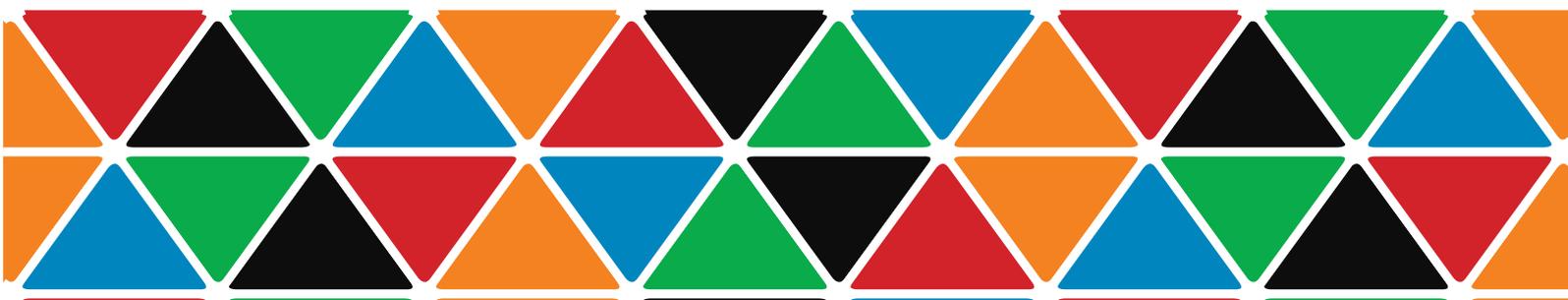


BRICS

JOHANNESBURG SOUTH AFRICA 2018

**The 2018 BRICS Finance Ministers and Central Bank Governors'
Outcomes**





INTRODUCTION

1. The 2018 BRICS Summit was held under the theme, “BRICS in Africa: Collaboration for Inclusive Growth and Shared Prosperity in the 4th Industrial Revolution”. This year was significant for the group as it provided members with an opportunity to reflect on the first decade of intra-BRICS cooperation, as well as chart the way forward for the next decade of engagement.
2. In 2018, BRICS Finance Ministers and Central Bank Governors focused their efforts on strengthening the BRICS institutions, as well as enhancing their collaboration in infrastructure and financial cooperation.
3. Specific areas that members agreed to explore and collaborate on include:
 - 3.1. **BRICS institutional strengthening** which focused on the reinforcement of the institutional frameworks of the New Development Bank.
 - 3.2. The increased **financial cooperation**; through the testing of operational readiness of the BRICS Contingent Reserve Arrangement, embarking on a feasibility study for the development of a BRICS Bond Fund, as well as undertaking a BRICS FinTech Stocktaking Exercise to enhance the exchange of views on financial technology, cyber security and crypto assets.
 - 3.3. Members agreeing to explore closer cooperation in **Infrastructure** financing under the auspices of the BRICS Public-Private Partnership and Infrastructure Financing Taskforce.



GLOBAL ECONOMIC OUTLOOK

4. BRICS members took note that, while the global economy has recorded its fastest growth rate since 2011, the global expansion has become less balanced and may have peaked in some major economies. According to the International Monetary Fund October 2018 World Economic Outlook, global growth is projected at 3.7% for 2018 and 2019. With the exception of China, growth in all BRICS economies is projected to accelerate in 2019.
5. However, downside risks are intensifying and some have materialised, notably rising trade tensions, and heightened volatility in emerging markets as global financial conditions tighten, resulting in capital flow reversals. BRICS countries continue to emphasize the need to remain vigilant in guarding against inward-looking policies and developments that are weighing on global growth prospects and market confidence in emerging market and frontier economies.
6. The BRICS nations also urged IMF membership to expedite completion of the 15th GRQ as per the agreed timelines for credibility and effectiveness of the Fund.
7. BRICS countries commit to communicate their macroeconomic, and structural policies in a clear manner and work towards strengthening policy coordination. In addition, BRICS countries advocated for the continued use of fiscal, monetary and structural policies, as appropriate, to forge strong, sustainable, balanced and inclusive growth.



