BRICS New Development Bank governance in South Africa: Alternative or amplifier in the financing of uneven development?

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Abstract
In mid-2014, the New Development Bank (NDB) was born at the Fortaleza BRICS summit, allegedly out of frustration with the main Bretton Woods and related multilateral institutions responsible for project finance. South Africa's then-president Jacob Zuma expressed this frustration most explicitly in relation to conditions placed on loans (even though the World Bank's major investments in South Africa were dubious precisely because of the lack of environmental, political-economic and governance safeguards). In planning the NDB's mandate, however, two of the main protagonists – Nicholas Stern and Joseph Stiglitz (both former World Bank chief economists) – contributed not only to its environmental mandate, but to features consistent with their agendas for geopolitical symbolism and financial lock-in for transnational corporate accumulation and debt-repayment purposes. The contradictions between rhetoric and reality became glaringly evident in the NDB's 2016-18 South African portfolio. But civil society contestations of NDB loans and prospective credits to Eskom, Transnet and the Development Bank of Southern African began in mid-2018, catalysed by the first anti-NDB protest, which was arranged by four Goldman Environmental Prize winners in Johannesburg just before the BRICS heads of state arrived for their annual summit. Environmental damage, extensive borrower corruption and hard currency exposure were activists' main areas of grievance. Considering all the evidence from South Africa, the BRICS NDB presently appears more of an amplifier of existing exploitative financial power relations that generate extremely uneven development, than an alternative. And the watchdog functions located within the BRICS are also apparently inadequate, requiring in turn a louder voice from both civil and uncivil society outside the official process.
Mandate 1:

It is now broadly accepted that some governments are more capable than others at making the right policy choices and implementing them effectively. But what specific capabilities and conditions are required to make and implement the right choices? There is scant writing on this vital question, beyond arguments about the importance of institutions. It is time for the social sciences to advance the debate by analyzing and identifying the skills, resources, and institutional arrangements necessary for effective policies and governance.
South African life expectancy crashes due to AIDS
South African life expectancy crashes due to AIDS, soars due to ARVs
TAC's generic Anti-RetroVirals campaign:

- US promotes Intellectual Property above all, so monopoly-patented ARVs cost $10-15,000/person/year
- 1999 – Treatment Action Campaign + Medicins sans Frontiers
- 2001 – major World Trade Organisation (TRIPS) concession
- 2004 – generics produced in SA, global AIDS funds increase
- 2018 – 5+ million SA public sector ARV recipients
- new threats – Trump’s Pepfar cutbacks, SA chaos
- yet life expectancy soared: 52 in 2004; 64 by 2017

strategic successes:
- common intellectual property
- decommodification
- deglobalisation of capital
- globalisation of solidarity
Mandate 2:

The issue of effective policy and governance is particularly relevant to the large dynamic economies of Brazil, Russia, India, China and South Africa – the BRICS – which have become major players on the international stage in recent decades. They are now major sources of not only investment, foreign aid and technology, but also ideas on development and governance. The different pace and trajectories of their development offer rich materials for exploring key issues in development.
Brian Molefe (head of the South African chapter of the BRICS Business Council and CEO of Eskom and Telkom – negotiated $5 billion loans at both) distances BRICS from Bretton Woods Institutions, which were flawed at the outset in 1944 because of Washington’s veto powers in these institutions. The consequences were catastrophic for developing countries. Close to a century later, BRICS and its allies are taking bold corrective measures by building a world system based on real value and... a global economic governance system that reflects the profound changes in the global economic landscape, with increased representation of emerging markets and developing countries. One that rejects what has been described elsewhere as the current “casino” financial system or “law of the jungle” and replaces it with a project that expressly promotes the common good among nations.

