

Does BRICS Banking offer an Alternative to the IMF and World Bank? Pessimistic Signals from South Africa

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After their 1944 birth at a New Hampshire hotel, the International Monetary Fund (IMF) and World Bank turned 75 years old this year, long past a reasonable retirement age. For the sake of global financial management, most reformers' hopes rest in changing the character of the Bretton Woods Institutions, including leadership nationality, loan conditionality, the character of bailouts and Third World countries' 'voice' and voting power.

As part of that process, the Brazil-Russia-India-China-South Africa (BRICS) network was expected to support a more balanced, 'polyarchic' division of international financial power and responsibility, thanks to the large emerging-market surpluses and what some see as a developmental ideology. To that end, in 2014, the New Development Bank and Contingent Reserve Arrangement were born at the BRICS' Fortaleza summit. Frustrations had mounted with the Bretton Woods and related multilateral institutions responsible for both balance-of-payments support and project finance. The hopes of what Brazilian theorists termed the era's 'New Developmentalism' included the supply of credit for both macro- and micro-economic strategies similar to the strategy adopted by Brasilia's Workers Party.

However, five years later, as Brazil again hosts the BRICS leaders (in Brasilia on November 13-14), these hopes have been dashed. BRICS' efforts to reform the Bretton Woods Institutions are, in retrospect, not only fruitless but dangerous. Instead, a different, more ambitious approach consistent with an older approach, the *dependencia* strategy (which operates more in the spirit of John Maynard Keynes than typical banker logic), is now much more appropriate, although the balance of forces within the BRICS, given Jair Bolsonaro's rule, makes this extremely unlikely in the foreseeable future.

Will BRICS and the West struggle, or snuggle?

Two supposedly 'alternative' institutions were launched five years ago in Fortaleza, Brazil, by the Brazil-Russia-India-China-South Africa (BRICS) bloc, hosted by the Workers Party government of Dilma Rousseff. The leaders raised expectations about the potential for a new philosophy and new strategies, in which BRICS' contributions to world finance would operate in a manner completely different to the World Bank, IMF and other multilateral development banks.

By the time of the Fortaleza summit, there was also the potential for a "New Developmentalism" identified by former Brazilian finance minister Luiz Carlos Bresser-Pereira and advanced mainly from the Getulio Vargas Foundation. This philosophy, entailing more active management of international economic relations, including financial and monetary matters, was drawn in part from Brazil's successful strategy during the late 1990s and 2000s, leading up to the 2011 peak of the

commodity super-cycle.

One additional aspect was the sense of not only BRICS' ascendance, but the decline of Western power and legitimacy, which in turn reflected in how the Bretton Woods Institutions imposed conditionality-heavy credits and reproduced leadership unfairly: always a U.S. citizen leading the Bank, and a European heading the IMF. Partly for that reason, and because of a gap in the sustainability financing marketplace, the BRICS' prospects for global financial reform was identified with two former World Bank chief economists – Joseph Stiglitz and Nicolas Stern – who wrote the original concept paper for what became the BRICS New Development Bank (NDB) in 2011.

This was possible, Bresser-Pereira (2018) explained, because the World Bank fell “into an identity crisis when, in the early 1980s, the American government constrained it to change from a developmental multilateral bank whose policies were oriented by development economics to be the agency charged of making the neoliberal reforms to advance in the developing countries – to change their economic policy regimes from developmental to liberal.”

This dual narrative – drawing attention to the West's neoliberalism, illegitimacy and decay on the one hand, and the rise of the BRICS as an alternative power bloc on the other hand – is worth considering in detail, using as a case study global financial governance. As Christopher Tapscott, Jose Puppim de Oliveira, Yijia Jing, Alexey Barabashev and Navdeep Mathur (2017, 1) argue, “relatively little comparative research has been undertaken on the respective state building and governance regimes of its member states and on how these might influence the closer integration of their activities in the future.”

The same is true internationally, in a context of a division-prone BRICS where different agendas now proliferate. When driving the BRICS agenda forward, China's capacity to serve its own national interests may be dominant in the long term, but the governments of Donald J. Trump and Jair Bolsonaro have already caused problems for Beijing's global strategy, as shown below. In 2019, both enjoyed the power to choose presiding officers of the World Bank and NDB, respectively.

Prior to whatever orientation Bolsonaro chooses as host of the BRICS in 2019, what is the nature of the challenge to the World Bank and IMF posed by the BRICS' most advanced institutional innovations – the NDB and Contingent Reserve Arrangement (CRA) – as well as by the BRICS' foreign economic policy-makers? The ideas of New Developmentalism and “sustainable development financing” have been rhetorically important. But service to BRICS borrowers – national states and State Owned Enterprises – appears to be of overarching importance, regardless of ideology and sustainability.

Reflecting power relations within the BRICS, both new institutions have vital Chinese influences, not least in Shanghai's headquarters role for the former, and Beijing's outsized 41 percent financial contribution to the latter. [1] If the analytical dilemma discussed below is whether the new BRICS financial institutions are operating against, or within, existing global financial governance, the ability of China to guide the BRICS reflects its leaders' “pragmatism and incremental adaptation,” as Yijai Jing (2016, 37) shows in relation to domestic governance.

Yet seen from South Africa, such incrementalism is not satisfying, at a time the West's self-interested financial agenda parallels its chaotic roles in global climate governance, geopolitics and macro-economic management (Garcia and Bond 2018). These will only intensify with Donald Trump's uncontested appointment of David Malpass as Bank president in 2019, reflecting the West's durable power to not only manage multilateral finance and its institutions (including leadership), but also set the agenda for an era of increased West-BRICS conflict, given Malpass' hostility to China.

On the other hand, according to the Bank's former China director Yukon Huang, "China is doing the World Bank a favor by borrowing, because people realize it's not going to default on those loans." He does not expect Malpass to make major changes in relation to China during an era of economic turmoil, because "America always goes for a solution which strengthens the global financial system, because that's America's strength. The global financial system is essentially America's financial system" (Igoe 2019).

The power and arrogance of the Malpass appointment is not surprising. As another example of Western malevolence within global financial management, former World Bank chief economist Nicholas Stern (2013) bragged to a 2013 London conference that he was the co-instigator of the very idea of a BRICS Bank, for reasons that had nothing to do with alleged sustainability and climate financing (as claimed by Stern and Stiglitz, 2011). Instead, he desired an institutional lock-in between business deal-makers and a dependable cohort of national officials who would respect their states' contracts with such corporations.

