

Consultative Forums:

State Power and Multilateral Institutions

Gregory Chin and Jorge Heine

Abstract

This chapter assesses the institutional consequences of the misalignment of representational arrangements in the main consultative forums for development cooperation, given the considerable shifts in the actual balance of power in the global order that have taken place over the past decade. The main finding is that the growing inter-state contestation between the BRICS countries (Brazil, Russia, India, China, and South Africa) as rising donors and the traditional donors has resulted in three institutional outcomes: the modification of existing consultative platforms; the creation of new consultative forms; and the paralysis and decay of the established

multilateral consultative forums. This messy multilateralism means a more negotiated order, where the respective consultative forums will continue to contend for influence, each with its own strengths and weaknesses, and where the efficient delivery of global public goods will be impaired by overlapping mandates and systemic gaps.

Keywords: BRICS, rising states, rising donors, traditional donors, development cooperation, global aid regime, multilateral organization, inter-state rivalry

Introduction

The global aid architecture is undergoing significant changes. Broader shifts in the world economy are giving rise to contestation over ideas, norms, rules, best practices, and lessons learned about development cooperation between the traditional donors and the BRICS rising states, as well as changes in the institutional structures of the aid system. To date, there is still no consensus on the extent to which the traditional donors are actually declining, or whether their relative economic decline and the simultaneous ascent of the rising states signifies either a fundamental change in the norms and goals of international development or a fundamental evolution in international relations.

Nonetheless, it is tenable to suggest that other states have started to look beyond the traditional Northern industrialized countries to a group of mid-level countries (South Korea, Turkey, Malaysia, Mexico, Indonesia, and Chile) for models of development, and are turning increasingly to the so-called “emerging economies” of Brazil, China, India, and South Africa for lessons learned and policy experiences. The influence of these rising economies is rooted in their demonstration effect, as well as the impact of the financial crisis on Anglo-American economies

and the ensuing global economic downturn, which have catalyzed rethinking about preferred models.

The exact lessons to be drawn from the phenomenon of the rising states remain controversial, and the scholarly debate is still in the formative stage (for examples of recently published studies, see Chaturvedi, Fues, and Sidiropoulos 2012; Chin and Quadir 2012). Representatives of the (re)emerging aid senders suggest that their national experiences offer alternatives to the predominant models offered by the International Monetary Fund (IMF) and the World Bank, i.e., the so-called “Washington Consensus” or “neo-liberal” models. The skeptics argue instead that the origins of the dynamism of the emerging economies include heavy doses of economic liberalization and integration into the world economy, and that the models offered by the rising donors are actually a story of convergence with the dominant models. Whereas the proponents of emerging economies as alternatives see the end of universal models, i.e., the end of a “one size fits all” approach, the skeptics emphasize the limits of and constraints on utilizing the rising states as models.

This chapter does not focus on the internal dynamics of the individual BRICS countries (for such analysis, see the chapters on Brazil, China, South Africa, and India in this volume). Rather, we

explain how the rise of the BRICS countries as aid givers and their contestation with traditional donors is generating realignments in the structure of inter-state relations, the multilateral arrangements of the global aid system, and the main consultative forums for development cooperation.

Scholars of international organization have long explained that the multilateral order cannot hold when the arrangement of power and influence in international institutions is significantly misaligned with the real distribution of world power (Newman, Thakur, and Thirman 1996; Cox 1992). We analyze how shifts in the balance of world economic power have resulted in misalignments in representational arrangements inside the established multilateral consultative forums for development cooperation. Our main argument is that the representational misalignments and the tension between the BRICS rising states and the traditional donors have resulted in three differing institutional outcomes: first, the *modification* of existing informal platforms at the apex of the existing system of global governance to try to incorporate the concerns and experiences of the rising states, as seen in the modification of “Gs” leaders’ summits from the old club of the Group of 7/8 to a Group of 20 Leaders process; second, the *creation* of new consultative forums, especially the BRICS leaders’ summitry and the IBSA Dialogue Forum (India, Brazil, South Africa); and third, the *paralysis* and *decay* of the

established multilateral consultative forum for international coordination on development cooperation, the OECD-DAC regime (Organisation for Economic Co-operation and Development–Development Assistance Committee).

