc). These would lead to world class manufacturing facilities being established in the BRICS member countries to compete against other global suppliers;
- Promotion of generics - BBC should promote co-operation amongst companies in the field of both early stage discovery work as well as clinical trials;
- Companies must enhance exportability of medicines and medical products produced in BRICS nations, especially vaccines and medicines for HIV / AIDS, TB and malaria;
- Closer collaboration amongst our healthcare service providers (hospitals);
- Exchange of best practices and cooperation in agriculture and agro processing. There are pockets of excellence among BRICS pertaining to specific crops - Brazil (sugarcane), China (hybrid rice), Russia (wheat); and
- Joint bilateral and multilateral programs could explore and develop mineral resources in the BRICS nations helping address mineral deficits through mutually beneficial trade and economic relations.

## **2.4 Fairs and exhibition**

The Working Group put together a list of trade fairs, exhibitions and forums, which it views as the most promising for business promotion and would like to see it included in the Business Portal and other appropriate BBC tools and activities. This list is annexed to the BBC Second Annual Report (Annex 1).

## **3. Public policy agenda**

### **3.1 Non-tariff barriers**

The Manufacturing Working Group recommends that governments take steps towards building a more coherent system of certification of manufacturing products among the BRICS countries.

The objective of this action would be to reduce risks of technical standards becoming effectively non-tariff barriers between the BRICS, but also to increase the quality of goods produced in the BRICS countries.

The Working Group proposes that the BRICS Business Portal is used as an on-line platform to provide guidance and information about technical standards and product certification, with the BBC national Secretariats coordinating with their respective governments and providing contact information of relevant government agencies, as indicated in the BRICS Business Portal Section of this report.

### **3.2. Unfair trade practices**

It was brought to the attention of this Working Group by the South African delegation the issue of unfair trade practices in intra-BRICS commerce.

This Working Group recommends, as a manner to help prevent such practices, that BRICS countries make an immediate effort to align actions concerning the creation of their Single Window sites, where, as agreed at the WTO, countries should consolidate their official foreign trade operational platforms (for the filling of forms, requests of licenses and other legal requirements).

The transparency and simplification that would result from this initiative would help prevent potential practices of under-invoicing, misclassification of tariff headings, among others.

In order to generate support material for the BRICS governments to create their Single Window sites, the Manufacturing Working Group could conduct in the next 6 months research aimed at mapping practices that could be prevented through this initiative.

### **3.3. Authorized Economic Operators**

The Authorized Economic Operator (AEO) certificate is an internationally recognized quality mark indicating that the company's customs controls and procedures are efficient and compliant to applicable rules. This status is granted by a discretionary decision by governments.

While not mandatory, this certificate gives quicker access to certain simplified customs procedures and in some cases the right to 'fast-track' shipments through certain Revenue & Customs (HMRC) safety and security procedures.

In order to effectively start the process of mutual recognition of Authorized Economic Operators, it is recommended that national chapters of this Working Group request their internal revenue services or equivalent body begin talks aimed at seeking the standardization of practices and requirements demanded from a company to acquire the AEO status.

### **3.4. BRICS Business travel card**

The Manufacturing Working Group supports the BBC's initiative to seek the establishment of a BRICS business travel card for executives of BRICS companies. The points the Working Group views as particularly important are:

- The BRICS travel card is intended to facilitate the traveling of business people in such capacity;
- The BRICS travel card will not be utilized as a replacement for the obtainment of the work visa;
- The main objective is to facilitate meeting between BRICS business people and potential commercial partners from BRICS and the related decision-making process;
- The BRICS travel card may configure a new category of visa, and as such it will be issued by the receiving country.

### **3.5. Promote intra-BRICS trade in local currencies**

The Working Group supports initiatives to conduct studies aimed at ascertaining the possibility of implementation of a swap in local currencies that does not generate an overstock of any of the partner's currencies.

### **3.6. Investment Promotion Agencies**

The Brazilian chapter of this Working Group views positively the engagement and discussion with governments about the creation of a working group on investment with the participation of the official Investment Promotion Agencies (IPAs) of each country. The Brazil chapter has made a first contact with the Brazilian IPA (Apex-Brasil) with positive results, and would appreciate if its counterparts acted in the same direction to bring these interlocutors to the next meetings of the group.

### **3.7. New Development Bank**

The role of the NDB has been discussed by different working groups and the BBC. Since manufacturing has a key role in the advancement of infrastructure projects and sustainable development - due to procurement, development of value chain, and supply industries – this Working Group is of the view that the promotion of the manufacturing sector should be considered as a key component of the NDB.

The Manufacturing Working Group has specific recommendations related to the role of the bank in manufacturing. The recommendations have two main components: the first one is about how the NDB's resources could foster the value chains located in the BRICS's countries. The second is about expanding the purview of

the NDB with the objective of reducing costs for commercial transactions among BRICS members. The recommendations are outlined below and also included as an annex to this report (see annex 2) to facilitate their use as a separate piece.

### **Recommendations**

- The Council should work with officials of the NDB, so as to ensure that the projects prepared by BRICS businessmen are in line with the prescribed norms of the Bank.
- The BBC should participate actively, providing input and recommendations, in discussions about the structuring of the NDB.
- NDB should carry out a benchmarking exercise of national development banks in order to tailor proposal of fees, rates and terms of loans.
- NDB's annual report should point out the supply chains involved in the projects.
- Propose to the NDB Board of Directors criteria for procurement from extra BRICS sources.
- Adopt an origin verification system.
- The NDB should function as an assurance bank of first class for trade among its members.
- Minimizing the currency risk

### **3.8. Investment Principles Declaration**

This Working Group views positively a Declaration on Investment Principles, such as the one presented by the Brazilian section of the BRICS Business Council.

### **Annexes**

- 1. Cross-matching exercise**
- 2. Recommendations for the NDB**

Manufacturing Sectors		Cross-matching exercise - Brazil									
		Manufacturing									
		Agribusiness	Bus industry	Steel mills, siderurgy	Electrical engineering	Chemicals	Information technology	Mining and minerals	Automotive and autoparts; and	Electro-electronicsIndustrial Equipment	Equipment for the Generation, Transmission and Distribution of electricity
India	Pharmaceuticals and Generic medicines				Match						
	Hospitals and healthcare				Related						
	Mining and beneficiation of minerals			Match			Match				
	Agriculture and Agro-processing	Match			Related						
	Heavy commercial vehicles and construction equipment						Related				
	Energy and power sector equipment				Match				Related	Match	
	Auto and auto components		Match						Match		
	Capital goods			Match							
	Locomotives						Related				
China	Materials production			Related							

	Aircraft manufacturing (including aircraft parts and components)										
	Environmentally friendly manufacturing	Related									
	Electrical appliances				Match					Related	Match
	Home life integrated solutions										
Rússia	Energy				Match					Match	Match
	Transport		Related					Related	Match		
	Communications										
	Electronics				Related						
	Machinery			Related				Related			
	Infrastructure										
	High Technology										
África do Sul	Value added manufacturing	Related		Related	Related			Related		Related	
	Minerals beneficiation			Match		Match		Match			
	Adding value to minerals			Match		Match		Match			
	Agro-processing	Match									
	Pharmaceuticals					Match					
	High technology									Related	
	Telecommunication/ICT										
	SMME's										
	Electricity metering				Related					Related	
Railway infrastructure technology	Related						Match				

