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The BRICS and the International Development System: Challenge and Convergence?

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List of Abbreviations

ABC	Brazilian Cooperation Agency
AISA	Africa Institute of South Africa
BAPA	Buenos Aires Plan of Action
BNDES	Banco Nacional de Desenvolvimento Economico e Social
BRIC	Brazil, Russia, India, China
BRICS	Brazil, Russia, India, China, South Africa
BRIICS	Brazil, Russia, India, Indonesia, China, South Africa.
CAITEC	China Academy for International Trade and Economic Cooperation
CDB	China Development Bank
CIDRN	China International Development Research Network
CSR	Corporate Social Responsibility
DAC	Development Assistance Committee
DBSA	Development Bank of South Africa
DFID	Department for International Development
EUISS	European Union Institute for Security Studies
FOCAC	Forum on China-Africa Cooperation
IBSA	India, Brazil and South Africa
IDA	International Development Association
IDS	Institute of Development Studies
IFC	International Finance Corporation
IMF	International Monetary Fund
MITKA	Mexico, Indonesia, Turkey, South Korea and Australia
MOFCOM	Ministry of Commerce People's Republic of China
NGO	non-governmental organisation
NMMPR	New Model of Major Power Relations
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OPEC	Organization of the Petroleum Exporting Countries
RIC	Russia, India and China
RPID	IDS Rising Powers in Development programme
SAFPI	South African Foreign Policy Initiative
SAIIA	South African Institute of International Affairs
SUNFED	Special United Nations Fund for Economic Development
TB	tuberculosis
TCDC	Technical Cooperation among Developing Countries
UN	United Nations
UNDP	United Nations Development Programme
UNOSSC	UN Office for South-South Cooperation
WTO	World Trade Organization

Introduction

The 'BRICs' acronym, in its most common usage, derives from a report to investors by Goldman Sachs' analyst Jim O'Neill, signalling the new dynamic that four large countries; Brazil, Russia, India and China, were bringing to the global economy at the beginning of the new millennium. A conclusion advanced in the Goldman Sachs report was that the BRICs should be included in the G7 as their macroeconomic significance increased in the decade to come. From a global investment angle, the world has moved on from there to a wider set of dynamic emerging countries, including a number of fast-growing African nations, as more developing countries find their own way to catch up on growth, resisting world recessionary tendencies (O'Neill 2001 2011).¹ The investor's world of emerging markets has thus expanded beyond the BRICs, even as questions are raised about the sustainability of growth in the BRICs themselves, with their structural and political challenges and their vulnerability to the uncertainties of global monetary developments.

This Evidence Report focuses on a distinct phenomenon – the BRICS Summits, as an ongoing new global governance process, spanning both economic and security issues, launched as a geopolitical initiative by Russia in 2006 at the level of foreign ministers.² A first Leaders' meeting was hosted by Russia in Yekaterinburg in June 2009, bringing in Heads of State from Brazil, India and China. South Africa joined in 2010 on the invitation of China following the Sanya BRIC Summit, to make up the present BRICS Summit group.

We look at this BRICS Summit process as part of the broadening of the global governance system created following the Second World War, in which United States (US) leadership and hegemony has been a vital element, to a polycentric global governance system that is now evolving fast but with a future still undetermined (Ikenberry 2006).³ There is now a burgeoning literature on the BRICS, written in this vein, which is providing some of the keenest contemporary insights into the geopolitics and the geoeconomics of this still to be determined future world order (Carmody 2013; EUISS 2013; Kornegay and Bohler-Muller 2013a, 2013b; Observer Research Foundation 2013; Kornegay 2013a, 2013b, 2013c; Sidaway 2012).⁴

Against this background, we first place the BRICS Summit process in the current and possible evolution in the world economy and the international system, and then provide an overview on how the BRICS development cooperation policies, collectively and in each member country, are evolving, identifying related issues and prospects. A more comprehensive and in-depth treatment of these issues is at the centre of the IDS Rising Powers in Development (RPID) Programme, with an initial set of collected results to be published ahead of the 6th BRICS Summit in Fortaleza, Brazil.

¹ Further groups of such countries have been identified, including a 'next 11' (Goldman Sachs), a set of 26 frontier markets (MSCI Barra) and a diverse group of countries with growth rates faster than China, the Post-China 16 (see Stratfor (2013) 'The Post-China 16: Ascendant Manufacturing Countries').

² At the suggestion of Russian Foreign Minister Sergey Lavrov, the Brazilian Foreign Minister Celso Amorim was invited to one of the regular New York lunches of the RIC Foreign Ministers (Russia, India, China), and the BRIC idea was born there. RIC Summits continue to be held each year.

³ Ikenberry provides an overview of the dynamics of the post-Second World War world order based on multilateralism, but subject to unilateralist pressures within the United States hegemon.

⁴ These references provide a reading of the underlying dynamics of the BRICS Summit process. The South African Foreign Policy Initiative (SAFPI) Policy Brief 36 (Kornegay 2013a) provides the central analysis of the AISA volume, and SAFPI Policy Brief 48 (Kornegay 2013c) a reading of the dynamics of the new MITKA group (Mexico, Indonesia, Turkey, South Korea and Australia). Sidaway provides an account of how categories and terminology are being overtaken by complex new geographies of development. The European Union Institute for Security Studies (EUISS) provides a current European reading of the BRICS. The Observer Research Foundation Report is a basis for further work at the BRICS Summits on long-term visioning.

1 The BRICS Summits and transitions in global economic governance

By 2030, according to the World Bank, two-thirds of global savings and investment will be in developing countries, including the BRICS in that category, compared with one-fifth in 2000 (World Bank 2013a, 2013b). And according to the Organisation for Economic Co-operation and Development (OECD), China and India together will be larger than the whole OECD economy by 2025 (OECD 2013). While the post-Second World War global order has facilitated this current revolution in development achievements and prospects, it is clear that a major adjustment of global governance arrangements will be needed, as a functional matter. And indeed this adjustment is already underway.