(“BRICS set to be a game-changer for millions,” Business Report, 24 October 2016)
Manuel led IMF committee whose recommendations gave the Fund a $750 billion Special Drawing Rights (SDR) increase at G20 London summit, 1 April 2009

(vii) And finally, increasing the Fund’s resources to address the current and future crises: Pending a quota increase, the Fund’s lending capacity could be raised by bilateral lending or an equivalent expansion of General and New Agreements to Borrow. Temporary financing, however, will not provide a systemic solution for less developed countries, and given the growing demand, will not suffice in the long-term. We therefore recommend consideration be given to a substantial SDR allocation.

Implemented together, these measures will ensure the Fund is better able to respond to the challenges of economic and financial globalisation, and remains a credible and effective guardian of a stable, market-based international financial and monetary system. My appeal is that in implementing these recommendations the rationale underlying this reform exercise – improving the Fund’s legitimacy and effectiveness through a package of measures – is not lost.

I hope this report will serve the purpose you had intended. Please thank your staff on my behalf for their assistance and cooperation in preparing the report.

Yours sincerely,

TREVOR A. MANUEL (MP)
MINISTER OF FINANCE

MANUEL led IMF committee whose recommendations gave the Fund a $750 billion Special Drawing Rights (SDR) increase at G20 London summit, 1 April 2009
BRICS as IMF’s deputy sheriff

neoliberal ‘conditionality’ on 2012’s $75 billion IMF recapitalisation

Moneyweb: “Many African countries went through hell in the 70s and 80s because of conditionality according to these loans. Are you going to try and insist that there is similar conditionality now that the boot is on the other foot, as it were?”

Gordhan: “Absolutely, the IMF must be as proactive in developed countries as it is in developing countries. The days of this unequal treatment and the nasty treatment, if you like, for developing countries and politeness for developed countries must pass.”

...when it came time to replace Strauss-Kahn after rape charges...

...the BRICS were again divided and no candidate from the South was given support, so French finance minister Lagarde – herself facing serious corruption charges – was ‘elected’ in biased vote

MOOI RIVER – For once, share prices and economic data dropped off the business lunch circuit this week. Talk, instead, focused on DSK – Dominique Strauss-Kahn – the craggy-faced 62-year-old Frenchman whose spectacular fall is matched only by the salacious tale which caused it.
ALEX BRUMMER: The IMF and the unelected elite who hold sway over the world but operate by different rules

IMF directors support Lagarde even after Dec 2016 conviction

Lagarde owed her job at the IMF in the first place to the fact she was parachuted in thanks to the strong arm tactics of the French government.

At the time, the then IMF chief Dominique Strauss-Kahn had been forced to quit after being charged (and then acquitted) with a sexual assault on a chambermaid in a New York hotel. Yet the French government insisted that the remainder of his term must be served by another French person.

In spite of the cloud over Lagarde’s integrity, leading finance directors ignored common-sense and conspired to keep her in office when her contract came up for renewal in the spring of 2016. Our then Chancellor, George Osborne, was the first to propose her reappointment.

After a year when hard-working citizens rose up against the inequalities and neglect of globalisation, there is one person who perfectly personifies the privileged Establishment and she remains firmly entrenched in office.

She is the French head of the International Monetary Fund (IMF), Christine Lagarde.

In December she was convicted by a high-level court in France of being negligent in public office by authorising a multi-million-euro government payment to a controversial tycoon.

But not only did the court not hand down any punishment but the IMF board - representatives of the most powerful finance ministries around the world – said it retained ‘full confidence’ in her leadership.

Thus Lagarde has been left to serve out the rest of her five-year term as head of the world’s economic and financial enforcer.

The sad fact is that the way Lagarde escaped any penalty speaks volumes about how behemoths such as the IMF, other global organisations, governments and a host of unelected elites operate under different rules to the rest of us.

The case centred on her time as France’s finance minister when she approved £340m of public funds being spent on an out-of-court deal in favour of businessman Bernard Tapie following the botched sale of sportswear maker Adidas.