BRICS INSTITUTIONAL STRENGTHENING

The New Development Bank

8. Building on the commitment by Leaders at the Xiamen Summit to enhance financial cooperation to better serve the real economy and meet the development needs of BRICS countries, a key focus for members was to explore new proposals to further deepen engagement and to expand the BRICS institution-building agenda.
9. BRICS Finance Ministers and Central Bank Governors welcomed the significant progress that the New Development Bank (NDB) has made on a wide range of operational, financial, policy and procedural frameworks since its inception. Members continue to recognize the importance of strengthening the institution to ensure that its development remains tied to its founding principle, as well as expanding its role as an innovative and reliable development partner to all BRICS countries in support of their development aspirations.
10. Members notably focused their work on the following three (3) key issues:
 - 10.1. **Expansion of the Bank's project pipeline:** Members committed to increase and diversify the development of projects across the bank's regions and member countries.
 - 10.2. **Outcomes:** 2018 saw the NDB significantly strengthening its project portfolio, with the Board of Directors approving a total of 13 projects, to the value of US\$ 2,978 billion, across all five NDB member countries (as at October 2018). This brought the banks total approved loans, since it began operations, to the amount of 26 projects with the total value of US\$ 6,538 billion.
 - 10.3. **Addition of New Members:** Recalling the Johannesburg Declaration, BRICS leaders reiterated their commitment to the strengthening of multilateral institutions of global governance to ensure that they are able to comprehensively address global challenges. Despite the efforts by existing multilateral development banks, there remains a major infrastructure financing gap in emerging market and developing countries (EMDC's). Recalling Articles 1 and 2 of the Agreement on the New Development Bank, a key milestone for the bank is to expand its operations beyond that of its founding nations and open its membership for other EMDC's. BRICS members reiterated their commitment to this objective and encouraged Bank



Management, the Board of Directors and Board of Governors to expedite the processes for the same.

10.4. **Outcomes:** At the end of the 2017 Annual Meeting of the NDB, the bank’s Board of Governors approved the terms and conditions for admission of new members. In 2018, the bank increased the pace of this work; with the Board of Directors adopting the criteria for the expansion of membership and a shareholding framework that will bring the bank closer to taking the necessary steps towards the possibility of opening up new membership by 2022.

10.5. **NDB’s regional offices:** In 2014 Ministers of Finance met on the sidelines of the BRICS Summit in Fortaleza, Brazil; where they agreed that the first regional office would be established in Johannesburg, South Africa. Moreover, during the signing of the Agreement on the New Development Bank it was also agreed by the BRICS Ministers of Finance that “subsequent regional offices would be established in all other founding countries of the Bank in the following order: Brazil, Russia and India. Pursuant to this decision the Africa Regional Office was launched in August 2017. In July 2018 the Agreement on the Hosting of the New Development Bank Americas Regional Office in the Federative Republic of Brazil was signed between the Government of the Federative Republic of Brazil and the New Development Bank.

10.6. **Outcomes:** In an effort to scale up projects across its member jurisdictions, members committed to increase the NDB’s presence in member regions. Two already established offices and the rest of the offices in Russia and India that will be established will soon increase operational capabilities of the NDB and facilitate identification and preparation of bankable projects across all Bank’s regions progressively, supporting a growing range of the Bank's operations.



INFRASTRUCTURE

11. Recalling the Goa and Xiamen declarations on the importance of public and private investments in infrastructure to ensure sustained long-term growth, members remain cognisant of the significant role that infrastructure can play in economic growth.
12. Moreover, investments in infrastructure have the capability to boost growth and productivity, as well as provide the physical access that is necessary to promote balanced economic development.
13. Members highlighted the importance of mobilising private investment in infrastructure, and underscored its importance in closing the infrastructure gap. They expressed their commitment for paving the way towards ensuring that private sector investment in infrastructure brings a better return for those who invest in it. Government should not take commercial risk (by providing revenue or rate of return guarantees, for example), which should optimally be allocated to the private sector, in their quest to provide a ‘better return’ to investors.
14. Throughout 2018, members aimed to cooperate closely under the infrastructure theme by intensifying the work that started after the Xiamen Summit to explore ways to scale up infrastructure investment through public-private partnerships (PPP).
15. In 2018, under the South African and Chinese co-chairmanship, the BRICS Public-Private Partnership and Infrastructure Task Force was established with the aim of strengthening and exchanging PPP experiences, as well as providing guidance on the development of PPP projects in BRICS countries. The Public-Private Partnership and Infrastructure Task Force will be chaired by member countries on a rotational basis.
16. **Outcomes:** The BRICS members endorsed the Terms of Reference of the Public Private Partnership and Infrastructure Task Force, and produced the Second Annual publication of the BRICS Good Practices on Public-Private Partnership Frameworks. Furthermore, the Task Force will hold meetings on the margins of future G20 Infrastructure Working Group meetings to coordinate common positions on the issue.