Stern specifically sought ways to avoid policies that adversely affected those corporations: "If you have a development bank that is part of a [major business] deal then it makes it more difficult for governments to be unreliable... What you had was the presence of the European Bank for Reconstruction and Development (EBRD) reducing the potential for government-induced policy risk, and the presence of the EBRD in the deal making the government of the host country more confident about accepting that investment. *And that is why Meles Zenawi, Joe Stiglitz and myself, nearly three years ago now, started the idea. And are there any press here, by the way? Ok, so this bit's off the record. We started to move the idea of a BRICS-led development bank for those two reasons*" (emphasis added) (Stern 2013).

In a "world turned upside down" (Panitch and Albo 2018) where nothing is as it seems, the critical approach adopted below includes political-economic observations about power within multilateral financial politics. This is achieved partly through an assessment of the Pretoria government's own contributions during the two relevant regimes: Zuma from mid-2009 through early 2018 and Ramaphosa since. During the former's reign, the NDB prepared work on several loans, gaining cabinet approval in late 2015 (Malcolmsen 2016).

One loan was advanced in 2016, but then was not activated by the borrower, the state national electricity firm Eskom. The \$180 million was earmarked for renewable energy transmission lines, which the new chief executive (Brian Molefe) did not want to implement, given the utility's financial crisis and his desire to instead contract for Russian-supplied nuclear energy.

After Molefe's departure in 2017, a sudden threat of a default on Eskom's \$3.75 billion loan to the World Bank in early 2018 – which was resolved at an emergency Davos World Economic Forum meeting (Paton 2018) – and Ramaphosa's ascendance, the renewable energy programme was reinstated, and was one of three loans codified to South Africa's parastatal agencies in 2018. The other two were to the shipping parastatal Transnet (\$200 million for Durban port expansion) and the Development Bank of Southern Africa (\$300 million for unspecified municipal infrastructure).

In 2019, two additional loans were made by the NDB: \$480 million to Eskom to enhance the largest coal-fired power plant under construction on earth, Medupi (specifically for its long-overdue desulphurisation); and \$220 million (in local Rand currency) for another dam within the Lesotho Highlands Water Project, which provides cross-catchment water supply to Johannesburg.

But both projects have been so bribery-riddled in past phases, that the World Bank debarred several international construction companies due to Lesotho corruption (Bond 2002), and the U.S. Securities and Exchange Commission fined the main Eskom power-plant builder, Hitachi, \$19 million due to its

relationship with a fronting company (with no related experience) which also served as the South African ruling party's main fund-raising arm (Bond 2014a, 2014b).

These loans contrast the BRICS NDB rhetoric of sustainability with the realities of corrupt, carbon-centric, crony-based accumulation, with no intention of community consultation (i.e., a bank indistinguishable from the World Bank). From 2016-18, the three South African loans were authorized from the NDB Shanghai headquarters, but the Africa Regional Centre in Johannesburg deserves most blame for shortcomings, such as non-existent governance safeguards and a refusal to engage in stakeholder participation. [2]

As for the \$100 billion CRA fund, it may one day become relevant in the event of financial meltdowns and contagion similar to 1998 and 2008, especially in South Africa. But at that stage, the IMF is likely to be even more important, if repayment of the country's now-unprecedented \$180 billion foreign debt is in question.

Seen from South Africa, the institutional connections between the Bretton Woods Institutions and the BRICS, not to mention the NDB staff's own backgrounds in Western-oriented banking (whether global banks or Pretoria's Treasury and Reserve Bank) (Bond 2014b, 2016), together suggest a relationship nowhere near as hostile to the Washington Consensus as some leftist politicians and analysts hope for. [3]

The BRICS have retained a certain credibility as 'middle power' accompaniments to multilateralism, to be sure. But in 2019, with Brazilian president Jair Bolsonaro's new rightwing agenda coming into focus (including his appointment of the next BRICS NDB president), the situation remains fluid. His neoliberal finance minister Paulo Guedes was named chair of NDB at the April 2019 Annual General Meeting, at a time Guedes' own role in pension-related corruption was becoming more explicit.

But macroeconomic trends will likely be decisive, and here – just as in the institutional arena that Stern (2013) explained – it again appears that the BRICS are no *alternative*, but instead an *amplifier*, of contradictions created within Western-centric capitalism (Bond and Garcia 2015). It is in that context that we begin the discussion of the BRICS and global financial governance, given that New Developmentalism has been suggested as an antidote to these trends, and has failed to materialize.

A difficult New Developmentalism

Hopes that BRICS countries will offer new strategies and ideas about development and governance are fading, especially in relation to financial markets. The 2014 Fortaleza founding of the NDB raised expectations that the BRICS could generate an exciting new potential: to break the grip on multilateral financial governance by the neoliberal Bretton Woods Institutions, whose conditionality-riddled credit control grew after the 2008 financial crisis. The Western-backed banks came to rule not just impoverished but also emerging economies (e.g., Argentina recently) – just as in the 1980s – and even a few wealthier countries (Portugal, Ireland, Greece and Spain) that recently fell into crisis.

Brazil's New Developmentalism, in contrast, consisted of rising levels of social inclusion and lower inequality, coinciding with successful export orientation. The New Developmentalism's promotion of manufactured exports is closely associated with four macro-economic, monetary and fiscal policy factors:

- falling exchange rates, given the bias is to undervalue the local currency and thus keep relative wage rates low;
- a shrinking state deficit on current (not capital) spending so as to avoid crowding out financing

- for private sector investment;
- a commitment to establishing new infrastructure; and
- a relatively low real interest rate.

Brazil has many lessons. In the second Lula administration, as Bresser-Pereira (2011) explained, “God was Brazilian,” because thanks to the commodity super-cycle and his New-Developmentalist *Programa de Aceleração do Crescimento*, Lula “did not bring inflation nor adversely affect growth.” The PT “did not fear to displease the rich,” but nevertheless “was fiscally responsible” and “reacted well to the 2008 global financial crisis,” in part by “lowering the real interest rate by nearly half” and imposing “controls over capital inflow.”

Lula, said Bresser-Pereira, “remembered that there is such a thing as the entrepreneur and the national enterprise, or, in other words, that there is a nation, whose strength and ability to compete with the other nations will depend on the clarity and cohesiveness of the political coalition between entrepreneurs, public bureaucracy and workers” (Bresser-Pereira 2011).