Rising states, rising donors

The world economy is in transition. The shift is reflected in the rise of new centers of growth, production, consumption, trade, and finance—and thus new centers of global influence as well. The emerging economies are realigning the world economy by the force of their economic weight, both as individual countries and through their collective structural impact.

The five BRICS countries together account for nearly 30 percent of the world's land area, 42 percent of the global population, about 18 percent of the world gross domestic product (GDP), and 15 percent of world trade. In purchasing power parity (PPP) terms, the GDP of the BRICS countries increased from 16 percent in 2000 to nearly 25 percent in 2010, and is projected to reach 47 percent in 2050. Trade between these five countries experienced rapid growth of about 28 percent per annum from 2001–10, and is projected to reach \$500 billion in

2015. BRICS representatives suggest that they have a lot in common: sharing a similar stage of development, facing a similar historical task of developing their economies, improving the well-being of their people, and restructuring their economies to adjust to changes in the world economy.

Within this structural realignment, we see the rise of large “emerging economies” as aid providers. The dramatic rise of China as a creditor and net donor, as well as Brazil and South Africa, and potentially India, underpins the new influence in global development (Manning 2006).

During his eight years in office, Brazilian president Luiz Inacio Lula da Silva and senior Brazil officials intervened directly to convert Brazil’s growing economic weight into diplomatic influence. Lula da Silva made 12 visits to Africa (21 countries); foreign minister Celso Amorim made 67 such visits to 34 countries. More than half of the embassies that Brazil opened in these years were in Africa, for a total of 37—more than traditional donor countries such as the UK (for these figures, and part of the argument below, see World Bank 2012). During Lula’s visits to Africa, Brazil dispensed large amounts of technical assistance, and focused on enhancing capacity in areas such as agriculture, health, and education. For 2011, Brazil’s total aid

contributions were estimated at just under \$1 billion. Chinese leaders matched the Brazilian enthusiasm for official state visits to Africa, and added massive infrastructure investment in road and rail construction, energy projects, public buildings, schools, and hospitals.

Brazil, China, and India have insisted that they do not impose the sort of conditionality favored by Western donors and often resented by African governments. Brazil, China, India, and South Africa all claim to build on “commonalities” they share with African countries, ranging from soil type to technology to public health needs. By training African workers and technicians and drawing on their own public policy experience, these nations position themselves not as the “traditional powers” trying to extract wealth from the Continent, but as Southern development “partners.”

One estimate (Kharas 2010) puts the aid of the “non-DAC donors” around \$17 billion for 2009, while another recent survey (Walz and Ramachandran 2011) estimates the aid of the BRICS at about ten percent of total global aid flows. Both are likely underestimations, given that China alone arguably provided approximately \$20 billion in aid that year, if we use a broader definition of development finance that includes “economic cooperation”-related concessional loans from its two state policy banks, China Eximbank and China Development Bank. At the same time, we

also see the emergence of a “next tier” of mid-level states as aid providers: South Korea, Turkey, and Mexico. The overall outcome is a more complex and negotiated order for international development cooperation.

The growing influence of the BRICS countries as donors should not only be measured with quantitative indicators. As Richard Manning has shown, analyses based on changes in aid contributions do not allow us to see shifts in amorphous qualities of international *influence* (Manning 2006). This is not to downplay the quantitative indicators, especially given that the external capital contributions of the rising states have increased dramatically of late, but rather to suggest that it is useful to map the more amorphous trends of intra- and inter-institutional contestation in order to grasp the evolving structure of power and hierarchy in multilateral consultative forums.

