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**Africa: Will the Brics Bank Be a Game Changer for Africa?**

**BY ALEXANDER OFRIOandan, 22 JULY 2014**

**ANALYSIS**

Last week Brazil, Russia, India, China and South Africa (BRICS) announced they are joining forces to establish a BRICS alternative to the World Bank. The BRICS bank will be capitalised to the tune of $50 billion or about the same size as the World Bank's loan to Brazil.

While the size of the initial capital allocation does not stack up in comparison to the World Bank's, this could still prove to be a significant opportunity to change the global system more in favour of the developing world.

The power of the World Bank is not so much in its deep pockets but more so in the enormous research and communication capacities it deploys to set the developmental agenda globally.

Almost every sector or aspect of international social and economic development has been researched by the World Bank with findings disbursed in international conferences and dominating the developmental agendas of most developing countries.

The World Bank's almost hegemonic control of 'development speak' has even translated itself into developing countries own development planning processes. It is no coincidence that most developing countries have medium term development plans that mimic the World Bank's 'Poverty Reduction Strategy Papers' that almost always put economic growth and wealth creation before labour and equitable economic participation.

In the past, the West's authority over the 'preferred models' for economic growth have gone pretty much unchecked in the developmental discourse.

Unfortunately, however, while the West takes pause to lecture China on how it should structure its economy, it has little such hesitancy with South America, Africa and South Asia even though countries like Bangladesh, Colombia, Ethiopia and Rwanda are amongst the consistently fastest growing countries in the world.

At the same time the 2007 financial crisis has exposed how corrosive vested interests and corruption are in the international economic system. Make no mistake, the 'economic recovery' has done little to put the millions of Americans and Europeans back into the homes and jobs they lost.

The problem is that these lopsided agendas do an enormous amount of economic damage. Sheer perceptions of risk whether founded or not, increase borrowing costs thus undermining the competitiveness of the developing world.

For this reason, investors looking at opportunities in Africa demand a 'risk premium' over comparable opportunities in countries like Ireland, Portugal, Spain or Greece all who have defaulted in recent memory.

The way to change this is to forcefully attack the Western generated assumption that the developed world is somehow less competent. Here the BRICS Bank should invest aggressively in analysis and communication that illustrates and demonstrates African success stories and African development solutions. Africa is rising but without a champion its successes go unnoticed.

The developmental discourse is political and entirely about power and economic advantage. When the World Bank and its research networks create the concepts and methodologies they not only create the opportunities but also give themselves a comparative advantage.

It is not unfair to say that too often international actors convince the developing world they have a problem that is then fixed by the West with funds to be repaid by the developing world. This comparative advantage means that the World Bank's consultants and 'in-house' expertise are the first to be called on, thus allowing them to set the agenda and influence what projects get funded and what priorities are pursued.

The BRICS Bank, on the other hand, is an enormous opportunity to change this dynamic. All over sub-Saharan Africa we are seeing the rise of a new breed of intellectuals and urban elites.

The BRICS Bank should reach out to Africa's emerging leaders, give them a voice and let them define the problems to be solved and draw attention to home-grown solutions. The more the BRICS Bank raises the profile and confidence in Africa's emerging leaders, the more the developmental agenda can have an African flavour thus empowering Africans to better participate in their own development processes.

Another problem undermining African sovereignty is that in many cases the developed world has a better understanding of the economic opportunities in Africa than governments even do.

Furthermore, in many ways international investors are often more confident of investing in Africa than even African companies are. For example, the Financial Times reported on July 11 2014 about the world's biggest reserve of graphite, that is essential to the manufacture of electric batteries, is in Balama, Mozambique.

The interesting thing is that the rights for this graphite are owned by a company in partnership with Glencore, which was started and is owned by a South African that does not live at home.

Graphite is incredibly important because another South African abroad, Elon Musk is currently building the biggest electric battery factory on the planet largely to feed production of his booming electric car company.

At some point, Africa needs to come to terms with the fact that something is fundamentally wrong when one of the biggest economic opportunity of the century (electric cards) is not only building on access to Africa's resources but being controlled by foreign companies, beneficiated overseas and actually owned by Africans abroad.

This is only one example, but it is a foregone conclusion that too often Africa's economic opportunities are first identified and then acted on by foreign companies. The BRICS Bank could and should go a long way to leading and directing African investment in African opportunities. Here, the BRICS Bank should act as a champion in attracting African to African opportunities and it should do so not only by putting its money where its mouth is but also identifying and communicating economic opportunities to Africans.

Finally, the BRICS Bank should invest in structural opportunities to improve growth and development in Africa. This means investing in essential intra-continental trade, transport and information networks.
For example, transferring funds between African countries, as is done by millions of migrants across the continent, too often relies on international banking services such as SWIFT or Western Union even though cheaper African solutions already exist. Similarly, it makes no sense that trade between African countries is facilitated by foreign owned and foreign flagged shipping companies when the skills and even the capital can be developed domestically.

If the BRICS Bank focuses on and invests in local solutions and local opportunities it could go a long way to convincing Africans what they should already know: that social and economic development is entirely dependent on Africa leading and owning its national resources.

Let us hope the BRICS Bank knows that too.

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