In South Africa and a few other emerging-market countries, these ideals motivated debates over needed policy shifts, especially where the early 2000s boom provided sufficient macro-economic space to attempt aspects of New Developmentalism. In Johannesburg phraseology, during the height of Worker Party power, the desire for a ‘Lula Moment’ was expressed by leading centre-left policy academics and trade unionists from South Africa and Brazil alike (Netshitenzhe 2013, Braga 2014, Coleman 2014, Schutte 2014), led by the Communist Party’s Chris Hani Institute (Webster and Hurt 2014). Of South Africans, however, it was only Neil Coleman (2014) from the main trade union federation who took the trouble to sketch out concrete comparisons.

To be sure, Lula Moment advocacy also attracted criticism, especially insofar as it was a strategy encumbered by unsustainable ‘corporatist’ philosophical underpinnings (Morais and Saad-Filho 2013). Comparing with South Africa’s potential, Ben Fogel (2015) complained, Lula “failed to build a new political culture through constitutional and political reforms or by tackling an institutionally hostile media” and instead, made “alliances with corrupt and reactionary regional power brokers, embracing Brazil’s traditional patronage political culture to gain institutional power at the expense of trade union and social movement allies.”

The South African debate coincided with the expulsion of the largest trade union – the 350,000-member National Union of Metalworkers of South Africa (Numsa) – from the country’s main union federation because it was too leftwing. So the contrast was with a potential ‘Numsa moment’ that would have much more radically changed ownership of the economy’s commanding heights. [4]

However, regardless of whether South Africa *should* have pursued this approach, especially in macro-economic terms, by the mid-2010s there was little left to hope for, in either country. South Africa suffered a kleptocracy from 2009-18 under Zuma’s leadership, combining talk-left populist-developmental rhetoric with walk-right neoliberalism and extreme corruption.

In Brazil, the 2013 turn to neoliberalism by Lula’s successor, Rousseff, meant the domestic bourgeoisie’s support for the PT evaporated after widespread 2013-16 protests. These were originally catalysed by leftists dissatisfied by public transport price rises, but were soon taken over by wealthy right-wing elements which by 2016 resulted in a parliamentary coup against Rousseff. So while in the 1998-2004 period, mostly under Fernando Henrique Cardoso’s centrist rule, Brazil drove its trade/GDP ratio from 15 up to 30 percent, this measure of integration subsequently fell to 24 percent by 2017.

Indeed the rest of the BRICS trade/GDP ratios also dropped markedly after peaking during the

2000-08 period, even further than the world's drop, from 61 to 56 percent. Matters are now deteriorating further what with Donald Trump's U.S. protectionism, for the World Trade Organization (2019) recorded dramatic declines in the 2018 WTO Index of trade, including a fall in that index of 6.3 percent (year-on-year from December 2017), as well as -7.9 percent on export orders, and double digit crashes in demand for automobiles (-10.3 percent) and electronics (-12.9 percent).

The era of Workers Party rule, resulting in Brazil's relatively more inclusive growth and (briefly) rising export-led growth route, followed Bresser-Pereira's framing. But this was not the only Latin American country offering lessons for development. In addition, there were successful – and far more radical – approaches to global-national-local interfaces especially in relation to finance. These included default on Odious Debts (e.g. by Ecuador in 2009) and tighter exchange controls to halt illicit financial flows (e.g. Venezuela in 2003), as well as (stillborn) proposals for a Bank of the South by Hugo Chavez that would have injected a strong developmental and environmental agenda into South-South cooperation.

All these radical strategies emerged with one overarching concern: acute consciousness of how foreign indebtedness would derail developmental ambitions, as Latin Americans and all other Third World countries recalled from the 1980s-90s era.

Bresser-Pereira (2018, 3) remarked on one of the most crucial features of new, alternative financing strategies, which is to match assets to liabilities when it comes to the currency in which lending occurs: "The NDB, the bank governed by BRICS countries, spelt out the proposal to follow this line of action. Some multilateral banks, particularly the Asian Development Bank, the International Finance Corporation and even the World Bank are already lending in local currency. Why? Would it be the new concern with currency mismatches and the development of local capital markets?... the Multilateral Banks are turning to domestic currencies because their customers are most of the time private companies that resist to take loans in hard currency to avoid foreign exchange risks."

He continued, "Second, because after the Asian 1997 financial crisis, many countries, particularly the Asian countries, realized the financial crisis risk involved in getting indebted into foreign money and began to accumulate large international reserves. Third, because, after the disastrous attempt to grow with foreign indebtedness (foreign savings) that the Washington Consensus proposed from the early 1990s (just after the major 1980s' foreign debt crisis was overcome), the governments of the developing countries went back to the policy of keeping the current account balanced or with a surplus, as China has been doing for long" (Bresser-Pereira 2018, 3).

Unfortunately, again in South Africa, the New Developmentalism's valid insights were not followed by policy-makers. First, they allowed the NDB to issue the loans discussed below in US dollars, not South African rands. Only in March 2019 was the first announcement of a proposed rand bond issued by the NDB.

Second, they ran up consistently large current account deficits, for reasons worth remarking upon. The main international economic imbalance in South Africa is not – as is commonly assumed – the trade deficit with China (although that remains large). Indeed, mainly because of the export of raw materials (minerals and cash crops), semi-processed metals (steel, aluminium and manganese) and (highly-subsidized) automobiles to mainly Western markets, the trade account often reached mild surpluses in the 2010s, including in 2016-18.

Instead, the cause of the current account deficit was the outflow of profits, dividends and interest (the current account's 'balance on income'), mainly to London and other overseas financial headquarters (Table 1). [5] Although the current account deficit was 7 percent of GDP in 2009, it

recovered thanks to the commodity crash of 2015, which temporarily lessened the pressure on profit repatriation. Indeed the currency dropped to as low as R17.9/\$ in January 2016, which compelled cuts in imports and assisted South Africa's export recovery.

But the current account deficit has still been negative, even in years of trade surplus, in the range of 2-5 percent of GDP from 2016-18. In those years, trading surpluses of \$8.5 billion were registered, yet South Africa suffered \$28.8 billion in net profit and transfer outflow. [6]

Profit inflows should actually be much higher than outflows, because the net foreign investment position of South African capital has been positive since 2015, largely because of one major investment made by the largest firm on the Johannesburg Stock Exchange – Naspers – in Chinese firm tech company Tencent.

