

# NEW DEVELOPMENT BANK SPECIAL APPROPRIATION BILL [B32—2015]

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**national treasury**

Department:  
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REPUBLIC OF SOUTH AFRICA

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# INTRODUCTION

- I. The **New Development Bank** was established by an agreement between the Governments of Brazil, Russia, India, China and South Africa (BRICS countries)
  
- II. The Bank is a multilateral development bank (MDB) with the purpose of ***mobilizing alternative sources of financing***, strengthen the cooperation among BRICS countries, and complementing existing efforts by other development partners and International Financial Institutions (IFIs) for global growth and development

# SALIENT FEATURES OF AGREEMENT ON NEW DEVELOPMENT BANK

**Table 1a: NDB Salient Features**

<b>Founding Documents</b>	1	The founding documents consist of two agreements i) Inter-governmental Agreement - capturing the broad agreement on key principles regarding the bank; and ii) Articles of Agreement – capturing the technical specifications for the Bank’s establishment. The Articles of Agreement are work in progress and shall be continuously updated with agreement reached.
<b>Membership</b>	2	BRICS countries are the only founding members of the Bank; however the articles provide for the inclusion of other United Nations members.
<b>Authorised capital</b>	3	The authorised capital of the Bank is <b>US\$100 billion</b> . Authorised capital determines the extent the bank will be allowed to grow.
<b>Subscribed capital</b>	4	The subscribed capital is <b>US\$50 billion</b> allocated equally amongst the founding members. All members will have equal shareholdings so that each country will contribute US\$10 billion of the subscribed capital. This contribution is structured as follows: 20% paid-in capital and 80% callable capital. The paid-in portion, which is US\$2 billion for each country, is to be paid over 7 years in pre-agreed instalments.

# SALIENT FEATURES OF AGREEMENT ON NEW DEVELOPMENT BANK CONTINUED

**Table 1b: NDB Salient Features**

<b>Shareholding</b>	6.1	BRICS countries will maintain <b>at least 55%</b> of the voting shares of the Bank. At a later stage, the Bank will be open to any sovereign that wishes to join, subject to predetermined criteria.
	6.2	The shareholding of non-BRICS countries will be capped both individually and collectively.
<b>Governance</b>	7.1	There will be three levels of governance, namely, Board of Governors, Board of Directors and Management
	7.2	The Board of Governors shall be at Ministerial level (Ministers of Finance); meeting annually.
	7.3	The Chair of the Board of Governors will be chosen on rotation; in line with the chairing of the BRICS formation.
	7.4	Each founding member shall nominate a representative to the Board of Directors. Initially the Board of Directors shall be a non-executive and non-resident body; meeting quarterly.
	7.5	The President shall be from the one of the founding members to be appointed on rotation. There shall be 4 Vice-Presidents, one from each of founding members (except for the one represented by the President). The President shall be the chief of the operating staff of the bank.
<b>Voting</b>	8	Voting will be proportional to shares, where BRICS will have bigger voting power compared to non-BRICS.
<b>Decision Making</b>	9	Major policy decisions will be taken by the Board of Governors by consensus.

# NEW DEVELOPMENT BANK INSTRUMENTS AND THE AFRICA REGIONAL CENTRE

## **New Development Bank Instruments and Support**

- i. The Bank will provide support, in the form of loans, guarantees, equity participation and any other financial instrument to, public or private projects in member countries.
- ii. The Board of Governors (through a vote) may approve operations in non-member emerging markets and developing countries.

## **Africa Regional Centre**

- i. A Special Fund will be created within the Bank at the earliest occasion, with the participation of all founding members, for the purpose of helping project preparation and implementation. China will be the largest contributor.
- ii. The bank shall have its principal office in Shanghai. The Articles of Agreement call for the establishment of the bank's Africa Regional Centre (ARC), in Johannesburg; this office is to be launched concurrently with the bank's headquarters.
- iii. The ARC will provide the primary operational interface between the New Development Bank (NDB) and the continent; striving to maximise the efficiency, effectiveness and impact of the Bank's operations in Africa. Additionally, it will be responsible for creating and maintaining the NDB's relationship with African states and regional bodies. Moreover the ARC will host project preparation capacity, to bring projects that the Bank is interested in funding to a "bankable" stage.

# NEW DEVELOPMENT BANK SPECIAL APPROPRIATION BILL

- i. The purpose of the Bill is to appropriate additional money in the 2015/16 financial year for the National Treasury to pay the first capital instalment of US\$150 million to the New Development Bank
- ii. Ideally the request for capital contribution for the first instalment should have been made during last year's budget process. This was not done as the ratification of the agreement by Parliament was only finalised in June 2015 and came into force on 3 July 2015. Therefore this agreement had no legal standing to form part of the budget process, at the time of the 2014/15 MTEC process
- iii. The Bill proposes the appropriation of an amount in Rands that is equivalent to US\$150 million (at the applicable rate of exchange at the time of payment) out of the National Revenue Fund

# FINANCIAL IMPLICATIONS

- i. The proposed appropriation is deficit neutral since it is conditional on the payment into the National Revenue Fund of the required proceeds from the sale of State assets in the 2015/16 financial year
- ii. National Treasury submitted inputs to the MTEC process for the Bank's capital contributions for the 2016/17 fiscal year and beyond. Future contributions will follow the normal budget process

# END



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