The formation of the BRICS Summit process is to be seen as a part of this adjustment. Reform of international financial and economic institutions and the promotion of a polycentric and multi-polar system have been and remain the explicit founding idea of the BRICS Summits. The eThekweni Leader's Declaration from the 5th BRICS Summit held in Durban in March 2013 notes that 'the prevailing global governance architecture is regulated by institutions which were conceived in circumstances when the international landscape in all its aspects was characterised by very different challenges and opportunities'. It then sets out the objective of 'progressively developing the BRICS into a full-fledged mechanism of current and long-term coordination on a wide range of key issues of the world economy and politics'. The action plan includes the establishment of a 'virtual secretariat' (BRICS5 2013b).

In this broad context, the BRICS Summit identity is, we consider, most accurately considered as a group of 'non-G7' countries providing themselves with a forum where they do not have to contend for air-time and agenda-setting with 'Western' powers and their intellectual frameworks and which provides the possibility to impact, symbolically, rhetorically and programmatically, on global economic, development and political agendas. The BRICS members consider their development experiences to be different from the standard model embodied in mainstream development narratives. And they are consciously seeking to build their soft power in the new global economy, individually and collectively. In that sense, the BRICS Summits are clearly challenging the existing world order and its institutions.

At the same time, the BRICS members are all fully committed to the G20 Leaders process, itself a manifestation of the new and evolving global governance system. One member, Russia, is a member of the G8 which has not, contrary to some expectations, withered away. Along with a wide range of developing countries, all of the BRICS engage in substantive engagement and joint work within the OECD and participate in OECD annual Ministerial meetings.⁵ Hence, the BRICS Summit process might be said to be 'nested within' a larger process of systemic change in global governance which ultimately will produce convergence, albeit with challenge and contestation, even if the pace and nature of any such change cannot at this point be foreseen (BRICS5 2013a; Observer Research Foundation 2013).⁶

Both the G20 and the BRICS, as self-selected groupings of countries with divergent interests and governance systems, and with no objective approach to representativity, are contested in terms of legitimacy, as centres of authority in the global system. There are also severe critiques of their performance, whether it be on progress on voice and voting power in the Bretton Woods institutions or on the weaknesses in the system of global financial

⁵ The OECD developed programmes for interacting with dynamic developing countries from the late 1980s, following an internal report on *The OECD and the Major Developing Countries*, (OECD Archives) evolving through workshops to outreach to the current global relations programme, including enhanced engagement with the BRIICS (includes Indonesia).

⁶ For a wide-ranging discussion on the nature of the BRICS as a non-confrontational forum for working on new global governance patterns and cooperation processes see (BRICS5a).

supervision established following the financial crisis, or in the failure of the BRICS to concert on candidacies for President of the World Bank (Wade and Vestergaard 2012; Woods 2010). Academics and civil society groups are now exercising 'surveillance' on both processes, a manifestation that the world order is not only becoming multi-polar, but also polycentric, with many sources of initiative, ideas and sanction, notably powered by the social media (CIGI; University of Toronto BRICS Information Centre).

In the absence of a total breakdown or climactic event in the international system (arguably the financial crisis came close to such a point), the problem of redesign of global governance in the twenty-first century can hardly be negotiated in a Congress of Vienna or a Versailles Treaty, or a San Francisco Conference or new Bretton Woods Agreement. While the significance of current developments in the global governance system should not be underestimated, evolutionary change rather than revolutionary institutional redesign is, at this point, the order of the day.⁷ The BRICS Summit, and the G20 processes have thus been constructed in a new informal space in the global arena, where in terms of both time and budgets, transaction costs in origination and operation have been kept very low. And neither the BRICS Summit Process nor the G20 are looking to create whole new institutional frameworks. Nevertheless, as noted above, the BRICS project includes an ambition to become a fully-fledged process and to create a 'virtual secretariat'. Meanwhile, the G20 has declared itself to be the world's premier economic coordination forum (a positioning explicitly endorsed by the BRICS), and effectively draws upon and coordinates, to a greater or lesser extent, the work of the major international organisations, filling a much needed role here. The creation of a collective G20 website in place of the increasingly extensive websites set up by each successive Presidency is a live discussion, as the G20 evolves from an improvised crisis committee to being a steering group for the world (Cooper 2010).

The BRICS process and the G20 share the same modalities pioneered by the G8: Heads of State meetings, with revolving chairing/hosting arrangements (with a 'troika' system operating in the G20); *ad hoc* working groups of ministers and officials; forward work programmes; and structured engagement of non-state actors, including think tanks (T20) and business (B20). Here the G20 structure reaches to include civil society (C20), labour unions (L20) and youth (Y20). The BRICS have created an Academic Forum with the BRICS Think Tank, and at the 2013 Summit in Durban, created a BRICS Business Council which held its first meeting in Johannesburg in September 2013.⁸ While the BRICS have not yet extended to structured engagement with civil society and labour unions or youth there are prospects that parallel academic, trade union and civil society meetings held at the last Durban Summit may be more connected into the BRICS Academic Forum under the Brazilian Presidency. Like the G20, the BRICS Summit process has diplomatic outreach programmes which seek to engender support and cooperation.⁹

A key dynamic in the BRICS process, like the G20, is the revolving leadership. Each country that takes on the BRICS Presidency has a strong incentive to produce substantive outcomes, to carry forward agreed agendas and to emerge with enhanced reputation. The flexibility and range of the Heads of State formula has strong advantages here, even if it is vulnerable to changing political winds, to agenda creep or capture and to disguised or undisguised disagreement on some points. In principle, as Heads of State Groups, they have the special possibility of reaching across policies and institutions to achieve the coordination and coherence that is the scarcest global public good of all. A glance at the *communiqués* of the BRICS and the G20 indicates the extensive work programmes they

⁷ For a view that 'multilateralism light' via G groups is where the action is see www.nytimes.com/2013/09/05/opinion/global/the-g-20s-rising-clout.html. See also Stewart (2014) for a perception that international cooperation is increasingly placed outside formal institutions, in informal groups and *ad hoc* venues.

⁸ www.brics5.co.za/joint-statement-of-the-brics-business-council-meeting-held-on-19-august-2013-sandton-convention-centre-johannesburg-south-africa/.

