POLICY RECOMMENDATIONS

1. South Africa should push for the development of a dedicated BRICS–Africa strategy, as well as the integration of African developing country concerns into the various BRICS strategies.

2. African policymakers, researchers and the business community should work synergistically to identify areas of cooperation with the BRICS. This could unlock integration of production hubs with the BRICS.

3. Some of the BRICS countries have become important bilateral creditors to African countries. Given rising debt levels in Africa, the BRICS should support the ICA’s data transparency initiative and responsible lending.

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

5. The BRICS should formalise a relationship with the AU to better harness and complement its various bilateral platforms with the continent in support of Africa’s development vision.

EXECUTIVE SUMMARY

Promoting African development priorities is at the core of South Africa’s engagement in global forums, including in the BRICS. This briefing discusses two key African priorities within the BRICS: industrialisation and infrastructure financing. It reflects on the status quo of BRICS–Africa relations in these two priority areas and elaborates how the BRICS and African countries can enhance their cooperation.

INTRODUCTION

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

This briefing (drawing on a more in-depth discussion paper) highlights Africa’s priorities, South Africa’s efforts in promoting these within the BRICS, and challenges and opportunities in...
Africa–BRICS cooperation. In so doing it reflects on the findings of an experts’ survey of African stakeholders, which sought to assess how the BRICS could better support Africa’s development aspirations.

Perhaps more than any other country, South Africa has emphasised that when it serves on various global forums it does so also to further broader African interests, not just its own

South Africa was invited to join the BRICS by China in December 2010. Speaking before the 2011 Sanya summit, then South African minister of international relations and cooperation Maite Nkoana-Mashabane emphasised what she considered to be the opportunities such membership presented: expanding intra-BRICS trade to between $400 and $500 billion by 2015; providing a gateway to the wider African market for the BRICS; and using the forum as an opportunity to speak not for South Africa alone but also for all other African countries.3

In a speech in September 2012 Nkoana-Mashabane noted further that South Africa’s BRICS membership had three objectives: to advance the country’s national interests; to promote its regional integration programme and related continental infrastructure programme; and to partner with key players in the South on issues related to global governance and its reform.4

AFRICAN PRIORITIES

At the heart of African priorities are development and inclusive growth. The AU’s New Partnership for Africa’s Development (NEPAD), adopted in 2002, articulated a vision for an Africa that was economically sustainable by taking control of its economic and socio-economic development. The Programme for Infrastructure Development in Africa, which also advocated the North–South Corridor, one of the initiatives elaborated by the NEPAD Secretariat, was seen as essential to unlocking Africa’s growth potential.

The AU’s Agenda 2063, adopted in 2013, took the NEPAD vision further. Agenda 2063 is an ambitious 50-year plan setting out seven aspirations, including a prosperous Africa based on inclusive growth and sustainable development. One of the priorities for the first 10-year implementation plan (2014–2023) was that, by 2023, Africa’s gross domestic product (GDP) should be growing at 7% and at least a third of outputs should be generated by national firms through labour-intensive manufacturing, underpinned by value addition to commodities and improvements in total agricultural factor productivity. There should be significant information and communications technology penetration, and regional industrialisation hubs should link to global value chains and commodity exchanges.3 The flagship projects for this period include an integrated high-speed rail network, a continental free trade area and a single air transport market.

Coupled with the goals of Agenda 2030, the objectives set out for the first decade of implementation require all African countries to pull together and emphasise the importance of an effective financing strategy. Following on Agenda 2063, the ‘Imperative to Strengthen our Union’ report (also known as the Kagame report) tabled at the January 2017 AU summit proposed several institutional reforms to ensure the continent delivered on the agenda’s objective of an ‘integrated, prosperous and peaceful Africa, driven by its own citizens and representing a dynamic force in [sic] international arena’.6 Among others, it made proposals on the self-financing of the AU and on converting the NEPAD Agency into the AU Development Agency. It also recommended a more coherent and streamlined approach to partnership summits, to avoid fragmentation.