	Clothing manufacturing					Related					
	Mining supply services							Match			
	Valves and actuators										
	Flat and patterned glass										
	Aluminum products			Related						Related	

Manufacturing Sectors		Cross-matching exercise - China				
		Materials production	Aircraft manufacturing (including aircraft parts and components)	Environmentally friendly manufacturing	Electrical appliances	Home life integrated solutions
Brasil	Manufacturing	Agribusiness			Related	
		Bus industry				
		Steel mills, siderurgy	Related			
		Electrical engineering				Match
		Chemicals				
		Information technology				
		Mining and minerals				
		Automotive and autoparts; and				
		Electro-electronicsIndustrial Equipment				Related
		Equipment for the Generation, Transmission and Distribution of electricity				Match
Russia	Energy					

	Transport		Related			
	Communications					Maybe
	Electronics				Match	Maybe
	Machinery				Related	
	Infrastructure					
	High Technology		Maybe		Maybe	
Africa do Sul	Value added manufacturing	Maybe	Maybe		Related	Related
	Minerals beneficiation					
	Adding value to minerals					
	Agro-processing					
	Pharmaceuticals	Related				
	High technology				Maybe	
	Telecommunication/ICT				Maybe	Related
	SMME's		Maybe	Maybe		
	Electricity metering				Maybe	Related
	Railway infrastructure technology	Maybe		Maybe	Maybe	
	Clothing manufacturing					Related
	Mining supply services	Maybe				
	Valves and actuators	Maybe		Maybe		
	Flat and patterned glass					
	Aluminum products	Maybe				
India	Pharmaceuticals and Generic medicines	Related				
	Hospitals and healthcare	Maybe				
	Mining and beneficiation of minerals	Maybe				
	Agriculture and Agro-processing					
	Heavy commercial vehicles and construction equipment	Related				

	Energy and power sector equipment					
	Auto and auto components					
	Capital goods					
	Locomotives					

Manufacturing Sectors		Cross-matching exercise – Russia							
		Energy	Transport	Communications	Electronics	Machinery	Infrastructure	High Technology	
Brasil	Manufacturing	Agribusiness							
		Bus industry		Related					
		Steel mills, siderurgy					Related		
		Electrical engineering	Match			Related			
		Chemicals							
		Information technology							
		Mining and minerals		Related			Related		
		Automotive and autoparts; and		Match					
		Electro-electronicsIndustrial Equipment	Match						
Equipment for the Generation, Transmission and Distribution of electricity	Match								
China	Materials production								
	Aircraft manufacturing (including aircraft parts and components)		Related					Maybe	
	Environmentally friendly manufacturing								

	Electrical appliances				Match	Related		Maybe
	Home life integrated solutions			Maybe	Maybe			
India	Pharmaceuticals and Generic medicines							
	Hospitals and healthcare							
	Mining and beneficiation of minerals							
	Agriculture and Agro-processing							
	Heavy commercial vehicles and construction equipment							
	Energy and power sector equipment	Match						
	Auto and auto components		Related			Related		
	Capital goods							
	Locomotives		Match					
Africa do Sul	Value added manufacturing					Related	Related	
	Minerals beneficiation							
	Adding value to minerals							
	Agro-processing							
	Pharmaceuticals							
	High technology		Maybe		Match	Related		Match
	Telecommunication/ICT			Match				
	SMME's							
	Electricity metering	Match						Related
	Railway infrastructure technology		Match				Related	
	Clothing manufacturing							
	Mining supply services							
	Valves and actuators							
Flat and patterned glass								
Aluminum products								

Manufacturing Sectors		Cross-matching exercise - South Africa														
		Value added manufacturing	Minerals beneficiation	Adding value to minerals	Agro-processing	Pharmaceuticals	High technology	Telecommunication/ICT	SMME's	Electricity metering	Railway infrastructure technology	Clothing manufacturing	Mining supply services	Valves and actuators	Flat and patterned glass	Aluminum products
Brasil	Agribusiness	Related			Match						Related					
	Bus industry															
	Steel mills, siderurgy	Related	Match	Match											Related	
	Electrical engineering	Related							Related							
	Chemicals		Match	Match		Match					Related					
	Information technology															
	Mining and minerals	Related	Match	Match							Match	Match				
	Automotive and autoparts; and															

	Electro-electronics Industrial Equipment	Related					Related			Related						Related
	Equipment for the Generation, Transmission and Distribution of electricity															
India	Pharmaceuticals and Generic medicines					Match	Maybe									
	Hospitals and healthcare					Related	Maybe									
	Mining and beneficiation of minerals		Match	Match									Match			
	Agriculture and Agro-processing				Match											
	Heavy commercial vehicles and construction equipment															
	Energy and power sector equipment						Maybe			Match	Related					
	Auto and auto components															Maybe
	Capital goods															

	Locomotives						Maybe								Maybe
China	Materials production	Related										Related			
	Aircraft manufacturing (including aircraft parts and components)														Maybe
	Environmentally friendly manufacturing	Maybe													
	Electrical appliances									Related					
	Home life integrated solutions											Match			
Russia	Energy									Match					
	Transport						Maybe				Match				
	Communications							Match							
	Electronics						Match								
	Machinery	Related					Related								
	Infrastructure	Related									Related				
	High Technology						Match			Related					

## **Annex 2**

### **Recommendations concerning the New Development Bank**

The role of the NDB has been discussed by different working groups and the BBC. Since manufacturing has a key role in the advancement of infrastructure projects and sustainable development - due to procurement, development of value chain, and supply industries - we would also make our recommendations related to the role of the bank specifically in manufacturing.

The promotion of the manufacturing sector should be viewed as a key component of the NDB. These recommendations would be addressed in two ways: the first would be about how the NDB's resources could foster the value chains located in the BRICS's countries. The second would be about expanding the purview of the NDB with the objective of reducing costs for commercial transactions among BRICS members.

In order to allow the NDB's resources to foster the value chains located in the BRICS's countries in a balanced way, as agreed on the item IV of the 21<sup>o</sup> article of the Agreement on the NDB, the Board of Directors should implement a model of annual report that show how much resources have been allocated in each country and from where were provided the goods utilized in each project, making available at the earlier date the chosen methodology. This simple action would create an important tool for ensure that the demand created by NDB's projects is not being diverted to suppliers outside of the BRICS countries.

Another point that this Working Group (WG) thinks is of extreme importance to ensure a transparent and efficient competition among the suppliers of goods for NDB's projects is the divulgation of a clear definition of which configure a "sustainable development project". The Manufacturing WG believes that the construction of guidelines around this concept is important to ensure the minimum of arbitrariness in the process of selection of eligible suppliers.

This WG also believes that is necessary that the number of situations that allow the Board of Directors to permit procurement of goods in a non-member country, as specified in the item VI of the 21<sup>o</sup> article on the Agreement on the NDB, should be detailed in an NDB official document as much as it is reasonable. Once more, our request has the objective to ensure a transparent and efficient competition ambient.

In order to achieve the full potential of the above recommendations, the NDB should adopt a system of certification of origin more strict than the self-declaratory list currently in use.

