

# Ethiopia, Egypt and South Africa: Pursuing Relationships Within and Beyond BRICS. The New Development Bank (NDB)

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*Ultimately, BRICS (Brazil, Russia, India, China and South Africa) has established itself as an informal association pursuing a comprehensive and multi-dimensional cooperation. It has also, in the course of its operations, created the platform for discussing important topics relating to economic growth, developing trade and economic exchanges, ensuring security as well as promoting education and culture. According to several previous summit reports, the economic power is shifting from the West to the Global South. **One of the landmarked achievements was the ascension of three African countries: Ethiopia and Egypt (Jan. 2024) and South Africa (2010).** Russia is chairing the association this year. The main event of 2024 for BRICS will be the summit, which will be held in Kazan in October.*

Under Russia's chairmanship, integrating more new members into BRICS has been suspended, although the 'strategic expansion' was considered as an explicit testament to the association's remarkable growing attraction and its commitment to reshaping the global economic landscape.

While the geopolitics intensifies, BRICS has prioritized economic dimension of its operations, desirous to design the necessary instruments for substituting those of the multinational organizations such International Monetary Fund (IMF) and the World Bank. Closely related to this are the loans for investment projects and the financial payment systems. The analysis here, thus *focuses on the economic architecture of Ethiopia, Egypt and South Africa - African members of BRICS.*

## BRICS Bank

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Regarding the broader historical significance of this association, the founding members

consisting of Brazil, Russia, India, and China held the first summit in Yekaterinburg in 2009, with South Africa joining it a year later, discussed creating the BRICS bank as geopolitical 'alternative' to IMF and the World Bank. The summit documents contained an explanatory reasons as 'operating financial activities mainly based on non-interference, equality, and mutual benefit' among members and other developing countries. They planned to set up this New Development Bank by 2014, *but was later established in 2015*.

The financial architecture of BRICS is made of the New Development Bank (NDB) and the Contingent Reserve Arrangement (CRA). These components were signed into a treaty in 2014 and became active in 2015. (See its report April 2024). New Development Bank, sometimes referred to as the BRICS Development Bank, by definition is 'a multilateral development bank' operated by the five BRICS states. In 2021, Bangladesh, Egypt, the United Arab Emirates and Uruguay joined the NDB. **The bank's primary focus of lending is infrastructure projects with authorized lending of up to \$34 billion annually.** As of 2023, it had 53 projects worth around \$15 billion. Its plan on giving out \$15 billion to member states to help their struggling economies never materialized.

## Financial Commitments

The core question was the initial financial shareholding. In July 2014, during the sixth BRICS summit in Fortaleza, the BRICS signed the document to create the \$100 billion as the startup capital and the currency pool for the bank. China committed \$41 billion towards the pool; Brazil, India, and Russia \$18 billion each; and South Africa \$5 billion. China, which held the world's largest foreign exchange reserves and contributed the bulk of the currency pool, wanted a more significant managing role. China also wanted to be the location of the reserve, thus made the bank to be headquartered in Shanghai, China. Until 2024, it has a skeleton office in Moscow, Russia, and in Johannesburg, South Africa, as compared to many representative offices and normal-size staff of IMF and World Bank across Africa.

## BRICS Payment System

At the 2015 BRICS summit in Russia, ministers from the BRICS states initiated consultations for a payment system that would be an alternative to the SWIFT system. The stated goal was to initially move to settlements in national currencies. The Central Bank of Russia highlighted the main benefits as backup and redundancy in case there were disruptions to the SWIFT system. China also launched its alternative to SWIFT: the Cross-Border Interbank Payment System, which enables financial institutions worldwide to send and receive information about financial transactions. India also has its alternative Structured Financial Messaging System (SFMS), as do Russia SPFS and Brazil Pix, (according to BRICS report July 2024).

## Ethiopia, Egypt and South Africa's Demography

**Ethiopia:** With Ethiopia and Egypt taking full membership with effect on 1 January 2024, joining South Africa illustrated BRICS expansion from Maghreb through East African down to Southern Africa. South Africa and Egypt being the economic power houses, while Ethiopia ranks 8th position in the continent. Angola and Nigeria rank above Ethiopia. With about **126.5 million people (2023)**, Ethiopia is the second most populous nation in Africa after Nigeria (*June 2024 stands at 229.6*), and one of the fastest-growing economies in the region. Ethiopia aims to reach lower-middle-income status by 2025. Ethiopia holds the headquarter of the AU.

