

REPUBLIC OF SOUTH AFRICA

NEW DEVELOPMENT BANK SPECIAL APPROPRIATION BILL

*(As introduced in the National Assembly (proposed section 77))
(The English text is the official text of the Bill)*

(MINISTER OF FINANCE)

[B 32—2015]

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BILL

To appropriate an additional amount of money for the requirements of the National Treasury to pay the first capital instalment to the New Development Bank; and to provide for matters connected therewith.

BE IT ENACTED by the Parliament of the Republic of South Africa, as follows:—

Appropriation of additional amount of money for requirements of National Treasury

1. (1) Subject to the payment into the National Revenue Fund of the requisite revenue from the sale of assets of the State in the 2015/16 financial year, an amount in rands, that is equivalent to 150 million United States dollars, at the applicable rate of exchange at the time of payment, is hereby appropriated out of the National Revenue Fund for the requirements of the National Treasury in the 2015/16 financial year to pay the first capital instalment to the New Development Bank, in accordance with the Agreement on the New Development Bank between the Governments of Brazil, Russia, India, China and South Africa. 5 10

(2) Subject to the Public Finance Management Act, 1999 (Act No. 1 of 1999), the accounting officer of the National Treasury must pay the amount referred to in subsection (1) in accordance with the Agreement on the New Development Bank between the Governments of Brazil, Russia, India, China and South Africa. 15

(3) The Minister of Finance may, in writing—

- (a) impose conditions on the appropriation, in order to promote and enforce transparency and effective management of funds; and
- (b) stop the use of the appropriation, if conditions have been imposed in terms of paragraph (a), until such conditions are met. 20

(4) The stoppage of an appropriation in terms of subsection (3)(b) must be disclosed in the National Treasury's next quarterly report to the relevant Parliamentary Committees.

Short title

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2. This Act is called the New Development Bank Special Appropriation Act, 2015.

**MEMORANDUM ON THE OBJECTS OF THE NEW
DEVELOPMENT BANK SPECIAL
APPROPRIATION BILL, 2015**

1. BACKGROUND AND PURPOSE

- 1.1 At the 6th BRICS Summit held in Fortaleza, Brazil, the Governments of Russia, India, China and South Africa (“the BRICS countries”) signed the Agreement establishing the New Development Bank (“the Agreement”). After the signing of the Agreement establishing the New Development Bank (“the NDB”), South Africa ratified the Agreement through Parliament on 18 June 2015. The BRICS countries, including South Africa, ratified the Agreement, and on 3 July 2015, the Agreement entered into force for all the BRICS countries.
- 1.2 The purpose of the Bill is to appropriate money for the first instalment of the paid-in capital towards the capitalisation of the BRICS-led NDB for the current financial year of 2015/16, in accordance with the Agreement.
- 1.3 In terms of the Agreement, the NDB shall have an initial authorised capital of US\$ 100 billion and subscribed capital of US\$ 50 billion, equally shared between the member countries. South Africa’s share will therefore be US\$ 10 billion. The capital contribution shall have a paid-in and callable component. The paid-in component shall be 20% of the subscribed capital which amounts to US\$ 2 billion and the callable component shall be 80% of subscribed capital which amounts to US\$ 8 billion.
- 1.4 The capital contribution by each country of US\$ 2 billion is to be paid in seven instalments. Article 9 of Agreement states that the first instalment is to be paid by each member within six months after entry into force of the Agreement. The first instalment is therefore due on 4 January 2016.
- 1.5 The second instalment is due 18 months after entry into force of the Agreement (January 2017). The remaining five instalments are due successively one year from the date on which the preceding instalment was due.
- 1.6 The table below illustrates the payment schedule as provided for in the Articles of Agreement.

Schedule of Capital Contribution Instalments		
Financial Year	Instalment in US\$ Million	Instalment in R Billion (approximate)
2015/16	150	2,019
2016/17	250	3,365
2017/18	300	4,038
2018/19	300	4,038
2019/20	300	4,038
2020/21	350	4,711
2021/22	350	4,711

- 1.7 The first instalment is US\$ 150 million (approximately R2.019 billion) and it is not included in the current 2015/16 budget. This amount could not be included in the current budgeting cycle, as the ratification of the Agreement, and thus its entry into force, was only finalised in July 2015.
- 1.8 The Bill proposes an appropriation to provide for the payment of South Africa’s first capital instalment to the NDB.

2. SUMMARY OF BILL

- 2.1 Clause 1(1) of the Bill provides for the appropriation of an amount in rands, that is equivalent to 150 million United States dollars, for the first instalment of US\$ 150 million, at the applicable rate of exchange at the time of payment, and is subject to the payment into the National Revenue Fund of the requisite amount from the sale of State assets.
- 2.2 Clause 1(2) stipulates that the accounting officer of the National Treasury must pay the amount referred to in clause 1(1) in accordance with the Agreement between the BRICS countries. Clause 1(3) enables the Minister of Finance to impose conditions on the appropriation to promote and enforce transparency and effective management of funds and stop the appropriation until any conditions so imposed are met. Clause 1(4) provides for reporting on the stoppage of the appropriation to the relevant Parliamentary Committees.

3. ORGANISATIONS AND INSTITUTIONS CONSULTED

None.

4. FINANCIAL IMPLICATIONS TO THE STATE

- 4.1 The appropriation in the Bill for the first instalment of US\$ 150 million is subject to the payment into the National Revenue Fund of the requisite amount from the sale of State assets. The Adjustments of Estimates of National Expenditure, tabled in Parliament on 21 October 2015, reflects in respect of the vote of National Treasury under Programme 6 (International Financial Relations) an amount of R2.019 billion which is the rand estimate proposed for payment of South Africa's first capital contribution of US\$ 150 million to the NDB.
- 4.2 The National Treasury has submitted inputs to the Medium Term Expenditure Framework budget process in order to support South Africa's acquisition of shareholding in the NDB for future financial years.

5. CONSTITUTIONAL IMPLICATIONS

The Agreement binds South Africa in terms of section 231(2) of the Constitution since its ratification by Parliament and entry into force on 3 July 2015.

6. PARLIAMENTARY PROCEDURE

The State Law Advisers and the National Treasury are of the opinion that this Bill must be dealt with in accordance with the procedure envisaged by section 75 of the Constitution as it is a money Bill according to section 77 of the Constitution.