

BRICS, AFRICA AND GLOBAL ECONOMIC GOVERNANCE

ACHIEVEMENTS AND THE FUTURE

Elizabeth Sidiropoulos, Cyril Prinsloo,
Luanda Mpungose & Neuma Grobbelaar



ABOUT GEGAFRICA

The Global Economic Governance (GEG) Africa programme is a policy research and stakeholder engagement programme aimed at strengthening the influence of African coalitions at global economic governance forums such as the G20, BRICS, World Trade Organization and World Bank, among others, in order to bring about pro-poor policy outcomes.

The second phase of the programme started in March 2016 and will be implemented over a period of three years until March 2019.

The programme is expected to help create an international system of global economic governance that works better for the poor in Africa through:

- undertaking substantial research into critical policy areas and helping South African policymakers to prepare policy papers for the South African government to present at global economic governance platforms;
- ensuring that African views are considered, knowledge is shared and a shared perspective is developed through systematic engagement with African governments, regional organisations, think tanks, academic institutions, business organisations and civil society forums; and
- disseminating and communicating research and policy briefs to a wider audience via mass media and digital channels in order to create an informed and active policy community on the continent.

The programme will be focused on three thematic areas: development finance for infrastructure; trade and regional integration; and tax and transparency.

GEGAFRICA is funded by the UK Department for International Development and managed by a consortium consisting of DNA Economics, the South African Institute of International Affairs and Tutwa Consulting.

© GEGAFRICA 2018

All rights are reserved. No part of this publication may be reproduced or utilised in any form by any means, electronic or mechanical, including photocopying and recording, or by any information or storage and retrieval system, without permission in writing from the publisher. Opinions expressed are the responsibility of the individual authors and not of GEGAFRICA nor its funders.

Cover image © William_Potter, iStock-868638158



DISCUSSION PAPER
JULY 2018

BRICS, AFRICA AND GLOBAL ECONOMIC GOVERNANCE

ACHIEVEMENTS AND THE FUTURE

**Elizabeth Sidiropoulos, Cyril Prinsloo,
Luanda Mpungose & Neuma Grobbelaar**

CONTENTS

EXECUTIVE SUMMARY	III
AUTHORS	V
ACKNOWLEDGEMENT	V
INTRODUCTION	6
GLOBAL ECONOMIC GOVERNANCE REFORM	8
2009 to 2011: The force awakens	8
<i>IMF quota reform</i>	8
<i>Formula for calculating voting shares in the IMF</i>	13
<i>Appointments to the BWIs</i>	13
2012–2017: Enterprise	15
<i>New Development Bank</i>	15
<i>Contingent Reserve Arrangement</i>	21
WHAT IS NEXT FOR THE BRICS AND THE NDB?	21
BRICS, SOUTH AFRICA AND AFRICA	24
Bonding bilaterally: The BRICS and Africa	24
<i>BRICS – Africa trade and investment relations</i>	24
<i>BRICS and African engagement: Challenges</i>	28
African priorities	31
South Africa and the BRICS	34
The 10 th BRICS Summit, Johannesburg – Continuity?	35
ASSESSMENT	37
CONCLUSION AND RECOMMENDATIONS	38
Inside reforms	38
Outside options	39
BRICS–Africa	39



EXECUTIVE SUMMARY

On 25–27 July 2018 South Africa is hosting its second BRICS summit and the 10th since the BRICS' establishment. Since joining the BRICS in 2010, South Africa has added its weight to global economic governance reform, specifically of the Bretton Woods institutions (BWIs), with the view to make them more representative and responsive to developing country concerns. BRICS membership has also provided South Africa with a platform to advocate for African issues.

This paper explores both the efforts of the BRICS in advancing reforms in international financial institutions (IFIs), considering specifically how coherent and united the grouping has been in these efforts and the extent to which each member of the group has benefitted. Two surveys of BRICS experts and African stakeholders also assess South Africa's stated agenda of supporting and advancing African interests in the grouping. The paper presents several recommendations on strengthening intra-BRICS collaboration on global economic governance reform against the backdrop of current economic and geo-political uncertainty. It also highlights how African needs could be better supported both through the BRICS' multilateral engagement with African countries: specifically through the New Development Bank and bilaterally through various bilateral BRICS–Africa forums.

The key findings are:

The BRICS has achieved limited success in its objective of reforming the BWIs and members have not benefitted equally. While reform efforts have been presented as being in the interest of developing countries, mainly emerging markets have gained while developing countries have lost. The BRICS has also not succeeded in making significant headway in altering the balance of power in the BWIs. However, the 2019 International Monetary Fund (IMF) quota reform discussions create an opportunity for the development of a BRICS Plus alliance that could advance reforms that are more favourable to the group. The BRICS could also consider reaching out to developed countries that are interested in sustaining a rules-based global order based on globalisation.

South Africa specifically has encountered difficulties in advancing an African-friendly IFI voice reform agenda. It has encountered opposition from other African developing countries and G24 members in its advocacy for a third sub-Saharan African chair in the IMF. The appointment of a South African to chair the International Monetary and Financial Committee creates an opportunity to build bridges and consensus in advancing African interests.

The BRICS' creation of the NDB and the Contingent Reserve Arrangement (CRA) as alternative or complementary institutions to contribute to infrastructure finance and global financial stability, and diversify reliance on a single global currency is impressive, but the results are mixed. It is early to assess the full impact of these institutions, but the NDB in particular has introduced a healthy competitive dynamic in the development finance architecture.

The paper proposes that the NDB work on its value proposition to prospective members and improve its communication regarding the timelines for expanding membership. Its value proposition to African LICs should also be cognisant of rising indebtedness.

Africans want to see a much stronger integration of African concerns in the NDB's strategy and there is growing frustration with the slow rollout of the African Regional Centre (ARC). (However, this is also relative given that the centre was only launched in August 2017.) Despite South Africa's significant efforts to ensure greater integration of African concerns in the BRICS agenda, through for example the Africa dialogue outreach initiative, it also has to contend with the fact that every BRICS member has an active bilateral engagement strategy with Africa. There is a lack of coherence between the BRICS grouping's 'African agenda' (where Africa is seen as simply part of the wider developing world cohort) and the BRICS countries' individual bilateral strategies.

The paper recommends that South Africa should push for the development of a dedicated BRICS–Africa strategy, as well as the integration of African developing country concerns in the various BRICS strategies such as the 'Strategy for BRICS Economic Partnership' or the 'Action Plan for Deepening Industrial Cooperation among BRICS countries' to support regional development chains in Africa. The recently signed African Continental Free Trade Area provides further opportunities in this regard.

The BRICS members could also explore formalising their relations with the AU and ensure that their individual collaborative schemes such as the BRI and the AAGC are aligned to Africa's vision, as these could support African economic development, including capacity building programmes, knowledge-sharing and development finance.

In that regard, the paper proposes that the AUC set up a dedicated unit to provide support on BRICS-related issues to the AU rotating chairs. To date, no formal mechanism within the AUC exists to coordinate African positions in the BRICS. Coordinated policy positions and regular meetings with relevant South African policymakers will ensure policy continuity despite revolving chairs in both the AU and BRICS.

As a grouping BRICS should consider developing a reporting and monitoring mechanism or participate in existing mechanisms to track loans and the extension of credit to developing countries, as they are now significant bilateral creditors.

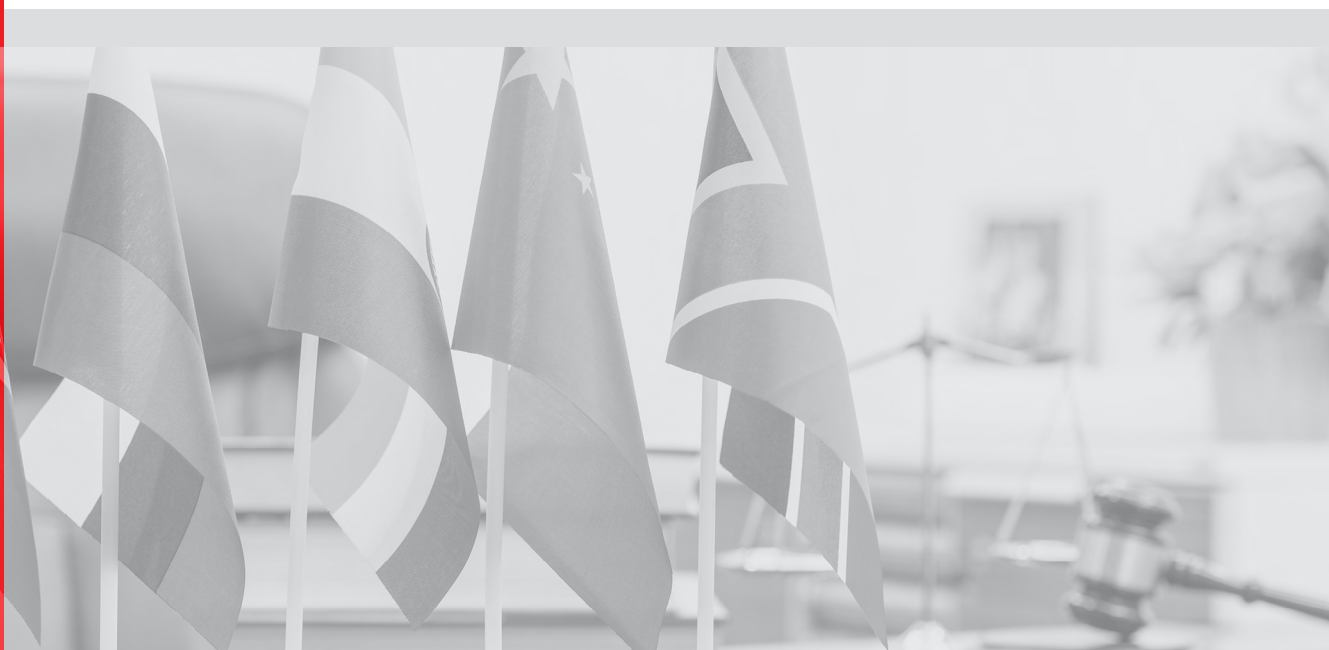
SA should accelerate its outreach to other African governments and civil society on the BRICS-Africa agenda. SA may wish to encourage greater African research engagement on BRICS issues through calls for proposals via its existing research funds, which bring together South African and other African researchers on BRICS-Africa related research. This is important because of the need for African actors to understand better the various BRICS engagements on the continent, which in turn also creates greater agency in the modalities of engagement with the BRICS both individually and collectively. Such an endeavour also creates the space for more debate on expectations from both sides.

AUTHORS

Elizabeth Sidiropoulos is the Chief Executive at the South African Institute of International Affairs (SAIIA); Cyril Prinsloo is a Researcher in the Economic Diplomacy Programme at SAIIA; Luanda Mpungose is a Programme Officer in the African Governance and Diplomacy Programme at SAIIA; and Neuma Grobbelaar is the Director of Research at SAIIA.

ACKNOWLEDGEMENT

The authors are thankful to all the experts who gave generously of their time to participate in this study. The authors also wish to thank Dr Philani Mthembu for his comments on earlier drafts of this paper.



INTRODUCTION

The emergence of the BRICS as a countervailing force to the global governance system created at the end of the Second World War is well documented. In the global economic governance sphere, the institutions that were established at the Bretton Woods Conference convened by the US in 1944, namely the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD), or World Bank, exemplified the pinnacle of Western diplomatic craftsmanship to stabilise an anarchic international relations milieu. However, by the turn of the 21st century the rise of several emerging economies, specifically China, had begun to challenge the dominance of the West and the Bretton Woods institutions' (BWIs) policy prescriptions, known as the Washington consensus.¹

The 2007/2008 global financial crisis provided further impetus to calls for reform. The IMF's surveillance framework, part of its mandate to prevent international monetary problems, failed to fully and adequately anticipate the global financial

¹ For more information, see Williamson J, 'What Washington means by Policy Reform', PIIE (Petersen Institute for International Economics), 1 November 2002, <https://piie.com/commentary/speeches-papers/what-washington-means-policy-reform>, accessed 12 June 2018.

crisis,² laying bare the weaknesses in long-accepted Western economic orthodoxies.³ Reeling from the effects of the crisis, the West reached out to systemically important emerging markets to assist in stabilising the global economic order.

The BRICS – as individual countries – had long protested their lack of voice and the constraints on sovereign policy space imposed by the BWIs. Their identities as developing countries from the global South (particularly Brazil, India, China and South Africa)⁴ and their drive to reform the BWIs became key unifying factors as they started collaborating.