The manufacturing WG wishes to see the NDB to expand its area of operation in order to start to acting as a first class financial guarantor. Nowadays the necessity to obtain such guarantees from American and European Banks create an extra layer of transaction costs that hampers the development of commerce among BRICS members.

## **Annex VIII**

### **Skills Development Working Group Report**

Following the creation of the BBC on the occasion of the Fifth BRICS Summit held in Durban in March 2013, five sectoral working groups were established to address sector or industry-specific issues relating to the objectives of the BBC to “strengthen economic, trade, business and investment ties amongst the business communities of the five BRICS countries.” The five working groups were: infrastructure, manufacturing, financial services, energy and the green economy, and skills development. In Brasilia Midterm Meeting, in February 2015, the Agribusiness Working Group was created.

As the Brazilian Chapter assumed the presidency of the BBC in July 2014, the leadership of the Skills Development Working Group was passed on to Brazil’s National Service for Industrial Training.

As the Group’s dialogue on work priorities evolved in 2014, interests converged on two lines. Firstly, the development of a joint vision on skills development to facilitate cooperation among the BRICS countries on this domain. In line with this objective, the Working Group is also promoting a permanent exchange of knowledge on foresight and forecast methodologies intended to enable BRICS countries to anticipate future trends in technologies and to prepare their workforce accordingly.

Following up on the objective to work out a common BRICS vision, the Skills Development Working Group will hold a conference during the 43<sup>rd</sup> WorldSkills in São Paulo in August 2015 with the title “BRICS: Creating a Joint Vision on Skills Development”. The objectives of the conference will be: (i) to facilitate a better understanding of the current thinking and trends on the role of skills development in BRICS countries; (ii) to propose a reference framework to guide policy making for skills development; and (iii) to identify entry points for discussion with the New Development Bank for the establishment of an agenda for the promotion of skills development.

The second priority agreed upon was the establishment of a skills development fund under the NDB with a view to promoting investment in BRICS countries to improve the quality and access to technical, vocational education and training (TVET). This funding mechanism would provide a technical cooperation platform for sharing of knowledge and lessons learned on improving systems and responses to evolving demands on TVET in BRICS and emerging/developing economies.

A concept note describing the Fund's objectives, size, governance and oversight structure, among other aspects, was prepared with the help of a senior consultant with a long multidisciplinary experience working across sectors and practices, with a significant experience in skills development and South-South cooperation. The concept note was thoroughly discussed and approved by the members of the Skills Development Working Group during its monthly teleconferences in 2015. A copy of the document is appended to this report.

## **Concept Note Skills Development Fund**

### **I. Background**

Since the first BRICS summit held in Russia in 2009, significant progress was achieved by the five countries on practical steps to showcase their political commitment to reshape the global development landscape dominated by the traditional international financial institutions (IFIs), in particular the Bretton Woods Institutions (World Bank and the International Monetary Fund). Despite criticisms about the meager chances of five divergent nations to create a development finance institution, common political and economic drivers that unite these five nations could be enough to allow for the accomplishment of their established commitments. Heads of state of the BRICS countries have confirmed their interest in gaining decision-making power on global issues based on their weight and contributions to the world economy during recent years, promoting a more horizontal world order, traditionally dominated by Europe and the United States. They committed to build channels for South-South cooperation through the exchange of knowledge, ideas, and new approaches for social and economic development, boost trade and increase investments in infrastructure in their countries and in other emerging economies and growth poles in the global south.

The agreements to establish a new multilateral development bank, the BRICS Bank (now called the New Development Bank-NDB) and a Contingency Reserve Agreement emerged from the Sixth BRICS Heads of State Summit held in Fortaleza, Brazil in 2014. While the details of the governance structure are currently under consideration, the initial funding for the NDB and the contingency fund were announced. The initial capital for the NDB will be US\$50 billion (Each BRICS country will start with the same share of US\$ 10 billion while members are allowed to subscribe additional shares) and US\$100 billion for the Contingency Reserve Agreement. The NDB headquarters will be in Shanghai and the first regional office will be in Johannesburg. The NDB is expected to bring an innovative approach to lending with new operational procedures, moving away from the neoliberal blueprint policy of the World Bank group and the Regional Development Banks, known as the 'Washington Consensus', which frames development as economic growth through deregulation, market-liberalization and privatization<sup>1</sup>.

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<sup>1</sup> SCHABLITZK, Jan. *The BRICS Development Bank. A New Tool for South-South Cooperation?* BRICS Policy Brief. BRICS Policy Center. Rio de Janeiro, Brazil, December 2014.

In 2013 at the Fifth BRICS Heads of State Summit, held in Durban (South Africa), the BBC was established through a joint declaration signed by the heads of state of the BRICS countries. The overall objective of the BBC is to function as a platform to facilitate regular exchanges among private sector actors from the BRICS countries. The Business Council will act as the key mechanism to promote trade, investments and ties among the business communities of the five BRICS countries. According to the joint declaration, “the business council will ensure that there is continuous dialogue between the business communities of the BRICS nations and the governments of the BRICS countries. The Business Council will also identify problems and bottlenecks to ensure greater economic, trade and investment ties amongst the BRICS countries and recommend solutions accordingly”.<sup>2</sup>

During the Business Council meetings, the core objectives of the Council were agreed upon:

1. Identify concrete areas of cooperation. The Council has so far agreed on the following as initial priorities: infrastructure, mining, iron ore processing, energy, pharmaceuticals, agribusiness, services (such as financial, ICT, transport, healthcare and tourism) manufacturing development, small, medium and large enterprise development, sustainable development, skills development, technology transfer and knowledge sharing;
2. Identify priority areas of cooperation with countries from the global growth poles (Africa, Asia and Latin America);
3. Exchange best practices and lessons-learned;
4. Promote public-private partnerships.

The recognition of the role of the private sector has become prominent in the past years among development practitioners and multiple stakeholders. As such, the BBC will play a pivotal role in implementing the development cooperation and investment priorities of the NDB.

The BBC carries out meetings on a regular basis to discuss status of agreed activities in line with the Business Council Terms of Reference and priorities. The official representatives to the BBC are 25 members from private sector companies from each of the BRICS countries. For a complete list of members go to: <http://www.brics-info.org/about-the-brics-business-council/>

Brazil assumed the Chairmanship of the BBC represented by the CEO of Brazilian company Marcopolo in Fortaleza.<sup>3</sup> Russia assumed leadership of the BBC in April 2015 with the Chairmanship of the President of the Russian Chamber of Commerce.

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<sup>2</sup> Annual Report 2013-2014 BRICS Business Council.

<sup>3</sup> [http://www.marcopolo.com.br/marcopolo\\_sa/en](http://www.marcopolo.com.br/marcopolo_sa/en)

The Business Council established six working groups<sup>4</sup>:

1. The infrastructure working group (railroads, highways, ports and airlines).
2. The manufacturing working group, which includes pharmaceuticals, healthcare, and generic drugs, high technology, processing and value added, steel mills and agro-processing.
3. The financial services working group, which includes banking, insurance, investments
4. The energy and green economy working group (renewable energy, solar power, natural gas, oil and hydropower).
5. The skills development working group.
6. The agribusiness development working group.

