

Contingent Reserve Arrangement (CRA) – BRICS
(16 November, 2021)

Introduction

- Considering the increasing instances of global financial crisis, [BRICS](#) nations signed BRICS Contingent Reserve Arrangement (CRA) in 2014 as **part of Fortaleza Declaration** at Sixth BRICS summit.
- The CRA is generally seen as a competitor to the International Monetary Fund (IMF) and along with [BRICS New Development Bank \(NDB\)](#) is viewed as an example of increasing South-South cooperation.
- **CRA was established in 2015 during 7th BRICS summit in July 2015.**
- The BRICS CRA proposes to **provide short-term liquidity support** to the members through **currency swaps to help mitigating BOP crisis** situation, in case such a situation arises.
- The BRICS CRA will help India and other signatory countries to forestall short-term liquidity pressures, provide mutual support and further strengthen financial stability.
- It is a framework that aims at providing support through additional liquidity and other means to BRICS countries at a time of economic crisis.
- It would also contribute to **strengthening the global financial safety** and complement existing international arrangements (from IMF) as an additional line of defence.

Contingent Reserve Arrangement

Capital of Contingent Reserve Agreement (CRA)

UPSC GS Study Notes

- The initial total committed resources of the CRA will be 100 billion dollars with individual commitments as follows:
 - China (\$41 billion),
 - India (\$18 billion).
 - Brazil (\$18 billion).
 - Russia (\$18 billion) and
 - South Africa (\$5 billion).

Significance of BRICS Contingent Reserve Arrangement (CRA)

- BRICS CRA will ensure equity and inclusiveness by providing a backup safety net arrangement in place that will allow the Government of India to go ahead with its necessary and bold policy decisions without being concerned about the international economic development that may lead to domestic imbalances and worsen BOP position.
- The BRICS CRA is expected to serve the needs of our emerging economy in boosting access to additional foreign exchange reserves, should such situation arise.
- So far IMF support is the primary safety net that is available to India in case any BOP crisis situation arises.
- Pending the IMF governance reforms, India does not have much say in the IMF decisions. The proposed CRA will provide an alternative approach.
- This will also provide yet another window for our economy to engage with the BRICS in a more fruitful manner.