The BRICS – as individual countries – had long protested their lack of voice and the constraints on sovereign policy space imposed by the BWIs. Their identities as developing countries from the global South and their drive to reform the BWIs became key unifying factors

Ten years into its existence the BRICS is potentially entering a new era of evolution, coinciding with increasing global instability and uncertainty. This raises questions about how the BRICS as a grouping intends to engage Africa as the continent faces stark choices in its development path.

This paper focuses on the period 2009–2011, when the BRICS was formed and sought to effect reform of the BWIs; and the period 2012–2017, when the grouping created new institutions, the New Development Bank (NDB) and the Contingent Reserve Arrangement (CRA), that are both complementary to the existing institutions and the seeds of a parallel system.⁵ A central narrative is South Africa's role in the grouping and its stated objective of advancing African concerns in global forums.

In researching this paper the authors undertook a literature review, document tracing and two surveys, one with BRICS experts and a second with African stakeholders. A number of interviews were also conducted in South Africa.

The results of the surveys are by no means meant to be definitive or representative of the views of a continent as diverse as Africa; however, they do provide some African perspectives on areas of possible cooperation between Africa and the BRICS.

2 Wade RH, 'Emerging world order? From multipolarity to multilateralism in the G20, the World Bank and the IMF', *Politics & Society*, 39, 3, 2011, pp. 347–387.

3 See also Rapley J, *Twilight of the Money Gods*. London: Simon & Schuster, 2017.

4 Russia was not part of the G77 and China, but the Soviet Union's support for Third World liberation struggles during the Cold War enabled it to be considered as an ally and a friend of the South. Its growing vilification by the West has only made that association stronger.

5 These dates are not absolute, with the evolutions described here more dynamic. Nevertheless, this delineation proves useful for analytical purposes.

GLOBAL ECONOMIC GOVERNANCE REFORM

2009 TO 2011: THE FORCE AWAKENS

The BRICS' first foray as a collective into financial statecraft⁶ included efforts to reform the BWIs – what Roberts, Armijo and Katada⁷ call 'inside reforms', working within the system as a group to change it. Central to the G20's global recovery plan was to increase the financial resources of the IMF to boost short-term lending, and the World Bank's, to facilitate longer-term countercyclical and development-orientated finance.⁸ In 2009 G20 members committed to a stimulus of more than \$1 trillion to the BWIs,⁹ of which developing country members undertook to provide a significant share, with the expectation that this would translate into significant BWI voting rights reform.¹⁰ However, because developed countries were reluctant to relinquish their position in the IMF to developing countries they asked developing countries to make funding available to the IMF's New Arrangement to Borrow window – essentially offering the IMF credit lines. India and China refused and a compromise was eventually reached at the G20 Pittsburgh summit in 2009.¹¹

Three reforms were pursued by the BRICS:

- IMF quota reform;
- a change in the way in which voting shares are calculated; and
- a change in the way the heads of these institutions are selected.

IMF quota reform

The first post-financial crisis quota share reform in 2010 agreed to shift 6.2% of total voting rights to emerging markets and developing countries (EMDCs), resulting in a reduction of voting power among the G7 countries of nearly 2 percentage points.¹²

6 In their book *The BRICS and Collective Financial Statecraft*, Roberts C *et al.* define financial statecraft as the use of financial and monetary policies by states for the purpose of achieving larger foreign policy goals. Roberts C, Armijo L & S Katada, *The BRICS and Collective Financial Statecraft*. Oxford: Oxford University Press, 2017.

7 *Ibid.*

8 G20 Information Centre, 'Declaration of the Summit on Financial Markets and the World Economy: Washington DC, November 15, 2008', http://www.g20.utoronto.ca/2008/2008_declaration1115.html#top, accessed 10 May 2018.

9 IMF (International Monetary Fund), 'London Summit – Leaders' Statement 2 April 2009', https://www.imf.org/external/np/sec/pr/2009/pdf/g20_040209.pdf, accessed 10 May 2018.

10 Vestergaard J & RH Wade, 'Still in the woods: Gridlock in the IMF and the World Bank puts multilateralism at risk', *Global Policy*, 6, 1, February 2015, pp. 1–12.

11 Woods N, 'Global governance after the financial crisis: A new multilateralism or the last gasp of the great powers?', *Global Policy*, 1, 1, January 2010, pp. 51–63.

12 Germany and Canada sacrificed the largest shares.

The reforms increased the BRICS' share of voting rights by 3.1%, with China's and India's increasing the most (Table 1). South Korea, Singapore, Turkey and Mexico also had their voting shares increased.¹³

TABLE 1 BRICS' RELATIVE ECONOMIC POWER VIS-À-VIS INSTITUTIONAL POWER: IMF

COUNTRY	% OF GLOBAL GDP (2016)	% VOTING IN IMF (2008)	% VOTING IN IMF (2010)	DIFFERENCE
US	21.81%	16.72%	16.47%	-0.247
Japan	7.80%	6.22%	6.14%	-0.086
Germany	4.88%	5.80%	5.31%	-0.494
UK	3.56%	4.28%	4.02%	-0.262
France	3.62%	4.28%	4.02%	-0.262
Canada	2.36%	2.55%	2.21%	-0.340
Italy	2.68%	3.15%	3.02%	-0.137
G7 total	46.71%	43.01%	41.18%	-1.828
Brazil	2.90%	1.71%	2.22%	0.504
Russia	2.13%	2.39%	2.59%	0.201
India	3.18%	2.34%	2.63%	0.291
China	12.25%	3.80%	6.07%	2.265
South Africa	0.54%	0.77%	0.63%	-0.136
BRICS total	21.00%	11.01%	14.13%	3.125
Africa	2.98%	6.20%	5.70%	-0.500

Source: World Bank, 'World development indicators', <https://data.worldbank.org/products/wdi>, accessed 5 July 2018; IMF, 'Quota and voting shares before and after implementation of reforms agreed in 2008 and 2010', http://www.imf.org/external/np/sec/pr/2011/pdfs/quota_tbl.pdf, accessed 5 July 2018

However, despite endorsement of the reforms at the Seoul G20 Summit in 2010, these only came into effect in January 2016 after the US Congress finally ratified them at the end of 2015.

Apart from the drawn-out finalisation of IMF quota reform, much of the shift in votes happened *within* EMDCs and while some developed countries lost voting shares, their voting rights relative to their gross domestic product (GDP) remained inequitable. For example, Germany, the UK, France, Canada and Italy's voting share in the IMF is larger than their share of global GDP, whereas Brazil, India and notably China's share of votes is smaller than their share of global GDP.

13 Cooper AF & AB Farooq, 'BRICS and the privileging of informality in global governance', *Global Policy*, 4, 4, November 2013, pp. 428–433.

South Africa's share and that of other key African economies such as Nigeria, Algeria and Morocco also dropped (Table 2).

COUNTRY	% OF GLOBAL GDP (2016)	% VOTING IN IMF (2008)	% VOTING IN IMF (2010)	DIFFERENCE
Nigeria	0.59%	0.724%	0.516%	-0.208
South Africa	0.54%	0.770%	0.634%	-0.136
Egypt	0.34%	0.403%	0.433%	0.03
Algeria	0.25%	0.526%	0.418%	-0.108
Morocco	0.15%	0.247%	0.187%	-0.06
Angola	0.13%	0.143%	0.176%	0.033
Sudan	0.10%	0.154%	0.154%	0
Kenya	0.07%	0.137%	0.137%	0
Ethiopia	0.07%	0.082%	0.089%	0.007
Tunisia	0.06%	0.143%	0.137%	-0.006
Africa	2.98%	6.200%	5.700%	-0.5

Source: World Bank, 'World development indicators', <https://data.worldbank.org/products/wdi>, accessed 5 July 2018; IMF, 'Quota and voting shares before and after implementation of reforms agreed in 2008 and 2010', http://www.imf.org/external/np/sec/pr/2011/pdfs/quota_tbl.pdf, accessed 5 July 2018

The top 10 African economies lost 0.5 percentage points in shares. It is important to emphasise here in the context of South Africa's Africa policy that quota reform in the IMF is viewed largely as a middle-income country issue given that it leads to relatively insubstantial improvements in voice for lower-income countries (LICs). Hence, apart from shares, developing countries also demanded that EU countries cede two chairs on the IMF's Executive Board.¹⁴ While Russia and China already had single constituency seats, South Africa pushed for a third seat on the IMF Board for sub-Saharan Africa. This was not successful because, first, the quota agreement in 2010 included a provision that kept the size of the board at 24. Thus a third chair would come at the expense of existing chairs. The new quota review discussion in 2019 provides an opportunity to change this. Second, there is no real African consensus in favour of a third chair because of the bitter aftertaste left by the acquisition of a third African chair at the World Bank over a decade ago,

14 The eighth BRICS summit in Goa, India called 'for the advanced European economies to meet their commitment to cede two chairs on the Executive Board of the IMF. The reform of the IMF should strengthen the voice and representation of the poorest members of the IMF, including Sub-Saharan Africa.' See India, Ministry of External Affairs, 'Goa Declaration at 8th BRICS Summit', 16 October 2016, <http://www.mea.gov.in/bilateral-documents.htm?dti/27491/Goa+Declaration+at+8th+BRICS+Summit>, accessed 13 July 2018.

which coloured the campaign in the IMF and was compounded by the lack of G24 support.¹⁵

The overall objective of the 2010 voice reform process in the IBRD was to shift 3.13 percentage points of voting shares from developed countries to developing and transitioning countries.¹⁶ The voice reform experience in the World Bank was similar to that in the IMF. There was an overall increase of shares for the BRICS, although Russia and South Africa lost shares. Of the BRICS members, China gained the most (1.64% increase), bringing its total share of votes in the IBRD to 4.42% and making Beijing the third largest shareholder in the bank. In accordance with the bank's Articles of Agreement, as one of the top five shareholders in the IBRD it also afforded China the opportunity to appoint its executive director to the IBRD, rather than electing a representative as part of a broader constituency.¹⁷

However, China's voting share vis-à-vis its share of global GDP remains inequitable: while Beijing's contribution to global GDP was 9.25%, its voting share in the IBRD accounted for only 4.42%. Comparatively, many African countries' share of votes in the IBRD is bigger than their share of global GDP despite some key African economies (Algeria, Morocco and Nigeria) losing relative shareholding in the IBRD. Other Africa countries such as Egypt, Ethiopia and Sudan increased their voting power (tables 3 and 4). Nevertheless, in 2010 African countries represent only 2.95% of global GDP while holding 7.65% of the voting rights in the IBRD.

While most of the BRICS' lobbying for voting reform in the BWIs was also done on behalf of 'emerging markets and developing economies', it was mainly the BRICs that increased its representation; many developing countries were worse off, and the reforms retained the existing veto powers

While most of the BRICS' lobbying for voting reform in the BWIs was also done on behalf of 'emerging markets and developing economies', it was mainly the BRICs that increased its representation; many developing countries were worse off, and the reforms retained the existing veto powers.¹⁸

15 A third chair was agreed after advocacy by South Africa, Nigeria and Angola, but once approved it took over a year to resolve which countries would make up its constituency, as certain francophone countries objected to bigger economies such as South Africa having a more regular rotation in the seat. In the end, Angola, Nigeria and South Africa comprised the third seat constituency.

16 Vestergaard J & RH Wade, *op. cit.*

17 IBRD (International Bank for Reconstruction and Development), 'Articles of Agreement', <http://siteresources.worldbank.org/EXTABOUTUS/Resources/ibrd-articlesofagreement.pdf>, accessed 13 July 2018.

18 According the IBRD's Articles of Agreement, any changes to the articles must be agreed to by 85% of voting power from Board of Governors – post 2010 reforms, the US' 15.85% voting share gives it an effective 'veto' on major changes in the bank.