The money given prompted widespread indignation in France. Lagarde’s independence as the IMF’s managing director has been under scrutiny for some time. In 2016 she predicted economic disaster if the UK pulled out of the EU.
...BRICS are the main reason Africa’s vote cannot increase at the Bretton Woods Institutions

March 29, 2004

Dear Colleague:

I am writing in follow-up to the discussion, which the Development Committee held at its last meeting in Dubai, on the issue of Voice and Participation.

At that time, it was widely recognized that this was a multi-dimensional issue, requiring progress on a range of issues over time. At the institutional level, important steps have been taken over recent years to increase transparency, decentralize operations, and to strongly promote country ownership of programs through the adoption of the Poverty Reduction Strategy in low-income countries.

Our Executive Boards have initiated steps to strengthen capacity in the offices of the two African Executive Directors, to help build capacity in national capitals and to promote the use of communications technologies to enhance dialogue between Washington and capitals. A new Analytical Trust Fund is being established to provide additional policy and research support to the African chairs.

While these are all necessary and important steps, many Members considered that additional efforts with respect to voting rights and the operation of the Boards should be pursued, recognizing that these raised sensitive and complex political issues and that time would be required to build the necessary political consensus.

While asking our Executive Boards to report to us at our Annual Meetings on all their relevant efforts, we also indicated that we would consider a roadmap on process and procedures at our Spring meeting.

With respect to voting rights (at both the Bank and Fund), there was a clear sense that agreement can only be reached on a package of measures, and that this was only likely to be achieved in the context of agreement to increase Fund quotas. Views differ on the timing of any such agreement, but it is likely to be postponed for some time. I would therefore propose that we use this time to consider and reach tentative agreement on a number of building blocks that could subsequently be incorporated in any decision on a quota increase and subsequent adjustment of IBRD capital shares. Over the next year, our Boards should be asked to report to us on options for addressing the issue of Basic Votes – an issue on which virtually all Members agreed that...
The winners from 2010 vote restructuring (finally approved by US Congress in December 2015) include BRICs:

- **China** +37%
- **Brazil** +23%
- **India** +11%
- **Russia** +8%

### Table: TOP 10 Voting Shares Countries after 2010 Reform

<table>
<thead>
<tr>
<th>Country</th>
<th>Pre-Singapore</th>
<th>As March 2, 2011</th>
<th>Post 2008 Reform</th>
<th>Post 2010 Reform</th>
<th>Change 2008 vs 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States *</td>
<td>17.023</td>
<td>16.723</td>
<td>16.727</td>
<td>16.479</td>
<td>-2%</td>
</tr>
<tr>
<td>Japan *</td>
<td>6.108</td>
<td>6</td>
<td>6.225</td>
<td>6.138</td>
<td>-1%</td>
</tr>
<tr>
<td>China * (vi)</td>
<td>2.928</td>
<td>3.651</td>
<td>3.806</td>
<td>6.071</td>
<td>37%</td>
</tr>
<tr>
<td>Germany *</td>
<td>5.968</td>
<td>5.863</td>
<td>5.803</td>
<td>5.308</td>
<td>-9%</td>
</tr>
<tr>
<td>France</td>
<td>4.929</td>
<td>4.842</td>
<td>4.286</td>
<td>4.024</td>
<td>-7%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>4.929</td>
<td>4.842</td>
<td>4.286</td>
<td>4.024</td>
<td>-7%</td>
</tr>
<tr>
<td>Italy *</td>
<td>3.242</td>
<td>3.185</td>
<td>3.154</td>
<td>3.016</td>
<td>-5%</td>
</tr>
<tr>
<td>India *</td>
<td>1.916</td>
<td>1.882</td>
<td>2.337</td>
<td>2.629</td>
<td>11%</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>2.734</td>
<td>2.686</td>
<td>2.386</td>
<td>2.587</td>
<td>8%</td>
</tr>
<tr>
<td>Brazil *</td>
<td>1.402</td>
<td>1.377</td>
<td>1.714</td>
<td>2.218</td>
<td>23%</td>
</tr>
</tbody>
</table>
biggest Third World vote losers at IMF in 2016:

- Nigeria -41%
- Venezuela -41%
- Libya -39%
- Sri Lanka -34%
- Uruguay -32%
- Argentina -31%
- Jamaica -31%
- Morocco -27%
- Gabon -26%
- Algeria -26%
- Bolivia -26%
- Namibia -26%
- South Africa -21% (!)
South Africa’s soaring foreign debt

$32 billion

$180 billion
BRICS countries having a very hard time **retaining surpluses**

### Illicit Financial Outflows from the Top Ten Source Economies

(in millions of nominal U.S. dollars or in percent)

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</thead>
<tbody>
<tr>
<td>1</td>
<td>China, Mainland</td>
<td>81,517</td>
<td>82,537</td>
<td>88,381</td>
<td>107,435</td>
<td>104,980</td>
<td>138,864</td>
<td>172,367</td>
<td>133,788</td>
<td>223,767</td>
<td>258,640</td>
<td>1,392,276</td>
<td>139,228</td>
</tr>
<tr>
<td>2</td>
<td>Russian Federation</td>
<td>46,064</td>
<td>53,322</td>
<td>66,333</td>
<td>81,237</td>
<td>107,756</td>
<td>125,062</td>
<td>136,622</td>
<td>183,501</td>
<td>129,545</td>
<td>120,331</td>
<td>1,049,772</td>
<td>104,977</td>
</tr>
<tr>
<td>3</td>
<td>Mexico</td>
<td>34,239</td>
<td>35,352</td>
<td>40,421</td>
<td>46,443</td>
<td>51,505</td>
<td>38,438</td>
<td>67,450</td>
<td>63,299</td>
<td>73,709</td>
<td>77,583</td>
<td>528,439</td>
<td>52,844</td>
</tr>
<tr>
<td>4</td>
<td>India</td>
<td>19,447</td>
<td>20,253</td>
<td>27,791</td>
<td>34,513</td>
<td>47,221</td>
<td>29,247</td>
<td>70,337</td>
<td>85,584</td>
<td>92,879</td>
<td>83,014</td>
<td>510,286</td>
<td>51,029</td>
</tr>
<tr>
<td>5</td>
<td>Malaysia</td>
<td>26,591</td>
<td>35,255</td>
<td>36,554</td>
<td>36,525</td>
<td>40,779</td>
<td>34,416</td>
<td>62,154</td>
<td>50,211</td>
<td>47,804</td>
<td>48,251</td>
<td>418,542</td>
<td>41,854</td>
</tr>
<tr>
<td>6</td>
<td>Brazil</td>
<td>15,741</td>
<td>17,171</td>
<td>10,599</td>
<td>16,430</td>
<td>21,926</td>
<td>22,061</td>
<td>30,770</td>
<td>31,057</td>
<td>32,727</td>
<td>28,185</td>
<td>226,667</td>
<td>22,667</td>
</tr>
<tr>
<td>7</td>
<td>South Africa</td>
<td>12,137</td>
<td>13,599</td>
<td>12,864</td>
<td>27,292</td>
<td>22,539</td>
<td>29,589</td>
<td>24,613</td>
<td>23,028</td>
<td>26,138</td>
<td>17,421</td>
<td>209,219</td>
<td>20,922</td>
</tr>
</tbody>
</table>
financial capital flees the BRICS
The last time the foreign debt load was this bad... how big a CRA bailout might Pretoria need during foreign debt crisis?

SA’s CRA quota is now $10 billion but after just $3 bn, CRA insists the IMF intervene!