The Skills Development Working Group (SDWG) is now led by the National Service for Industrial Apprenticeship from Brazil (SENAI). A Russian representative will lead the working group as of June 2015. Among the activities to be undertaken by the BBC relevant to the SDWG are “promoting cooperation on skills development and technology transfer” as well as “support skills development in Africa”. More specifically, each of the BRICS countries identified areas in which skills development should be prioritized and supported by the BBC<sup>5</sup>.

**TABLE 1: Skills Development Priorities of BRICS Countries**

BRAZIL <sup>6</sup>	CHINA <sup>7</sup>	INDIA <sup>8</sup>	RUSSIA <sup>9</sup>	SOUTH
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<sup>4</sup> \*The deregulation working group [to be effective].

<sup>5</sup> BRICS Business Council Annual Report 2013 -2014.

<sup>6</sup> Brazil has also identified the following areas as priorities for skills development: design of new educational technologies, elaboration of education methodologies and curriculum design; creation of institutional management models; training of trainers; technical and pedagogical support (technology aid for skills development); laboratory services; design and operation of technical education and vocational training centers and the creation of a fund for international cooperation to foster joint programs on skills development.

<sup>7</sup> China has also identified the following areas as priorities for skills development: carry out cooperation between Chinese colleges, training schools and their counterparts in BRICS countries for Africa; invest in internet connectivity especially in rural areas to enhance the outreach and effectiveness of e-learning; invest in logistics, transportation and courier businesses; nurture skilled worker to enhance the reach and effectiveness of on-line shopping businesses; establish equivalent levels between different standards in BRICS countries by working with standard setting agencies.

<sup>8</sup> India has identified following areas as priorities - Developing transnational skills standards, Recognition of certificates among BRICS nations, sharing of best practices on mobilization, industry engagement, assessment and training programs of scale and size. BRICS nations can share methodology on private sector led skills development programs and inputs on entrepreneurship linked skill development programs. The partnership also need to address the design of skill programs which can be rolled out in price sensitive market without depending on grant, it includes invocative credit mechanisms and innovative VET business models. India can share its experiences on designing skills eco system and creating private sector led VET models.

<sup>9</sup> Russia has also identify following priorities for skills development: design and implementation of new educational technologies and skills transfer methodologies; development of skills for new and emerging industries with high share of skilled technology-intense labor (including industrial robotics, unmanned automotive vehicles, drones, and vessels, additive technologies and new materials, etc. – for priority markets indicated in the National Technology Initiative).

				<b>AFRICA</b>
Mineral technologies	Infrastructure	Automotive and auto components	Strengthening collaboration among BRICS Universities	Infrastructure
Micro electronics	High end manufacturing and high technology fields	Banking, insurance and financial services	Partnerships and knowledge exchanges on technical vocational education and training	Health care
Logistics	Internet, information and communications	Building and construction industry	Portability and transferability of qualifications among BRICS countries	ICT
Biomass	Transportation and logistics	Chemicals and pharmaceuticals		Mining
Electro-chemistry	Medical care	Education and skills development services		Financial Services
Laser technology	Education and training	Electronic, hardware		Engineering
Embedded systems	Energy and environment protection	Food processing		Artisans
Manufacturing systems	Financial services	Gems and jewelry		Specialized welders
Integrated solutions in metal mechanics	Electronic information	Health care services		Project Management
Polymer engineering	Communication engineering	ITES or software services/products		Mathematics and Science teachers
Construction technologies	Bio-technology	Leather and leather goods		Nursing
Renewable energy	Pharmaceutical industry	Tourism, hospitality and travel trade		General management
ICT	Automobile manufacturing	Construction		Finance
Welding	Logistics management	Agriculture and Food Processing		Exchange of know-how and capacity development for further education and training (FET) colleges in

				order to uplift standards
Production Automation systems	Composite material			
Surface Engineering	Enterprise management			
Metallurgy and Special Alloys	Marketing			
Extra High Electric Power	International finance			
Virtual production systems				
Applied Chemistry				
Ceramic engineering				
Biotechnology				
Micro-manufacturing technology				
Oil and gas				
Health care (and safety)				
Wellbeing at workplace				

Source: BRICS Business Council Report, 2013-2014.

## II. Some key considerations about the BRICS countries

The demographic divide enjoyed by BRICS countries compared to aging populations in more industrialized nations is an asset that will benefit them in the near future. Urban population is rising and the child-dependency ratio is falling, pointing to a rising share of the working age population. The increasing labor force shows the huge demand-and-supply potential in the BRICS economies. They account for more than 40 percent of the global population, nearly 30 percent of the land mass, and a share in world GDP (in PPP terms) that increased from 16 percent in 2000 to nearly 25 percent in 2010, with forecasts for continuous growth in the coming years.

**Table 2. Total Population (million) and Unemployment rates (2013)**

	Total	Urban	Rural	Unemployment Rate (% of total population)
China	1357	731	629	4.1
India	1224	373	851	5.3
Brazil	201	171	29	6.1
Russia	143	106	37	5.5
South Africa	51 (2011)	n/a	n/a	25.1

Prepared by the author. Source: BRICS Joint Statistical Publication. IBGE. BRICS 2014. Fortaleza, Brazil

China, which has a land area of about 9.6 million sq. km, is the third-largest country in size after Russia and Canada. Russia accounts for around 20 percent of the world's oil and gas reserves, while China has about 12 percent of the world's mineral resources. In terms of agricultural land, Russia has about 121.5 million hectares of arable land. Brazil covers 47 percent of South America and is the fifth-largest country in the world (8.5 million square km), surpassed only by Russia, Canada, China, and the United States of America. Brazil is extremely rich in natural resources such as coffee, soybeans, sugar cane, iron ore, and crude oil, with around 60 million hectares of arable land, which is only 7 percent of its land area, but with an agricultural area of 31.2 percent of the total land area. Russia is known for its massive deposits of oil, natural gas, and minerals. India is a strong service provider with a rising manufacturing base, while China is seen as the manufacturing workshop of the world with a highly skilled workforce and relatively low wage costs. South Africa is the 26th largest economy in the world, with a GDP of US\$ 357 billion. It is a medium-sized country with a total land area of slightly more than 1.2 million sq. km and around 12 percent of arable land area. It is the world's largest producer of platinum and chromium and holds the world's largest known reserves of manganese, vanadium, and aluminum-silicates. South Africa generates 45 percent of Africa's electricity and provides the 4<sup>th</sup> cheapest electricity in the world.

In the 2014 Human Development Index, India was ranked 135 and South Africa 118; both are considered to be at a medium human development stage. China is ranked 91, Brazil 79 and Russia 57, all three with a high Human Development Index. Among the five countries, South Africa faces one of the highest youth unemployment rates, around 25 percent. Seventy three percent of the unemployed are under the age of 35. Access to quality education and skills development in South Africa remains limited.

According to a recent Organization for Economic Cooperation and Development (OECD) report<sup>10</sup>, 2012 graduation rates for vocational training programs (in relation to all upper secondary graduates) in Brazil were 10% for men and 14% for women; in China 60% for men and 59% for women. No data was available for South Africa, India or Russia.