TABLE 3 BRICS RELATIVE ECONOMIC POWER VIS-À-VIS INSTITUTIONAL POWER: WORLD BANK

COUNTRY	% OF GLOBAL GDP (2010)	% SHARE OF VOTING IN THE IBRD			TOTAL DIFFERENCE OVER REFORM PERIOD (PERCENTAGE POINTS)
		PRE-PHASE 1	PHASE 1 (2008)	PHASE 2 (2010)	
US	22.688%	16.36%	15.85%	15.85%	-0.51
Japan	8.642%	7.85%	7.62%	6.84%	-1.01
Germany	5.181%	4.48%	4.35%	4.00%	-0.48
UK	3.701%	4.30%	4.17%	3.75%	-0.55
France	4.007%	4.30%	4.17%	3.75%	-0.55
Canada	2.446%	2.78%	2.71%	2.43%	-0.35
Italy	3.222%	2.78%	2.71%	2.64%	-0.14
G7 total	49.887%	42.85%	41.58%	39.26%	-3.59
Brazil	3.349%	2.07%	2.06%	2.24%	0.17
Russia	2.312%	2.78%	2.77%	2.77%	-0.01
India	2.512%	2.78%	2.77%	2.91%	0.13
China	9.249%	2.78%	2.77%	4.42%	1.64
South Africa	0.569%	0.85%	0.84%	0.76%	-0.09
BRICS total	17.991%	11.26%	11.21%	13.1%	1.84
Africa	2.946%	7.49%	8.06%	7.65%	0.16

Source: World Bank, 'World development indicators', <https://data.worldbank.org/products/wdi>, accessed 13 July 2018; World Bank, 'IBRD 2010 voting power realignment', <http://siteresources.worldbank.org/NEWS/Resources/IBRD2010VotingPowerRealignmentFINAL.pdf>, accessed 5 July 2018

TABLE 4 TOP 10 AFRICAN ECONOMIES RELATIVE ECONOMIC POWER VIS-À-VIS INSTITUTIONAL POWER: WORLD BANK

COUNTRY	% OF GLOBAL GDP (2010)	% SHARE OF VOTING IN THE IBRD			TOTAL DIFFERENCE OVER REFORM PERIOD (PERCENTAGE POINTS)
		PRE-PHASE 1	PHASE 1 (2008)	PHASE 2 (2010)	
Nigeria	0.560%	0.80%	0.79%	0.70%	-0.10
South Africa	0.569%	0.85%	0.84%	0.76%	-0.09
Egypt, Arab Rep.	0.332%	0.45%	0.45%	0.47%	0.02
Algeria	0.244%	0.59%	0.58%	0.51%	-0.08
Morocco	0.141%	0.32%	0.33%	0.30%	-0.02
Angola	0.125%	0.18%	0.19%	0.18%	0.00
Sudan	0.100%	0.07%	0.08%	0.11%	0.04
Kenya	0.061%	0.17%	0.18%	0.17%	0.00
Ethiopia	0.045%	0.08%	0.09%	0.09%	0.01
Tunisia	0.067%	0.06%	0.07%	0.10%	0.04

Source: World Bank, 'World development indicators', <https://data.worldbank.org/products/wdi>, accessed 13 July 2018; World Bank, 'IBRD 2010 voting power realignment', <http://siteresources.worldbank.org/NEWS/Resources/IBRD2010VotingPowerRealignmentFINAL.pdf>, accessed 5 July 2018

Formula for calculating voting shares in the IMF

Underlying the discussions on voice reform in the IMF was the method of calculating the quota. Traditionally, voting rights have been distributed according to the relative GDP share of each member. But European countries, recognising their voting share would decline significantly if only this criterion was employed, have favoured a broader quota formulation that includes ‘variability’ and ‘openness’, stressing the importance of and commitment to a liberal market economy.¹⁹ In contrast, the BRICS has suggested that a contribution to global growth should be accounted for in the formula, with India suggesting that population also be a factor. However, consensus is lacking among EMDCs, and quota formula reform will only be discussed in 2019.²⁰

Appointments to the BWIs

Since their establishment, the positions of IMF managing director and World Bank president have de facto been reserved for European and US citizens, respectively.²¹

Following the resignation of Strauss-Kahn as head of the IMF in 2011, the BRICS reiterated its call for an end to reserving the IMF managing director position for a European national. The two front runners at the time were Mexican Central Bank president Agustín Carstens and French finance minister Christine Lagarde. Breaking with tradition, and perhaps in an effort to reassert the legitimacy of the IMF, the IMF managing director candidates openly campaigned for their election. Nevertheless, the BRICS failed to support a common candidate.²²

In 2012, when Robert Zoellick’s term as World Bank president ended, the election of the new president played out similarly. Three candidates were nominated: the US nominated a university president, Jim Yong-Kim, of South Korean descent; South Africa, Nigeria and Angola nominated Nigeria’s then finance minister, Ngozi Okonjo-Iweala; and Brazil nominated the former finance minister of Colombia,

19 IBRD, *op. cit.*

20 IMF, ‘IMF quotas’, <http://www.imf.org/en/About/Factsheets/Sheets/2016/07/14/12/21/IMF-Quotas>, accessed 14 June 2018.

21 Neither of these institutions’ founding articles specifically reflects the ‘reservation’ of top positions for the EU and US respectively. Top positions in the BWIs are elected through Board of Governors votes, and US citizens and Europeans have largely been appointed as a function of their voting shares. To date all managing directors of the IMF have hailed from a European country, while all presidents of the World Bank have been American. See Keating JE, ‘Why is the IMF chief always a European?’, *Foreign Policy*, 18 May 2011, <https://foreignpolicy.com/2011/05/18/why-is-the-imf-chief-always-a-european/>, accessed 13 July 2018.

22 Armijo LE & C Roberts, ‘The Emerging Powers and Global Governance: Why the BRICS Matter’, <http://www.leslieelliottarmijo.org/wp-content/uploads/2011/02/ArmRobts-13-July-20-BRICS.pdf>, accessed 10 May 2018.

José Antonio Ocampo.²³ Ocampo withdrew from the race ahead of the election in favour of Okonjo-Iweala, while Moscow endorsed Kim.

Where the BRICS has managed to drive change is that alternative candidates were considered and campaigning by candidates was more transparent. Yet when their first terms ended in 2016, both Kim and Lagarde were re-elected unopposed.²⁴ This was perhaps a sign that the BRICS had begun focusing on building its own outside alternatives, given the limited success achieved in challenging the institutionalised power structures of the BWIs.

Nonetheless, it is noteworthy how the IMF and the World Bank have filled key positions in their structures below executive level from among the BRICS. In April 2008 the World Bank appointed Justin Yifu Lin as its first Chinese chief economist. After Lagarde's first election, a fourth IMF deputy managing director position was created to be filled by China, followed by several high-level appointments from China and India. In 2015 a Brazilian candidate was appointed as one of the deputy managing directors of the IMF²⁵ and, significantly, in 2018 South African Reserve Bank Governor Lesetja Kganyago was appointed as the first sub-Saharan African chair of the International Monetary and Financial Committee (IMFC), the policy advisory committee of the Board of Governors of the IMF, for a three-year term.²⁶

No single BRICS member has the strength to single-handedly drive reform because of the IMF's imbedded power structure

What are the next steps for the BRICS in pursuing IMF reform? No single BRICS member has the strength to single-handedly drive reform because of the IMF's imbedded power structure.

-
- 23 Bretton Woods Project, 'New World Bank president: what's on the agenda?', 5 April 2012, <http://www.brettonwoodsproject.org/2012/04/art-569964/>, accessed 7 June 2018.
 - 24 Wurf H, 'World Bank, IMF and ADB leadership: The long wait for change', *The Interpreter*, 31 August 2016, <https://www.lowyinstitute.org/the-interpreter/world-bank-imf-and-adb-leadership-long-wait-change>, accessed 14 June 2018.
 - 25 *Reuters*, 'IMF to appoint new deputy managing director to handle operations', 15 January 2015, <https://www.reuters.com/article/imf-managementchanges/imf-to-appoint-new-deputy-managing-director-to-handle-operations-idUSL1N0UT2WX20150115>, accessed 5 July 2018.
 - 26 IMF, 'IMFC selects South African Reserve Bank Governor Lesetja Kganyago as new chairman', Press Release 18/05, 18 January 2018, <https://www.imf.org/en/News/Articles/2018/01/18/pr1805-imfc-selects-south-african-reserve-bank-governor-lesetja-kganyago-as-new-chairman>, accessed 5 July 2018; *Engineering News*, 'Reserve Bank Governor Kganyago's election as IMFC chair welcomed', 19 January 2018, <http://www.engineeringnews.co.za/article/reserve-bank-governor-kganyagos-election-as-imfc-chair-welcomed-2018-01-19>, accessed 5 July 2018.

2012–2017: ENTERPRISE

The BRICS 2012 New Delhi Declaration clearly illustrated the bloc's frustration with the slow pace of IFI reform, noting 'the [BRICS countries] are ... *concerned* at the slow pace of quota and governance reforms in the IMF' [emphasis added].²⁷ Equally, the BRICS' significant infrastructure needs and a savings glut (BRICS forex reserves totalled \$5.1 trillion at the end of 2013, of which China had \$3.9 trillion)²⁸ expedited the decision to explore new 'outside' institutions, ie, the NDB and the CRA.

New Development Bank

In 2012 the BRICS finance ministers were instructed by the BRICS leaders to assess the feasibility of establishing a new development finance institution. The BRICS agreed to establish the NDB in 2013; the bank's Articles of Agreement were signed in 2014, the institution opened its doors in Shanghai in 2015 and extended its first loans in 2016. The primary objective of the NDB is to fund infrastructure and sustainable development projects in the BRICS and other EMDs, 'to supplement the existing efforts of multilateral and regional financial institutions for global growth and development'.²⁹

The NDB has a maximum authorised capital of \$100 billion, with an initial subscribed capital of \$50 billion fully funded by the five BRICS members, with each contributing an equal share of \$10 billion. While provision is made for members outside the BRICS to join the NDB, the capital share of the founding members is not allowed to fall below 55%. The capital stock share distribution in the bank not only signifies the equity of the contributing members but also denotes each country's direct representation in the decision-making process of the bank.³⁰

The innovative architectural design of the NDB, namely equal capital contributions and voting rights, sets it apart from other MDBs and is in line with its principles of respecting sovereignty and avoiding the power hierarchy of the World Bank. Its General Strategy 2017–2021 specifically notes that the bank 'will not interfere in the political affairs of its members'.³¹ In a lecture in Pretoria in 2015, the

27 University of Toronto, BRICS Information Centre, 'Fourth BRICS Summit: Delhi Declaration', 29 March 2012, <http://www.brics.utoronto.ca/docs/120329-delhi-declaration.html>, accessed 10 May 2018.

28 Reisen H, 'Will the AIIB and the NDB help reform multilateral development banking?', *Global Policy*, 6, 3, 2015, pp. 297–304.

29 University of Toronto, BRICS Information Centre, *op. cit.*

30 See Bertelsmann-Scott T *et al.*, 'The New Development Bank: Moving the BRICS from an Acronym to an Institution', SAIIA (South African Institute for International Affairs) Occasional Paper, 233, June 2016, <https://www.saiia.org.za/occasional-papers/1074-the-new-development-bank-moving-the-brics-from-an-acronym-to-an-institution/file>, accessed 7 July 2018, for a further elaboration on the evolution of the NDB.

31 NDB (New Development Bank), 'General Strategy 2017–2021', <https://www.ndb.int/wp-content/uploads/2017/07/NDB-Strategy-Final.pdf>, accessed 10 May 2018.

bank's president, KV Kamath, stated that the NDB sought to differentiate itself from traditional development finance institutions (DFIs) through its institutional architecture, the speed and flexibility of its operations and lending, its desire to raise capital from emerging markets, its innovative lending practices and its partnership with borrowers.³² The NDB's General Strategy 2017–2021 notes that it seeks to be 'new' in three broad areas: 'relationships, projects, and instruments', and sets out in some detail how it aims to differentiate itself from other international lending institutions.³³

Concretely, the NDB seeks to innovate in the following ways:

- **Use of country systems (UCS):** Unlike traditional MDBs, which impose their own financial management, environmental and social safeguards for the projects they finance, NDB-financed projects rely on countries' own institutions and legal frameworks. This eliminates duplication of cost and effort in complying with multiple frameworks, allowing for more efficient implementation of projects. UCS also respects the sovereignty of countries by not prescribing policy conditionalities.³⁴
- **Leveraging local finance and full use of innovative financial instruments:** Rather than tapping into international bond markets, the NDB is conscious that most of the BRICS and other developing countries have significant local savings. These can be leveraged to promote sustainable development by financing infrastructure investments and can be utilised to leverage the bank's paid-in capital. The NDB successfully raised its first bond – an RMB³⁵ 3 billion (\$448.9 million) green bond – in China in 2016 and plans to raise an additional RMB 5 billion (\$782 million) on the Chinese market in 2018.
- **Lending in local currencies:** Most MDB loans are extended in US dollars, posing an exchange rate risk for developing countries. Lending in local currency expands the financial capacity of local financial markets.³⁶ An added benefit is diversifying the exposure of developing countries to global currencies³⁷ and making them less vulnerable to macro-economic policy changes in Washington.

32 Kamath KV, 'From Concept to Reality: The BRICS New Development Bank', Public Lecture at the Department of International Relations and Cooperation, Pretoria, 1 December 2015.

