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Statement by BRICS Leaders on the establishment of the BRICS-Led Development Bank

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FIFTH BRICS SUMMIT

We, the Leaders of Brazil, Russia, India, China and South Africa met on the occasion of the Fifth BRICS Summit on 27 March 2013 in eThekweni, KwaZulu-Natal.

We considered that developing countries face challenges of infrastructure development due to insufficient long-term financing and foreign direct investment, especially investment in capital stock.

This constrains global aggregate demand. BRICS cooperation towards more productive use of global financial resources can make a positive contribution to addressing this problem.

In March 2012 we directed our Finance Ministers to examine the feasibility and viability of setting up a New Development Bank for mobilising resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries, to supplement the existing efforts of multilateral and regional financial institutions for global growth and development.

Following the report from our Finance Ministers, we are satisfied that the establishment of a New Development Bank is feasible and viable.

We have agreed to establish the New Development Bank. The initial capital contribution to the bank should be substantial and sufficient for the bank to be effective in financing infrastructure.

In June 2012, in our meeting in Los Cabos, we tasked our Finance Ministers and Central Bank Governors to explore the construction of a financial safety net through the creation of a Contingent Reserve Arrangement (CRA) amongst BRICS countries. They have concluded that the establishment of a self-managed contingent reserve arrangement would have a positive precautionary effect, help BRICS countries forestall short-term liquidity pressures, provide mutual support

and further strengthen financial stability. It would also contribute to strengthening the global financial safety net and complement existing international arrangements as an additional line of defence. We are of the view that the establishment of the CRA with an initial size of US\$

100 billion is feasible and desirable, subject to internal legal frameworks and appropriate safeguards. We direct our Finance Ministers and Central Bank Governors to continue working towards its establishment.

We are grateful to our Finance Ministers and Central Bank Governors for the work undertaken on the New Development Bank and the Contingent Reserve Arrangement and direct them to negotiate and conclude the agreements which will establish them. We will review progress made in these two initiatives at our next meeting in September 2013.

I thank you.