AFRICA, SOUTH AFRICA AND THE BRICS

South Africa’s focus on leveraging finance from the BRICS for African infrastructure development is based on the priorities emanating from NEPAD and latterly Agenda 2063. South Africa was a key architect of NEPAD, and then president Jacob Zuma was designated as the ‘champion’ of the North–South Corridor by NEPAD. At the Sanya summit in 2011 Zuma emphasised that the BRICS countries’ major savings pool could be channelled towards Africa’s demand for large-scale investments in
infrastructure and manufacturing: ‘Over the next ten years, Africa will need $480 billion for infrastructure development, which should interest the BRICS business communities.’ He reiterated this at the BRICS Business Council in August 2013, where he invited business to collaborate with South Africa to deliver infrastructure in Africa, especially road and rail.

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

The theme of the dialogue with Africa in 2013 was ‘Unlocking Africa’s Potential: BRICS and Africa Cooperation on Infrastructure’. South Africa invited African countries based on their role in African institutions; hence dialogue participants were the chair of the AU, the chair of the AU Commission (AUC), the chair of NEPAD’s Heads of State and Government Implementation Committee (HSGIC), the heads of state and/or government of the eight African regional economic communities (RECs) and of the NEPAD Presidential Infrastructure Championing Initiative, and the executive heads of the eight RECs.

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

In 2018 South Africa will host the BRICS summit under the theme ‘BRICS in Africa: Collaboration for Inclusive Growth and Shared Prosperity in the 4th Industrial Revolution’. Again, it has invited several African countries to attend the BRICS–Africa dialogue on the last day of the summit: the chairs of the six sub-Saharan Africa RECs; the chair of the AU; and the chair of the NEPAD HSGIC. The BRICS–Africa retreat’s theme is ‘Working Towards Realisation of Africa’s Aspirations: Sustainable Development and Infrastructure Development’. The agenda for the retreat was discussed and agreed with the AU. South Africa has also continued the BRICS Plus initiative begun by China in 2017, which is a dialogue of emerging market and developing countries to discuss global development and South–South cooperation. It has invited Argentina (chair of the G20 and Mercosur member), Indonesia (co-chair with South Africa of the New Asia–Africa Strategic Partnership), Egypt (chair of the G77 plus China), Jamaica (incoming chair of the Caribbean Community), Turkey (chair of the Organisation of Islamic Cooperation) and the UN secretary general.

**NEW DEVELOPMENT BANK AND THE ARC**

Given the huge demand for infrastructure as an enabler of economic growth and development, the New Development Bank (NDB) has become an important focus of interest for Africans. South Africa had fought hard for the creation of the NDB and its first regional centre in Africa – the only office mentioned specifically in the Articles of Agreement. The South African government prioritised a wider African focus from the outset of the negotiations to establish the NDB. Finance Minister Nhlanhla Nene stated in Parliament during the tabling of the NDB Appropriation Bill in October 2015 that the bank would:

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

In the survey conducted by the South African Institute for International Affairs (SAIIA), the announcement that the NDB would have a regional office in South Africa was widely welcomed by African stakeholders, who expressed the views that:

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

There is clearly interest in cooperating with the NDB, and African stakeholders are keen for it to engage with them. However, as of March 2018 the NDB had yet to receive formal requests for membership from an African country or to present its value offering to potential new members. Moreover, the NDBs 2017–2021 Strategy does not specifically prioritise operations in sub-Saharan Africa, home to most of the world’s LICs.

African views

In a 2014 report on the BRICS and Africa, the UN Economic Commission for Africa (UNECA) identified four areas of strategic engagement with the BRICS: environment (climate change actions); agriculture; renewable energy; and technology, innovation and employment opportunities. It also argued that more needed to be done to encourage the BRICS countries to use the region as a production hub. Peer exchange was identified as an opportunity because the BRICS countries are transforming their development through innovation and mainstreaming sustainability into their core business practices. UNECA believes that Africa can emulate these lessons through cooperation in ‘human capacity, development, financing, fair trade, infrastructure development and the transfer of cleaner technologies’. These sentiments were echoed in the expert responses received by SAIIA.

The African stakeholders surveyed by SAIIA were asked about their expectations of the BRICS summit. One respondent emphasised that South Africa should take advantage of the opportunity to explain to its BRICS partners the importance of the African Continental Free Trade Agreement (AfCFTA) for South Africa and other African countries; and to ask for the other members’ support in rolling out the AfCFTA. Another respondent hoped to see practical steps and alignment with BRICS initiatives in operationalising the principles of inclusive growth as reflected in the 2030 Agenda on Sustainable Development and the AU’s 2063 Agenda. Furthermore, the summit should produce an action plan on a development partnership with African countries that addressed the financing and implementation of Agenda 2063. The BRICS also had to ensure that the NDB stayed on course to support inclusive and sustainable infrastructure development in Africa. Most respondents noted infrastructure as being key to integration, and thus asked for a commitment by the BRICS to support ‘win-win’ programmes in railways, ports, airports and industrial development to increase economic growth.