33 NDB, 'General Strategy 2017–2021', *op. cit.*, pp. 10–15.

34 Prinsloo C, 'Informing the Approach of Multilateral Development Banks to Use of Country Systems', GEG Africa (Global Economic Governance – Africa) Policy Briefing, August 2017, <http://www.saiaa.org.za/special-publications-series/1244-informing-the-approach-of-multilateral-development-banks-to-use-of-country-systems/file>, accessed 10 May 2018.

35 Currency code for the Chinese renminbi.

36 NDB, 'General Strategy 2017–2021', *op. cit.*

37 China has been keen to internationalise the renminbi and efforts within the BRICS such as lending in local currencies contributes to this strategy. A lowered reliance on the dollar has been an objective of the BRICS more generally.

- **Renewable energy:** The NDB has also been innovative in selecting sustainable infrastructure development with a strong focus on renewable energy as its core business, although its remit is wider (clean energy, transport infrastructure, irrigation, water resource management and sanitation, sustainable urban development and economic cooperation and integration).³⁸
- **Non-resident board:** Another departure from traditional MDBs is the decision to not have a resident board of directors because of the expense.³⁹ In 2017 South Africa opted to appoint Dondo Mogajane, the Director General of the Treasury, as the South African director at the NDB. Previously, unlike the practice adopted by the other BRICS members, the South African director was not an employee of the National Treasury. As noted in a Treasury statement, this is a cost-cutting measure and ‘enhanc[es] strategic alignment and collaboration between the government of South Africa and the bank’.⁴⁰

The NDB’s project pipeline as at May 2018 amounted to 21 projects. Its current portfolio now exceeds \$5 billion. India has received the largest share of financing from the NDB, totalling nearly 36% of bank approvals, followed by China (24%), Russia (23.8%), Brazil (8.6%) and South Africa (7.7%). To date, most loans are concentrated in the renewable energy or energy conservation sectors, followed by the water sector and sustainable infrastructure.⁴¹

While its Articles of Agreement make provision for other countries to join the NDB, it has not yet expanded its membership. In April 2017 the Board of Governors approved the terms, conditions and procedures for new members. The bank was also tasked with preparing a list of countries to be invited for admission. According to the bank’s South African vice president, the bank would open up membership once it had received an international credit rating,⁴² while the minutes of the Board of Directors at the May 2018 NDB annual meeting reflect that the bank will conduct further consultations on membership expansion.⁴³

38 NDB, *General Strategy 2017–2021*, *op. cit.*, pp. 20–21.

39 He A, ‘China in the International Financial System: A Study of the NDB and the AIIB’, CIGI (Centre for International Governance Innovation) Paper, 106, 10 June 2016, <https://www.cigionline.org/publications/china-international-financial-system-study-ndb-and-aiib>, accessed 10 May 2018.

40 Ensor L, ‘SA’s representatives in BRICS NDB are now all from Treasury’, *Business Day*, 11 August 2017, <https://www.businesslive.co.za/bd/companies/2017-08-11-sas-representatives-in-brics-new-development-bank-are-now-all-from-treasury/>, accessed 7 July 2018.

41 Collation of NDB classifications for respective projects.

42 Mhlanga T, ‘Brics bank fails to live up to hype’, *Mail & Guardian*, 22 June 2018, <https://mg.co.za/article/2018-06-22-00-brics-bank-fails-to-live-up-to-hype>, accessed 7 July 2018.

43 NDB, ‘Minutes of the 13th Meeting of the Board of Directors of the New Development Bank held at Shanghai, China on March 2, 2018, Board of Directors, 2018-BD14-DOC-003’, <https://www.ndb.int/wp-content/uploads/2018/06/Minutes-of-the-13th-BoD-meeting.pdf>, accessed 7 July 2018.

African Regional Centre and other NDB regional centres: The primary objective of the regional centres is the ‘identification and preparation of bankable projects in BRICS and other member countries’.⁴⁴ This includes undertaking economic, social and environmental impact assessments and identifying co-financing for projects.

The primary objective of the regional centres is the ‘identification and preparation of bankable projects in BRICS and other member countries’. This includes undertaking economic, social and environmental impact assessments and identifying co-financing for projects

The NDB’s regional centres will also have a strong mandate to cooperate with other DFIs within their respective regions, including national, regional and multilateral development banks.⁴⁵ The Infrastructure Working Group of the BRICS Business Council has already identified a list of regional initiatives in each BRICS region that would benefit from engagement with the NDB.⁴⁶ Shortly after the bank’s establishment, a memorandum of understanding on general cooperation was signed between the NDB and members of the BRICS Interbank Cooperation Mechanism.⁴⁷ This was followed by a bespoke agreement between the NDB and the Development Bank of Southern Africa (DBSA) focusing on operational cooperation, treasury management cooperation, and knowledge and experience exchanges.⁴⁸ The NDB has also signed strategic cooperation agreements with private financial institutions, including Standard Bank of South Africa. The NDB’s interest in engaging Standard Bank lies in the private institution’s understanding of risk in African markets, lending in local currencies, and ability to evaluate projects across African countries.⁴⁹

There are a host of other relevant African organisations with which the NDB can look to partner. A representative from NEPAD indicated that the organisation would

44 NDB, ‘General Strategy: 2017–2021’, *op. cit.*

45 *Ibid.*

46 BRICS Business Council, ‘Annex VI Infrastructure Working Group Report’, 9 November 2015, <https://www.bricsbusinesscouncil.co.za/working-group-reports/annex-vi-infrastructure-working-group-report/>, accessed 7 July 2018.

47 Including the Brazilian Development Bank, Vnesheconombank, Exim Bank of India, China Development Bank and the DBSA.

48 NDB, ‘New Development Bank and Development Bank of Southern Africa sign memorandum of understanding to establish framework for cooperation’, Press Release, 28 May 2018, https://www.ndb.int/press_release/new-development-bank-development-bank-southern-africa-sign-memorandum-understanding-establish-framework-cooperation/, accessed 26 June 2018.

49 NDB, ‘NDB and Standard Bank of South Africa signed memorandum on strategic cooperation’, Press Release, 31 August 2016, https://www.ndb.int/press_release/ndb-standard-bank-south-africa-signed-memorandum-strategic-cooperation/, accessed 26 June 2018.

be keen to cooperate with the NDB. It has identified the DBSA's African Partnership Unit, which mobilises partners for co-financing infrastructure and capacity building, as a model example of engagement that the NDB could follow.⁵⁰ Representatives from SADC have also identified financing and co-financing of infrastructure projects and project preparation as key areas of cooperation with the NDB.⁵¹

The minutes of the NDB annual meeting in May 2018 note that it intends to launch the second regional centre, the Americas Regional Office, in Brazil in 2018 to increase the capacity of the NDB to identify and prepare bankable projects in Brazil. This follows the launch of the bank's African Regional Centre (ARC) in September 2017 in South Africa. South Africa fought hard for the establishment of the first regional centre in Africa, and it is the only office mentioned specifically in the Articles of Agreement.⁵² The announcement that the NDB would have a regional office in South Africa was widely welcomed by African stakeholders, who expressed the views that:⁵³

- access to favourable credit terms could support African countries that wish to expand their trade with the BRICS;
- infrastructure development and poverty alleviation could be improved globally;
- simplified project selection procedures could expedite project approvals and finalisation;
- access to NDB financing by LICs could ensure a more equitable distribution of savings and investments globally; and
- it provided a unique opportunity for African banks to participate in the institution.

50 Kalanzi B, 'How NDB Can Support Agenda 2063', Presentation at 'What's New about the New Development Bank: Dialogue on the Launch of the NDB Regional Centre and What it Means for Africa?', Johannesburg, 8–9 March 2018.

51 Langa T, 'Linking SADC Priorities to the NDB', Presentation at 'What's New about the New Development Bank: Dialogue on the Launch of the NDB Regional Centre and What it Means for Africa?', Johannesburg, 8–9 March 2018.

52 It is important to note that the South African government prioritised a wider African focus right at the outset of the negotiations to establish the NDB. Finance Minister Nhlanhla Nene argued in Parliament during the tabling of the NDB Appropriation Bill in October 2015 that the bank would:

- 'support both public and private sector infrastructure and sustainable development projects;
- support regional projects ...;
- provide technical assistance for the preparation and implementation of these projects; [and]
- establish the Africa Regional Centre to be based in Johannesburg, strategically located to enable access by other African countries to the NDB.'

See South Africa, Finance Ministry, 'Introductory speech for TLAB, TALAB, NDB Special Appropriation Bill by Minister of Finance, Mr Nhlanhla Nene to the National Assembly, Ministry of Finance, 27 October 2015', http://www.treasury.gov.za/comm_media/speeches/2015/2015102701%20-%20Consolidated%20Introductory%20Speech%20Bills.pdf, accessed 7 July 2018.

53 BRICS Business Council, 'Africa welcomes NDB Regional Centre', 22 September 2016, <https://www.bricsbusinesscouncil.co.za/trade-investment-opportunities/africa-welcomes-ndb-regional-centre/>, accessed 25 June 2018.

There is clearly interest in cooperating with the NDB. However, as of March 2018 the NDB had yet to receive formal requests for membership from an African country.⁵⁴ Moreover, the NDB's 2017–2021 Strategy does not specifically prioritise operations in sub-Saharan Africa, home to the largest number of the world's LICs.⁵⁵ The NDB acknowledges in its strategy that it should prepare its offering and value proposition to prospective members, as demand for its services is not automatic.⁵⁶

The NDB looms large in any discussion in Africa on the BRICS. Among African survey respondents, expectations of the NDB and its regional centre are very high, reflecting both pragmatism and scepticism

The NDB looms large in any discussion in Africa on the BRICS. Among African survey respondents, expectations of the NDB and its regional centre are very high, reflecting both pragmatism and scepticism. One noted:⁵⁷

[The NDB] has a potential to revolutionise the various development finance institutions (including multilateral development banks). The question is, how does the NDB operationalise the core principles? Would it finance small-scale rural infrastructure ... where the majority of African people source their livelihood?

Another emphasised that the NDB should be aligned to Agenda 2063, and noted the importance of African institutions' formal participation in the BRICS process and vice versa. Yet another expressed a desire to work on strengthening African institutions:⁵⁸

[I]t is my impression that NDB impact is likely to be limited ... When will other African countries have access to the facilities offered by the NDB? It seems to me that it could be a better strategy for South Africa to strengthen African institutions first.

Some BRICS experts noted that momentum and enthusiasm around the NDB was waning. If the NDB wanted to establish itself on the continent, it needed to engage African countries soon by promoting regional projects and becoming a recognised discussion platform. The NDB has announced that the next NDB annual meeting will

54 Moleke T, 'Overview on the New Development Bank African Regional Centre: Vision and Role', Presentation at 'What's New about the New Development Bank: Dialogue on the Launch of the NDB Regional Centre and What it Means for Africa?', Johannesburg, 8–9 March 2018.

55 NDB, 'General Strategy: 2017–2021', *op. cit.*

56 *Ibid.*, p. 26.

57 African respondent, SAIIA BRICS–Africa Survey, June 2018.

58 *Ibid.*

be hosted in South Africa in 2019. This provides South Africa with an opportunity to engage with other African and developing countries on the NDB and the ARC.

Contingent Reserve Arrangement

The BRICS also established the CRA. The CRA operates on similar principles to those of the IMF, providing short-term liquidity for the BRICS countries. One of the core critiques by China and other developing countries of the IMF, during both the Asian financial crisis and the global financial crisis, was that fund disbursements were too slow and the accompanying policy conditions too harsh.⁵⁹

The total commitment of the five members is \$100 billion, with contributions linked to their GDPs – 41% from China, 18% each from India, Brazil and Russia, and 5% from South Africa. In terms of the treaty, there are limits to the amount from the fund that each member is entitled to. Only 30% of the maximum amount a party is entitled to call on can be made available. The balance would need to be linked to a conditionality-based agreement with the IMF.⁶⁰

However, critiques leveraged against the CRA include that its link to the IMF will ‘tend to smooth rather than challenge the process of financial globalisation’.⁶¹ Another criticism is that the manner in which it has been set up makes it ineffective:⁶² the size of the CRA pool; the loose institutional arrangement similar to the Chiang Mai Initiative (2000–2010); and the linkage to the IMF, which would make it politically difficult for countries to avoid IMF conditionalities. However, none of the BRICS countries has had to call on the CRA, and thus the critiques have not been put to the test yet.

WHAT IS NEXT FOR THE BRICS AND THE NDB?