The representatives of the BRICS states suggest that their cooperation is different from many other international and regional mechanisms, such as the G8. It is neither another new grouping of big powers nor a political alliance; rather, it focuses mainly on economic, financial, and development issues. The Chinese Ambassador to India has stated to the Indian press that “in a sense, BRICS countries act as advocates and practitioners in forging a global partnership for

development” (Zhang 2011). The key word is “partnership.” They approach the international consultative forums as self-identifying members of “the South” and draw conscious distinctions between the traditional donors and their own approaches to development.

The rising states have taken it upon themselves to question the legitimacy of the established consultative forums for global policy dialogue and the dominance of the traditional powers in decision making for global development, and have pushed for reforms in some of the existing global consultative mechanisms for global development. On the other hand, they have also dedicated official energy and resources to creating alternative consultative forums for policy dialogue on global development and new development assistance arrangements. Whereas one academic observer has likened the scenario to a “silent revolution” in global development (Woods 2008), other scholars have highlighted that the BRICS countries often play the “developing country card” when it suits them (e.g., at the World Trade Organization) while actually demanding a greater voice in other forums, which if achieved would move them into Great Power status.¹

Institutional patterns

In the sections below, we detail the three main institutional effects or patterns of multilateral change that we see in the consultative forums for development cooperation, resulting from the rise of the BRICS countries and their collective engagement and institutional contestation with the traditional donors: institutional modification, the creation of alternative consultation mechanisms, and institutional paralysis in the traditional donor regime.

Institutional modification: the G20 development agenda

In the multilateral consultative mechanisms for development cooperation, one institutional response to the growing contestation between the BRICS countries and the traditional donors has been the creation of the Development Agenda of the G20 Leaders process. The initiation of the G20 leaders' summitry process is one example of how the existing global architecture has been modified to try to accommodate the rise of the emerging economies (see Heine 2010). We are referring to the modification of "Gs" leaders' summitry, the realignment of the *informal* consultative platform at the apex of the global economic governance system that was created by

elevating the G20 finance ministers and central bank governors meetings to the Leaders level, and the G20 replacing the G7/8 as the key forum for managing the world economy, including providing guidance to the *formal* global multilateral institutions. In theory, one of the aims behind the shift away from the G7/8 and toward the G20 Leaders process was to give greater voice and representation to major emerging and developing countries within global economic governance.

Whereas the BRICS countries have actually experienced significant reluctance from the traditional powers to share power, the G20 Leaders process has given rise to a Working Group 4 on Development where one can see the influence of the BRICS countries in promoting a paradigm shift in global development. In the consultations around G20 agenda-setting, the representatives of the BRICS have been frustrated by the Working Group on Development (G20 WGD) discussion's being treated separately from the core agenda on "strong, sustainable and balanced growth," and sidelined in terms of priority for the G20 leaders' summits, and in the preparatory meetings of G20 finance ministers and central bank officials that pave the way for the gathering of Leaders. The practice of stove-piping the various Working Group discussions as distinct items on the agenda for the "Gs" leaders' summit was reinforced as a control device for the Toronto G20 Summit. For the G20 process, it has been hard to recover from the segmenting

of what in reality are interconnected policy challenges to manage the world economy and promote global development.

However, within the G20 WGD, it has been difficult to ignore the concerns and priorities of the BRICS and the other emerging economies, given that the BRICS countries went into the 2007–09 global financial crisis in stronger shape than the advanced economies—the traditional powers—and emerged from the crisis earlier and stronger; while the crisis has also shaken belief in the preferred models of the developed economies (Chin 2011; Chin and Thakur 2010; BRICS 2012: 79–102). Within the consultative processes of the G20 WGD, the BRICS countries and the mid-level emerging economies placed a premium on securing growth combined with an emphasis on “sustainability” and equity.

In the consultations for the G20 WGD that were organized by the South Koreans as G20 hosts in November 2010, the major and mid-level emerging economies championed a “return to basics,” where the emphasis would be shifted back to promoting economic growth and ensuring national manufacturing capacity, employment creation, and infrastructure investment. Such a return to industrial developmental basics was seen as necessary for providing the bases for sustained national development over time. At the same time, the emerging economies also emphasized

addressing the distributional question of “who gets what, and under what conditions” as needed to secure poverty reduction. In the consultations around the G20 WGD, the differences in the approach of the Asian and BRICS countries to the “pro-poor growth” strategies promoted by the OECD-DAC regime and the World Bank since the late 1990s became readily apparent.