FINANCIAL COOPERATION

Enhancing the CRA Research Capability for Monitoring & Surveillance

17. In 2016, as a first step towards operationalizing the CRA macroeconomic research capacity, a “system for exchange of macroeconomic information” (SEMI), under which a template of macroeconomic and financial data was developed and agreed to and a process for updating and circulating this template on a quarterly basis, was implemented.
18. The CRA macroeconomic research capacity was further enhanced during 2018 which entailed BRICS central banks holding quarterly teleconferences to analyse the data and discuss developments in the BRICS economies. This was followed up with the compilation of Economic Notes which have been shared with the CRA Standing Committee.
19. The research capacity has progressed considerably in 2018, however, a number of areas have been identified which require further development, including the further development of enhanced surveillance capacity for the CRA.
20. **Outcomes:** The CRA research capacity has been enhanced, in terms of the monitoring of economic developments in the BRICS economies. However, there remains room for improvement, especially with regards to further developing the surveillance capacity for the CRA through forward looking assessment on BRICS economies.

The BRICS Contingent Reserve Arrangement Test Run

21. The BRICS central banks conducted a test-run on the de-linked liquidity instrument of the CRA. The CRA test run commenced on 3 July, with the South African Reserve Bank as the Coordinating Central Bank (CCB) and with the Central Bank of Brazil as the requesting party. The full procedures were adhered to in respect of a call on resources for the delinked liquidity portion, and additional procedures, where needed, were put in place.
22. The CRA Standing Committee (SC) deliberated on, and approved the request at a meeting in Buenos Aires in July 2018. The transfer of funds took place on 26 July and the transaction reversed by 31 July.



23. This was the first test-run of the CRA, and the first time that a test-run of a Regional Financing Arrangement included an actual transfer of funds. The test run was a significant step in further confirming the operational readiness of the CRA.

24. **Outcomes:** The BRICS central banks successfully conducted a test run of the Contingent Reserve Arrangement delinked liquidity instrument, including an actual transfer of funds. This initiative further strengthened the operational readiness of the CRA. The BRICS have agreed to conduct annual test runs of the CRA, with these increasing in complexity and eventually involving IMF support.

Fintech Stocktaking Exercise

25. The BRICS central banks conducted a stocktaking exercise on FinTech and cyber security matters in their respective jurisdictions. A Fintech/crypto-assets stocktaking questionnaire was developed and completed by BRICS Central Banks in July 2018. Drafts of the report were circulated for members' comments between July and September 2018, with the report finalised in October 2018. The final report provides an overview of BRICS central banks' views on, inter alia, initial coin offerings (ICOs), regulating crypto-assets and crypto-exchanges, issuing central bank digital currencies (CBDC) or central bank cryptocurrencies (CBCC) and innovation facilitation.

26. A number of areas were identified where BRICS central banks can collaborate and coordinate on more closely.

27. **Outcomes:** A comprehensive stocktaking exercise was completed covering Financial Technology developments and initiatives across the BRICS countries. A number of areas were identified where BRICS countries can further enhance their collaboration with respect to FinTech.

Brics Bond Fund (BBF)

28. The September 2017 BRICS Leaders' Summit, which took place in Xiamen, China, approved the **establishment of a BRICS Local Currency Bond Fund. In fulfilment of the objective of** establishing the BBF, an external consultant was appointed to conduct a feasibility study. This feasibility study has now been completed and the BRICS central banks are examining the report and analysing restrictions which may exist to establish the BBF. Following this analysis,



the technical work to set up the BBF will commence and will include setting up an expert group from BRICS central banks to lead the work, together with a Project Manager.

29. **Outcomes:** A draft feasibility report has been prepared on the establishment of the BRICS Bond Fund. Once finalised and adopted by the BRICS Cooperative Committee, work will commence on setting up the operational aspects of the BBF.