1985 Swiss bailout of apartheid: $13 bn

Source: SA Reserve Bank Quarterly Bulletin 1/2014
irrefutable evidence: BRICS as amplifiers of (not alternatives to) Bretton Woods Institutions

• $750 bn permission to expand SDRs and other recapitalisation in 2009, led by South African finance minister Trevor Manuel
• $75 bn increase in IMF capital support by BRICS in 2012, with ‘conditionality’ by BRICS reflected in the comment by Pravin Gordhan, that IMF should be more ‘nasty’ to Europeans
• IMF voting reform mainly hurt Africa and small countries, while giving BRIC countries 20% more voting weight
• BRICS countries approved Christine Lagarde as IMF director in 2011, ignoring the Mexican central banker proposed as her alternative
• representatives from BRICS capitals to new IFIs include K.V. Kamath, Leslie Maasdorp, Tito Mboweni and Nhlanhla Nene – whose loyalties were/are to ICICI, Goldman Sachs and neoliberal policies, i.e., commercialising development finance, privatising state assets, sado-monetarism and fiscal austerity
• the Contingent Reserve Arrangement empowers the IMF and encourages structural adjustment loans for BRICS members, once 30% of their CRA borrowing quota is exhausted in an emergency (i.e. just $3 bn for South Africa)
what if BRICS tried to construct a genuine alternative to the Bretton Woods Institutions?

- default on unpayable, unjustifiable debt – taken out by corrupt elites – as did Argentina and Ecuador in 2002 and 2009;
- expel World Bank personnel, as did Ecuador in 2007;
- impose exchange controls against elites, as did Malaysia (1998), Venezuela (2003), Cyprus (2013), Greece (2015);
- establish new common currency in order to avoid US$ transactions, such as Ecuador’s proposed sucre;
- provide solidarity financing for governments resisting financial imperialism, as was cruelly offered (by Russia’s deputy finance minister) to Greece in July 2015 – but then never materialised;
- adopt socially- and ecologically-conscious financing strategies tied to compatible trade (like ALBA), such as were proposed and seed-funded by Venezuela in the still-born Bank of the South.
NDB project lending in South Africa, 2016-18

• 1) Eskom, $180 million, 2016 – privatisation of solar and wind electricity generation (opposed by unions, Soweto activists and climate justice activists)

• 2) Transnet, $200 million, 2018 – Durban port expansion (opposed by South Durban Community Environmental Alliance)

• 3) Development Bank of Southern Africa $300 million, 2018 – unspecified renewable energy projects (potential opposition)
common threads: corruption, commodification

• 1) Eskom borrower Brian Molefe, disgraced for Gupta connections, fired in 2017
• 2) Transnet borrower Siyabonga Gama, disgraced for Gupta connections, fired in November 2018
• 3) Development Bank of Southern Africa (an apartheid institution hated in the region) had such rampant corruption that its current CEO had to promise to halt ‘shoddy’ and ‘corrupt’ financing
Odious Brics loan for Durban port project will not go unopposed

06 JUNE 2018 - 05:05  by DESMOND D’SAA AND PATRICK BOND

NDB lends Transnet $200 million (R2.7 bn) for fossil-centric, non-consultative, corrupt projects
Owen Ndidi, national chairperson of the Civil Brics Forum, said: "We have been saddened by the news that the New Development Bank has loaned Eskom and Transnet. "We felt that should not be the path that bank should take because many funds have been unaccounted for in those two entities. "We thought at least renewable energy and other environmentally friendly sources should be funded by such a bank."
where is the mega-project money going?!

A SUMMARY OF THE SOUTH AFRICAN NATIONAL INFRASTRUCTURE PLAN

PRESIDENTIAL INFRASTRUCTURE COORDINATING COMMISSION
where is the money going?: 2 biggest projects

**SIP 1: Unlocking the northern mineral belt with Waterberg as the catalyst**

- Unlock mineral resources
- Rail, water pipelines, energy generation and transmission infrastructure
- Thousands of direct jobs across the areas unlocked
- Urban development in Waterberg - first major post-apartheid new urban centre will be a “green” development project
- Rail capacity to Mpumalanga and Richards Bay
- Shift from road to rail in Mpumalanga
- Logistics corridor to connect Mpumalanga and Gauteng.