That stake, of nearly a third ownership in what soon became the highest-capitalized firm in Asia, grew from \$35 million to \$150 billion in value over the period 2005-18. It increased the country's net international investment by 40 percent of GDP from 2010-15 (although income receipts suggest Tencent's dividends are not flowing back into Naspers at anywhere near the rate profits are flowing out of South Africa). In any case, the offshore listing of Tencent to Amsterdam in September 2019 – as Naspers' new Prosus subsidiary – further amplifies the long-term dilemma of inadequate inflows of foreign currency.

Given the extreme volatility of the Rand caused in part by this income vulnerability, daily Over-the-Counter Foreign Exchange (OTC FX) market activity is far greater in South Africa than elsewhere, rising to 17 percent of GDP by 2017 (IMF 2018). The wild swings in the currency's value are evident, and make relations with the world economy that much more volatile.

In addition to egregious mistakes in international financial relations, South African policy-makers made other errors. Their early-2000s 'developmental state' debate in South Africa did not stress crucial New Developmentalism features, so compared to Brazil, there was far less economic sovereignty.

One reason was South Africa's massive deindustrialization during the 1990s, as East Asian imports decisively outcompeted local clothing, textiles, appliances, electronics and other local manufactured goods once South Africa liberalized trade. Thus in the early 2000s, the developmental debate largely revolved around how to best link up the so-called 'two economies' (the advanced capitalist sector and informal sector) and how to advance minerals beneficiation (Mbeki 2004, Masondo 2007).

The country's \$2.5 trillion natural resource base was seen as the basis for downstream investment, at least prior to the commodity super-cycle fizzling out in 2011. But the crash in world commodity prices (including metals), and in South Africa, electricity black-outs and soaring electricity prices starting in 2008, together hampered further investment in smelting.

As institutional economists have pointed out, South Africa's structural bias remains located within the 'Minerals Energy Complex,' which combines large multinational-corporate mining houses, the state electricity firm Eskom, and associated downstream industries including petrochemicals, metals processing and other sectors that comprise about 20 percent of GDP (Fine and Rustomjee 1996, Padayachee 2010).

The bias within the state transport firm, Transnet, is, likewise, to emphasize export of raw ores – especially coal – through expanded port capacity (while closing down or neglecting maintenance for both long-distance and intra-urban passenger services). The fossil intensity of these energy-generation and transport biases has become even worse within Eskom and Transnet.

The inability of Eskom to reduce its reliance on coal-fired power plants and replace generation capacity with renewable sources, and the intensity of Transnet's reliance upon coal exports, are together reflected in the two largest mega-project investments in the 2012-30 National Development Plan (NDP).

First, the state - led by Transnet and major mining houses - made a \$60 billion commitment to the export of 18 billion tons of coal (mostly to China and India) along new rail lines, using imported locomotives that can carry 3 kilometer-long ore-carrying trains. Eskom relies on coal from the same areas (Limpopo and Mpumalanga provinces) for 90 percent of its generation capacity, so the expansion of high-volume coal transport benefits its two massive new coal-fired plants (Medupi and Kusile).

The second largest mega-project is a \$20 billion expansion of the port-petrochemical complex in Durban, again led by Transnet. These two are the first two priority projects within the Presidential Infrastructure Coordinating Commission's Strategic Integrated Projects (PICC SIPs), developed as part of the National Infrastructure Plan (Bond 2014a).

It is therefore no surprise that the first two BRICS New Development Bank loans to South Africa also reflect these biases. The 2016 and 2018 credits of \$180 million to Eskom and \$200 million to Transnet quickly fell into controversy, and in both cases, projects went into immediate hibernation in part due to the borrowers' systemic corruption, and in part to the failure of both to properly make their projects sustainable. In short, New Developmentalism was still-born, missing a critical mass of patriotic business elites committed to the four components usually considered crucial ingredients.

The vision of Bresser-Pereira (2011) was never realized through the NDB. One leading Asian advocate of the developmental state, Jomo KS (2019), was wistful when asked about the NDB: "I wish the new multilateral development banks would be bolder, but thus far, they have largely chosen to work within the dominant framework shaped by the Washington Consensus, probably to secure market confidence."

To help understand this failure of nerve in South Africa, we next contemplate how the NDB handled macro-economic context, currency exposure, corruption and climate change within its first three loans.

NDB risks: Macro-economic context, currency exposure, corruption and climate change

The problem, we observe next, is not just BRICS elites' impotence at the scale of global institutional reform, even at peak when Lula's accomplishments were well recognised. Other risks within the BRICS development finance agenda come from the deteriorating macro-economic environment since the early 2010s, a point at which "deglobalization" tendencies (Garcia and Bond 2018) and structural fragility associated with financialization (e.g. \$250 trillion in outstanding world debt) were amplified by US dollar exposure and rampant corruption within BRICS banking.

The core economic problem facing three of the BRICS was the collapse of commodity prices after the 2002-11 super-cycle upturn and 2011-15 plateau. This led to junk credit ratings suffered by three borrower countries: Russia from 2015, Brazil from 2015 and South Africa from 2017, as the commodity super-cycle's demise was accompanied by political problems in each. Russia was punished with sanctions due its 2014 invasion (or some say 'liberation') of Ukraine's Crimea. Corruption delegitimized key functions of the state in Brazil and South Africa.

Indeed those were also three countries which had defaulted on foreign debt within the bankers' living memory: Russia in 1998, Brazil in 1987 and South Africa in 1985. The exchange rates of their

three currencies crashed in 2015, to levels between 32 and 38 percent lower than in 2000 (India had by then risen by 20 percent and China by 30).

On the one hand, this adverse macro-economic situation would logically suggest that poorer countries should no longer attempt to seek a piece of a vanishing pie, namely the prior expanding rate of world trade, which since 2017 went into reverse. Instead, they should seek more balanced, inward-oriented growth, such as was recommended by *dependencia* scholars since the 1950s, including Raúl Prebisch (1950) in Latin America and Samir Amin (1990) in Africa.

As a concrete reflection of such a shift, the BRICS cities should no longer be re-arranged to support export-platform economies, of which Durban and Rio de Janeiro were perhaps most infamous (Bond, Garcia, Moreira and Bai, 2016); instead they should have a greater share of infrastructural funds dedicated to meeting basic needs. Since the mid-1980s, such basic needs have been underserved thanks to the method of arranging neoliberal investments in electricity, water and wastewater, roads, ports and other economic infrastructure enhancements.