⁹ At the initiative of the President of the General Assembly, the G20 troika met informally with UN delegations in New York last February and agreed on regular interactions.

have taken on across issues and ministries, with processes and meetings in motion on a constant basis (BRICS 2013b; G20 2013). The Think Tank groups that they have both convened assist in this capacity for synthesis and looking ahead. The coordination and coherence functions of both groups will be tested in 2015 when global agreements on development strategies and on climate change are scheduled almost simultaneously at the end of 2015. The G20 has committed in its St Petersburg Declaration to participate actively in the process of producing a successor framework to the MDGs and, on the side of the BRICS, the eThekweni Declaration sketched out some parameters for such a framework.

The legitimacy issues that face the BRICS and also the G20 can be summed up under two categories: performance and values/reputation.

Regarding **performance**, as mentioned above, both groups are subject to strong critiques on performance and there is a tendency towards cynicism in much comment. While the essential role played by the G20 in crisis management in 2009 is acknowledged, there is much disappointment with follow-up particularly on global financial governance issues. But the G20 work programme has in fact evolved significantly, addressing many crucial public policy issues in ways that were not possible before, including pulling together the work of a wide range of international institutions (Carin and Schorr 2013). And the BRICS process has substantive work in fields such as health, agriculture, urbanisation and science and technology, led by biennial Ministerial meetings supported by technical groups. (There is also a process in which BRICS competition authorities meet regularly, inviting their peers from OECD countries.) The 2013 eThekweni Declaration also announced future work on State-owned enterprises. The potential role of the BRICS in providing a new development finance institution – the BRICS Bank – has made perhaps the biggest impression, and is explored below as an important work in progress, with multi-dimensional implications. But with less attention in the headlines, the BRICS sectoral work is in fact creating an important mutual learning process among the BRICS, drawing on their different development and political contexts to find a whole range of lessons and future directions for joint study in areas such as rural-urban dynamics, interaction between social policies and health policies, sustainable urbanisation etc., as is evident from the outputs of the various meetings. These are all areas where BRICS cooperation has potential global as well as group benefits, as for example, the health agenda work underway on multi-drug resistant tuberculosis (TB), HIV/aids, and non-communicable diseases.¹⁰

Hence, both the BRICS and the G20 have evolved in terms of substantive scope of work and associated processes in ways that go well beyond their beginnings to bring direct Heads of State involvement into a range of key social and economic areas, with flexible high level policy groups and technical support. This is a noteworthy evolution in global governance.

On the side of **values/reputation**, the BRICS Summits (as also the G20), encompass a wide range of political philosophies and practices. Despite this diversity, in neither group do we see overt normative contestation at this point. Rather, there is pragmatic progress and accommodation. In terms of perceptions, at a time of huge geopolitical shifts and environmental and development challenges and as global governance roles become more widely shared, the BRICS are looking to play a shaping role. Hence values and reputation are critical to the credibility of the BRICS.¹¹ It is on this level that difficulties and dysfunctions in leading Western governance systems, and the failure so far to generate a strong and

¹⁰ For accounts of the discussions and work ongoing in these areas see www.brics5.co.za/about-brics/sectorial-declaration/agriculture-ministers-meeting/brics-agricultural-action, www.brics5.co.za/assets/The-2nd-BRICS-Urbanisation-Forum-The-Durban-Declaration-1-November-28th-2013-Durban-KwaZulu-Natal-South-Africa.pdf, www.brics5.co.za/3rd-health-ministers-meeting-south-africa-7th-november-2013-cape-town-communique/, www.brics5.co.za/assets/BRICS-STI-CAPE-TOWN-COMMUNIQUE-OF-10-FEBRUARY-2014.pdf.

¹¹ See Cormier (2012).

sustained recovery from a Western-centred systems crisis have opened the way for the BRICS to come forward as global leaders. But that opening in turn poses challenges of values and reputation for the BRICS and creates dynamics among other non-G7 members of the G20. Thus, the BRICS have inspired the formation of a further grouping nested inside the G20 with the acronym MITKA – Mexico, Indonesia, Turkey, South Korea and Australia.¹²

The recent comprehensive reform package in China, including but extending beyond market-based economic reform to land rights, urban residence rights, human rights, space for civil society and a reformed justice system, promises to do much to bolster China's position in areas of perceived weakness. This Chinese reform package will strengthen political solidarity within the BRICS. Russian accession to the OECD, projected for 2012 and then 2013, but still moving forward if slowly, would reinforce its position and the interconnections between the G8, G20 and the BRICS. India, Brazil and South Africa as 'democratic emerging powers' all have strong positions on human rights and democratic values, but at the same time, complex local inequities and regional problems that qualify their actions and records (Jenkins and Mawdsley 2013). The India, Brazil and South Africa (IBSA) process continues, although with less prominence than the BRICS, and spans a wide range of cooperation, including security issues in the Southern Indian and Atlantic Oceans. In terms of reputation, the common resolve to counter inequalities, corruption and terrorism to resist nuclear proliferation, and to contribute to strengthening global efforts on development and climate change in new global compacts in 2015, would underline the convergence dimension in the BRICS positioning.

In terms of vision, the BRICS Summits are the only global process with an explicit objective to constitute a new global order in line with the massive change in economic weight that is coming in the next decade. The stated objective of the BRICS here is to ensure that this coming world order is inclusive and just, in line with historic South-South principles for a post-colonial world order, with the United Nations (UN) as the centre of systemic legitimacy.

At this level, complex geopolitical factors come into play. While the BRICS Summits are projected as the voice of the global South, there are divergent interests and priorities among the BRICS on UN Security Council reform and some nascent and even overt conflicts on territorial boundaries, spheres of influence, and economic and monetary policies. There are also difficult frontlines with the international economic system in the areas of currency management and trade, where the BRICS Summit process will be tested as its members confront their increasing interests in and responsibilities for global system functioning. The global trade and financial systems are fragmenting (notwithstanding the 'Bali Package' agreed at the WTO Ministerial Meeting in December 2013), just as China and India in particular become the key drivers of the world economy with impact on development dynamics in all continents. World Trade Organization (WTO) multilateralism, now under BRICS leadership, has been contending with a tide of regional free trade agreements. Currently trade multilateralism faces mega-regional agreements in the trans-Pacific and Atlantic arenas, so far excluding the BRICS countries, whose positions on access to their markets have been among the obstacles to concluding the WTO Doha Round. On the financial side, the new BRICS US\$100bn Contingency Reserve Arrangement, seeks to provide a degree of independence from International Monetary Fund (IMF) processes for emergency funding.

