



## THE BRICS NEW “WORLD BANK”: A PRAYER ANSWERED FOR THE REGION’S BOOMING REAL ESTATE INDUSTRY?

With the establishment of the New Development Bank, a “Mini-World Bank”, this year, which will be headquartered in Shanghai, China, there has been a glimmer of hope by most if not all of the developing and underdeveloped countries of Africa particularly in the sub-Saharan region.

The so-called BRICS - Brazil, China, India, [Russia](#) and South [Africa](#) - announced about a month ago that they were putting up a new development bank which will be complimented by an emergency reserve. It is believed by many that the new bank launched since it is the brainchild of the emerging economies; it will help stressed economies of developing countries in Africa come to sanity again. This is also viewed by many as a challenge to the Washington-based IMF and the mighty World Bank even though the bank will have a capital of **100 billion US dollars**, which is pocket change to the World Bank. However, the World Bank and IMF have few success stories to show despite the often austere regimens it imposes on troubled economies of Africa in return for emergency loans.

### THE NEW BRICS BANK AND AFRICA

Economic growth in the African countries has remained unevenly spread across the region and has not risen the standard of living compared to those observed in other rapidly grown developing countries such as China and India. BRICS countries have aimed at offering financial development, recognition and development in various sectors where most of the African countries are still struggling such as in health, real estate, education, infrastructure, energy and water sectors since these are the four major syndromes which eat up the African continent. The global financial crisis of 8 years ago has taught African countries that there is a need for different sources of funds. For example, looking into a country like South Africa, a member of BRICS, during its few years of its membership, as a way of keeping up with the BRICS team members, they have invested more than **10 billion US Dollars** into expanding their railways, ports and fuel pipes. The World Economic forum’s 2011/12 Global Competitiveness index displayed a high level of confidence in South Africa’s financial market development. This goes to show that, being a part of BRICS, South Africa has been able to gain a lot in such few years.

### WHAT DOES THE BANK PROMISE TO DO

The new bank has “shown” promise to mobilize resources for infrastructure investment and sustainable development projects in the developing countries like Tanzania. These include, amongst others, transformational infrastructure projects that allow the sub-Saharan region to take forward its regional integration agenda.

It has been made apparent that, the Bank will help fund infrastructure and sustainable



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development projects not only in the BRICS countries but in other developing countries. This could help bring about a balance between the developing and the developed block particularly in the infrastructure sector. The move could also help in easing out any financial crisis that might affect the globe in the near future.

The Euro crisis led to much financial clout moving to Asian banks whereas European banks rein in their operations in areas like international trade and project finance. The BRICS bank could have considerable influence in catalyzing new areas of finance for developing and underdeveloped nations of Africa.

### WHAT HAS THE NEW BANK INSTORED FOR TANZANIA

Statistics shows that, countries in the sub Saharan region are the fastest growing regions in the world. However, they have tremendous infrastructure and development challenges that are hindering faster economic growth. Countries such as Tanzania have seen a tremendous growth in the infrastructure sector due to the efforts of the governments as well as a booming real estate industry. I can’t speak for many or the country but in all honesty and I feel many would join me in saying that, countries like Tanzania do welcome the establishment of such a bank. We are enthusiastic and are excited about the economic potential that this institution will bring to the continent. We can’t be paralyzed by the fact that the World Bank and IMF have always been at our back door and have always held our tails. Both Breton woods and the new BRICS institutions can walk hand by hand, but the only difference perhaps would be that, many countries will have a choice.

The President of China describes BRICS countries, **“as defenders and promoters of developing countries and a force for world peace”**. China being among the developing countries for over years, it has tried to increase development aid to the African Countries, among the beneficiary country being Tanzania. China development assistance to Tanzania has been given in different ways such as grant, interest-free loans payable over a relatively long period of time or as low -interest loans. Quoting the words of the Tanzania Dr. Jakaya Mrisho Kikwete in China on 23/06/2006 said, **“The Sino-Tanzania Aid Relation and China enjoy profound brotherly friendship. The Tanzania people will never forget the valuable support and generous assistance of China over the past decades”**. Some of the aids rendered by the Chinese government are; the construction of the TAZARA railway in 1964, financing of Ubungo farm in 1965, construction of the national stadium of 600,000 seats which was completed in 2007.

Other BRICS countries that have amazingly contributed to Tanzania development is India. The Prime Minister of India on his visit here in May unveiled an aid package of \$180 million water supply projects in Tanzania and \$10 million for capacity building projects in social



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and other development sectors.

The relationship between the BRICS countries and Tanzania is of significant importance for the infrastructural development of Tanzania and the region. Africa as a whole desperately needs reliable and cheaper long-term development finance, without restrictive World Bank and IMF conditions. The Brics bank could also be a vital source of finance for infrastructure and real estate development that Africa so desperately needs.

BRICS nations are expected to have majority shareholding in the bank, with 55 per cent. However, shareholding should soon be open to other emerging markets, developing countries and advanced economies.

The mere presence of a Brics bank that does not adhere to the structural adjustment philosophy of the World Bank and IMF could strengthen the hands of African governments to produce more independent national development policies, rather than the “one size fits all” approach enforced by “classic” lenders.

Africans will have to strike smart partnerships with the Brics bank, through African development banks, state-owned enterprises and the private sector. And, crucially, the bank must pursue lending that is ecologically sustainable, and must promote inclusive economic growth and development of developing countries of Africa.

What is unique about this bank is that it is established by developing countries, who understand development challenges, have demonstrated their ability to tackle such challenges and are willing to help other developing countries to leap a step ahead. However, the African continent is still at grips with the Breton woods institutions of which have in a way helped Africa, to what extent? That is the question for some other time.

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