The first decade of BRICS formation has achieved mixed but also remarkable results. The grouping’s determination to cohere around a global economic governance reform agenda and embark on constructing alternative institutions despite the significant and diverse political and economic differences between, and drivers of, its members has astounded even its most ardent critics. While the BRICS arguably will face a significant test once it begins to roll out its approach to other non-BRICS members, it has undoubtedly contributed to diversifying infrastructure financing options and providing international public goods. It has also injected a healthy competitive dynamic into the international development finance and financial

59 He A, *op. cit.*

60 BRICS, ‘Treaty for the Establishment of BRICS Contingent Reserve Arrangement’, 21 June 2014.

61 Bizwick M, Cattaneo N & D Fryer, ‘The rationale for and potential role of the BRICS Contingent Reserve Arrangement’, *South African Journal of International Affairs*, 22, 3, 2015, p. 317.

62 *Ibid.*

The grouping's determination to cohere around a global economic governance reform agenda and embark on constructing alternative institutions despite the significant and diverse political and economic differences between, and drivers of, its members has astounded even its most ardent critics

monitoring architecture. After the launch of the NDB and the Asian Infrastructure Investment Bank, the African Development Bank (AfDB) launched its Africa 50 Fund and the World Bank appointed a new chief executive focused on ensuring that its staff and programming are much more agile and responsive, and that more private sector finance is crowded into infrastructure lending.⁶³ Some members, in particular China, have also launched several multilateral initiatives and institutions with a global reach. Thus, by exercising their outside options, the BRICS countries are also shaping the trajectory of established institutions.

Dr Wang Youming of the China Institute of International Studies argues that the BRICS is at a unique inflection point in history given the global uncertainty heralded by the contemporary rejection of globalisation and a rules-based order, in conjunction with rising protectionism and nationalism.⁶⁴ He notes that it is important for the BRICS to expand its reach beyond the core group of founding members to other developing countries and *developed countries that support globalisation and a rules-based order*. This will enable the BRICS grouping to transition from being a mere economic cooperation and global economic governance participant to a globalisation leader.⁶⁵

It is in this context that the BRICS Plus outreach, initiated by China at the 2017 Xiamen Summit, should be viewed. The BRICS Plus is a dialogue of EMDCs to discuss global development and South–South cooperation. China proposed it in early 2017 as a way to enlarge the BRICS, but met with opposition from the other members.⁶⁶ The Xiamen summit had a BRICS Plus feature that included Thailand, Egypt, Tajikistan, Mexico and Guinea, but these countries were not formally invited to join the grouping. South Africa will incorporate the BRICS Plus into the upcoming BRICS summit in Johannesburg on 25–27 July 2018. Related to the above, according to a World Economic Forum report, should the BRICS Plus grouping consolidate

63 Edwards S, 'The World Bank's new CEO Kristalina Georgieva lays out her vision for an agile bank', devex, 17 April 2017, <https://www.devex.com/news/the-world-bank-s-new-ceo-kristalina-georgieva-lays-out-her-vision-for-an-agile-bank-90068>, accessed 14 June 2018.

64 Wang Y, 'The BRICS Mechanism: Growing in Maturity', CIIS (China Institute for International Studies), 1 February 2018, http://www.ciis.org.cn/english/2018-01/02/content_40128382.htm, accessed 7 July 2018.

65 *Ibid.*

66 See Dasgupta S, 'China forces the abandoned plan to enlarge BRICS', *The Times of India*, 31 August 2017, <https://timesofindia.indiatimes.com/world/china/china-ditches-its-brics-plus-plan-to-avoid-displeasing-india/articleshow/60295977.cms>, accessed 14 July 2018.

its share of the IMF vote, it would hold an aggregate voting share of around 17%, compared to the current BRICS aggregate of 14.131%. This would enable the BRICS Plus to exercise a powerful veto to block decisions with which it does not agree.⁶⁷ The BRICS Plus thus potentially creates a cooperation network on developing country concerns in various international forums.

Regarding the next steps for the NDB, Wang makes five concrete proposals. According to him, the NDB should:⁶⁸

- focus on the BRICS' long-term interests with a 30-year timeframe, prioritising sustainable development and avoiding quick fixes – this approach also supports internal consolidation rather than rapid expansion;
- prioritise 'a flexible, efficient, transparent and convenient financial mechanism' avoiding the pitfalls of the complex and time-consuming approval processes of most DFIs;
- retain its flat management structure, while building a 'specialised, internationalised and professional management team';
- provide high-quality support services to developing countries to enable them to obtain suitable and affordable loans while avoiding harsh and punitive conditionalities, ie, the focus should be on making development inclusive; and
- build a diversified financing mechanism drawing commercial banks and insurance funds into infrastructure financing to enable the provision of cost-effective financing channels for member countries.

Most of these recommendations are reflected in the NDB's 2017–2021 Strategy. What is particularly welcome for Africa given the region's unique susceptibility to climate stress and its rich natural endowment is the signal in the strategy that,

What is particularly welcome for Africa is the signal in the strategy that, beyond its current priorities, the bank intends to focus on areas of 'climate change, natural resources depletion, biodiversity conservation, pollution and sustainable land use'

beyond its current priorities, the bank intends to focus on areas of 'climate change, natural resources depletion, biodiversity conservation, pollution and sustainable land use'.⁶⁹ However, as one African respondent noted in the experts' survey conducted by the South African Institute for International Affairs (SAIIA) related

67 Donnelly E, 'BRICS-Plus partnership could transform global trade', BRICS Information Portal, 22 February 2018, <http://infobrics.org/post/26461>, accessed 7 July 2018.

68 Wang Y, *op. cit.*

69 NDB, 'General Strategy: 2017–2021', *op. cit.*, p. 21.

to his expectations of the 2018 BRICS Johannesburg Summit, ‘[there is a need for the] adoption of a comprehensive and articulate BRICS strategy that prioritises the needs and interest of Africa’.⁷⁰ Thus far such a focus on Africa’s priorities is not sufficiently incorporated into the BRICS’ NDB strategy or its economic cooperation partnership.⁷¹ The BRICS’ engagement with Africa is largely bilateral, despite the growing importance of the BRICS in African affairs.

BRICS, SOUTH AFRICA AND AFRICA

BONDING BILATERALLY: THE BRICS AND AFRICA

BRICS – Africa trade and investment relations

Brazil, China, India and Russia have long-standing bilateral economic and political engagements with Africa. Two members, China and India, have established specific platforms for engaging with the continent as a whole: the Forum on China–Africa Cooperation (FOCAC) and the India–Africa Forum Summit. Both are examples of the use of a multilateral forum to pursue bilateral relations. Latin America has a platform with Africa, although it is not as prominent as the previous two or held as regularly. Russia has none, but announced in June 2018 that it would host a high-level Russia–AU forum in 2019. South Africa’s relations with the rest of the continent are multifaceted given that it is African. However, whether the countries have continental platforms or not, they all pursue bilateral links with African countries while also engaging directly with the AU.

Trade between African countries and the BRICS grew substantially over the past decade. The BRICS’ share of trade with Africa compared with other countries also rose. Figure 1 shows that in 2006, only 15% of the total BRICS imports came from Africa; by 2017 this had increased to 27%. Over the same period, the BRICS’ share of exports to Africa (excluding South Africa) grew from 20.1% to 34.6%. BRICS–Africa trade (excluding South Africa) reached a peak of \$290 billion in 2014.

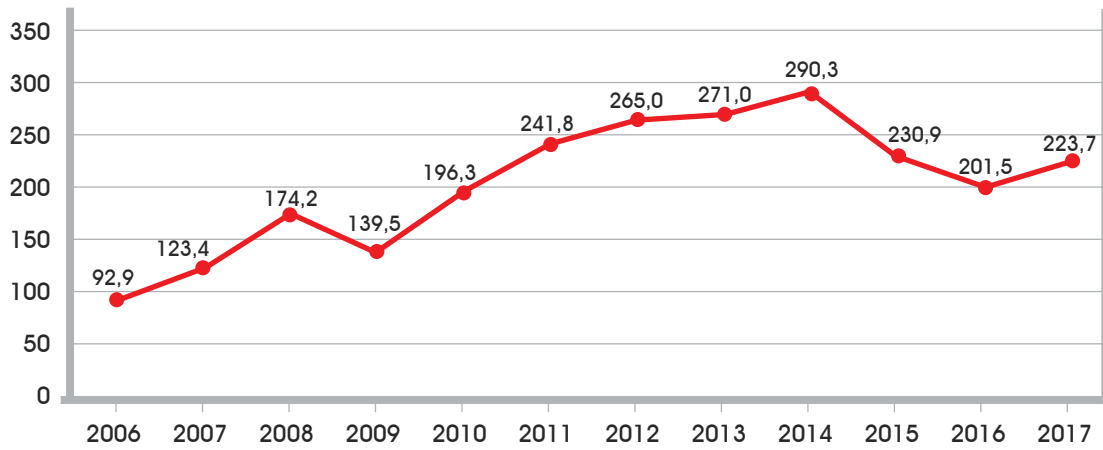
Figure 2 shows that, between 2006 and 2017 exports from the BRICS to African countries more than tripled, from \$45 billion in 2006 to nearly \$140 billion in 2017. During this same period, BRICS imports from African countries nearly doubled, from \$48 billion to \$86 billion. Many African countries have benefited from increasing demand from the BRICS, notably following the global financial crisis when demand from Africa’s traditional trading partners in Europe was tepid. However, as figures 2–5 show, this is largely a ‘China story’.

The trading figures also reflect the volatility of the trading relationship, where in 2017 more than 80% of exports from African countries to the BRICS were primary

70 African stakeholder, SAIIA BRICS–Africa Survey, June 2018.

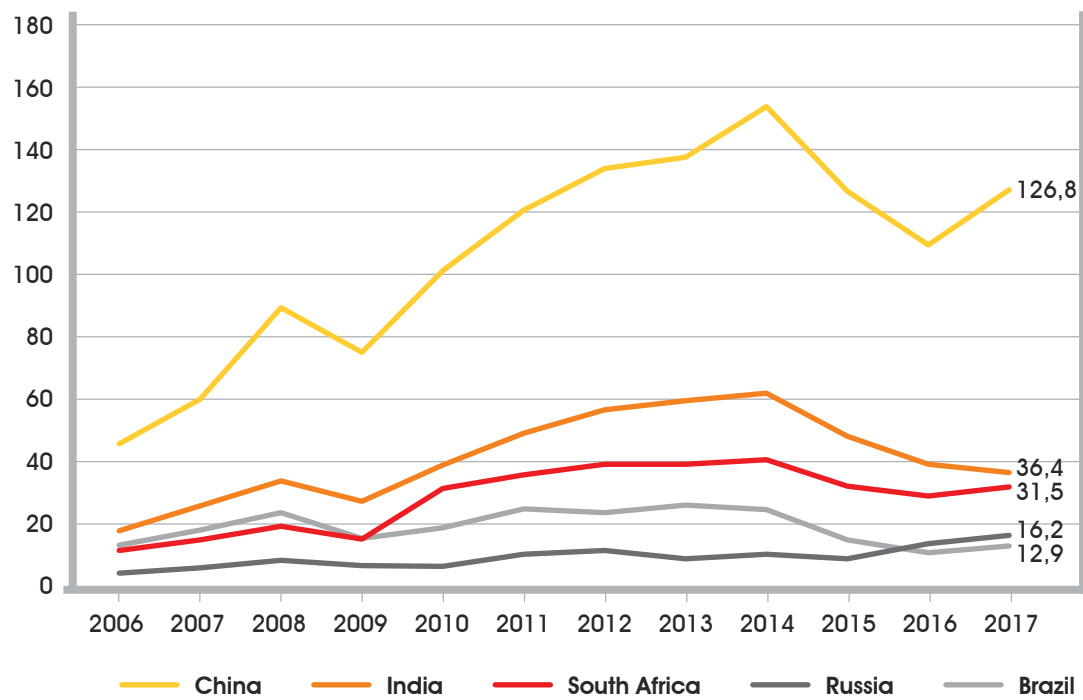
71 BRICS, ‘The Strategy for BRICS Economic Partnership’, <http://en.brics2015.ru/load/381830>, accessed 13 July 2018.