In this context it is significant that the BRICS process is featuring as an integral element of the global strategies being articulated by each of the BRIC member countries. This is most advanced in the case of Russia, the initiator of the BRICS Summits. A concept note on Russian Foreign Policy was issued in February 2013, and alongside that, a concept note on the BRICS. An explicit thrust in these concept notes is to envisage an active role for Russia

¹² See *SAFPI Policy Brief 48* (Kornegay (2013c)).

in supplying global public goods in a new multi-polar global system (Russian Federation 2013; Monaghan 2013).

In the case of China, a major component of foreign policy is the New Model of Major Power Relations between China and the United States, the NMMPR, explicitly directed at ensuring that its growing global interests do not replicate previous historical experiences where rising powers have been associated with war, notably in both European and Asian theatres. China believes that a basic accord has been reached with the United States on this concept as the essential framework for their relationship, with three key elements: 'no conflict or confrontation'; 'mutual respect', and 'win-win cooperation' (Wang Yi 2013). There are evident challenges still to be surmounted here as regional histories and current tensions show and the nature and objectives of the Obama Administration's 'pivot to Asia' play out.

An elaboration of foreign policy directions for China in the coming decade has recently been issued by a leading think tank associated with the Chinese foreign ministry (Shanghai Institutes for International Studies 2013). With the NMMPR as a basis, this preview provides a comprehensive outline of China's key foreign policy interests, challenges and strategies both in its own multi-frontier neighbourhood and across all major world regions and thematic concerns. The role of the BRICS Summit Group is built into this vision alongside an explicit strategic objective of a more active role for China in supplying global public goods.

The last two BRICS Summits have generated systemic thinking in the host countries, India and South Africa. In India, in the context of the New Delhi Summit of 2012, the Observer Research Foundation, a leading participant in the BRICS think tank process, produced a *Long-Term Vision for BRICS* strategy paper on the BRICS Summit Process as a submission to the BRICS Academic Forum. The 'Long-Term Vision' was reviewed by the BRICS Think Tank Council in Durban ahead of the Durban BRICS Summit and then issued by the Observer Research Foundation (Observer Research Foundation 2013). Now to be finalised by the South African Think Tank institutions involved, the BRICS 'Long-Term Vision' paper covers common domestic challenges and global political and economic governance and sets out suggestions on the BRICS Development Bank proposal.

A number of ministerial speeches articulate South African thinking on the role of the BRICS, in particular South Africa's role in linking African policy concerns and inputs with the BRICS process (Nkoana-Mashabane 2013).¹³ This is contested territory, both within South Africa and across the continent where South African leadership is not a given (Carmody 2013; Dube 2013; Kornegay and Bohler-Muller 2013a).

The 2014 BRICS Summit to be held in Fortaleza, with the Academic Forum to be hosted in Rio de Janeiro in March ahead of the Summit, will no doubt also bring forth positioning statements from the Brazilian side. Brazilian civil society is likely to be active and to focus on the work of the BRICS Summit on common domestic challenges such as inequality, particularly in the context of the upcoming Presidential election. The relevant chapters in the BRICS 'Long-Term Vision' as drafted by the Observer Research Foundation could well be used and strengthened by the government against the background of the major demonstrations across Brazil earlier in 2013. Now scheduled to follow just two days after the World Cup soccer final in Rio de Janeiro, there is a question as to what extent the BRICS Summit event and its domestic policy and global governance agendas attract significant public attention linked to Brazilian public discontents and associated public policy issues.

¹³ For an official statement on South Africa's place in the BRICS see www.brics5.co.za/about-brics/south-africa-in-brics/.

2 The BRICS and international development cooperation

What impact are the BRICS own diverse development experiences having on development thinking and practice around the world? How do their development experiences feed into the design and execution of their external development cooperation programmes? And what impact are the BRICS processes for coordination on international development policy discussions having on influencing international development agendas and approaches? These are the question that the IDS Programme on the Rising Powers is addressing with regard to not only the BRICS but to a wider group of 'rising powers'. With respect to the BRICS, an initial set of 'State of the Debate' country papers undertaken with local research institutions will be available for events planned within the IDS Rising Powers in Development Programme in parallel with the BRICS Academic Forum to be held in Rio de Janeiro in mid-March 2014.

Here, we look at some of the broader settings for this work; historical and current. First, there is the existence of two traditions of development assistance since the end of the Second World War. The US 'Point 4' initiative announced in President Truman's inaugural address in 1949 aimed to establish a rapid modernisation effort to transform developing countries largely by technical assistance but also with finance (Mazower 2012). The World Bank concessional financing window (the International Development Association, known generally by its acronym as 'the IDA') was a US congressional initiative, adopted with reluctance by the World Bank management to head off the establishment of a UN-based concessional fund (the aborted Special United Nations Fund for Economic Development (SUNFED)). In parallel, as the decolonisation process gathered pace at the end of the 1950s, the US proposed the establishment of the Development Assistance Committee (DAC) at the newly constituted OECD, as the basis for a more broadly based development effort in which the former colonial powers (the UK, France, Portugal and the Dutch) would bring their ongoing financial support for their former colonies into a multilateral framework.