**Egypt:** Located in the topmost north Africa along the Mediterranean Sea, Egypt considers itself as part of the Arab world. The permanent headquarters of the Arab League are located in Cairo and the body's secretary general has traditionally been an Egyptian. At approximately **100 million inhabitants**, Egypt is the 14th-most populated country in the world, and the third-most populated in Africa. Egypt's economy depends mainly on agriculture, petroleum exports, natural gas, and tourism. There are also more than three million Egyptians working abroad, mainly in Libya, Saudi Arabia, the Persian Gulf and Europe. Egypt is a member of the Association of Arab States and the African Union (AU).

**South Africa:** South Africa is the southernmost country on the African continent. Its remoteness—it lies thousands of miles distant from major African cities such as Lagos and Cairo and more than 6,000 miles (10,000 km) away from most of Europe, North America, and eastern Asia, where its major trading partners are located. According to the 2023 census, the population of South Africa was about **62 million people** of diverse origins, cultures, languages, and religions. *South Africa has a mixed economy, emerging market, and upper-middle-income economy, one of only eight such countries in Africa.* the country has a comparative advantage in the production of agriculture, mining and manufacturing products relating to these sectors. Several reports indicate that, in principle, its principal international trading partners—besides other African countries—include Germany, the United States, China, Japan, the United Kingdom, Bangladesh and Spain. Over the last few decades, South Africa has also established itself as a popular tourist destination. Further that, it is among the G20, and is the only African country that is a permanent member of the G20 group, and as a member of the Southern African Development Community (SADC) and the African Union (AU).

## Development Challenges

1. Ethiopia's relations with neighbours is very complicated, and also it suffers from natural disasters. Russia tended to make a greater impact when it offered sympathy and support with humanitarian aid of grains to the affected and impoverished communities in Ethiopia. In November and December 2023, Russia delivered these grains, as humanitarian aid, to Ethiopia alongside to Zimbabwe, Kenya, Burkina Faso and Mali. More are still vulnerable to natural and conflict disasters at the present stage.

According to World Bank report (2023), Ethiopia seeks to chart a development path that is sustainable and inclusive in order to accelerate poverty reduction and boost shared prosperity. Achieving these objectives will require addressing key challenges including the following:

(i) addressing macroeconomic private sector development, structural transformation, and generation of jobs,

(ii) reducing the incidence of conflict that has been having a substantial impact on lives, livelihoods, and infrastructure. Overcoming the effects of the coronavirus pandemic.

(iii) addressing food insecurity, which is growing due to adverse weather events, locust invasion, conflict, and global conditions leading to high inflation of food prices.

(iv) improving human capital which is far lower than the average for the Sub-Saharan Africa region.

(v) generating good jobs. The country's growing workforce (with roughly 2 million persons reaching working age per year) puts pressure on the absorption capacity of the labor market, necessitates improving current jobs, while creating sufficient new jobs.

2. Despite its profound geopolitical and multifaceted relations with key external powers, its membership in G20 and BRICS, South Africa's greatest challenge is huge energy deficits. After years of sub-standard maintenance and the South African government's inability to manage strategic resources, the state-owned power supplier Eskom has been experiencing deficiency in capacity to supply sufficient power nation-wide. Industrial production is, to a large extent, and negatively affected by these energy setbacks.

3. In the case of Egypt as a member of BRICS, it has external players such as the United States, China, Turkey, and the United Arab Emirates. Since taken over political power, Abdel Fattah El-Sisi has been strengthening the military and limiting the political opposition. Under El-Sisi, Egypt, the Egyptian economy entered an ongoing crisis, the Egyptian pound was one of the worst performing currencies, inflation reached nearly 40% in March 2024. It has received United States foreign aid over the past few years (an average of \$2.2 billion per year) and is the third-largest recipient of such funds from the United States.

In its annual report (2024), the International Monetary Fund (IMF) has rated Egypt as one of the top countries in Africa undertaking economic reforms. But a lot more economic lapses have still engulfed the economy, and greater part of the population lives below the average subsistence level. An estimated 2.7 million Egyptians abroad contribute actively to the development of their country through remittances (\$7.8 billion in 2021), as well as circulation of human and social capital and investment. Remittances, money earned by Egyptians living abroad and sent home, reached a record \$21 billion in 2023, according to the World Bank.