The Korean and U.S.-based proponents who saw the G20 Leaders process as offering a venue to promote a paradigm shift in global development policy attempted to initiate the shift via the “Seoul consensus on development” issued at the close of the Seoul G20 Summit in November 2010. The “Seoul Consensus” consists of eight pillars: infrastructure, private investment and job creation, human resources development, trade, financial services, G20 platform for knowledge sharing, resilience and food security, and governance. The South Korean hosts of the Seoul G20 dedicated significant effort to shaping the global development agenda for the summit, especially the break from a “one size fits all” model, and to reestablish the principle that different models and experiences of development should be considered. To broker what many saw as new ideational and normative consensus on global development, South Korean development strategists and diplomats conducted extensive year-long negotiations with leading countries in the G20, the IMF, and the World Bank on the major agenda items for the WGD. They also expanded the consultation process at the regional level, by carrying out discussions not

only with regional development banks but with other major regional institutions, such as the Association of Southeast Asian Nations (ASEAN), the African Union, Mercosur, and Caricom.

The most telling indication of the influence of the BRICS and Asian countries in the G20 WGD was the listing of infrastructure development as the first pillar in the proposed work plan for the G20 WGD for the Seoul Summit. In the final communiqué of the Seoul Summit, the details were laid out for the “Seoul Consensus” on development, which gave priority to infrastructure, private investment and job creation, and financial services—including a role for state development banks. In the follow-up to the decision of the G20 Leaders in Seoul in November 2010, and in preparation for the Cannes G20 Summit (November 2011), the French hosts announced in February 2011 that a “High Level Panel for Infrastructure Investment” had been created to “mobilize support for scaling up infrastructure financing.”

Although the French G20 presidency gave strong rhetorical support to the development concerns of the major emerging economies within the G20 WGD, in the end the results of the Cannes Summit were quite disappointing for the BRICS and the other developing country members of the G20. The rhetoric of the French G20 presidency was strong, as seen in the following from the

host of the Cannes Summit, French president Nicolas Sarkozy, when he outlined the significance of the BRICS and developing countries within the G20 process:

Although global poverty levels have fallen considerably over the past two decades, developing countries still have enormous needs that are not being met . . . Emerging countries have become key players in global economic governance and development. It is up to the G20 to improve global economic governance and help those institutions in charge of it to evolve. Thus, China, the world's second largest economy, is set to become the World Bank's third-largest shareholder and one of the major multilateral donors for development. More generally, greater South-South cooperation means that development assistance is no longer the exclusive domain of advanced countries. (Sarkozy 2011)

The French G20 presidency went beyond the preferences of many G20 members and expanded the development agenda for the Cannes Summit to the following four priorities: 1) strengthen infrastructures in developing countries; 2) ensure food security in the most vulnerable countries; 3) extend social protection; and 4) mobilize innovative sources of development financing.

During the preparatory meetings of the WGD at Cannes, a number of BRICS and other developing country members of the G20 noted that they believed that the French presidency was

going too far in expanding the development agenda, and that it would only dilute the commitments from the Summit, thus negating any real chance to deliver on the commitments.

The lack of consensus from the G20 summit process on measures to ensure food security for the developing world and the limited follow through on the commitments made by G20 Leaders on financing for infrastructure investment were disappointing for the emerging economies. But in the end the Panel identified only a modest list of concrete regional initiatives that the multilateral development banks (MDBs) were willing to support—and that the G20 Leaders were willing to endorse. Progress has stalled on scaling-up of financing for infrastructure development for developing countries—a duty that was ultimately delegated by the G20 Leaders to the MDBs. This outcome has been due either to reluctance on the part of the World Bank to undertake the assignment, or its inability so far to deliver on such a policy breakthrough, as requested by G20 Leaders. Chinese officials have noted that the World Bank has not gone beyond instructing African countries, for example, to rely heavily on global capital markets for infrastructure financing, or demanding that they make major institutional liberalization reforms as a precondition for the country to receive a loan from the Bank to finance infrastructure investment.²