The BRICS cities' objective was instead to attract and serve multinational corporations, for the sake of increasing revenues from world trade, as advocated initially in the World Bank's mid-1980s Urban Management Program (Bond 2000). But the ability of poor residents to afford corporatized or privatized services was minimal in most user-pay systems.

On the other hand, even as the Baltic Dry Index – world shipping's main indicator of container transport prices – fell from a level of 12,000 in 2008 to less than 1000 over the subsequent decade, there appears to have been increasing not decreasing pressures from the mercantile circuit of capital to expand port investments. This is especially evident in the BRICS where Beijing's Belt and Road Initiative and the Delhi-Tokyo Asia-Africa Growth Corridor both encourage new harbors or existing port expansion.

At the BRICS 2017 Xiamen summit, reporters observed a failed merger strategy between the two projects, with South Africa squeezed in between (Singupta 2017, Woody 2018). This confirms that instead of collaboration, the current era may instead witness a form of ultra-competitive economic cannibalism, a point vividly illustrated in debates surrounding South Africa's BRICS NDB-financed port expansion (Bond 2014a).

In this context, macro-economic stabilization has been in China's self-interest, what with Beijing's ongoing financing of Washington's massive trade deficit (typically the Chinese state holds more than \$1.3 trillion of US Treasury Bills). A trade war with Donald Trump may change this, if it transpires after a brief truce in 2019. But what is ultimately required, to assure durable world economic stability, is a new currency that could be more democratically managed, in contrast to the US Federal Reserve Board's current bias to serving the interests of the West's largest banks.

Indeed in 2013, the Fed's revised monetary policy signaling – known as the “tapering of Quantitative Easing” – adversely affected four of the BRICS' currencies (all except the still-rising yuan), as it drew liquid funding back to the US dollar (Figure 3). Notwithstanding rhetoric about increasing use of BRICS currencies or barter trade, not much more is being done to end the destructive system in which the US dollar has world “seignorage”: i.e., it is the world's reserve currency, no matter how badly Washington officials abuse that power.

If China really wants its currency to one day take the place of the dollar, and if Russia wants to find routes out of the current squeeze represented by financial sanctions, the pace at which this is happening is agonizingly slow. (A 2019 “BRICS Pay” strategy of clearing funds on retail purchases without recourse to the dollar is one encouraging sign.)

Can the NDB and CRA contribute to constructive change away from dollar dependency? According to the SA foreign ministry's Dave Malcolmsen, there is strong political will to engage in non-dollar lending. Malcolmsen (2016) reported to Parliament about a 2015 presentation by KV Kamath, the NDB President. Amongst the innovative features of the NDB, "The actual challenge in respect of loan payments for developing countries pertain moreover to that of the currency fluctuation which increases the loan repayment terms (usually in USD) rather than agreed interest rates for such loans. He emphasized the importance of raising loans in local currencies to lessen such a burden." [7]

Yet in its first five years, the vast majority of the \$8 billion in NDB loans were dollar denominated, even though these were mainly projects characterized by local-currency expenditures. There were minimal import requirements in loans for transportation (29 percent), energy (26 percent), water/sanitation/irrigation (22 percent), social infrastructure (15 percent), and cleaner production (8 percent). The main borrowers were India (40 percent) and China (25 percent), both of which could produce project inputs locally.

In South Africa, it was only in the second half of 2019 that the NDB would raise funds in the local currency, on the most liquid and over-capitalized market in world history, the Johannesburg Stock Exchange, a market whose Buffett Indicator ratio (share capitalization over GDP) by then had peaked at over 350 percent, three times the world average.

Another major factor that will create additional risk to all parties is systematic corporate and state corruption. It pervades all the BRICS, at a level just as high as can be found in the U.S., Europe or Africa. The top four countries in which economic crime occurs, according to PricewaterhouseCoopers (2018), are South Africa, Kenya, France and Russia, with China ranked eighth. *Financial Times* commentator Gideon Rachman (2018) expressed concern that "In all five countries, popular rage about graft is at the very heart of politics."

Moreover, worried Rachman (2018), the BRICS "may be spreading corrupt practices more widely. The U.S., EU and UK pride themselves on their sound institutions. But western bankers, lawyers, real estate agents, PR firms (and perhaps even presidents) are often all too willing to share in the proceeds of corruption." (In South Africa such firms included Bell Pottinger - which as a result of South African corruption went into bankruptcy - and consultancy and law firms KPMG, McKinsey, Hogan Lovells, SAP and others.)

A degree of corruption-denialism exists within the NDB. Asked about the corruption associated with its loan to Transnet in mid-2018, the institution's Compliance Officer Srinivias Yanamandra (2018) claimed, "At the time of loan appraisal, NDB gives consideration to corruption risks in accordance with internal policies and guidelines, which articulate a zero-tolerance policy against corruption. These policies and guidelines stipulate adequate mechanisms to ensure compliance with highest standards of ethics, accountability and integrity. The Bank further reckons adverse media news, if any about the prospective borrower, taking into account the country system of law enforcement for handling corruption issues. The Bank supplements internal assessment with a co-operative relationship externally with law enforcement as well as other responsible agencies that deal with matters relating to anti-corruption at national / international level" (Yanamandra 2018).

Such 'zero-tolerance' policy claims cannot be taken seriously given the widespread media and law-enforcement attention to Transnet at the time the loan was granted, in May 2018. Recognizing the contradiction, Yanamandra (2018) further explained, "The appraisal of loan to Transnet went through the above-mentioned procedures of the Bank. While approving the loan in May 2018, the Bank recognized the ongoing efforts by the South African Government to address corruption issues both at the national level and at the level of Transnet as a particular entity (including through the

new Special Investigative Unit set up by the President of South Africa). The Bank further took note of internal developments at the Company (viz., forensic investigations under the oversight of Board Audit Committee and ongoing review of procurement processes). The Bank has also noted the ongoing improvements in oversight of the Company by the Ministry of Public Enterprises, including through leadership changes that were implemented in recent times.”

Such improvements were not adequate to halt a major episode of corruption in late 2018, one so serious as to halt the Durban port’s expansion. Although the notorious Transnet Chief Executive Officer Siyabonga Gama’s contract was by October 2018 finally terminated due to corruption, a \$500 million component of the Durban port deepening project, commissioned in July 2018, became the source of a controversy over the procurement process.