Not surprisingly, ‘industrialisation, jobs and manufacturing’ and ‘infrastructure financing’ were identified as the two top BRICS priorities for Africa over the next 10 years. ‘Debt alleviation’ was ranked third. There is a strong correlation here with Agenda 2063 and the narrative around industrialisation and infrastructure financing that South Africa and the continent regularly articulate in various forums. This is also reflected in the outcomes of several of the bilateral engagement strategies of BRICS members with the continent, such as the Forum on China–Africa Cooperation (FOCAC) Johannesburg Action Plan (2016–2018) and the third India–Africa Forum Summit in 2015. Nonetheless, there is no reference in BRICS statements to these bilateral initiatives and how to augment coordination. Direct BRICS–Africa engagement (such as the outreach dialogue) anchored to Agenda 2063 could deepen economic and development cooperation.

In terms of facilitating greater cooperation between the BRICS and African regional institutions to support African priorities, respondents recognised the importance of better harmonisation, coordination and integration of bilateral BRICS country strategies with African counterparts with a longer-term strategic BRICS engagement. Creating dedicated and regular BRICS–Africa/developing country engagement forums that ensure continuity from one BRICS presidency to the next was also seen as necessary. Some respondents also mentioned a dedicated BRICS desk in these institutions to enable strategic and high-level engagement with the BRICS grouping on a continuous basis. Another proposal was to foster closer cooperation between BRICS and African researchers, aimed at identifying strategic opportunities for engagement on BRICS–Africa issues and developing country concerns. This observation is particularly relevant for South Africa, as many responses indicated a less-than-complete knowledge of what
South Africa and the other BRICS countries are doing in engaging Africa. There is a clear need for a stronger outreach by South Africa to other African stakeholders and to include African civil society (also business). This could be done by utilising academic forums and existing networks of African universities and think tanks to help generate more awareness and debate.

Nonetheless, there is a sense that the BRICS offers a useful alliance in global governance forums that allows Africa’s voice to be ‘better heard’ on issues such as climate change, global development and international financial system reform. Many global governance reform efforts pushed by the BRICS, although not directly speaking for Africa, are intended to assist the developing country bloc and ‘their success would have [a] positive impact on Africa’, according to some respondents.

A BRICS–Africa strategy should focus on where there may be common approaches to common challenges, and commit collectively to working to address them. Four challenges that bear consideration in the context of BRICS–Africa relations are:

• rising external debt in a number of African countries;
• limited or non-existent transparency in agreements and contracts;
• inequitable trading relationships; and
• lack of investment in productive sectors (agriculture, industry and services) in Africa that generate jobs.

Debt

BRICS members, in particular China, India and South Africa, are among the largest bilateral creditors to African countries for infrastructure investments. While public debt is not inherently bad if it supports productive investments that contribute to overall economic growth, utilising it for current account expenditure is problematic. So too is unsustainably high debt levels on productive economic assets, as the costs of servicing the debt negate positive economic growth.18

Between 2012 and 2016 the average debt-to-GDP ratio in Africa increased from 40.2% to 57.3%.19 For LICs, the International Monetary Fund considers a debt-to-GDP ratio of between 30–50% as sustainable.20

Sustainable debt has been a key part of the BRICS development rationale and a key theme when Russia chaired the G20 in 2013. The BRICS eThekwini Declaration reiterated the importance of sustainable growth.

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debt levels; and when China chaired the G20 in 2016, the role of the Paris Club\textsuperscript{21} in restructuring sovereign debt was also highlighted. The BRICS, either through the NDB wishing to extend loans to African countries, or as bilateral financiers, should take careful note of these challenges. This is where loans in local currency, as promised by the NDB, become important.

**Transparency**

For BRICS development finance institutions (DFIs) and the NDB, the phenomenon of rising debt also illustrates the need for transparency in reporting financing and loans.\textsuperscript{22} The BRICS countries, their respective DFIs and the NDB should consider working with institutions such as the Infrastructure Consortium for Africa (ICA), which monitors infrastructure financing in Africa. Of the BRICS, only Russia and South Africa report data to the ICA.\textsuperscript{23} African countries also have a responsibility to creditors to be transparent about their credit status by reporting obligations to the same or similar initiatives.