The G20 Development agenda has also seen limited progress in securing policy breakthroughs on food security (Clapp 2012), on extending social protection, and on innovative financing of development, despite the efforts at the Cannes G20 to include input from the Gates Foundation on the role of private-sector involvement in global development. It is reported that the Gates Report was dismissed by powerful BRICS countries, which are not as supportive of relying more heavily on private sources of development financing. Officials in Beijing caution that the move toward privatization of development assistance could be the first step on a steady slope where G7 donors try to shed their (public sector) responsibilities for meeting their international commitments on development assistance.³

Creating alternatives: BRICS summitry

The contestation between the rising states and the traditional donors over development cooperation has also played out institutionally in a second outcome: the BRICS states, as a group of nations that have chosen to go “outside” the existing aid architecture to create their own multilateral consultative platform for dialogue, consensus building, and decision making on development cooperation.

The BRICS countries, as a cooperative grouping, are beginning to receive more scholarly attention, although skepticism continues to be the conventional wisdom. Even though the academic world has been slower to adapt, the BRICS have caught the attention of the global media (Heine 2012). The BRICS have evolved into a multi-level cooperative framework, with a leaders' summit as its highest form, and supplemented by meetings of senior security representatives, foreign ministers, finance ministers, governors of central banks, and members of think tanks, business circles, and financial institutions. The accession of South Africa to the grouping in April 2011 and its participation at the Leaders' Meeting in Sanya (China) signified an important development for the grouping, expanding the reach of the BRICS mechanism to cover the areas of Asia, Africa, Europe, and the Americas, and thus broadening its purported representativeness, not to mention its influence (Kornegay 2011).

The BRICS governments suggest that their cooperation provides a “valuable platform for the five countries to share development experiences and work together on development problems . . . to promote common development based on equality and mutual benefit” (Kornegay 2011). BRICS officials also suggest that their countries also share similar concerns and views regarding the reform and improvement of global economic governance and relevant institutions. They claim that their intention is to make “joint efforts in meeting the global challenges” and “together

to serve the common interest of their own as well as the international community at large.” They make explicit mention of “working closely” within the respective consultative forums in the global development system, namely the “United Nations and G20,” and note that their primary development concerns are issues such as “food and energy security, the Doha Round of trade talks, climate change, Millennium Development Goals and the reform of international financial institutions.” They also state that they are “striving to increase the voice and representation of emerging economies and developing countries” within the global consultation mechanisms. We will return to the BRICS later in this chapter.

An important antecedent of sorts to BRICS is, however, the IBSA Dialogue Forum—the India–Brazil–South Africa consultative initiative which in many ways is turning out to be a “trial run” for BRICS. Through the IBSA process, Brazil and India have learned what they can (and cannot) accomplish with South Africa through diplomatically leveraging their soft power status as liberal democracies. At the same time, each of the three has also gained a clearer sense of the limits of their trilateral partnership, minus the structural heft of China and Russia—especially if the ambition of the grouping is to exert influence in great power politics, or even more modestly, to influence the global development agenda.

IBSA, with Brazil as the main initiator, held its first meeting in Brasilia in June 2003. IBSA thus started at about the same time as the Russia–China–India trilateral foreign ministers’ dialogue, the precursor to the first BRIC summit, when Brazil joined the pan-Asian grouping at its summit in Yekaterinburg, Russia in June 2009. The IBSA nations had to overcome considerable bureaucratic and political obstacles in order for the forum to be officially launched. It was reported that the Indian bureaucracy was leery of entering into a grouping with countries it considered smaller and less significant than “Mother India.” The approach of close and formalized economic cooperation among countries in the South through the creation of a customs union or common market, although initially considered by the IBSA members, proved to be a non-starter. The grouping initially experienced difficulties in finding “program material,” agenda items for the scheduled meetings, and projects to sustain the grouping’s momentum. These challenges were overcome through diplomatic negotiation, and a regularized calendar of annual summit meetings was established.