**Primary Mineral Reserves**

- **Coal - 18bn tons**
- **Platinum - 6323 tons**
- **Chromium - 5.5 tons**
- **Palladium - 1711 tons**

**SIP 2: Durban-Free State-Gauteng logistics and industrial corridor**

- Strengthen the logistics and transport corridor between SA’s main industrial hubs
- Improve access to Durban’s export and import facilities
- Integrate Free State Industrial Strategy activities into the corridor
- New port in Durban
- Aerotropolis around OR Tambo International Airport

**two fossil-centric projects will cost a trillion+ rands and threaten next generation’s future**
commodity prices peaked in 2011, and are now crashing... so why are SA’s two most expensive infrastructure projects based on carbon-intensive exports?
SIP2 coming to Durban: the biggest freight/shipping/petro-chem expansion in African history

$20 bn: single biggest site-specific investment in South Africa
Transnet’s South Durban Dig-Out Port: ubiquitous image of what we can expect
CHAPTER 4: ECONOMIC INFRASTRUCTURE

Objectives

- Durban port capacity should increase from 3 million containers a year to 20 million by 2040.

Transport

28. Consolidate and selectively expand transport and logistics infrastructure, with key focus areas being:

- Upgrading the Durban-Gauteng freight corridor, including a new port at the old Durban airport site.
but port expansion makes no economic sense, given crash in global shipping since 2007 and climate change threats
who wins from new infrastructure spending?

Johan van Zyl, Toyota SA CEO: ‘Durban as a brand is not strong enough to simply say “come and invest in Durban”. What it needs to attract investors are big projects. Durban needs to keep ahead of the competition. China is building ports they don’t even know when they will use. If return on investment is the line of thinking we may never see the infrastructure.’ – 6 February 2012
Durban - Transnet National Ports Authority is forging ahead with massive infrastructure developments at Durban Port to keep pace with competitors on the continent, but it would optimise existing capacity before constructing the controversial new dig-out port south of the city.

TNPA chief executive Richard Vallihu, speaking at a business-to-business breakfast yesterday, said construction of the dig-out port, earlier labelled by activists as a “white elephant”, had been “shifted out a little bit”. But he declined to provide a start date.

“We want to maximise the infrastructure that we have and to optimise it,” Vallihu said.

“We are not saying we are not going through with the Durban dig-out port, but we have just deferred it for a couple of years,” he said.

TNPA strategy general manager, Nico Walters, said the authority would spend about two-thirds of a budgeted R53 billion national spend on port infrastructure in the ports of Durban and Richards Bay over the next 10 years.

December 2015 announcement: a ‘couple of years’ delay but competitive-port rationale continues

Durban Chamber of Commerce and Industry president, Zeph Ndlou, said despite the positive developments, the economy had taken a knock during the global slowdown.

“We face another challenge: providing capacity ahead of demand. We have to press ahead, and if we are to unseat our competitors up north, we can’t win this battle if we pull back every now and then and look at accounting principles,” he said.

Ndlou said local ports needed to benchmark services internationally, and there was an urgency to invest to keep pace with competitors which were expanding ports on the continent.

“Nigeria has five active ports and they have two other ports under construction, likely to increase their capacity from one million Twenty-foot Equivalent Units (TEUs) to 3.5 million TEUs. Namibia is also expanding, and in all these examples, China is actively funding and building infrastructure... We postpone the plans at our peril,” he said.
Civil Society Resistance to NDB project lending in South Africa, 2018:

1) mobilisations of critical communities (Soweto, South Durban, Lesotho)
2) Compliance Officer correspondence
3) questioning “Odious Debt” repayment to NDB, by a future democratic state (similar to ‘Jubilee 2000’ campaigning)
4) protest and delegitimization
Ruy Mauro Marini (Brazil 1965): ‘It is not a question of passively accepting North American power (although the actual correlation of forces often leads to that result), but rather of collaborating actively with imperialist expansion, assuming in this expansion the position of a key nation.’