



MINISTRY OF FINANCE  
REPUBLIC OF SOUTH AFRICA

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## **MEDIA STATEMENT ESTABLISHMENT OF BRICS DEVELOPMENT BANK AND CRA AT SIXTH BRICS SUMMIT**

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The establishment of the BRICS Development Bank and the Contingent Reserve Arrangement at the Sixth BRICS Summit held in Fortaleza Brazil this week is a significant milestone for developing countries.

The BRICS leaders agreed to establish a BRICS-led Development Bank, which will be known as the New Development Bank, headquartered in Shanghai China.

That South Africa will host the first regional centre of the bank is a significant development, not just for our country but for the continent as a whole. The regional centre will open concurrently with the Headquarters before the first loan gets disbursed.

South Africa welcomes the establishment of the bank and is excited about the economic potential that this institution will bring to the continent. The Bank will mobilise resources for infrastructure investment and sustainable development projects. These include, amongst others, transformational infrastructure projects that allow the region to take forward its regional integration agenda.

The Sub-Sahara Africa is among the fastest growing regions in the world. However, it has tremendous infrastructure and development challenges that are constraining faster economic growth. What is unique about this Bank is that it is established by developing countries who understand development challenges and have demonstrated their ability to tackle such challenges.

We are very excited about this development and more so what it means for the South Africa and the Continent as a whole. Expert analysts of the world agree that the past week was perhaps the most exciting in global development finance since the meetings in Bretton Woods, Massachusetts some 70 years ago.

The Bank will have an authorized capital of up to US\$100 billion and a subscribed capital of US\$ 50 billion. All five BRICS member countries will have equal shareholding of US\$10 billion. Whilst the BRICS countries will always have the majority shareholding in the Bank of 55 per cent, shareholding will soon be open to other emerging markets, developing countries and advanced economies.

The Bank will cooperate closely with other development partners and International Financial Institutions. It will complement the efforts of existing International Financial Institutions and also be an alternative source of financing for the global development challenges of our age.

The BRICS also signed a treaty establishing a Contingent Reserve Arrangement (CRA), which is a "framework for a plurilateral financial safety net". The aim of the CRA is to

complement the existing system of financial safeguards, for example, to address short term balance of payments challenges that member countries may face.

The CRA is a virtual pool of BRICS member countries' foreign reserves totalling US\$100 billion. China will avail US\$41 billion, Brazil, Russia and India will avail US\$18 billion each and South Africa US\$5 billion. The agreement allows for China to seek assistance up to the limit of US\$20 billion, Brazil, Russia and India US\$18 billion and US\$10 billion for South Africa. Should the need arise, the funds will be made available from the reserves.

South Africa welcomes the establishment of the bank and the CRA and we are excited about the economic potential that this institution will bring to the continent.

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