IBSA has since formed sixteen Working Groups, one of which is on “social development,” and the group has signed more than a dozen sector-based Memoranda of Understanding. The IBSA countries also created an IBSA Trust Fund in 2004, which became operational in 2006, where each country agreed to contribute US\$1 million per year so that the IBSA grouping can provide

project-level development assistance grants to countries of the South (IBSA Trust Fund 2010).

The Fund has dispensed aid for small-scale projects to various countries of the South, including Haiti, Guinea-Bissau, Cambodia, Brunei, Ramallah, Burundi, and Cape Verde.

Though IBSA is a newly created dialogue platform, the IBSA Trust Fund is embedded in UN structures. The United Nations Development Programme (UNDP)'s Special Unit for South-South Cooperation acts as the fund manager for the IBSA Fund; ambassadors, permanent representatives, and deputy permanent representatives of India, Brazil, and South Africa to the United Nations comprise the Board of Directors for the fund; and IBSA projects are executed through partnerships with UNDP, national institutions, or local governments (IBSA Trust Fund 2012). The IBSA Fund received the UN South-South Partnership Award in 2006.

IBSA has gained significance as a diplomatic reference group for its member countries, and has served as a useful consultative platform for forging some initial common ground on global public policy issues. At the IBSA summit hosted by South Africa in Pretoria in October 2011, the three nations issued a 100-plus paragraph statement (the "Tshwane Declaration") to pledge their common position on a range of key issues on the international agenda, including support for the following that relate to global development: the G20 development agenda, the MDGs

development remaining central to the Doha Round, sustainable development, and global food security. Eleven of the sixty points in the Tshwane Declaration directly concern development (IBSA-Trilateral.org 2011).

Along with Brazil's role in creating the G20 Trade for the Doha Round of global trade negotiations, IBSA is another example of the coalition building capacity of Brazilian diplomacy and its ability to harness the interests, resources, and support of others toward its own national objectives. In theory, IBSA could provide a platform for Brazil, India, and South Africa where they can deploy development assistance on the institutional bases of their democratic credentials while not being overshadowed by the enormity of Chinese resources (as could happen under the BRICS framework). As Indian Prime Minister Manmohan Singh has said, the "IBSA framework is unique because the interaction under IBSA transcends the realm of government-to-government activity to encompass dialogue among civil society and people-to-people exchanges." (*Times of India* 2011)

The strategic question for the respective IBSA governments is whether, under some variable geometry formula, there is utility for the BRICS and IBSA to co-exist as consultative forums. Some influential officials in the leading IBSA countries have begun to question the relevancy of

this grouping after South Africa joined the BRIC(S) in 2010, at the BRICS Summit in Sanya (Hainan Island), China—particularly as the BRICS grouping has proven to be an effective platform for encouraging a “comfortable but meaningful degree” of international coordination between the rising states and for gaining leverage vis-à-vis the traditional powers.

Returning to the BRICS, the rising states have used their own summitry as a consultative forum for development cooperation on two fronts: first, reinforcing their shared global public policy messaging *within* the structures of the G20 process and within the existing global institutions; and second, and perhaps most important, the BRICS countries are using their own forum to work on shared development policy interventions, as well as to create alternative institutional arrangements of their own making (such as intra-BRICS trade financing and currency agreements) and pursuing the idea of a BRICS Development Bank.

On the first dimension, the BRICS countries are using their own summit to register coordinated messaging on the content and structure of global development. A review of the points of agreement in the Fourth BRICS Summit Delhi Declaration (March 29, 2012) that relate to global development shows the nascent collective voice of the BRICS. Whereas highly coordinated collective action on a wide-ranging and diverse development agenda would be a tall order for the

BRICS countries, the fact that they have outlined these items as shared intentions is indication of a significant amount of intra-BRICS diplomatic consultation, and most important, a certain degree of collective political will that is shared between the BRICS countries. Moreover, the fact that the individual BRICS countries have already dedicated resources to host major international summits to back diplomatic commitments, and have committed to do more, adds further institutional reinforcement to the rhetoric of joint declarations.