FIGURE 1 BRICS–AFRICA (EXCL. SOUTH AFRICA) TOTAL TRADE (\$ BILLION)



Source: ITC (International Trade Centre), Trade Map, www.trademap.org, accessed 27 June 2018

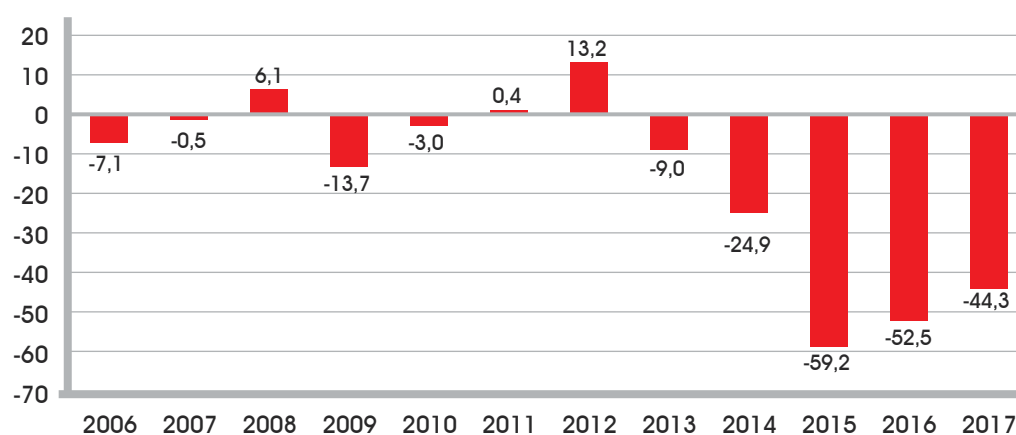
FIGURE 2 BRICS–AFRICA (EXCL. SOUTH AFRICA) TRADE BY COUNTRY (\$ BILLION)



Source: ITC, Trade Map, www.trademap.org, accessed 27 June 2018

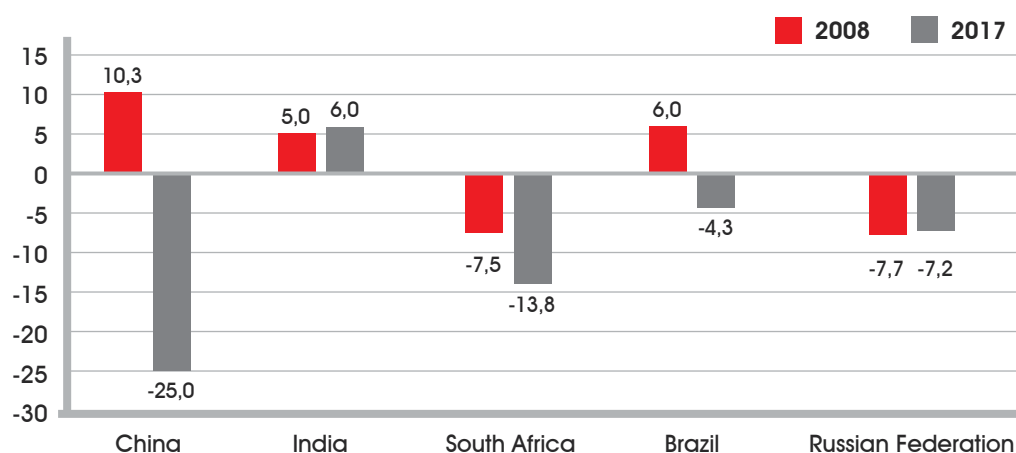
commodities. The top three exports from the BRICS to African countries were manufactured goods (electrical machinery, mechanical appliances and vehicles). The lack of diversified trade is characteristic of most African countries' trade with partners outside the continent and makes the continent extremely vulnerable to external shocks, such as the sudden downturn in demand for commodities in 2014. More concerning is the fact that, despite the significant increase in total BRICS–Africa trade over the last decade, Africa has a significant trade deficit with the BRICS.

FIGURE 3 AFRICA'S (EXCL. SOUTH AFRICA) TRADE BALANCE WITH THE BRICS (\$ BILLION)



Source: ITC, Trade Map, www.trademap.org, accessed 27 June 2018

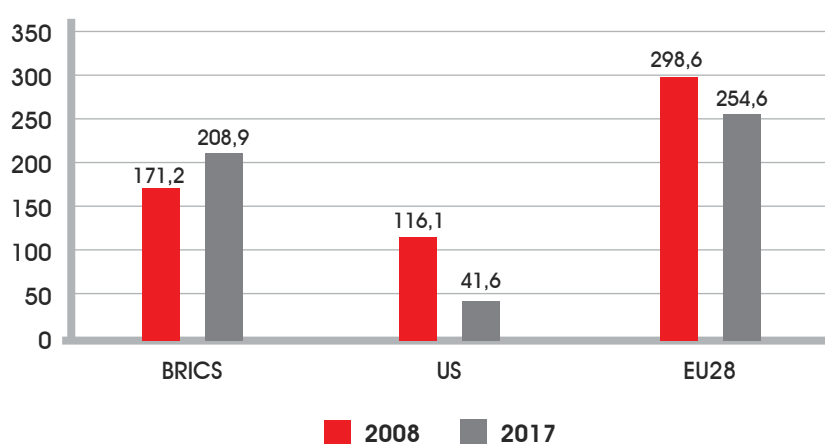
FIGURE 4 AFRICA'S (EXCL. SOUTH AFRICA) TRADE BALANCE WITH THE BRICS BY COUNTRY (\$ BILLION)



Source: ITC, Trade Map, www.trademap.org, accessed 27 June 2018

Nonetheless, an analysis of Africa's trade with external partners also underscores the growing importance of the BRICS for Africa compared to Europe and the US. While the EU is still Africa's biggest trading partner, total trade with the continent was \$44 billion less in 2017 than in 2008, while Africa–BRICS total trade was \$37.7 billion more. Remarkably, there has also been a precipitous decline in Africa–US trade in the same timeframe, of \$74.5 billion.

FIGURE 5 AFRICA'S (EXCL. SOUTH AFRICA) TOTAL TRADE WITH SELECT PARTNERS (\$ BILLION)



Source: ITC, Trade Map, www.trademap.org, accessed 27 June 2018

Actual confirmed investment figures from the BRICS for the whole of Africa are difficult to find and confirm. Chinese foreign direct investment (FDI) into Africa in 2015 was estimated at \$34.7 billion; just over 3% of its global FDI.⁷² Africa's share of South Africa's FDI was considerably higher at 13.9% in 2016, totalling ZAR⁷³ 333 billion (\$25 billion).⁷⁴

72 SAIS-CARI (Johns Hopkins School of Advanced International Studies, China–Africa Research Initiative), 'Data: Chinese investment In Africa', <http://www.sais-cari.org/data-chinese-and-american-fdi-to-africa>, accessed 8 July 2018; UNCTAD, 'Bilateral FDI statistics', <http://unctad.org/en/Pages/DIAE/FDI%20Statistics/FDI-Statistics-Bilateral.aspx>, accessed 8 July 2018

73 Currency code for the South African rand.

74 SARB (South African Reserve Bank), 'Quarterly Bulletin: March 2018', <https://www.resbank.co.za/Lists/News%20and%20Publications/Attachments/8334/08Statistical%20tables%20%E2%80%93%20International%20economic%20relations.pdf>, accessed 12 June 2018.

BRICS and African engagement: Challenges

Much of the visible presence of Chinese companies is linked to infrastructure construction contracts, which should not be conflated with investments in manufacturing or other sectors. Such contracts also have specific conditions attached to them, such as defining who will undertake the construction or what proportion of the line of credit may be available for local subcontractors.

There are four challenges in BRICS–Africa relations:

- rising external debt;
- skewed trading relationship;
- lack of investment in productive sectors that generate jobs; and
- lack of transparency in agreements.

Debt: Often vying for influence and access to resources on the continent, bilateral creditors (among them India, China and South Africa) have eagerly extended loans to African countries. By 2016 some BRICS members were among the largest bilateral creditors to African countries for infrastructure investments (Figure 6).

Often vying for influence and access to resources on the continent, bilateral creditors (among them India, China and South Africa) have eagerly extended loans to African countries. By 2016 some BRICS members were among the largest bilateral creditors to African countries for infrastructure investments

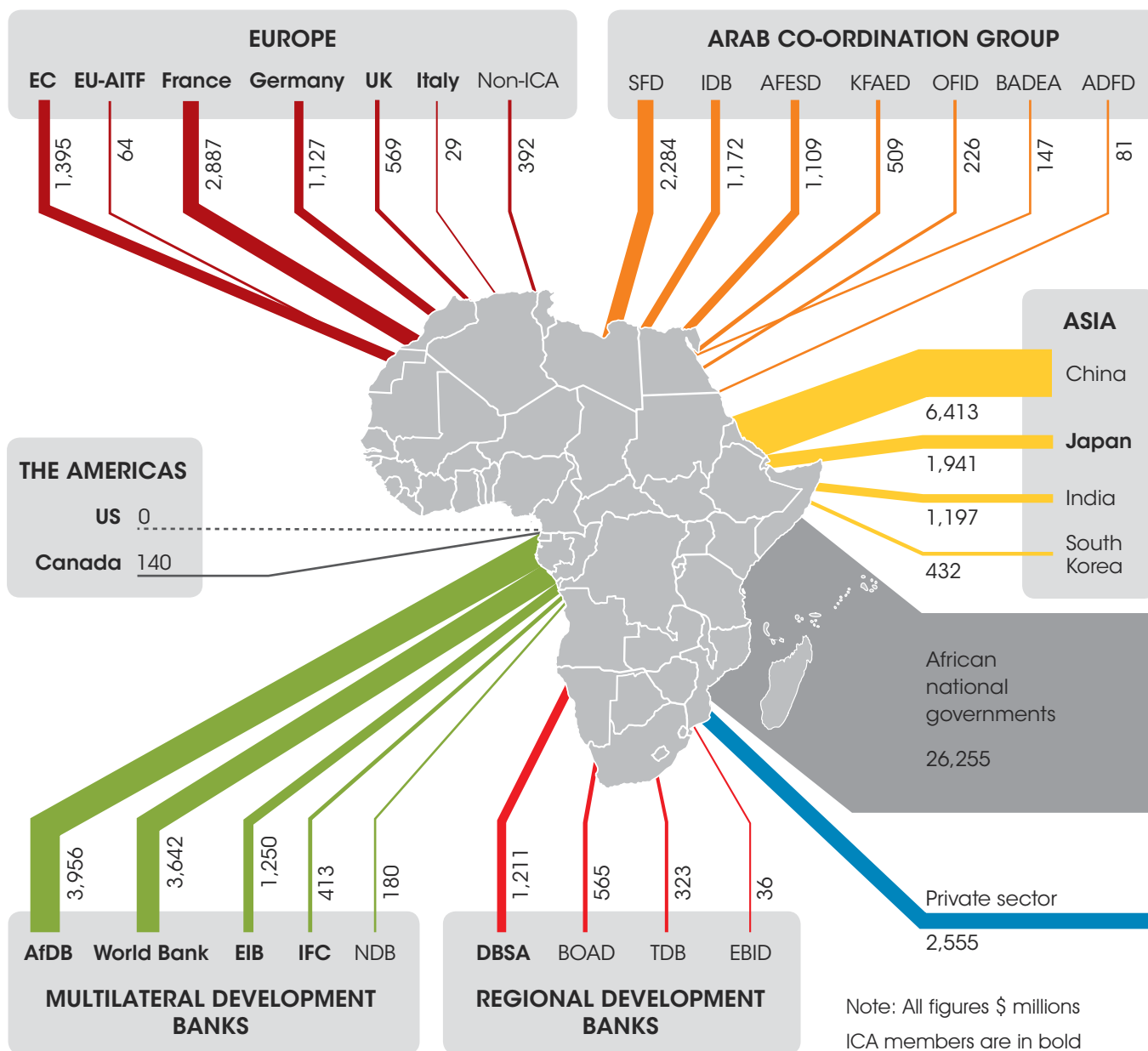
While public debt is not inherently bad if it supports productive investments that contribute to overall economic growth, utilising debt for current account expenditure is less sustainable. So too is unsustainably high debt levels on productive economic assets, as the costs of servicing the debt negate positive economic growth.

Between 2012 and 2016 the average debt-to-GDP ratio in Africa increased from 40.2% to 57.3%.⁷⁵ For low-income countries, the IMF considers a debt-to-GDP ratio of 30–50% as sustainable.⁷⁶

75 Simple average for all African countries except Somalia and Libya (no data available); IMF, 'World economic outlook database', <http://www.imf.org/external/pubs/ft/weo/2017/02/weodata/index.aspx>, accessed 19 October 2017.

76 IMF, 'Joint World Bank-IMF Debt Sustainability Framework for Low-Income Countries', <http://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/16/39/Debt-Sustainability-Framework-for-Low-Income-Countries>, accessed 14 June 2018.