The BRICS economies face different challenges for achieving a sustainable economic growth path. The need to improve social and economic inclusion is common to the five countries. As their middle classes grow, the demand for quality basic services such as health and education increases. Governments are faced with the need to increase social spending, advance policy reforms in health care, pension and education systems, as well as provide support to rural and marginalized areas. Some recent changes in their productive sectors showed great potential for the BRICS. Increased technology-intensive investments and a higher supply of human resources

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<sup>10</sup> OECD. *Education at a Glance. OECD Indicators 2014*. <http://www.oecd.org/edu/Education-at-a-Glance-2014.pdf>

propelled growth in the services sector, which, in turn, led to higher productivity in the BRICS economies.<sup>11</sup>

“Sharing experiences among the BRICS would be of great benefit. BRICS economies boast some of the largest private sector conglomerates in the emerging market economies. Many of these have been active players in the international market through collaboration and acquisitions abroad. There is scope to learn from the experience of these countries to take the private sector forward in other BRICS and emerging economies. There is also scope for drawing valuable lessons from the experience of encouraging private entrepreneurship in some countries, which have excelled in the high-technology sector. Pooling of expertise and collaboration in such areas could contribute to an improvement in skills and technologies, leading to higher growth of the BRICS economies. BRICS economies have some of the best engineering, architectural, medical, scientific, and management institutes that cater to the specific requirements of emerging market economies. Their expertise lies in the fact that the faculty and students develop niche understanding of emerging economy requirements and business conditions”<sup>12</sup>.

Equally, cooperation among BRICS institutions through knowledge and skills transfer could help improve the quality of technical education, the cornerstone for industrial and technological development. Setting up campuses in other BRICS countries will bring benefit and economies of scale. Promoting shared curriculums; faculty and student exchanges will create opportunities for enhancing human capital.

### **III. Skills development as a catalyst for economic growth**

Developing human capacity and providing the necessary skills, allowing working age population to access the job market should be a policy priority for BRICS countries.

In 2013, Ministries of Education of the BRICS countries met at UNESCO’s headquarters in Paris, to discuss for the first time, opportunities for joint cooperation in the education sector.<sup>13</sup> In addition to agreeing to strengthen their mutual collaboration to promote better quality and access to education in their countries, they agreed that strengthening professional education and vocational training is an utmost priority to ensure inclusive and sustainable development.

Sustained economic growth requires the implementation of solid, long-term training, and skills development strategies. Skills requirements are evolving at a fast pace, because of increasing technology innovation and sophistication of labor markets. Training institutions need to be adequately equipped to respond to changing demands and to offer on a regular basis, access to the right skills. According to the International

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<sup>11</sup> BRICS REPORT.

<sup>12</sup> Ibid.

<sup>13</sup> UNESCO. *BRICS, Construir uma Educação para o Futuro. Prioridades para o Desenvolvimento Nacional e Cooperação Internacional*, 2014.

Labor Organization<sup>14</sup>, “the cornerstones of a policy framework for developing a suitably skilled workforce are as follows: “broad availability of good-quality education as a foundation for future training; a close matching of skills supply to the needs of enterprises and labor markets; enabling workers and enterprises to adjust to changes in technology and markets; and anticipating and preparing for the skills needs of the future”.

Evidence suggests that a combination of good education and high quality training relevant to the labor market: (a) Empowers people to develop their full capacities and to seize employment and social opportunities; (b) Raises productivity, both of workers and of enterprises; (c) Contributes to boosting future innovation and development; (d) Encourages both domestic and foreign investment, and thus job growth, lowering unemployment and underemployment; (e) Leads to higher wages; (f) Expands labor market opportunities and reduces social inequalities.

During the past decade, dramatic changes in the world economy were spread headed by the fast changes in technology and the knowledge economy. Positive impacts include the creation of 900 million non-farm jobs in developing countries<sup>15</sup>. At the same time, emerging imbalances are resulting in skill shortages in largest world economies, while other developing countries are facing increasing unemployment rates among the youth. Employers face growing shortages of high-skill workers required to raise productivity and sustain GDP growth.<sup>16</sup>

In China for example, the shortage of high-skilled workers could deter high economic growth rates. There is an increasing mismatch between skills that employers demand and those that could be offered by workers.

**Box 1: Workers’ qualifications in China and India: development challenges**

**China** rates just 4 per cent of its workforce as highly qualified. Only 36 per cent of workers have a lower secondary-school qualification. The remaining 60 per cent have little or no skills and regarded as “elementary workers”; these include some 200 million migrants from rural to urban areas. Four out of five German enterprises in China consider the lack of qualified workers the biggest obstacle to growth and competitiveness. However, estimates show that one-third of all secondary vocational education graduates are unable to find appropriate jobs, and about a third of university graduates fail to find work during their first year after graduation.

Key elements of the “Opinion on Further Strengthening Efforts on Highly Skilled Workers Cultivation”, issued by the Government in 2006, include: encouraging a broader variety of providers to supply training while also improving curricula and assessment; incentives to employers to hire more highly skilled workers; special remuneration schemes targeting higher-skilled workers; increased training for migrant workers and for business start-ups; and increased investment in training centers’ facilities and in the teaching profession. In

<sup>14</sup>INTERNATIONAL LABOR ORGANIZATION. *Skills, Knowledge and Employability*. <http://ilo.org/global/topics/skills-knowledge-and-employability/lang--en/index.htm>

<sup>15</sup> MCKINSEY GLOBAL INSTITUTE. *The World at Work: Jobs, Pay and Skills for 3.5 Billion People*, June 2012. [http://www.mckinsey.com/insights/employment\\_and\\_growth/the\\_world\\_at\\_work](http://www.mckinsey.com/insights/employment_and_growth/the_world_at_work)

<sup>16</sup> Ibid.

**India**, employment growth is almost exclusively concentrated in the informal economy, where more than 90 per cent of India's workers are employed at low levels of productivity and income. Half of the country's population over the age of 25 has had no education and an additional third have at best primary schooling. Four out of five new entrants to the workforce have never had any opportunity for skills training. While enrolment in technical education institutions has increased (from 2.1 million in 2000 to some 3.8 million in 2005), there is a very high dropout rate in these institutions. There is a huge shortage of teaching faculty in engineering colleges. At the same time, significant skills shortages are reported throughout the formal economy. In the information technology sector alone, the current deficit in engineers is estimated to be around half a million. In order to address these challenges, India adopted an ambitious National Skills Development Policy in 2009. Its main aim, in the words of the Union Minister for Labor and Employment, is to empower all individuals through improved skills, knowledge and internationally recognized qualifications to give them access to decent employment and to promote inclusive national growth. It is envisaged, among other things, to increase vocational training capacity to 15 million students over the 11th Five Year Plan period (2007-12).

Source: THE BRICS REPORT

Latin America is the region with the highest talent shortages as reported by industries. Countries in this region on top of the list of skills shortages are Peru (67%), Brazil (63%), Argentina (63%), Panama (58%) and Colombia (57%). In India talent shortages amount to 61%, in China 36% and South Africa 6%. The global average is 35%<sup>17</sup>.