However, in addition to working to champion their various BRICS causes within the existing consultative forums for global development, the contestation between the BRICS and the traditional donors, and the limited progress which has actually been achieved through the G20 process, has also led the BRICS to seek to create alternative institutional options that reside outside of the main existing global multilateral consultation mechanisms. The most significant case is the current effort of the BRICS countries to form a BRICS Development Bank. The most high-profile agenda item on the BRICS Summit in Delhi in March 2012 was the intra-BRICS consultations focused on turning this idea into an institutional reality. In the joint declaration from the BRICS Summit in Delhi, the Leaders pledged to “consider the possibility of setting up a new Development Bank for mobilizing resources for infrastructure and sustainable development projects in BRICS and in other emerging economies and developing countries, to supplement the

existing efforts of multilateral and regional financial institutions for global growth and development” (BRICS 2012).

In April 2012, the month following the Delhi BRICS Summit, the South African minister of international relations and cooperation, Maite Nkoana-Mashabane, offered a more affirmative statement, saying that the BRICS countries’ proposed development bank would be officially launched in South Africa in early 2013 (Roelf 2012). African National Congress (ANC) treasurer general Mathews Phosa stated that the joint bank is an important initiative given that the group of emerging countries are expected to play a significant role as growth drivers in the global economy (Odendaal 2012). In July 2012, Phosa said that in addition to funding development and infrastructure as an alternative to the World Bank, the BRICS development bank could also act as a platform to improve trade opportunities between the member countries.

While financial industry analysts note that the idea of a BRICS development bank is long overdue, they warn that the bank still has a long way to go. They highlight differing state interests, and the need for some of the BRICS countries to avoid the domination of the bank by one member. Alexandra Arkhangelskaya, head of the Center of Information and International Relations at the Institute for African Studies of the Russian Academy of Sciences, believes the

bank would be good as a framework for multilateral cooperation between the BRICS nations, but warns of the marginalization of other members by China in particular (Klomegah 2012). In addition to bank governance issues, other unresolved issues include the capital structure of the bank, including the relative size of the contributions of each BRICS country in terms of the budget for the bank, as well as measures for ensuring that the multilateral bank is given the independence in project financing decisions, or at least the necessary room to operate effectively.

However, others—such as Alexander Appokin, a senior fellow at the Moscow-based Center for Macroeconomic Analysis and Forecasting—point out that the bank does not need a lot of startup capital (Klomegah 2012). The main ingredients are shared political will and a sufficient degree of collective action to enact the action plan that will be presented by BRICS finance ministers at the next Summit. More clarity on the establishment of the BRICS bank is expected to emerge from recent expert discussions in South Africa. The South African ambassador to BRICS, Anil Sooklal, has commented that experts from the five countries were expected to meet in Rio de Janeiro, Brazil, to outline the requirements of a bank and develop a possible roadmap to its establishment (Odendaal 2012). Again, we see Brazilian diplomatic leadership as a bridge builder and initiator between the BRICS.

Fortunately for the BRICS nations, the effort to create a joint BRICS bank builds on the momentum and synergies of other economic cooperation agreements that the BRICS countries have already established and agreed to work on together in order to intensify trade and investment flows among their economies, advance their respective industrial development, and reach employment objectives. In this regard, in Delhi, the BRICS concluded their “Master Agreement on Extending Credit Facility in Local Currency under the BRICS Interbank Cooperation Mechanism” and the “Multilateral Letter of Credit Confirmation Facility Agreement between our Exim/Development Banks.”