The project involved not only the Italian-South African CMI Emtateni Joint Venture, but in particular, Durban’s best-known procurement fraudster, Shauwn Mpisane (Cowan 2018). Without disclosing details about the malfeasance, which included a lawsuit by a competitor who raised substantive complaints about the process, Transnet stated, “In the interest of good corporate governance, Transnet has decided to issue a stop work instruction on the Main Marine Construction Works contract pending the outcome of the investigation” (Mkentane 2018). (By mid 2019 there was no word on the investigation and the NDB project remained stalled.)

In 2019, a leading BRICS official admitted that the 2016 loan to Eskom – which had been put on hold allegedly by Brian Molefe due to his opposition to solar energy – was actually “saddled with corruption allegations and governance challenges. So that loan was put on ice and never formally concluded” (although it was reaffirmed in mid-2018) (Wright 2019). The character of this particular case of corruption was not revealed.

However, like other BRICS countries, South Africa remains bedeviled by procurement fraud, which has been estimated by a leading Treasury official as costing 35 to 40 percent more on each outsourced contract than is reasonable, on \$50 billion in annual corporate procurements (Mkokeli 2016).

In Brazil, Operation Car Wash revealed mensalão bribery in Congress and widespread Petrobras patrimonialism. Russian elites, including several close to Putin, were fingered as having multi-billion dollar offshore accounts in tax havens, in the leaked lawyers’ emails known as the Paradise and Panama Papers. In India, the extent of citizens’ experience with petty bribery has been measured by Transparency International at more than 60 percent of respondents. And China’s highest-profile corruption case – the prosecution of former Chongqing mayor (and Xi competitor) Bo Xilai – was seen as a political hatchet job, although to Beijing’s credit, many thousands of corrupt officials have been jailed (Zhao 2012).

A final risk is faced by all financiers in the current period: fossil-intensive investments considered to be “stranded assets,” resulting in devaluation of their portfolios. This is not merely an institutional risk, but – due to ongoing species-extinguishing climate change – one that extends deep into the future of global civilization. Ironically, NDB rhetoric leaves the impression that the 2013-14 leaders of the BRICS, prompted by the institution’s illustrious designers Nicolas Stern and Joseph Stiglitz (2011), had a strong commitment to earth stewardship.

In reality, all five BRICS are amongst the world’s most unsustainable countries in terms of pollution loads, and naturally this will affect the availability of infrastructure investments (e.g. a high emphasis on ports, railroads and roads, such as in the case of Transnet). Indeed the BRICS are amplifying the inherited Western corporate traditions of externalizing environmental costs onto nature and onto the societies surrounding their main industrial districts. Although the NDB’s

commitment to the vaguely-defined promise of 'sustainability' is a noble sentiment, it has little hope of ever being realized given the broader BRICS project of high-carbon extractive infrastructure.

South Africa alone is engaged in massive new fracking investments, offshore oil and gas exploration (in early 2019 Total discovered a billion oil-equivalent barrels); 18 billion tonnes of coal exports (mainly to India); and coal-fired power generation including two 4800 MW plants now under construction and a 4600 MW plant promised in a Chinese metallurgical complex, as well as several others in the 1000MW range. [8]

South Africa's lack of commitment to cut its historically extremely high carbon addiction was matched by not only U.S. and Canadian failures to cut back emissions, and even Germany's late-2030s' commitment to cut back on coal (which activists and scientists say is far too late). The other BRICS also adopted ecologically-catastrophic policies: Bolsonaro's commitment to unleashing cattle ranchers, soy farmers, mining corporations and timber interests on the Amazon; Putin's unlimited extraction of Siberian fossil fuels; Modi's massive construction of new coal-fired power plants; and Xi's carbon-intensive Belt and Road Initiative.

In this context, it was reasonable to ask whether the BRICS leaders were really serious about challenging the United Nations Framework Convention on Climate Change, Bretton Woods Institutions and other structures of global power.

After all, if revolutionizing development finance was the objective, there was an alternative already in place they could have supported: the Bank of the South. Founded by the late Venezuelan president Hugo Chavez in 2007 and supported by Argentina, Bolivia, Brazil, Ecuador, Paraguay and Uruguay, Banco del Sur had acquired \$7 billion in capital by 2013. It offered a more profound challenge to the Washington Consensus, especially after Ecuadoran radical economists led by Pedro Paez (2016) improved the design.

Instead, the BRICS appear to favor the stabilization of the world financial *status quo*, rather than radically changing the most unfair and intrinsically destabilizing components.

Conclusion

In all the respects discussed above, the NDB is a high-risk institution. However, this view is not widely shared among establishment observers, as witnessed in the Standard&Poors Global Ratings review of the bank in mid-2018: "We assess NDB's risk management policies as sound and similar to its highly rated peers'. The bank has established prudent risk management policies, especially in terms of liquidity and capital adequacy, and has set various limits for single obligor, country, and sector concentration... we expect the institution to instill sound governance and risk management principles across its operations... we expect NDB to abide by the same high standard as leading peers in terms of governance, procurement, and social responsibility... we estimate that NDB currently, as well as in the foreseeable future, could survive an extremely stressed scenario without market access for 12 months and without withdrawing any principal resources from borrowing members."

In other words, although macro-economic stress is mentioned in passing, S&P (2019) sees no dangers in the conditions that might lead to borrower default, the rampant corruption and the BRICS infrastructure contributions to climate change discussed above. Instead, S&P (2018) advocates that the NDB expand to include other potential members: "We would raise the rating if NDB is able to increase its public policy profile and importance. In this scenario, we envisage a substantial geographical expansion of NDB's operations through an increase in the number of shareholders with more than token stakes. Also, we expect the loan portfolio to be more evenly

balanced, away from the current heavier concentration in loans to India and China.”

Perhaps already aware of then-candidate Bolsonaro’s antipathy to China, S&P (2018) subtly warned that in the event of “any of the founding members withdrawing their membership, [s]uch a scenario will cast serious doubts on NDB’s ability to fulfil its mandate.” But in only one other respect was S&P (2018) slightly cautious: “The shareholder structure, with borrowing-eligible members holding all the voting shares, could present a certain degree of agency risk, in our view. This potential conflict of interest and the fact that the shareholders do not rank very high in terms of governance constrains our assessment of NDB’s governance and management expertise.” [9]

The S&P analysts’ neglect of the other major structural risks identified above parallel the failure of credit rating agencies in relation to Enron, Lehman Brothers, AIG insurance and other calamitous episodes of myopia. The general risks should be obvious, but examination of the project borrowers from South Africa funded by the NDB since 2016 reveals systematic concrete deficiencies:

- the NDB’s renewable energy and sustainability rhetoric appears designed to beguile;
- consultation with affected parties is non-existent;
- privatized supply of services is common;
- hard currency loans – all three of South Africa’s – will be extremely expensive to repay as the rand continues its long-term decline; and
- corruption amongst borrowers – including the two leaders at Eskom and Transnet who signed NDB loans and were subsequently fired for graft – are treated flippantly by a Compliance Officer whose due diligence defense at Transnet was subsequently shown to be extremely weak.