In order to build pipelines of workers with the right skills for the 21st-century global economy, collaboration with industry would need to become more systematic as for example in crafting curricula that are more relevant to industry's needs, in building more schools and in training teachers. Retaining mid-career workers will require vocational training to be strengthened as well as the possible links with secondary education. These actions could facilitate the transition for those students that will not be moving on to university.<sup>18</sup>

BRICS countries are making an effort to build links between industries, vocational training and labor markets. Public-private partnerships between vocational training centers and industries are essential in order to allow teachers to update their skills and make education more relevant to labor market needs. For example, public policies in China and Brazil facilitate internship programs in firms for vocational and technical trainees. These policies aim to allow students to gain practical experience in addition to classroom training, allowing them to be better prepared to access the job market after graduation.

The Brazilian "S System" is comprised of a network of institutions for vocational and technical training. The system is financed from contributions paid by industries

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<sup>17</sup> MANPOWER GROUP. 2013 *Talent Shortage Survey. Research Results*.  
[http://www.manpowergroup.com/wps/wcm/connect/587d2b45-c47a-4647-a7c1-e7a74f68fb85/2013\\_Talent\\_Shortage\\_Survey\\_Results\\_US\\_high+res.pdf?MOD=AJPERES](http://www.manpowergroup.com/wps/wcm/connect/587d2b45-c47a-4647-a7c1-e7a74f68fb85/2013_Talent_Shortage_Survey_Results_US_high+res.pdf?MOD=AJPERES)

<sup>18</sup> MCKINSEY GLOBAL INSTITUT. Op.cit.

and has centers throughout the country. It counts with eleven training institutions geared to service key sectors for the strengthening of the country's economy. The "S System" could be a good example for the other BRICS countries.

**Table 3: Brazilian "S System"**

<b>National Service for Industrial Apprenticeship (SENAI)</b>	Industrial apprenticeship, technical and technological assistance to industries
<b>Social Service for Industries (SESI)</b>	Promotes the improvement of the quality of life of workers and their families through actions in health, education and leisure.
<b>Euvaldo Lodi Institute (IEL)</b>	Provides entrepreneurial and leadership training as well as technological innovation for industrial development.
<b>National Service for Commercial Apprenticeship (SENAC)</b>	Technical training in the commerce and services sectors.
<b>National Social Service for Commerce (SESC)</b>	Promotes better quality of life for workers from the commercial sector
<b>National Service for Rural Apprenticeship (SENAR)</b>	Professional and vocational training for rural workers
<b>National Service for Apprenticeship in Transport (SENAT)</b>	Technical training for workers from the transport sector
<b>National Service for Apprenticeship in Cooperatives (SESCOOP)</b>	Professional training for administrative and technical sectors from cooperatives
<b>Brazilian Service for Small and Medium Size Enterprises (SEBRAE)</b>	Provides technical training for SME's.

#### **IV. The Skills Development Fund**

##### **a. Objectives**

During recent meetings of the Skills Development Working Group of the BBC, there was consensus on the need to establish a funding mechanism under the NDB, to promote investments in BRICS countries for improving the quality and access to technical, vocational education and training (TVET) and to strengthen projects implemented with support from the NDB. This funding mechanism will provide a technical cooperation platform for sharing of knowledge and lessons learned on improving systems and responses to evolving demands on TVET in BRICS and emerging/developing economies. A Skills Development Fund (the Fund) will therefore be set up by the NDB following the proposal from the Skills Development Working Group. The Fund is to be established as a pilot initiative to promote collaboration among technical and vocational training institutions from BRICS countries. The Fund is expected to become operational in 2015, aligned with the setup of the NDB. The fund will be initially set up for five years to allow for the implementation of joint pilot initiatives among the technical, vocational training and learning institutions from BRICS countries.

Drawing from the experience of institutions from the BRICS countries, the key objectives of the Skills Development Fund will be to:

1. Support the sharing of lessons learned on the design and implementation of robust skills development and training policies and systems. (Exchange of best practices, competitions among BRICs countries and promotion of events including the creation of World Skills BRICS competition.
2. Enhance programs/technical tools for anticipating skills needs through targeted consultations with enterprises and workers in existing and emerging industries.
3. Develop and promote new financing mechanisms in education and skills development.
4. Strengthen monitoring tools and evaluation systems to assess the economic and social outcomes of skills development and training.
5. Provide seed funding for the set-up of skills development programs and training centers, either independently or as joint initiatives.
6. Support initiatives that will increase access to skills development and training in marginalized areas of BRICS countries.
7. Carry out learning events on innovation in learning and skills transfer and coordinate the development of a shared vision for the future of new learning and skills development methods.
8. Support the exchange of students and instructors among BRICS countries, TVET institutions, as well as from other emerging and developing countries, clients of the NDB.
9. Promote skills development and training in areas relevant to the other working groups of the BBC.
10. Support the development of blended learning programs and enhance the use of technology for e learning.
11. Support the enhancement of labor market information systems as well as develop the capacity to foresight future labor markets and skills needs (jobs of the future).
12. Promote social dialogue aimed at shaping national skills development strategies.
13. Set up peer-review mechanisms for the establishment and implementation of standardized curriculums.
14. Promote stronger links with industries through job internships for vocational training students from BRICS countries.

15. Implement initiatives to promote gender equality in vocational training and access to jobs.
16. Creation of a BRICS Skills Development Institute, as a platform for coordination on joint skills development programs.
17. Support research and data collection on skills gaps in BRICS countries and propose remedial actions.
18. Act as a catalyst to engage with other emerging economies in regions considered as “global growth poles” like Africa and Latin America.

The prioritization of Fund's activities, based on the assessment of immediate and anticipated needs for skills in BRICS countries, will be developed during the next meeting of SDWG in Moscow on 5-7 July 2015.

The fund should provide financial support through the provision of grants and loans where relevant, for a mix of stand-alone technical assistance initiatives, policy implementation support activities and investments in professional education infrastructure. The Fund should have six main components: (1) policy implementation to improve the quality and access of TVET; (2) training and exchange of teachers and students; (3) sharing of knowledge and best practices; (4) set up of TVET centers; (5) implementation support, communications; (6) monitoring and evaluation; (7) capacity building of institutions/stakeholders.

***b. Duration***

The Fund should be established on a pilot basis for a period of five years by a dedicated team to support the set-up, resources mobilization and management of the fund. The administrative and financial management procedures for the Fund should follow the NDB established procedures.

***c. Size of the Fund***

The size of the fund for its initial “pilot stage” of five years will be determined based on consultations to be accrued out by members of the SDWG in their respective countries.

At the early stage, the Fund will attract direct contributions from government & private sector institutions; when NDB is fully established, it will provide the financial resources for the Fund. Private sector foundations, individuals and other bilateral partners both from outside the BRICS will also be able to contribute, with previous approval from the Steering Committee. The fund will prioritize proposals that are streamlined with skills development, vocational and technical training, along with demands for tertiary education and professional development where necessary and

identified in collaboration with the other working groups, rather than stand-alone activities.

**d. *Implementation***

The Fund's Steering Committee will determine the total number of grants to be allocated per fiscal year to institutions from the BRICS. Grants to other countries (clients of the NDB) could also be considered by the Steering Committee. Grants will be monitored by the Fund's management team in line with fiduciary and procurement regulations established in consultation with the NDB. A grant request form, monitoring and evaluation as well as both programmatic and financial reporting will be developed upon official establishment of the Fund.