## **Brazilian Dilma Rousseff and BRICS Bank**

Image [source](#)



During the latest meeting held on June 6, 2024, **President Vladimir Putin** and President of the BRICS New Development Bank, **Dilma Rousseff**, agreed on some important issues. These include the fact that the bank becomes more sustainable and operational, and moreover operate within developing multipolar economic architecture and strengthening its economic base. In 2024, Russia presides over BRICS, Russia and Brazil are co-founders of this bank, now headed by Dilma Rousseff. In the new emerging multipolar world, BRICS members and other developing countries, especially those in the Global South have consistently criticized the IMF and the World Bank, and further called for reforms. Nevertheless, Putin and Rousseff have taken common position that the BRICS bank has an essential role to play in the multipolar economy. Of course, the multipolar world is also

reflected in national currencies, which is another obligation of the bank: to attract and carry out settlements in national currencies. This is very important for developing countries that do not have their own strong currencies and suffer greatly from exchange rate volatility. (See *Kremlin report – June 6, 2024*).

Obviously, the BRICS bank claims to be working independently without any political strings. In the current conditions, it is not easy to do so, given the developments in global finance and the use of the dollar as a political weapon. Now the world is indeed going through many challenges. There are crisis trends and inflation in the advanced countries, and in the developing world, nations are facing debt problems. Of course, the countries in the developing world are now primarily in serious condition. According to Rousseff remarks: *“The bank should play a major role in the development of a multipolar, polycentric world. Russia is a very important partner in BRICS and the New Development Bank, and is really fulfilling all of its commitments. And, indeed, the bank is facing a number of problems, primarily concerning liquidity.”* (See *Kremlin report – July 26, 2023*)

The Kremlin website quoted Putin as follows: *“Our development strategy for the 2022–2026 period aims to draw about 30 percent of our funds from domestic markets. It is also very important to attract funds in different currencies, not just dollars or euros. We are well aware of the difficulties encountered by the developing nations in their bid to attract investment. They need resources to finance infrastructure projects, develop digital and social logistics, and, of course, to reach their goals in environmental protection. Everyone is focused on their debt, ignoring their need for resources. It seems unacceptable to impose certain terms and requirements on them in exchange for funding like multilateral international organisations are doing now.”* (See *Kremlin report – July 26, 2023*).

On November 14, 2019, Putin and other BRICS leaders met with members of the BRICS Business Council and the management of the New Development Bank. An approval was given for internal procedures to launch a technical support foundation aimed at helping entrepreneurs draft high-quality design documents when applying for a bank loan. That year (2019) saw an increase the number of regional branches of the bank. The African Regional Centre in Johannesburg. A bank’s branch in Latin America was launched in Brazil. And the necessary procedures for the opening of the bank’s Moscow office in the first half of 2020.

It was acknowledged that the bank, as a key international financial institution, be efficient in investment and lending, expand its investment project portfolio which rose up, exceeded \$12 billion, with seven of 44 approved projects being implemented in Russia. The bank also supported the ‘Strategy for BRICS Economic Partnership’ until 2025, which was adopted at its summit in Russia in 2015. (See *BRICS report – November 2019*).

## **BRICS Bank and Other Multinationals (IMF and World Bank)**

**The basic question currently asked is what place does BRICS bank hold in the global economy**, and how comparable to other multinational financial institutions? Overcoming the impact of the global crisis, BRICS bank has to follow the same path of comprehensive renovation. It has made its key tasks including investing in the economy through concessional loans, to achieve alleviating poverty and hardships to sustainable economic growth. *The bank’s documents show interest in engaging in traditional sectors such as alternative energy, information, telecommunications and new medical technologies, processing of mineral resources and working towards agricultural production growth.* Many of such advantageous sectors have attracted some forms of loans from the BRICS bank



since its establishment and have also recorded some successes and achievements.