**Trade and investment**

Trade between the BRICS and African countries remains highly unequal despite the small improvement in 2017 in total BRICS–Africa trade (excluding South Africa) to $223.7 billion from $201.5 billion in 2016.\textsuperscript{24} In 2017 more than 80% of exports from African countries to the BRICS were primary commodities, while the top three exports from the BRICS to African countries were manufactured goods.\textsuperscript{25} A more balanced relationship requires African countries to be better integrated further up the value chain in various sectors. Productive infrastructure investment to support industrialisation is a key African priority.

At the Sanya BRICS summit in 2011, the first time South Africa participated, the BRICS declaration noted that ‘we support infrastructure development in Africa and its industrialisation within the framework of [NEPAD]’.\textsuperscript{26} A similar message is expressed in subsequent BRICS declarations. However, this agenda item has had little traction in other related BRICS meetings.

Industrialisation needs in other developing countries are not addressed in the ‘Strategy for BRICS Economic Partnership’\textsuperscript{27} launched in 2015 or in the ‘Action Plan for Deepening Industrial Cooperation among BRICS Countries’\textsuperscript{28} released in 2017. More investment from the BRICS in African countries could enhance business–to–business relations, expand BRICS–Africa value chains and promote greater industrialisation. The BRICS’ migration up the manufacturing value chain creates an opportunity to relocate low-level manufacturing to certain African countries. To optimise these opportunities, detailed analysis of sectors and countries needs to be undertaken, supported by investment, market access and technology transfers.

**CONCLUSION AND RECOMMENDATIONS**

Africa looms large in the individual strategies of the BRICS members. The continent holds great economic promise, but also faces many developmental challenges. All BRICS members recognise that as global actors, with an increasing presence in world forums and debates, having a strategy towards a continent that still has the most LICs is part of boosting their global leadership role.

While there is no specific BRICS–Africa strategy to date, the fact that all the BRICS members are very involved in Africa can create opportunities for synergy. In ensuring that the BRICS–Africa relationship contributes to more inclusive economic growth and development, a core part of South Africa’s BRICS strategy, there are a few areas where the BRICS can cooperate better:

- South Africa should push for the development of a dedicated BRICS–Africa strategy, as well as the integration of African developing country concerns into the various BRICS strategies.
- The BRICS remain extremely dynamic markets that hold both opportunities and challenges for African countries. Apart from seeking better market access for African goods in BRICS markets, the recent policy shift in China to transform its economy from manufacturing to services-driven could result in the outsourcing of some manufacturing processes to African countries. African policymakers, researchers and the business community should be working synergistically to identify sectors, particularly in agriculture and agro-processing, industry and services, where there may be opportunities for greater BRICS investment.
• The BRICS countries could also explore formalising their relations with the AU and ensure that their collaborative schemes such as the BRI and the AAGC are aligned to Africa’s vision, as these could support African economic development, including through capacity-building programmes, knowledge sharing and development finance.

• Some of the BRICS countries have become important bilateral creditors to African countries. As a grouping BRICS should consider developing a reporting and monitoring mechanism or participating in existing mechanisms that report on loans and the extension of credit to developing countries.

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

• The AUC should set up a dedicated BRICS unit to provide support on BRICS-related issues to the rotating AU chairs. Such a unit could also cover G20-related issues, where the principle of rotation of chairs makes continuity of engagement difficult for countries that are not permanent members of the G20. While South Africa is the only African member of the BRICS, the AU chair has been invited to participate in BRICS summits over the last two years. To date, there is no formal mechanism within the AUC to coordinate African positions in the BRICS. Coordinated policy positions and regular meetings with relevant South African policymakers will ensure policy continuity despite the revolving chairs in both the AU and BRICS.

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

ENDNOTES

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


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


17 The Think 20 process of the G20 includes an Africa Standing Group that brings together African and G20 think tanks to debate and write on issues on the G20 agenda. This could be one model.

18 For example, Kenya’s recently inaugurated Nairobi–Mombasa railway line (a BRI-related project) was enabled by a loan equivalent to 6% of the country’s GDP.


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


25 [Ibid.](#)