The Development Assistance Committee became the arena for forging rules of the game and best practices for OECD donors. A key element in the rule making was the definition of Official Development Assistance (ODA) and the associated reporting systems in 1969 (and refined in 1972) that together enabled 'burden sharing' among the OECD donors to be assessed on a commonly accepted basis. To be counted as ODA, financing had to be for activities to the benefit of developing countries; reflows and financial benefits for donor countries were to be deducted from ODA; and commercial benefits were to be constrained by the untying of aid, although it took until 2001 before any untying agreement emerged (Hynes and Scott 2013). It was export credit disciplines negotiated among trade ministries in 1978 and then extended as a gentlemen's agreement among 'participants' in 1991 that provided the rules of the game for holding in check competition among donor countries for export markets on the basis of financial terms (OECD 2008).¹⁴

Based on an earlier proposal from the World Council of Churches for a target for flows of all financial resources to developing countries, the iconic 0.7 per cent target for ODA emerged in 1974 as a 'UN target', not as a DAC target, but has been endorsed by all DAC members except for the United States. Struggles among donors on burden sharing issues, on definitions, on aid tying and on aid practices have stretched across decades. And geopolitical developments including the Cold War, the end of the Cold War, and the advent of 'emerging donors' have had major impacts on DAC issues and decisions. Indeed the 'emerging donors' phenomenon is a major force behind the recent decision of the DAC to

¹⁴ See OECD (2008) *The Export Credits Arrangement 1978 – 2008*.

undertake a comprehensive review of ODA definitions and reporting systems, with the objective of achieving as wide a community of development finance reporters as possible. In May 2013 the OECD Secretariat submitted a background research paper to the UN Secretary-General's High Level Panel on Post-2015 Development Strategies containing a proposal for a global information system on development and climate finance.¹⁵

In sum, the DAC has provided the intellectual and political framework for the concept and measurement of ODA, for the assessment of efforts via the peer-review system, and for the development of a wide range of best practices. With annual high level meetings and senior level meetings; multiple working parties and expert groups; membership by the World Bank, IMF and United Nations Development Programme (UNDP); and sponsorship of a series of international High Level Forums on Aid Effectiveness bringing in civil society, research institutions and the private sector, a whole community of aid policymakers, researchers, evaluators, consultancies, advocates and commentators has evolved over the years into what is sometimes referred to as the 'aid industry'. The new Global Partnership on Effective Development Cooperation established following the Busan 4th High Level Forum on Aid Effectiveness, hosted by South Korea at the end of 2011, brings all these players into a shared 'space', with developing countries playing a leading role and the emerging donors participating as one among other constituencies, on the basis of an explicit recognition of South-South development cooperation with its longstanding set of values and practices.^{16,17}

The roots of the South-South tradition of development cooperation go back further than the founding of the DAC, to the Bandung Conference of 1955, followed by the formation of the Non-Aligned Movement in 1961 in a Cold War context and then the Group of 77 in 1964 in a North-South context, joined by China when it took up its seat in the UN in 1971 (G77+China).

The Bandung Conference of 29 Asian and African countries (Latin America was not involved) sought to promote economic and cultural cooperation 'on the basis of mutual interest and respect for national sovereignty' as one of its principal outcomes. The final *communiqué* of the conference set out to promote cooperation via technical assistance to one another, through the exchange of experts and technical assistance for developmental projects, as well as the exchange of technological know-how, the establishment of regional training and research institutes, and sharing skills in dealing with international organisations.

At the same time the Bandung Conference (which included China, Japan and Turkey), welcomed foreign aid and investment from outside the region. While consultation ahead of meetings in international fora was one action point, the *communiqué* explicitly stated that there was no intention to form an economic bloc. South-South cooperation has remained very much in this non-ideological pragmatic mode. Although, like DAC development cooperation providers, South-South providers have been caught up in Cold War and North-South dynamics in different ways at different times, South-South development cooperation has remained largely outside of the agendas of the Non-Aligned Movement and the G77 and G77+China, or the purview of the G24, which focuses on influencing Bretton Woods agendas. The UN system has provided the ongoing forum for discussions of South-South cooperation, with a largely supportive and non-controversial character.

Nevertheless, it is quite clear from these two different histories, that the intellectual and political dynamics underpinning the world of DAC development cooperation have been particular to the process of building the post WWII world order as a project of the West, led

¹⁵ See www.post2015hip.org/wp-content/uploads/2013/05/OECD_A-Post-2015-Information-System-for-International-Development-and-Climate-Finance.pdf.

¹⁶ For the concept of constituencies in the Global Partnership for Effective Development, see DAC High Level Meeting *Communiqué*, London, 2012 paragraph 13 (DAC High Level Meeting 2012).

¹⁷ For an account of the rise of the emerging donors, see Mawdsley (2012).

by the United States. Hence the whole structure of the ODA definition and reporting has been built around financial resource transfers and burden sharing and related DAC and UN commitments. Technical cooperation has been included in that structure, but regarded as a large black box with attendant issues of reporting and effectiveness and colonial hangover.¹⁸

For classic South-South development cooperation however, low-cost technical cooperation is the central activity, and financial transfers of little consequence. The two key concepts from Bandung of mutual benefits and respect for national sovereignty have remained central in further iterations of South-South principles. While a standard part of the UN Charter, these two key principles have been at the root of underlying tensions between South providers and DAC providers; the *mutual benefits principle* providing room for the mixing of aid, trade and investment packages which get a red flag in the OECD/DAC arena, while *mutual respect for national sovereignty* provides justification for non-interference, as in the absence of policy and governance conditionalities.

A more elaborated set of operational guidance for South-South cooperation was embodied in the 1978 Buenos Aires Plan of Action (BAPA),¹⁹ under the Technical Cooperation among Developing Countries (TCDC) activity of the UNDP, and subsequently endorsed by the UN General Assembly (High Level United Nations Conference on South-South Cooperation 1978). These South-South cooperation meetings have continued, the most recent in Nairobi in 2009, and BAPA remains an important reference point for South-South cooperation, with a UN Office for South-South Cooperation (UNOSSC) located in the UNDP maintaining an active programme of South-South Expos and support for bilateral partnership agreements.²⁰

At the same time, South-South technical cooperation activities have most often been spread among different sectoral or policy ministries with no overarching strategic direction. There has been nothing comparable to the emergence of an 'aid industry' in DAC countries. Programming and project preparation and evaluation have remained a relatively undeveloped function for the most part. Reporting of aid by providers from the South has been difficult to organise.²¹

Until very recently, the only exception here has been the aid efforts of the Gulf oil-exporting countries, where a structured aid industry with dedicated professional agencies emerged from the highly specific context of the massive increase in oil revenues from the mid-1970s. Significantly, during the years of very high aid levels from these countries in the 1970s, an annual DAC-OPEC (Organization of the Petroleum Exporting Countries) dialogue was held. And today, Arab donors report their aid efforts through the DAC reporting system. The Soviet Union did have a major aid programme of course, but outside of the South-South and DAC frameworks, although in the context of the détente in the Cold War and then the fall of the Berlin Wall, a relationship between Russia and the DAC did develop, which is only now being documented.²² Russia reports its current aid activities through the DAC reporting system. China's aid programme dates from the 1950s, with a set of principles laid out by Chou En-lai in 1964, which retain contemporary resonance. Chinese aid allocations supported governments emerging from national liberation movements and recognising the 'one China' policy. From the mid-1990s a new set of 'Policy Banks' was created to fund development projects, and joint ventures run on a commercial basis became a way of ensuring the sustainability of projects.