**e. *Governance and Oversight Structure***

The Fund will be governed by the principles of mutual accountability, transparency, full disclosure of financial and programmatic reports and commitment to support vocational training, skills development and technical training. The Fund's management team will carry out regular consultations and reporting to donors. The proposed governance structure is as follows:

**f. *The Trustee***

Upon the full operation of the Fund, the NDB will be the trustee of the Fund and responsible for the set-up and maintenance of proper records and accounts on donor contributions. Financial resources will be allocated through grants. Operational procedures (procurement, financial management) selection criteria, monitoring and evaluation guidelines for each grant will be drafted. The Fund management team will be responsible for the shortlisting (pre-selection) and the processing of grants upon approval by the steering committee. Only after approval by the steering committee of grants request, will the trustee be able to process disbursements of the financial resources.

**g. *The Steering Committee***

The Fund will be governed by a Steering Committee consisting of representatives from the BRICS governments, industries and learning institutions. The Steering Committee will be co-shared by a high-level representative from the BBC and from a major donor. The Steering Committee will make decisions by consensus. In the absence of common agreement, decisions will be made in line with rules and regulations of the Steering Committee (to be drafted).

The Steering Committee will be responsible for (1) clearance of pre-selected grant submissions; (2) provide strategic guidance and direction to the Fund's management team; (3) review and clear financial and programmatic reports to donors. The Steering Committee will meet on a yearly basis to discuss progress made by the Fund, guide on strategic resources mobilization and other issues that might seem

relevant. Location for the meetings will be decided on a yearly basis. Meetings could also be held by video conference.

#### ***h. The Management Team***

A management team should be comprised of representatives from the BRICS countries. The team will be set-up to coordinate all activities related to the Fund. Such activities will include: (a) communicating priorities for skills development and training in BRICS countries to potential applicants; (b) providing guidance to the grant applicants; (c) maintaining institutional relations with grantees; (d) developing a monitoring and evaluation framework including deliverables and desired outcomes; (e) drafting regular financial and programmatic reports to be submitted to the steering committee; (f) responding to requests from donors; (g) developing a dissemination and communications strategy and ensuring its implementation; (h) extracting lessons learned from the implementation of the grants and; (i) disseminating best practices.

The management team will also coordinate the Steering Committee's annual meeting, prepare background documentation and handle logistics in preparation for the meetings.

#### ***i. Resource Mobilization Strategy***

Members of the SDWG will carry out a mapping of potential donors to the Fund in their respective countries. They will introduce the concept of the Fund, and share with them the rationale and strategic importance of its establishment as a mechanism to promote skills development among BRICS countries. Based on initial consultations in each of the BRICS countries, a coherent and coordinated resource mobilization strategy will be developed during the next meeting of the SDWG in Moscow (Russia) on July 5-7, 2015.

#### ***j. Monitoring and Evaluation***

Monitoring and evaluation (M&E) activities related to the Fund will be carried out by the management team. A M&E framework will be developed and approved by the Steering Committee. M&E related to the grants will be the responsibility of the grantee. These activities could be implemented by regular staff of the grantees (with technical assistance) or by contracting out these functions with specialized agencies/institutes when appropriate. Each grant will have its own set of objectives, targets, benchmarks, and key performance indicators (according to its particular situation and capabilities) to monitor progress and to report results in accordance with the established policies for the Fund. Monitoring the progress of the Fund and the achievement of objectives will entail a process for reviewing continuously and systematically the various project implementation activities. The purpose of M&E is to: (i) measure input, output and outcome indicators; (ii) provide information on progress towards achieving results and facilitating reporting to the Fund's management team; (iii) alert the Fund's management team to actual or potential problems in implementation so that adjustments can be made; (iv) determine whether the relevant

stakeholders are responding as expected and intended by the grant; and (v) provide a process whereby the grantee could reflect and improve on their performance. The results of relevant M&E activities will be reflected in the mid-term and final evaluation reports.

**k. Information and Communications Strategy**

An information and communications strategy will be developed upon approval of the Fund. The strategy will be instrumental for creating awareness among the other working groups of the crosscutting nature of skills development and of the importance of the Fund as a mechanism to support skills development across sectors. The strategy will also support continuous communication and dissemination of information and updates to be shared with a wider audience.

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## **Annex IX**

### **Recommendations for the New Development Bank**

The BRICS countries represent some of the fastest growing economic nations in the world, and have taken important positions both in import and export markets in the past decade. The economic weight, along with the high reserve accumulation of the five nations have empowered them to finance development internationally, and to ensure the inclusiveness of economic policies. Therefore, the establishment of the New Development Bank is an important move towards providing development focused on the developing world.

This paper presents recommendations for structuring the NDB, from the point of view of the Infrastructure, Financial Services, and Energy and Green Economy Working Groups. Baring in mind that additional development funds are required in the infrastructure and energy sectors, the three Working Groups considered important to give suggestions as future NDB clients.

It is expected that the NDB will be able to play a major role in alleviating poverty, and, simultaneously, in improving infrastructure development globally, by implementing the following recommendations:

- Add to the NDB investment policy (prior to its ratification) a simplified procedure for project selection, including the possibility of providing financial means on the basis of project and/or corporate-wide principles, in order to reduce the timeframe of projects finalization and approval process;
- Identify opportunities for generating economic growth, and foster, fund and insure governments to develop physical infrastructure for:
  - The introduction of new productive spaces;
  - The integration of economic spaces;
  - The irrigation of economically congested areas;
- Finance early stage feasibility and engineering studies for the development of infrastructure projects that create regional development, giving special attention to the existing regional physical integration projects investigated by the Infrastructure Working Group, such as:
  - Programme for Infrastructure Development in Africa (PIDA);
  - Priority Project Agenda (API) in Latin America;
  - Belt and Road Initiative in Eurasia;
  - Trans-Eurasian Belt “Razvitie” in Eurasia;
- Carry out pilot projects in key pre-identified sectors such as energy, higher education, space technology, and others, etc. in advance of institutionalization of the NDB, which would involve all five countries and

serve as an opportunity for cooperative learning and knowledge build up on issues around investment processes and project execution;

- Provide finance for the long run all investments tied to any activity that contributes ethically, environmentally and socially to a better income distribution;
- Develop mechanisms to provide Equity Financing for Infrastructure projects;
- Extend financing and lending activities to least developed economies, in order to leverage the role of the bank as well as insure equitable distribution of savings and investments globally;
- Have the role as or include a Guarantee Fund for sovereign risk to allow for greater use of Project Finance structures and access to wider range sources of funding (i.e. pension funds, commercial banks, etc.) for infrastructure development in the targeted regions of interest to the BRICS;
- Permit the use of convertible assets, such as gold and silver, to provide guarantees for paid in capital in the case of countries that are not able to commit monetary assets due to currency appreciation;
- Consider adopting the WB-IMF Debt Sustainability Framework (DSF) as the risk classification rating of the NDB for issuing guarantees. This framework empowers the NDB to:
  - Meet the specificities of the BRICS countries (i.e. the difficulties in presenting counter-guarantees);
  - Provide sound guarantees that meet the goals of the NDB and are also attractive to creditors and shareholders;
  - Monitor the economic situation of developing countries, especially the low-income ones (LIC);
  - Classifies countries according to the Country Institutional and Political Assessment (CPIA), which establishes public-debt thresholds that a country should not surpass in order to be considered debt sustainable;
  - Ensure the reliability of the rating to the shareholders of the Bank (countries) and to future external creditors of the Bank;
  - Use a rating model specifically designed to developing countries;
  - Cooperate with the Bretton Woods institutions, by using its criteria of risk analysis.
- On projects of greater complexity or size, demand that financed parties (project sponsors) hire pre-qualified engineering consultants to assess construction budget, construction contract model, social and environmental vulnerabilities, as well as manage contract execution and intermediate commercial interactions between the sponsor and contracted party(ies) during construction;