FIGURE 6 FINANCING FLOWS INTO AFRICA'S INFRASTRUCTURE, 2016



ADFD: Abu Dhabi Fund for Development
 AFESD: Arab Fund for Economic and Social Development
 BADEA: Arab Bank for Economic Development in Africa
 BOAD: West African Development Bank
 EBID: ECOWAS Bank for Investment and Development
 EIB: European Investment Bank
 EU-AITF: EU-Africa Infrastructure Fund

IDB: Islamic Development Bank
 IFC: International Finance Corporation
 KFAED: Kuwait Fund for Arab Economic Development
 OFID: OPEC Fund for International Development
 SFD: Saudi Fund for Development
 TDB: Trade and Development Bank

Source: ICA (Infrastructure Consortium for Africa), 'Infrastructure Financing Trends in Africa', p. 14, https://www.icafrica.org/fileadmin/documents/IFT_2016/Infrastructure_Financing_Trends_2016.pdf, accessed 12 June 2018

Sustainable debt has been a key part of the BRICS development rationale and a key theme when Russia chaired the G20 in 2013. The BRICS Ethekwini Declaration reiterated the importance of sustainable debt levels. By the time China chaired the

Sustainable debt has been a key part of the BRICS development rationale and a key theme when Russia chaired the G20 in 2013

G20 in 2016, the role of the Paris Club⁷⁷ in restructuring sovereign debt was also highlighted, indicative of the elevation of debt sustainability in global dialogues. The BRICS, either through the NDB wishing to extend loans to African countries or as bilateral financiers, should take careful note of the current situation. This is where loans in local currency, as promised by the NDB, become important.

China has seen in other developing countries how debt can be problematic. After the Sri Lankan government defaulted on debt repayments to China, it was compelled to surrender its strategic port of Hambantota to China on a 99-year lease.⁷⁸ In Africa, the IMF warns that Beijing might face similar challenges soon if its lending is not prudent: in Djibouti, three Chinese-backed projects increased the country's debt-to-GDP ratio from 50% in 2015 to 85% in 2016.⁷⁹

Transparency: For BRICS DFIs and the NDB the debt also illustrates the need for transparency in reporting financing and loans.⁸⁰ The BRICS countries, their respective MDBs and the NDB should consider working with institutions such as the Infrastructure Consortium for Africa (ICA), which monitors infrastructure financing in Africa. Of the BRICS, only Russia and South Africa report data to the ICA.⁸¹ It is also important that African countries are transparent about their credit status.

77 The Paris Club is a grouping of major creditor countries, predominantly developed economies, but including Brazil and Russia.

78 Wuthnow J, 'Securing China's Belt and Road Initiative: Dimensions and Implications', Testimony before the US–China Economic and Security Review Commission Hearing on 'China's Belt and Road Initiative: Five Years Later', 25 January 2018, https://www.uscc.gov/sites/default/files/Wuthnow_USCC%20Testimony_20180123.pdf, accessed 10 May 2018.

79 IMF, 'Djibouti 2016 Article IV Consultation', IMF Country Report 17/87, April 2017, <https://www.imf.org/~en/media/Files/Publications/CR/2017/cr1787.ashx>, accessed 10 May 2018.

80 IMF, 'Communiqué of the thirty-seventh meeting of the International Monetary and Financial Committee', Press Release, 21 April 2018, <https://www.imf.org/en/News/Articles/2018/04/20/pr18140-communiqué-of-the-thirty-seventh-meeting-of-the-imfc>, accessed 14 June 2018.

81 ICA, 'ICA contributors', <https://www.icafrica.org/en/about-ica/ica-contributors/>, accessed 14 June 2018.

Investment and trade: The unbalanced BRICS–Africa trade relationship was noted earlier. A more balanced relationship requires African countries to be better integrated further up the value chain in various sectors. Productive infrastructure investment to support industrialisation is a key African priority.

At Sanya in 2011, the first time South Africa participated, the BRICS declaration noted, ‘[W]e support infrastructure development in Africa and its industrialisation within the framework of the New Partnership for Africa’s Development.’⁸² A similar message is expressed in subsequent BRICS declarations. However, this agenda item has had little traction in other related BRICS meetings. Industrialisation needs in other developing countries are not addressed in ‘The Strategy for BRICS Economic Partnership’⁸³ launched during the group’s 2015 summit, or in the ‘Action Plan for Deepening Industrial Cooperation among BRICS Countries’⁸⁴ released during the 2017 meeting of the group’s industry ministers.

The BRICS migration up the manufacturing value chain creates an opportunity to relocate low-level manufacturing to certain African countries

Greater investment from the BRICS in African countries could enhance business-to-business relations, expand BRICS–Africa value chains and promote greater industrialisation. The BRICS migration up the manufacturing value chain creates an opportunity to relocate low-level manufacturing to certain African countries. But to optimise these opportunities, detailed analysis of sectors and countries would need to be undertaken, supported by investment, market access and technology transfers.

AFRICAN PRIORITIES

In 2013 the AU adopted its ambitious 50-year plan entitled *Agenda 2063*, which sets out seven aspirations, including a prosperous Africa based on inclusive growth and sustainable development. The priorities for the first 10-year implementation plan (2014–2023) include that, by 2023, Africa’s GDP should be growing at 7% and at least a third of outputs should be generated by national firms through labour-intensive manufacturing, underpinned by value addition to commodities and improvements in total agricultural factor productivity. There should be significant information and communications technology penetration and the establishment

82 BRICS, ‘Sanya Declaration’, <http://www.brics.utoronto.ca/docs/110414-leaders.html>, accessed 14 June 2018.

83 BRICS, ‘The Strategy for BRICS Economic Partnership’, *op. cit.*

84 BRICS, ‘Action Plan for Deepening Industrial Cooperation Among BRICS Countries’, 29 July 2017, http://brics.itamaraty.gov.br/images/documentos2017/latest_Action-Plan-for-Deepening-Industrial-Cooperation-among-BRICS-Countries.pdf, accessed 14 June 2018.

of regional industrialisation hubs linked to global value chains and commodity exchanges.⁸⁵ The flagship projects for this period include an integrated high-speed rail network, establishment of a continental free trade area, and a single air transport market.

Coupled with the goals of Agenda 2030, the objectives set out for the first decade of implementation require all African countries to pull together, and emphasise the importance of an effective financing strategy. Following on Agenda 2063, the ‘Imperative to Strengthen our Union’ (Kagame report) tabled at the January 2017 AU summit proposed several institutional reforms to ensure the continent delivered on the agenda’s objective of an ‘integrated, prosperous and peaceful Africa, driven by its own citizens and representing a dynamic force in [sic] international arena’.⁸⁶ Among others, it made proposals on the self-financing of the AU and on converting the NEPAD Agency into the AU Development Agency. It also recommended a more coherent and streamlined approach to partnership summits, so as to avoid fragmentation.

The report proposed that ‘partnership summits’ convened by external parties should be reviewed, including limiting the participants to the chairs of the regional economic communities (RECs) at any given time, the AU chair troika and the AU Commission (AUC) chair.

In a 2014 report on the BRICS and Africa, the UN Economic Commission for Africa (UNECA) set out where it saw benefits from the BRICS for Africa. These included the establishment of partnerships with BRICS countries to unlock green technology opportunities, given that some of the leading global firms in this sector were from the BRICS. The report also identified the BRICS Multilateral Cooperation Agreement on Innovation that was adopted at the sixth summit in Brazil as an opportunity for Africa. The agreement aims to provide support for projects and initiatives that promote investments in technological innovation, with emphasis on infrastructure and sustainable energy, as well as innovations in processes and products in various areas of industry, services and agribusiness.⁸⁷

The UNECA report identified four areas of strategic engagement with the BRICS:

- environment (climate change actions);
- agriculture;
- renewable energy; and
- technology, innovation and employment opportunities.

85 AU, ‘The Africa we Want: First Ten-Year Implementation Plan 2014–2023’, September 2015, https://au.int/sites/default/files/documents/33126-doc-11_an_overview_of_agenda.pdf, accessed 8 July 2018.

86 AU Assembly, ‘Assembly of the Union, 30th Ordinary Session, 28–29 January 2018, Addis Ababa, Ethiopia’, https://au.int/sites/default/files/decisions/33908-assembly_decisions_665_-_689_e.pdf, accessed 12 July 2018.

87 UNECA (UN Economic Commission for Africa), ‘BRICS/Africa Partnership for Development’, 2014, <https://www.uneca.org/publications/bricsafrica-partnership-development>, accessed 8 July 2018.

It argued further that more needed to be done to encourage BRICS countries to use the region as a production hub. Peer exchange was also identified as an opportunity because the BRICS countries are transforming their development through innovation and mainstreaming sustainability into their core business practices. UNECA believes that Africa could emulate these lessons through cooperation in 'human capacity, development, financing, fair trade, infrastructure development and the transfer of cleaner technologies'.⁸⁸ These sentiments were echoed in the expert responses received by SAIIA.

African respondents identified 'industrialisation, jobs and manufacturing', and infrastructure financing as the two top BRICS priorities for Africa over the next 10 years. Debt alleviation was ranked third. There is a strong correlation here with

African respondents identified 'industrialisation, jobs and manufacturing', and infrastructure financing as the two top BRICS priorities for Africa over the next 10 years. Debt alleviation was ranked third

Agenda 2063 and the narrative around industrialisation and infrastructure financing that South Africa and the continent regularly articulate in various forums. These are also reflected in the outcomes of the FOCAC Johannesburg Action Plan (2016–2018)⁸⁹ and the third India–Africa Forum Summit in 2015. Nonetheless, there is no reference in BRICS statements to these bilateral initiatives and how to augment coordination.

The BRICS experts indicated that China's Belt and Road Initiative (BRI) and the Asia–Africa Growth Corridor promoted by India and Japan could support African economic development, including through capacity-building programmes, knowledge sharing and development finance. One proposal was for the BRICS to formalise its relations with the AU and ensure that collaborative schemes such as the BRI were aligned with Africa's vision.

In terms of facilitating better cooperation between the BRICS and African regional institutions to support African priorities, respondents recognised the importance of better harmonisation, coordination and integration of bilateral BRICS country–Africa strategies with a longer-term strategic BRICS engagement. Creating dedicated and regular BRICS–Africa/developing country engagement forums that ensure continuity from one BRICS presidency to the next was also seen as necessary. Some respondents also mentioned a dedicated BRICS desk in these institutions to enable strategic and high-level engagement with the BRICS grouping on a continuous basis. Another proposal was to foster closer cooperation between the BRICS and

88 *Ibid.*, pp. 19, 29.

89 See FOCAC (Forum on China–Africa Cooperation), 'The Forum on China–Africa Cooperation Johannesburg Action Plan (2016–2018)', http://www.focac.org/eng/lttda/dwjlzjijhys_1/t1327961.htm, accessed 14 June 2018.

African researchers, aimed at identifying strategic opportunities for engagement on BRICS–Africa issues and developing country concerns.

SOUTH AFRICA AND THE BRICS

Since 1994 South Africa has linked its foreign policy to advancing the African agenda. Perhaps more than any other country, it has always emphasised that when it serves on various global forums it does so also to advance broader African interests, not just its own. The BRICS has been no different.

In September 2012 then minister of international relations and cooperation Maite Nkoana-Mashabane noted that South Africa's BRICS membership had three objectives: to advance South Africa's national interests; to promote its regional integration programme and related continental infrastructure programme; and to partner with key players of the South on issues related to global governance and its reform.⁹⁰

Much of South Africa's focus has been on leveraging finance from the BRICS for African infrastructure development. In his opening statement at the third BRICS summit in Sanya in 2011, then president Jacob Zuma emphasised that the BRICS countries' major savings pool could be channelled into Africa's demand for large-scale investments in infrastructure and manufacturing: 'Over the next 10 years, Africa will need \$480 billion for infrastructure development, which should interest the BRICS business communities.'⁹¹ Zuma repeated a similar call at the BRICS Business Council in August 2013, where he invited business to collaborate with South Africa to deliver infrastructure in Africa, especially road and rail.⁹²

The first BRICS summit hosted by South Africa at eThekweni in 2013 was titled 'BRICS and Africa: Partnership for Development, Integration and Industrialisation'. At the summit, South Africa initiated a BRICS regional outreach mechanism and invited select African leaders to participate in a dialogue with the other BRICS members. The BRICS + N (neighbourhood) has since become a regular part of the BRICS summits, with each chair inviting countries from its region.

90 DIRCO (Department of International Relations and Cooperation), 'Speech by Minister of International Relations and Cooperation Maite Nkoana-Mashabane on the occasion of the *New Age* business briefing on "South Africa's Role in the BRICS and its Benefits to Job Creation and the Infrastructure Drive in South Africa", 11 September 2012, Sandton, Johannesburg', <http://www.dirco.gov.za/docs/speeches/2012/mash0911a.html>, accessed 8 July 2018.