¹⁸ Germany (GIZ) and Japan (JICA) have retained significant bilateral technical assistance agencies with entrepreneurial qualities and learning cultures, often underappreciated in the DAC context until relatively recently. Canada's IDRC also falls into this category.

¹⁹ See http://southsouthconference.org/?page_id=276 (accessed 12 February 2014).

²⁰ See <http://ssc.undp.org/content/ssc.html>.

²¹ A growing number of South providers do now report to the DAC, and the UN Development Cooperation Forum secretariat is succeeding in getting a fairly complete response to its own questionnaire.

²² See Hynes and Trzeciak-Duval (forthcoming).

The phenomenon of the 'emerging donors' is now changing the game, as evidenced above. While the phenomenon has been noted and documented for some time,²³ events have moved forward quite rapidly in the recent past. There are now more South-South providers with structured aid programmes and increasingly, with dedicated development cooperation agencies and significant financial assistance alongside technical cooperation. Recent examples include India (the Indian Development Partnership Administration) and South Africa (the South African Development Partnership Agency). Russia and Brazil each have development cooperation agencies (the ABC in Brazil and the Rossotrudnichestvo in Russia) but are actively in the process of redesigning them in the context of emerging new development cooperation strategies. And beyond the BRICS other examples are to be found, for example, in Thailand, Malaysia, Mexico and Peru.

China alone among the BRICS is not currently envisaging the establishment of such an agency.²⁴ However, China has begun to publish White Papers on Foreign Aid; the first in 2011, launched at a televised press conference by the Vice Minister of Commerce. A second White Paper is imminent. The Ministry of Commerce has established an Institute for International Development Cooperation within its research arm (China Academy for International Trade and Economic Cooperation – CAITEC). On an academic initiative from the China Agriculture University, a China International Development Research Network (CIDRN) has been launched, bringing together 20 Chinese development research institutes, with an International Advisory Committee as an active part of the implementation arrangements.²⁵ The objective is to foster Chinese capacities to analyse and communicate China's own experience in development and to participate in international development debates and policy processes. While China's foreign aid is mainly channelled through the Ministry of Commerce People's Republic of China (MOFCOM), different ministries and even provincial and municipal governments also have extensive overseas programs marked by international cooperation, notably, China's global health programme, and a recently launched foreign aid programme for science and technology. China's Foreign Ministry leads the tri-annual FOCAC process (Forum on China-Africa Cooperation) which generates significant financial and policy commitments.

Based on previous and on-going efforts by MOFCOM for improving foreign aid management, there appears to be a reinforced investment in aid programme effectiveness, which provides further opportunities to work with OECD/DAC members. A UK-Department for International Development (DFID) and China-MOFCOM joint capacity activity to enhance the skills of China's foreign aid officials is a typical example of this convergence.

A China-DAC study group, launched in 2009 on a Chinese initiative, conducted a series of major conferences identifying how aid could support economic transformation, based on Chinese experience and drawing lessons for Chinese and OECD aid and African development policies. The study group continues to provide a mutual learning interface between Chinese and OECD policy experts.²⁶ The most recent Senior Level Meeting of the DAC, in March 2014, was attended by a Chinese delegation led by a Director-General from MofCOM.

Indeed the game has changed, as South providers become much more than marginal players in terms of macro-level impacts, and hence concerned with systemic outcomes, long-term sustainability and state fragility. Even though aid from South providers measured on a basis comparable to ODA remains modest (perhaps in the region of US\$12bn or around 10 per cent of ODA flows), other official credits (OOF in DAC terms) and export

²³ See Manning (2006) 'Will "Emerging Donors" Change the Face of International Cooperation?'

²⁴ The idea of a Chinese aid agency has been launched in academic circles however, including in the context of an assessment of the 12 years of the Forum for China-Africa Co-operation. See Li, Haifang and Huaqiong (2012).

²⁵ See website at http://rcid.cau.edu.cn/art/2013/12/2/art_7640_229164.html (accessed 10 March 2014).

²⁶ Report available at www.trademarksa.org/news/china-dac-report-how-it-happened-china-helping-it-happen-africa.

credits within a development context are much larger. In such a context, a common interest in development effectiveness is emerging.

Here the Busan High Level Forum on Aid Effectiveness at the end of 2011 marked a meeting point between the two traditions: South-South cooperation and the DAC process as described above. A difficult feat of diplomacy saw a last minute agreement whereby South-South providers joined on a voluntary basis in the Outcome Document, which *inter alia* is the foundation for a new Global Partnership on Effective Development Cooperation.²⁷ Given that all who signed the Busan Outcome Document have done so on a voluntary basis, there is an argument that in practice there are no distinctions between countries who have signed on and that the language of North and South has ceased to have meaning in the new global economic geography. At the same time there are initiatives to modernise and strengthen South-South Development Cooperation, notably in the context of the UN Development Cooperation Forum (ECOSOC 2013; UN 2013).

Against this background, a question of particular interest is how China's development assistance modalities and development paradigm might influence and be influenced by this apparent convergence, given the radical increase in China's development financing flows in recent years? This question is addressed in a forthcoming paper co-written by one of the present authors.²⁸ The prospect emerging in that paper is of a likely convergence of interests and approaches given the shared common goal of global development, growth and poverty reduction. Despite the different histories and perceptions of different approaches to, e.g. policy conditionality, there is more that is similar than different in actual practice between China and DAC donors. This is also the view emerging from the recent book by long time researcher on Chinese aid, Deborah Brautigam (2009). The new China International Development Research Network will help to illuminate these questions.

