

Cabinet welcomes BRICS Development Bank

PRETORIA: Cabinet has welcomed the agreement to launch the New Development Bank (NDB) at the recent sixth BRICS Summit in Brazil.



"Cabinet welcomes the agreement to launch the NDB at the sixth BRICS Summit in Brazil and to establish the bank's regional office in Johannesburg. The bank will strengthen the cooperation among BRICS member countries and will supplement the efforts of other multilateral and regional financial institutions," said Communications Minister Faith Muthambi.

Briefing media on Thursday, 24 July, following Cabinet's meeting, the minister said this will contribute to the collective commitments of BRICS member countries for achieving the goals of strong, sustainable and balanced growth.

The five members of the group - Brazil, Russia, India, China and South Africa (BRICS) - laid out the designs of the bank and the Contingent Reserve Arrangement (CRA) in a declaration released following their sixth summit.

The new bank will be based in Shanghai, China, while an African regional centre of the bank will be located in South Africa. The regional centre will be opened concurrently with the headquarters before the first loan in 2016.

The bank will have a starting authorised capital of US\$100 billion, of which US\$50 billion will be pledged.

Minister Muthambi said the regional office will play an important role in funding infrastructure and sustainable development projects on the African continent.

"Built into the operating model of the NDB is a project preparation facility, which will enable the realisation of a number of potential infrastructure projects on the continent. These have not been implemented because of the lack of funding for project preparation, a key step in making project ideas ready for funding and implementation," she said.

At the summit, the leaders agreed on plans for the CRA. At its core, the CRA is a pledge to help one another in times of financial crisis.

Each country will achieve this by together pledging a total of US\$100 billion to a common pool - with China contributing the most (US\$41 billion), Brazil, Russia and India contributing US\$18 billion each, and South Africa contributing US\$5 billion.

These pledges will not be physically put aside, but will be made available in times of crisis.

On the question of whether South Africa will make a direct payment to the bank in Shanghai or whether it will stay in the reserves of the country, Minister Muthambi said: "For now, we have welcomed the initiative to participate. Cabinet [has not] yet taken a decision."

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