- On projects of greater complexity or size, consider the adoption of Dispute Resolution Boards (DRBs) as an alternative to arbitration;
- Detail guidelines and mechanisms to promote balance, transparency and certainty on the origins of materials and services procured by projects financed by the NDB;
- Consider detailing concepts such as “sustainable development project” as to allow project sponsors and suppliers prepare for future eligibility requirements;
- Consider functioning as a first-class assurance bank for trade among its members;
- Consider financing green energy and encouraging new methods of financing like green bonds and credit enhancement;
- Consider support with funding projects that can result in poverty alleviation; and
- Consider funding projects in areas such as distributed solar and wind and off grid solutions, and energy and water efficiency.

Adopted 8<sup>th</sup> July 2015, Ufa.

## **Annex X**

### **BICS Business Council Declaration on Investment Principles**

The BRICS Business Council members,

Considering the Declaration on the establishment of the BRICS Business Council that stated its mission of identifying problems and bottlenecks to ensure greater economic, trade and investment ties among the BRICS countries and recommending solutions accordingly,

Welcoming the commitment of the leaders of the BRICS countries to raise the economic cooperation to a qualitatively new level with a view to intensifying trade and investment flows among BRICS countries as well as between BRICS and other partners around the world, according to the Fortaleza Declaration and Action Plan adopted in the Sixth Summit 2014,

Applauding the adoption of the BRICS Trade and Investment Plan during the Sixth Summit 2014 which stated as principles - transparency and awareness; simplification and efficiency; consistency and predictability; communication and consultation; and cooperation and harmonization -, and provided a menu of suggested actions for the BRICS members with the aim of further advancing the work in the area of trade and investment facilitation, taking fully into account the economic diversities among BRICS members,

Acclaiming the adoption of the BRICS Perspective on International Investment Agreements adopted in the Sixth Summit 2014 which recognized that foreign direct investment can make a positive contribution to sustainable development when integrated into national development strategies, including, among others, technology transfer, skills development, enhanced research at the national level, and the establishment of stronger supply chains between domestic and foreign firms,

Recalling that the leaders of the BRICS members recognized the mandate of the United Nations Conference on Trade and Development as the focal point in the United Nations system dedicated to consider the interrelated issues of trade, investment, finance and technology from a development perspective, and recognizing the relevance of the Investment Policy Framework for Sustainable Development to facilitate the development of a new generation of investment policies and to make investment work for sustainable development and inclusive growth,

Emphasizing the importance of promoting domestic environments that are conducive to attracting foreign investment including stable growth, adequate infrastructure, adequately developed human resources, and protection of intellectual property rights,

Aware that the BRICS countries are both sources and recipients of foreign investments, and that the investment flows among them have potential to be improved considering their sectoral compatibilities and the adoption of facilitation and cooperation

initiatives by the governments,

Claim for the leaders of the BRICS countries to prioritize the initiatives related to investments facilitation and cooperation in the BRICS agenda,

Adopt the following Declaration on Investment Principles aimed at contributing to the implementation of the BRICS Trade and Investment Plan, especially in the area of investment:

## **1. Transparency and awareness**

1.1. Investment policies should be developed involving all stakeholders, and embedded in an institutional framework that ensures transparent procedures for investors;

1.2. All laws and regulations pertaining to investment in the BRICS countries should be publicly available in a prompt, transparent and readily accessible manner;

1.3. Justified health, safety, labour, and environmental regulations in domestic laws and their updating should be informed in a timely and transparent manner.

## **2. Facilitation**

2.1. Investment policies and domestic frameworks should ensure efficient procedures for investors;

2.2. The BRICS economies should strive towards easier transfer of funds related to foreign investment, such as capital contributions, profits, dividends, royalties, loan payments and liquidations, in freely usable currency;

2.3. Business travel facilitation should be a priority for the agenda of the BRICS economies. Facilitation of business visas issuance and airport entry procedures is of crucial importance;

2.4. Acceptance of foreign investment is facilitated when foreign investors abide by the host economy's laws, regulations, administrative guidelines and policies, just as domestic investors should, and when investors take into account best international practices of corporate social responsibility and good corporate governance.

## **3. Consistency and predictability**

3.1. All policies that impact on investment should be coherent at both national and international level;

3.2. The BRICS Business Council members affirm:

(a) The importance of ensuring consistent interpretation of laws, regulations,

administrative procedures and policies governing foreign investment, as well as prompt, transparent licensing and approval processes, coordinated across all levels of government;

(b) The relevance of extending to investors, from any economy, treatment in relation to the establishment, expansion and operation of their investments that is no less favourable than that accorded to investors from any other economy in like circumstances, without prejudice to relevant international obligations and principles;

(c) With exceptions as clearly provided for in domestic laws, regulations and policies, the need of according to foreign investors in relation to the establishment, expansion, operation of their investments, treatment no less favourable than that accorded in like circumstances to domestic investors in accordance with each party's international obligations;

(d) The use of investment incentives, which distort fair competition within or between BRICS countries or which are inconsistent with these principles, should be avoided, with limited and justified exceptions;

(e) The BRICS countries should endeavour to avoid double taxation related to foreign investment.

3.3. The BRICS countries should reaffirm their commitment of not expropriating foreign investments or taking measures that have a similar effect, except for a public purpose and on a non-discriminatory basis, in accordance with the laws of each economy and principles of international law and against compensation at fair market value.

3.4. Laws and regulations for the protection of intellectual property rights and mechanisms for their enforcement should meet the need of prospective investors and encourage innovation and investment by domestic and foreign firms, while providing for safeguards against the abuse by intellectual property rights holders and allowing for the pursuit of the public good.

#### **4. Communication and consultation**

4.1. The focal point (ombudsman) for the purpose of supporting the investors from the BRICS countries could be established in a comprehensive perspective. Each BRICS country should indicate the national body which will be in charge of: interacting with the other BRICS countries' ombudsmen; providing information related to investment; receiving suggestions and complaints from BRICS governments and investors and monitoring their developments; and acting in preventing and facilitating the settlement of investment related disputes.

4.2. The BRICS countries should formally recognize the advisory role of the BRICS Business Council in facilitation and cooperation on investments issues.

## **5. Cooperation**

5.1. The BRICS countries should cooperate in order to minimize regulatory and institutional barriers to the flow of investment among them.

5.2. The BRICS countries and the private sector should cooperate for the settlement of disputes arising in connection with a foreign investment through alternative mechanisms or, failing this, through procedures for settlement of disputes in accordance with international commitments or through other acceptable procedures.

5.3. The BRICS countries should endeavour their best efforts in order to identify specific issues to promote initiatives and specific measures of cooperation and facilitation in the area of investments between their economies.

5.4. The BRICS countries should engage in dialogues on their domestic investment policy and international investment rules.