

BRICS Countries Gearing Up to Launch \$100Bn Multilateral Bank

By [The Moscow Times](#)

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Leaders of Brazil, Russia, India, China and South Africa during the fifth BRICS summit in Durban, South Africa.

BRASILIA — The five BRICS nations will likely agree to fund their \$100 billion development effort equally, giving them the same rights in a new multilateral bank that could start lending in two years, a senior Brazilian government official told Reuters Thursday.

Capitalization of the bank was one of the main sticking points in the sometimes tortuous negotiations among the emerging powers to create a joint lender to finance infrastructure projects in developing nations.

The new bank would symbolize the growing influence of emerging economies in the global financial architecture long dominated by the United States and Europe through the International Monetary Fund and World Bank.

Negotiations to create the lender have dragged on for two years, with some members growing weary of China's desire to have a bigger stake in the bank by putting in more capital. But this hurdle is being overcome.

"The majority wants an equal sharing of the capital and there is no other specific proposal on the table," said the official, who is directly involved in the negotiations. "This is not going to be a problem."

Leaders of Brazil, Russia, India, China and South Africa are expected to sign a treaty to launch the bank officially when they meet at a BRICS summit in the northern Brazilian city of Fortaleza on July 15.

The bank, which will have start-up capital of \$50 billion, will have to be ratified by the countries' legislatures and could begin lending in two years, said the official, who requested anonymity because he was not authorized to speak publicly.

Of that start-up capital, the countries will put in a total of \$10 billion in cash and \$40 billion in guarantees, which will be used to raise capital on international markets.

The new development bank would help cover growing demand for project financing that has not been fully met by global multilaterals, which for years have been heavily criticized for meddling in the domestic policies of sovereign borrowers.

"The bank will look into the finances of borrowers, but never intervene in their economic affairs," said the official. "Any country can join the bank with a \$100,000 share. The idea is to provide them loans at a lower cost than what they would individually get in markets."

The BRICS will also decide if the bank will be based in New Delhi, Shanghai, Johannesburg or Moscow. Brazil will not offer headquarters because of upcoming presidential elections that could delay negotiations, the official said.

Later, the group will have to choose an executive "with experience in the financial sector" to lead the bank in a five-year presidency that will rotate among the founding members.

In five years the bank's capital should double to \$100 billion through capitalization from funding members, debt emissions or contributions from new members. The BRICS will hold a minimum of 55 percent of the bank's shares.

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