Where the differences in approach are perhaps most palpable is in the ambition levels for economic transformation, where China is ready and able to lift financial flows to levels which test debt sustainability and export credit disciplines. Nevertheless, the discussion emerging in the G20 context on the policy and market failures in long-term investment in infrastructure suggest that here too there may be more common ground than is apparent.²⁹ Indeed Chinese experience and institutional capacity to deliver long-term infrastructure finance provides a counterpoint to the problems in the provision of long-term financing by OECD financial markets. In this context the notion that public development institutions have a role to play is making something of a comeback.

²⁷ See Kim and Lee (2013).

²⁸ See Li Xiaoyun, Banik, D., Tang Lixia and Wu Jin. 'Differing Paths but a Common Goal: China's Development Assistance and International Development Effectiveness', *IDS Bulletin*, forthcoming July 2014.

²⁹ For a discussion of the issues of debt sustainability and transformative infrastructure investments, see Xu and Carey (2013) *The Renaissance of Public Entrepreneurship: Governing Development Finance in a Transforming World*, paper submitted to the High Level Panel on the Post-2015 Development Agenda, www.post2015hlp.org/wp-content/uploads/2013/05/Xu-Carey_The-Renaissance-of-Public-Entrepreneurship-Governing-Development-Finance-in-a-Transforming-World_FINALFINAL.pdf.

3 The BRICS Bank proposal – the New Development Bank

At this point the project of the BRICS to establish a **New Development Bank**, mainly focused on investing in infrastructure, becomes relevant. There is little question that the project has a signalling role as much as a practical role. The challenge is to the pre-eminent position of the World Bank as the reference point for the governance and practice of multilateral development finance and thinking about development.

It is common ground in the G20 that there is, in principle, a huge need to scale up long-term finance, where there is an important ongoing work programme to tackle the policy and market failures that stand in the way of generating long-term finance.³⁰ There is also the global macroeconomic case – a major shortfall in investment spending in developed countries with deteriorating infrastructure (the United States), and in developing countries where there is a huge unmet demand for infrastructure. A major boost to such additional investment programmes would do much to fix the lagging recovery from the financial crisis.³¹

A New Development Bank cannot be built in a day of course. And infrastructure projects cannot be switched on immediately. As the G20 work is showing, there needs to be a supply of bankable projects and a stream of long-term finance as interdependent elements of a scaled up infrastructure investment system, that yields long-term income streams for savers such as pension funds and sovereign wealth funds.

In principle the World Bank and the regional development banks could most quickly be mobilised to effect such a major scale-up. But the political consensus to do so would be extremely difficult to organise.

What the BRICS have done essentially is to generate a consensus around an Indian initiative launched at the New Delhi BRICS Summit in 2012, and progressed sufficiently to announce the basic structure of the institution in September 2013 in St Petersburg. The announced aim is to have the whole institutional design ready for agreement at the Brazil BRICS Summit in July 2014. The choice of a ‘cooperative’ model of equal shares and capital of US\$50bn avoids long negotiations and future struggles over voting shares, although it limits the size of the capital base compared with a capital structure where China especially might have subscribed a lot more, but then assumed a dominant role in the Bank. Other members are clearly not ready to live with that. (China has meanwhile proposed the establishment of two further new development banks; an Asian Infrastructure Investment Bank,³² and a Shanghai Cooperation Organization Development Bank.)³³

The BRICS *Long-Term Vision Report*, published by the Observer Research Foundation, estimates that the announced capital structure could support US\$9bn per year annual disbursements. For comparison, the total non-concessional disbursements of the World Bank and the regional development banks (Asia, Latin America, Africa, Europe) were US\$20bn in 2012; their concessional disbursements were a further US\$39bn.

China’s own policy banks already have financing capacities well beyond the proposed New Development Bank. Other BRICS members also have national development banks which engage in financing projects in developing countries. A BRICS Interbank Cooperation Mechanism meets annually and organises operational cooperation among these member

³⁰ See www.oecd.org/pensions/private-pensions/g20-oecd-long-term-financing.htm.

³¹ See Qiao Yu (2013) and Wolf (2013).

³² See www.chinadaily.com.cn/china/2013-10/03/content_17007977.htm.

³³ See www.sectsc.org/EN123/show.asp?id=443.

banks - the Development Bank of South Africa (DBSA), the China Development Bank (CDB), EXIM Bank of India, Russia's Vnesheconombank and Brazil's Banco Nacional de Desenvolvimento Economico e Social (BNDES).³⁴ Hence, the total development financing capacity of the BRICS is a multiple of the capacity added via the New Development Bank. In addition, at the 2013 Durban Summit, the Interbank Cooperation Mechanism concluded two co-financing agreements: a BRICS Multilateral Infrastructure Financing Agreement for Africa, and a BRICS Multilateral Cooperation and Co-Financing Agreement for Sustainable Development.

This range of activity and planned expansion implies impressive capacity expansion in operational areas such as professional staffing and research, and effective business models for project preparation, evaluation functions and risk management. The existence of the national development banks in each of the BRICS and their Interbank Cooperation Mechanism provides a pool of experience and capacity on which the New Development Bank can no doubt draw.³⁵ However, a number of critical issues should be noted:

First, some especially sensitive areas such as environmental, resettlement and corporate responsibility safeguards, which are very likely to be under scrutiny from international as well as national civil society. The launch of the New Development Bank will undoubtedly attract international attention and require a level of transparency necessary to respond to that.

Some if not all of the BRICS members already have safeguard policies in place. For example, China has already issued green growth and corporate responsibility guidelines for all Chinese external investors, and Chinese non-governmental organisations (NGOs) have also worked on sensitising Chinese firms overseas to Corporate Social Responsibility (CSR) and environmental protection.³⁶

Second, the advantage of the New Development Bank will be largely to provide development financing based on its members' development experiences. However, it will also need to coordinate with existing development financing institutions and mechanisms.

Third, following from this, the policy and research agendas of the New Development Bank will be keenly observed, especially if the ambition is to create an intellectual framework for thinking about development that is different from the World Bank and the regional development banks, most likely drawing on the concept of the developmental state. The BRICS Academic Forum meeting in Durban certainly envisaged the New Development Bank also as a Knowledge Bank bringing new perspectives to bear on development challenges in a reshaping world economy.³⁷

Fourth, how the 'non-interference' principle might be handled will also be of interest given the BRICS involvement in fragile states and their own evolving approaches to these situations.³⁸

Fifth, internal management capacity and governance systems for efficiency and effectiveness as well as accountability are important challenges. These are areas where the

³⁴ See National Treasury Republic of South Africa (2013).