In short, the NDB is not an alternative to a system of development finance that, based in Washington, is rife with problems, and that apparently cannot be reformed. Instead, it appears from the South African case that the ingredients exist for the NDB to amplify uneven development through financing some of the country’s most notoriously corrupt institutions, for projects which are themselves highly dubious.

For these reasons, the NDB was the subject of a protest of more than 100 environmental activists led by four African Goldman Prize winners in July 2018, just at the start of the BRICS Johannesburg summit. This was the first of what will be many more protests against the NDB, it is safe to say, unless it shifts away from the projects and policies that are doing so much harm to people and planet.

None of these conflicts would have surprised seasoned observers of the divergence between BRICS elites and the needs of their societies and environment. As Indian political economist Prabhat Patnaik predicted in 2014, “The question of the BRICS Bank cannot be analyzed without reference to the big bourgeoisie of the BRICS countries, as the commentators have almost universally done. In other words the class nature of these regimes has a crucial bearing on the direction that the BRICS Bank will take: whether the BRICS Bank and the CRA will become mere replicas of the World Bank and the IMF with some delegation of authority from the “top” to the BRICS powers, or whether they will expand the elbow room of the countries of the South.”

Patnaik continued, “Several BRICS countries in short had connived with the US-led imperialist bloc to sabotage a proposal to bring countries of the South to the forefront of “global economic governance”, and had even resuscitated a near-defunct IMF for this purpose. To imagine that the same countries are now going to stand with the South, through the BRICS Bank, to loosen the hold of imperialism, is utterly fanciful” (Patnaik 2014).

Assuming the BRICS and global elites can one day be dislodged, is a different philosophical approach possible? John Maynard Keynes (1933), offered one of the most generous of formulas: “I sympathize with those who would minimize, rather than with those who would maximize, economic entanglement among nations. Ideas, knowledge, science, hospitality, travel – these are the things which should of their nature be international. But let goods be homespun whenever it is reasonably and conveniently possible and, above all, let finance be primarily national.”

That approach implies an older form of developmentalism, one that applies tight exchange controls, that balances an economy’s various sectors through import-substitution industrialization, that therefore has a great chance to meet society’s basic needs in an environmentally-conscious way, and that welcomes skilled and unskilled labor to its shores.

None of the BRICS are following this strategy at present, but at some stage in future, their countries’ progressive politicians will recognize the need to move in a genuinely developmentalist direction. The reactionary, failing characteristics of the BRICS global financial governance reform agenda and institutions will then fade into history, where they belong.

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Footnotes

[1] The NDB has a notional capitalization of \$50 billion, but only \$10 billion is, by 2021, required from BRICS taxpayers as paid-in capital, equally divided among the five members. In addition the NDB issues bonds occasionally, such as a 2016 'green bond' in Chinese yuan for the equivalent of \$450 million. The CRA's capitalization is \$100 billion, consisting of countries' foreign currency reserves which are dedicated to on-lending in the case of a member's balance-of-payments emergency. In addition to China at 41 percent, Brazil, Russia and India have 18 percent shares each, and South Africa 10 percent.

[2] In August 2017, the BRICS Bank's Johannesburg African Regional Centre branch was hurriedly opened just ahead of the September 2017 BRICS summit in China. In December 2015, the Centre's new director general was suddenly announced: Nhlanhla Nene. But the job was a hot potato, and Nene's appointment was a fig-leaf excuse Zuma gave for firing the pro-business finance minister who then spurned the supposed (but non-existent) offer. There is little doubt that instead of 'deploying' him to this important job, Zuma simply wanted Nene out of the way, because of repeated Treasury opposition to a \$100 billion nuclear energy deal. It was a project that Zuma, Molefe and others in Eskom were intent on concluding with Rosatom, especially following a July 2015 BRICS summit in Ufa where the deal was confirmed. Nene refused on grounds of state poverty, and so for one weekend, was briefly replaced by an ally of Zuma's most corrupt patronage network, run by the Gupta brothers (three immigrants from India). After pressure was exerted on Zuma especially by the Chinese minority shareholders owners of South Africa's largest bank, Standard (Bruce 2016), Gordhan was then installed as Finance Minister (until he was fired in 2017, also for opposing the Zuma-Gupta agenda). Nene was never offered the job and, under the influence of the Gupta brothers, Zuma became a laughing stock for trying this gambit. The Africa Regional Centre in Sandton was slated by Auditor General Kimi Makwetu on grounds of "fruitless and wasteful expenditure" worth millions of dollars - mainly due to empty office space - in November 2017.

[3] The South African chosen as NDB Vice President, Leslie Maasdorp, previously worked at Goldman Sachs, Barclays and Bank of America - as well as leading Pretoria's internal privatization office. One mega-dam project discussed by Maasdorp as a potential NDB financing target is the Lesotho Highlands Water Project. Dating back two decades, the Project may be the world's most infamous case of construction company bribery in World Bank lending history. More than \$2 million flowed from a dozen multinational corporations to the Swiss accounts of the leading dam official, Masupha Sole, who served 9 years in jail but was then, to everyone's astonishment, reinstated thanks to his political influence. Lesotho's dam water flows to South Africa, even in times (such as 2016) when the country faces ruinous drought. Although the World Bank debarred some of the most corrupt companies (in the process catalysing the bankruptcy of Canada's once formidable civil engineering firm Acres International), nothing was done to punish the firms by Pretoria officials. Maasdorp discussed his own role at the helm of the institution responsible: "I served for example as chairman of TransCaledon Tunnel Authority, which is a state-owned enterprise with a mandate to finance and implement bulk raw water infrastructure projects in South Africa, and played an oversight role from a governance perspective for seven years of large infrastructure projects" (Mnyandu, 2015). Several of the same construction firms that were implicated in Lesotho reappeared in notorious collusion cases involving white-elephant World Cup 2010 stadiums and other mega-projects in which billions of dollars were stolen from South African taxpayers. *South African firms are obviously not alone*; in 2014, the World Bank debarred the China Three Gorges Corporation's subsidiary building dams in Africa after extreme corruption was identified in another African project.