For the purpose of this article, the traditional comparisons are necessary to deepen the understanding of the theme under discussion and analysis. Historically the IMF and the World Bank, in their functional pursuits, have been extremely active with their targeted operations in various geographical regions. Despite the current criticisms and demands for reforms and review of their approach, the IMF and the World Bank have introduced a new system of global economic governance in their operations. Thanks to a common approach which is noticeable until today that the IMF and the World Bank are consistently in favour of financing operations in emerging and developing economies. At the Pittsburgh G-20 summit held in 2009, both financial institutions pledged forms of support for economic growth in developing countries. (*See IMF and World report, June 2009*)

Ethiopia, Egypt and South Africa (BRICS members) constitute part of developing countries, and distinctively are located in Africa. *Today these three countries are reputable members of the BRICS informal association, but at the same time entangled in the financial network of the IMF and the World Bank.* An official summarized report indicated that the IMF, in June 2023, concluded the Article IV consultation with South Africa. South Africa's economy is facing mounting economic and social challenges. The pathway out to contain the economic shortfall and, as it was an election period, was to swiftly address economic complexity as the last resort was to approach the World and IMF for another packet of loans. Prior to that, **\$4.3 billion loan**, at about 1.1% interest, was granted for South Africa to manage the immediate consequences of the fallout from coronavirus pandemic which broke out 2019. The practical benefit is that the IMF loan played the supportive role to stabilize South Africa's situation. South Africa is still facing multiple economic bottlenecks, deteriorating situation, and worse, it will struggle to pay back its debts to foreign financial institutions. South Africa's external debt reached over **\$170 billion** in 2021, which is the highest stock of foreign debt in Sub-Saharan Africa.

Egypt's current situation is not different from South Africa and Ethiopia. The north African country has been addressing its economic development capitalizing on the contradictions in the global system. In 2021, Egypt's total external debt reached around **\$143 billion**. The latest development, in July 2024, the IMF and Egypt reached a preliminary agreement that should help unlock the next disbursement of **\$8 billion** loan.

As part of the Ethiopia's macroeconomic reform program endorsement, *the latest IMF update released in August 2024, foreign creditors have granted financing assurances to Ethiopia enabling the government to fast-track approval of new loans by the IMF and the World Bank.* An official creditor committee offered firm assurances to restructure loans and outstanding debts. Reports explicitly show that Italy, Japan, India, and Saudi Arabia are among other members of the committee. Ethiopia aims to restructure billions of dollars in external debt using the Group of 20's Common Framework mechanism, which seeks to coordinate talks between official, commercial and private creditors. *Ethiopian Prime Minister Abiy Ahmed* told parliament in July 2024 that expected talks with the Washington-based IMF and World Bank could unlock more than **\$10 billion** in financing in the coming years.

Further analysing several reports, Egypt and South Africa, being BRICS members in addition to Ethiopia, have contracted loans for developing their economy. The most difficult tasks including their demands for financial reforms, restructuring existing debts and at same time contracting new loans from these western multinational financial institutions. *These are the realistic scenarios with Ethiopia, Egypt and South Africa, primarily due to the incapacity and*

*tardiness by the New Development Bank established by BRICS. With its own particular bilateral interest, aspirations and perspectives, China's Export-Import Bank, as one of the policy instruments, over the past two decades, has supported several development initiatives across Africa. At least, China has illustrated its financial strength, ensuring and reshaping Africa's economic future. Imperatively, China's position is that developing the economy, engaging in economic sectors as an important aspect of improving the lives of the impoverished, is partly the surest way to ensure peace and order in Africa.*

Notwithstanding all the distinctive points discussed above, BRICS bank considers Ethiopia, Egypt and South Africa, and other partners with their support for multipolar world, beginning to create a solid foundation for dialogue, to actively cooperate and collaborate in the economic sphere. The bank operators, however, declared confidence that cooperation, as frequently put "reliable and mutually beneficial partnership relations" would benefit the developing countries and its peoples, - and among BRICS members has a great future. Against this backdrop, the BRICS New Development Bank has to re-prioritize its high-impact operations that are connected to the development objectives of its members and consistent commitments under the Sustainable Development Goals (SDGs). In addition, it has to facilitate a deeper understanding and *forge partnerships focusing on mobilising resources for infrastructure and sustainable development projects in its member countries, and to strengthen South-South cooperation.*

Some experts further say BRICS 'strategic expansion' will raise significantly its status and could amplify association's declared ambitions to become a champion of the Global South. According to historical records, the first meeting of the association began in St. Petersburg in 2005. It was called RIC, which stood for Russia, India and China. Then, the BRIC group was formed by four of the world's fastest-growing economies - Brazil, Russia, India, and China. In December 2010, South Africa joined the BRIC association, and now referred to as BRICS, 'an informal association' of five countries: Brazil, Russia, India, China, and South Africa.

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