³⁵ There are numerous studies on these institutions. See for example the Harvard Business School Case Study on the China Development Bank (Li Jin, Preble and Sesia 2011). On BNDES, see critique of concessional lending by former Chief Economist Armando Pinheiro (2012).

³⁶ For example, in February 2012, the China Banking Regulatory Commission issued a new Directive to the Green Credit Policy, which specifically instructs Chinese banks to adhere to international environmental and social financing standards in overseas transactions. This has been followed in March 2013 by a joint Ministry of Commerce and Ministry of Environment Guidance Note on environmental protection in Foreign Investment and Cooperation, to regulate and guide all Chinese enterprises in their investment overseas. The guidance extends to environmental protection, social standards and labour rights, <http://english.mofcom.gov.cn/article/newsrelease/significantnews/201303/20130300043146.shtml>.

³⁷ See www.brics5.co.za/report-of-the-fifth-brics-academic-forum-10-13-march-2013-durban-south-africa-2/.

³⁸ See 'Security in China-Africa Relations' Special Issue, *The China Monitor*, September 2013.

BRICS can develop cooperation rather than competition with existing international development financing institutions such as the World Bank and other regional banks.

4 Conclusion

The BRICS Summit process seen as a global governance forum in a world with a new economic geography, initiated on the basis of an idea from Russia, puts a whole new perspective on the nature of the BRICS. It is from this angle that the IDS project on the Rising Powers seeks to work with academic institutions in the BRICS and other dynamic developing countries, to map new development knowledge and foster intellectual collaboration around the evolution of development policies and impacts on the functioning of the international system.

Such impacts are already palpable, as seen for example in the context of the vision for a new informal global space for discussing development effectiveness that emerged from the Busan High Level Forum. And the BRICS Bank proposal has already entered into the landscape of development finance policymakers even if it is not yet fully visible. The recent World Bank Report on Financing for Development Post-2015 treads ground that would not have been covered without the BRICS influence, notably on resources for infrastructure deals in fragile states (World Bank 2013b).

This paper suggests that the challenge element implicit and sometimes explicit in the BRICS Summit process is balanced by strong convergence forces, such as the commitment to the G20 process, increasing convergence of domestic reform within the BRICS, and systematisation of their South-South cooperation programmes. Beyond that, as the BRICS become the largest economic entities in the global economy so they will acquire increasing stakes in peace and stability around the world, including in the Eurasian continent where three members have intersecting interests and relationships. Moreover, their soft power becomes increasingly important and that implies a concern for reputation, credibility and legitimacy. Not least, they will also be engaging with domestic civil society on these fronts, as the IDS 'State of the Debate' work indicates. Ultimately therefore, the BRICS are a positive indication for a broader and stronger, responsive and responsible global governance system for a changed world.

With respect to global development, and with the absence of any serious prospect of major scaling up of established development finance institutions, this paper finds that the BRICS promise to introduce new channels into the international development finance arena particularly through the two initiatives out of Durban – the agreements on co-financing among their development banks for infrastructure and the green economy, and more powerfully through the BRICS Development Bank. But these are challenging initiatives in terms of integrating the different BRICS experiences, a frontier which will be tricky to negotiate.³⁹ Complementarity with other international development financing channels will be built on the unique development experiences of the BRICS. That is likely to bring a focus on 'hardware' development which fills the gap that established development institutions left as they put more investment into 'software' development. At the same time, both hardware and software are needed in the development process and the BRICS can bring into play their own recent and current development experiences and challenges in that respect.

³⁹ For a sceptical reading of the prospects that South-South providers can develop a shared paradigm that might challenge the DAC aid effectiveness paradigm, see Quadir (2013).

Thus, in a context of growing financing flows via the BRICS official institutions and ongoing institutional development and management enhancement within the BRICS, there is the prospect of a convergence of thinking and practice. The development effectiveness concept will, to a larger or lesser extent, serve to reduce the divergence between South-South cooperation and North-South cooperation paradigms, even if the political dynamics remain different. Simultaneously, future development vectors appear most likely to integrate the different paths into the new development architecture as indicated by the 'common goals but differentiated responsibilities' formulation. However, this should not be seen as a 'burden transfer' process, but rather as a genuine commitment to bring together different development experiences.

The Rising Powers in Development Programme with its 'State of the Debate' country studies will look at the political economy of their development cooperation as well as their own domestic social and economic development narratives and progress. This programme will thus expand our understanding and appreciation of what the BRICS can do collectively and bilaterally, and of the key instruments and institutions they have at hand.

What is new and essential here is the creation of mutual learning processes based around specific sectors and themes as a central function of the BRICS Summits. This is pushing out the frontiers of development thinking and practice and political cooperation as this divergent set of countries with disparate development experiences and challenges seeks to bring past and future perspectives which are different from those of established powers to bear on current development frontiers. The philosophy behind this process is already set out in South-South thinking since Bandung, and in the OECD world captured in the Marshall Plan philosophy of peer learning, subsequently built into the OECD as a knowledge-sharing institution. The world of Bandung has changed but the aspirations for knowledge exchange are more relevant now than ever. What the BRICS Summits are sharing is new knowledge, generated by development and political trajectories not imagined or imaginable a few decades ago, and it is being applied to real time policy frontiers. Hence, the BRICS Summits are emerging as a knowledge-exchange process among countries looking to a future world order in which they will have major roles and responsibilities.⁴⁰

The main contribution of the RPID programme will be, therefore, to identify the comparative experiences of the BRICS in the current and future international development arena, drawing the lessons from their own development processes, so that a future new development framework can be developed.

Such a future international cooperation framework will be based on polycentric geopolitics and multiple development experiences, involving both systemic challenge and convergence, and will differ from previously dominant structures, both intellectually and practically.

⁴⁰ For a reading of the limits to the will and the capacity of the BRICS to create a new world order that is fundamentally different from the present evolutionary path, see Oliver Stuenkel, www.postwesternworld.com.

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