From July 2015 through August 2017, the South African non-executive director serving the NDB was Tito Mboweni of Goldman Sachs, a former Reserve Bank governor (and from October 2018 South Africa's finance minister) best remembered for maintaining extremely high interest rates during his 1999-2009 tenure (Bond 2014c). As soon as he was appointed to the NDB board, Mboweni - then at the BRICS summit in Ufa, Russia - was interviewed by Bloomberg (2015), and argued that a proposed \$100 billion South African nuclear deal with Rosatom, already signed on a preliminary basis by Zuma in 2014, "falls squarely within the mandate of the NDB." This was in spite of enormous local controversy surrounding Zuma's corruption-prone deal-making regarding not only Rosatom but the Gupta family, whose firm Oakbay would have been the main uranium supplier. But then, in his own words, he was "Fired, you might say!!" (Citizen 2017). Instead of a

customary roll-over, Mboweni was replaced by the South African Treasury director general, Dondo Mogajane. He had served as a World Bank board member during the institution's controversy over a corrupt \$3.75 billion loan – its largest ever – to South Africa for the world's largest new coal-fired power plant, one opposed by everyone from community and climate activists to *Business Day* newspaper and the centre-right opposition party, in part because of extreme corruption that witnessed Hitachi paying a \$19 million fine under the U.S. Foreign Corrupt Practices Act in 2015, for bribing the African National Congress.

[4] In 2014, Alfredo Saad-Filho argued that contextual differences between the two countries require more nuance in analysis: “The attempt to build a ‘Numsa moment’ in South Africa will face much greater difficulties than those that confronted the Workers Party (PT) and trade unions (CUT) in Brazil, back in the early 1980s. South Africa has *already* gone through the transitions to democracy and to neoliberalism, while the PT and CUT emerged before these two transitions. Political democracy and neoliberalism have had very adverse implications for the composition, organic unity and capacity of mobilization of the working class almost everywhere. So the challenge is now greater, but the working class movement and the left in South Africa are also much stronger than they ever were in Brazil. The point, then, is to build a political left with working class hegemony, rather than under the intellectual leadership of sections of the middle class, or the economic hegemony of the domestic bourgeoisie, as was the case in the ‘Lula Moment’ in Brazil” (personal communication, February 21, 2014).

[5] South Africa's debt repayments are becoming increasingly expensive. A major fear expressed periodically is South Africa's potential inability to service foreign loans, especially those borrowed by the main State Owned Enterprises. As reported in 2018 by *Business Day's* Carol Paton (2018), “If the World Bank issues a default letter... it will trigger a 14-day recall on its \$3.75 billion loan, which could trigger a recall on Eskom's \$26 billion debt mountain.” Eskom has by far the largest component worth of state-backed loans, representing a dangerously high contingent liability whose costs are carried by the general citizenry. Eskom is also repaying the World Bank's largest-ever loan, for the Medupi power plant (the Bank's last such coal-related lending, due to a belated climate-change policy). Medupi's \$5 billion worth of boilers were supplied by Hitachi, which in 2015 was fined \$20 million by the US government for violating the Foreign Corrupt Practices Act: bribing the ANC's investment arm through a 25 percent ownership in a local affiliate. Medupi cost triple its original estimates, at \$15 billion, and was delayed nine years due to numerous design and implementation flaws (including 7,000 welding mistakes on the Hitachi boilers). The high costs – exacerbated by a crashing currency – were passed to poor consumers, whose electricity bills rose far faster than inflation from 2008-17. In mid-2018, Eskom received another \$2.5 billion in loans from the China Development Bank to build the \$15 billion Kusile power plant, also with Hitachi/ANC boilers. That bank's prior major loan to South Africa was to Transnet (\$5 billion), for corruption-riddled locomotive and Durban crane procurement from China South Rail and Shanghai Zhenhua Heavy Industries (via the Gupta family empire) (D'Sa and Bond 2018). Such mega-projects mainly benefit well-connected elites, at the cost of the poorest.

[6] The central reason for South Africa's vulnerability to high levels of net income payment outflows and currency speculation against the rand is Pretoria's regular relaxation of exchange controls. As one example, in 2018 Treasury granted permission for an additional \$38 billion worth of pension and insurance funds to move abroad. As another example, whereas in 2015 the maximum annual externalization of funds by wealthy South Africans was \$300,000, it was raised that year to \$750,000. Such loosening weakens the Reserve Bank's ability to defend against currency crashes and financial outflows, given that Pretoria's \$50 billion in currency reserves have not increased over the past decade. As the IMF (2018, 35) warned, “Foreign exchange reserves are assessed to be below adequacy... 70 percent of the assessing reserve adequacy

metric adjusted for capital flow measures.”

[7] The real interest rate on the dollar-denominated loans depends upon currency devaluation: South Africa’s crashed from R6.3/\$ in 2011 to R17.9/\$ in early 2016 before stabilizing around R14/\$ in 2017-18. Kamath (cited in Bond 2017) once conceded to *Russia Today*, “The effective costs of borrowing in hard currencies, for any of us developing countries, appears low. It appears to be 2 to 2.5 percent. But when you add the exchange loss, the weakening of the currency over time, you end up paying 12, 13, 14 percent. So that’s your true cost.” Kamath has committed to future lending in Chinese renminbi, Indian rupees, Brazilian reals, and Russian rubles, and considered including South African rand as a potential currency. The NDB’s Eskom lending would have financed locally-sourced materials such as steel and cables (and local labor) for the electricity grid extension. Any such further NDB dollar loan offers make no sense.

[8] To illustrate the dangers, recall that the Development Bank of Southern Africa (DBSA) was granted a \$300 million loan by the NDB in 2018 for municipal on-lending. However, that institution also is committed to financing a portion of two proposed coal-fired power plants costing \$2.9 billion (producing 863MW of power), for Japanese, Korean and Saudi Arabian owners. Requested by anti-coal campaigners to halt and reverse these commitments in 2018, the DBSA declined.

[9] S&P (2018) continued, “However, we note that no member holds veto power. A special majority (four out of five members) is required for milestone decisions, including earnings distributions and increases in capital subscriptions... Although NDB’s shareholder structure could present agency risks, we believe the institution will manage potential conflicts through governance best practices and prudent risk management.”