91 ANC, 'Address by President Jacob Zuma to the plenary of the third BRICS leaders meeting, Sanya, Hainan Island, People's Republic of China', 14 April 2011, <http://www.anc.org.za/content/address-president-jacob-zuma-plenary-third-brics-leaders-meeting-sanya-hainan-island-peoples>, accessed 8 July 2018.

92 South Africa, The Presidency, 'Address by President Jacob Zuma on the occasion of the first meeting of the BRICS Business Council, Sandton Convention Centre, Johannesburg', 20 August 2013, <http://www.thepresidency.gov.za/speeches/address-president-jacob-zuma-occasion-first-meeting-brics-business-council%2C-sandton>, accessed 8 July 2018.

The theme of the dialogue with Africa was ‘Unlocking Africa’s Potential: BRICS and Africa Cooperation on Infrastructure’. South Africa invited those countries that held the chairmanship of Africa’s various institutions. Dialogue participants included the chair of the AU, the chair of the AUC, the chair of NEPAD’s Heads of State and Government Implementation Committee (HSGIC), the heads of state and/or government of the eight RECs and of the NEPAD Presidential Infrastructure Championing Initiative, and the executive heads of the eight RECs.

The 2013 BRICS summit also agreed on a BRICS Multilateral Infrastructure Co-Financing Agreement for Africa to pave the way for the establishment of co-financing arrangements for infrastructure projects across the continent; and a BRICS Multilateral Cooperation and Co-Financing Agreement for Sustainable Development, aimed at exploring the establishment of bilateral agreements to facilitate cooperation and co-financing arrangements, specifically around sustainable development and green economy elements.

Understandably, South Africa’s Africa narrative in BRICS forums has also elicited the interest of other African countries. A Namibian government Foreign Policy Review Conference in July 2016 included a focus on the BRICS. The Namibian foreign ministry was particularly interested in ways in which other African countries could benefit from the NDB.⁹³

THE 10TH BRICS SUMMIT, JOHANNESBURG – CONTINUITY?

In 2018 South Africa will host the BRICS summit under the theme ‘BRICS in Africa: Collaboration for Inclusive Growth and Shared Prosperity in the 4th Industrial Revolution’. Again, it has invited eight African countries⁹⁴ to attend the BRICS–Africa dialogue on the last day of the summit: the leaders of some of Africa’s eight RECs; the chair of the AU; and the chair of the NEPAD HSGIC. The BRICS–Africa retreat’s theme is ‘Working Towards Realisation of Africa’s Aspirations: Sustainable Development and Infrastructure Development’. The agenda for the retreat was discussed and agreed with the AU. In its own version of a ‘BRICS Plus’ platform, South Africa also invited Argentina (chair of the G20 and Mercosur member), Indonesia (co-chair with South Africa of the New Asia Africa Strategic Partnership), Egypt (chair of the G77 plus China), Jamaica (incoming chair of the Caribbean Community), Turkey (chair of the Organization of Islamic Cooperation) and the UN secretary general.

African stakeholders surveyed by SAIIA were asked about their expectations of the BRICS summit. One respondent emphasised that South Africa should take advantage

93 Elizabeth Sidropoulos’s personal notes, Windhoek, July 2016.

94 They are Angola (chair of the SADC Organ), Namibia (incoming chair of the SADC Summit), Burundi (incoming chair of the Common Market for Eastern and Southern Africa), Togo (chair of ECOWAS), Ethiopia (chair of the Intergovernmental Authority on Development), Uganda (chair of the East African Community), Gabon (chair of the Economic Community of Central African States), Senegal (chair of the NEPAD HSGIC), Rwanda (chair of the AU), and the AUC chair.

of the opportunity to explain to its partners the importance of the AfCFTA for South Africa and other African countries; and to ask for the other members' support in rolling out the AfCFTA. Another respondent hoped to see practical steps and alignment with BRICS initiatives in operationalising the principles of inclusive growth as reflected in the 2030 and 2063 agendas. The respondent added that the summit should come out with a plan of action on a development partnership with African countries that addressed the financing and implementation of Agenda 2063. The BRICS also had to ensure that the NDB stayed on course to support inclusive and sustainable infrastructure development in Africa. Most respondents noted that infrastructure was key to integration and thus asked for a commitment by the BRICS to support 'win-win' programmes on railways, ports, airports and industrial development to increase economic growth.

On the extent to which African concerns are promoted in global economic and other global governance forums, respondents argued that South Africa was only moderately effective in communicating African concerns within the BRICS global economic reform agenda. One respondent noted that to many non-South African observers it seemed as though South Africa found it difficult to harmonise the African agenda with its own interests, while one respondent noted that South Africa needed to regain its leadership position. 'A weak South Africa in a weak Africa cannot be the bridge between external powers and weak African countries.'⁹⁵

Scepticism about South Africa and the BRICS was also apparent, with one respondent stating that 'opening [the] doors of African institutions to foreign powers while these institutions are still shaky will only give foreign powers access to divide African countries more ... [T]he best way to improve BRICS–Africa relations is to speak with one voice to defend the Africa agenda and its interests.'⁹⁶

In contrast, others suggested that greater engagement with the RECs and engagement beyond South Africa would catalyse and support development. Direct BRICS–Africa engagement (such as the outreach dialogue) anchored on Agenda 2063 could deepen such cooperation. Some also noted that the BRICS offered a useful alliance in global governance forums that would allow Africa's voice to be 'better heard' on issues such as climate change, global development and international financial system reform.

There was also recognition that the many global governance reform efforts pushed by the BRICS, although not directly speaking for Africa, were rooted in the developing bloc and 'their success would have [a] positive impact on Africa'.⁹⁷

Finally, many responses indicated a less-than-complete knowledge of what South Africa and the other BRICS countries were doing in engaging Africa. This indicates the need for a stronger outreach by South Africa to other African stakeholders to

95 SAIIA BRICS–Africa Survey, *op. cit.*

96 *Ibid.*

97 *Ibid.*

include African civil society. This could also be done by utilising academic forums and existing networks of African universities and think tanks to help generate more awareness.

ASSESSMENT

From 2009 to 2011, the BRICS lobbied aggressively for reform within the IMF and the World Bank on three key issues:

- reform of the voting structure of the BWIs;
- reform of the quota formulation; and
- reform of historical practices of reserving the roles of the head of the IMF and World Bank for Western countries.

This period was characterised by a BRICS focus on ‘inside reforms’, with the BRICS leveraging its growing economic power and the constrained fiscal position of Western countries immediately after the global financial crisis to achieve its goals. However, much of the voting share shift occurred among EMDCs, with several African countries’ shares reduced. In addition, reform of the quota formulation was halted and the BRICS failed to alter the practice of electing a European and an American to head the IMF and the World Bank respectively, although a more competitive process is likely in future.

The gradual fading of the shock of the global financial crisis and the time lag in implementing reforms was a negative driver of change. The existing structural power relations that favour the US (and to some extent the EU) also made progress difficult.

The lack of significant progress in their reform objectives led to the BRICS countries’ decision to explore outside options from 2012 onwards. Their growing economies and the reserves at their disposal made this feasible, although the BRICS has also emphasised that these institutions are a supplement to and not a substitute for existing structures.

While the NDB holds much potential to impact countries outside the BRICS, the group has been criticised for limiting its membership at the outset, not bringing in new members, not allowing other countries to consult on the design of the NDB, reserving 55% of its shareholding for founding members and limiting control of core aspects of the bank, even after membership expansion. This will severely constrain the BRICS’ global influence.⁹⁸ For African countries the biggest question remains

98 Humphrey C, ‘China’s AIIB bank set to become major player while new BRICS bank lags behind’, ODI, 1 May 2015, <https://www.odi.org/comment/9524-chinas-aiib-bank-set-become-major-player-while-new-brics-bank-lags-behind>, accessed 10 May 2018.

access to the NDB. As one scholar remarked, ‘What is the point of your neighbour cooking fish, and you can only smell the fish but not eat ... it?’⁹⁹

South Africa’s narrative around BRICS–Africa has been consistent and comparable to how it has played out in other multilateral forums. South Africa’s emphasis on infrastructure financing and the NDB has created expectations in Africa, and it is important to begin delivering on these. This is as much about South Africa’s credibility on the continent as it is about the BRICS–Africa engagement. There is a strong continuity in the way in which African issues are framed in BRICS’ discourses; however, Africa is not properly integrated into the BRICS strategy. There is also a disjuncture between the BRICS countries’ bilateral engagement with Africa and their bloc engagement: closer integration with bilateral initiatives could improve the offering to Africa.

CONCLUSION AND RECOMMENDATIONS

The BRICS, a formidable combined economic and political bloc, has a significant role to play in advocating and advancing reforms in global economic governance, both inside the BWIs and through new institutional experimentation. This paper has highlighted several areas where the BRICS can promote this agenda. The hybrid approach of not giving up on inside reforms while exploiting outside options remains practical.

INSIDE REFORMS

- Most developing countries remain under-represented in the BWIs. The BRICS should use its position to push for a greater voice for developing countries. South African representation as the first sub-Saharan African chair of the IMFC is a unique window to promote African and developing country concerns and build bridges within the IMF.
- The 2019 IMF quota review is an opportunity to discuss quota formulation again, as well as push for EMDC support for a third IMF chair for sub-Saharan Africa. Given the constraints, South Africa will have to work hard, especially inside the Africa Group and the G24, to get agreement on the latter. Ahead of elections for the next IMF managing director and World Bank president (both in 2021), the BRICS should agree on a single candidate for each institution.
- South Africa and the other BRICS members could explore BRICS Plus options to unite around IMF quota reform. In addition, the BRICS should build partnerships with other developing and developed countries in support of a rules-based multilateral order.

99 Oxfam South Africa, ‘What’s New about the New Development Bank: Dialogue on the Launch of the NDB Regional Centre and What it Means for Africa?’, Johannesburg, 8–9 March 2018.

OUTSIDE OPTIONS

- The NDB should work on its value proposition to prospective members and improve its communication regarding the opening up of membership, clearly communicating timelines and clarifying expectations. Its value proposition to African LICs should also be cognisant of rising indebtedness.
- The NDB is charting new ground by specialising in renewable energy infrastructure and green development. Developing its knowledge base in this area, infused by practical, workable experiences in the BRICS, can create an opportunity for global peer learning.

In improving the relationship between the BRICS and African countries – a core part of South Africa’s BRICS strategy – there are a few areas where the BRICS can cooperate better.

BRICS–AFRICA

- South Africa should push for the development of a dedicated BRICS–Africa strategy, as well as the integration of African developing country concerns in the various BRICS strategies – such as the Strategy for BRICS Economic Partnership or the Action Plan for Deepening Industrial Cooperation among BRICS countries – to support regional development chains in Africa.
- The BRICS remain extremely dynamic markets that hold both opportunities and challenges for African countries. The recent policy shift in China to transform its economy from manufacturing to services driven could result in the outsourcing of some manufacturing processes to African countries. African policymakers, researchers and the business community should be working synergistically to identify sectors where there may be opportunities.
- The BRICS members could also explore formalising their relations with the AU and ensure that their collaborative schemes such as the BRI and the AAGC are aligned to Africa’s vision, as these could support African economic development, including capacity-building programmes, knowledge sharing and development finance.
- Some of the BRICS have become important bilateral creditors to African countries. As a grouping BRICS should consider developing a reporting and monitoring mechanism or participating in existing mechanisms to track loans and the extension of credit to developing countries.

The potential economic and developmental opportunities presented by the BRICS also necessitate consideration from the African side about modalities to optimise engagement:

- The AUC should set up a dedicated BRICS unit to provide support on BRICS-related issues to the rotating AU chairs. Such a unit could also cover G20-related issues, where the principle of rotation of chairs also makes continuity of engagement difficult for countries that are not permanent members of the G20.

While South Africa is the only African member of the BRICS, the AU chair has been invited to participate in BRICS summits over the last two years. To date, no formal mechanism within the AUC exists to coordinate African positions in the BRICS. Coordinated policy positions and regular meetings with relevant South African policymakers will ensure policy continuity despite the revolving chairs in both the AU and the BRICS.

- South Africa should accelerate its outreach to other African governments and civil society on the BRICS–Africa agenda. South Africa may wish to encourage greater African research engagement on BRICS issues through calls for proposals via its existing research funds, which bring together South African and other African researchers on BRICS–Africa-related research. This is important because of the need for African actors to understand better the various BRICS engagements on the continent, which in turn also creates greater agency in the modalities of engagement with the BRICS both individually and collectively. Such an endeavour also creates the space for more debate on expectations from both sides.



GEGAFRICA
GLOBAL ECONOMIC GOVERNANCE