The cooperation of the national development banks and export-import banks of the BRICS countries builds on the pledge for their national development banks to meet to discuss cooperation at the second BRICS Summit in Brasilia, at the behest of Brazilian president Lula da Silva. At the Summit, the Brazilian president, together with Russian president Dmitry Medvedev, Indian prime minister Manmohan Singh, and Chinese president Hu Jintao, witnessed the signing of a pact to facilitate cooperation between the national development banks of their four countries. Brazilian National Development Bank (BNDES) president Luciano Coutinho signed a Memorandum of Cooperation (MOC) with his three counterparts from Russia, India, and China. In the MOC, the four development banks committed to seek

together to establish mechanisms to enhance trade and economic relations between BRIC countries, and included the possibility of co-financing projects of common interest in areas such as infrastructure, energy, industry, high technology and exports. In the joint communiqué from the Brasilia Summit, the leaders also pledged to look into regional monetary arrangements, monetary cooperation, and local currency trade settlement arrangements (BRIC 2010).

Although to financial industry strategists the BRICS' alternative institutional arrangements may appear long overdue, the reality is that it takes significant political will, diplomatic effort, and resource commitments to create new institutions such as a BRICS Development Bank, and that this has not been a step that has been taken lightly by the BRICS states. In many respects, what the preceding discussion and the following analysis suggest is that the BRICS might never have advanced to an institution-building agenda if it were not for the obstinate response of the traditional powers and the traditional donors, and their failure to evolve toward the necessary degree of power-sharing in the key institutions of global economic governance and global development.

Institutional paralysis

In the traditional scenario, the OECD-DAC membership ruled. The regime of the traditional powers and the established donors has exerted strong influence over the entire global aid architecture. As the foundational scholarship on international organizations (of the late 1960s) would predict, changes in such patterns of behavior have not come easily or swiftly. It has often been the case that international organizations, created under a specific set of historical circumstances, have continued to reinforce the structures of international power that were present at the time of their genesis; and that an international organization will often continue to try to perpetuate the original power arrangements even after the balance of power in the broader global environment has evolved significantly. These institutional tendencies account for organizational decay in the context of shifts in the world order.

Since the early 1990s, G7 governments and Northern donors had grown accustomed to setting the global development agenda. Together with the World Bank and the IMF, and as part of the DAC, G7 foreign aid agencies emphasized that developing countries should undertake economic liberalization reforms; this was also followed by promotion of a “pro-poor” model of development. The rising donors have instead emphasized that the focus should be on state-

guided economic growth, industrial modernization, and infrastructure investment as necessary conditions for sustained national development, with a secondary focus on the redistribution of wealth.

In the past decade, the OECD has tracked the rise of the emerging economies, and the DAC has kept watch on the rise of the BRICS as donors since the mid-2000s. Based on their desire to remain the key grouping for the world's main donors—to define and monitor global standards in the main areas of development, and for forging international development commitments—the DAC initiated an engagement process with the rising aid-providers. However, the DAC took a geo-strategically flawed approach to engaging the BRICS as aid providers.

The DAC has essentially looked to contain the rising influence of the BRICS as aid providers. The main source of this flawed approach resides in the anxiety of OECD-DAC's member states, especially the Nordic countries and the small European member states. These states are concerned about their waning international influence⁴, given the rise of China and India as global powers; and their response within the DAC has been to cling to the status quo and to try to emphasize their soft power norms. This strategy fundamentally underestimates the relative decline in the actual weight, power, and influence of the OECD members. Mindful of this

waning influence but aware of the limits imposed on them by the member states, DAC officials have tried to move their membership to engage the rising states, despite the hesitancy of the Northern European members. From 2005–07, and with the backing of the OECD Secretary General, DAC officials initiated outreach to the BRICS. They focused initially on trying to establish what could be termed a “structured dialogue” with the BRICS, with the DAC in the lead of the process. When this outreach failed to materialize because of lack of receptivity on the part of the BRICS states, DAC officials settled on trying to incorporate the BRICS into the DAC’s existing structured dialogue process with non-DAC donors.

Since 2008, Brazil, China, and South Africa have sent representatives to attend the DAC’s “dialogue with non-DAC donors;” however, they did not send senior government representatives. Each year the Chinese have sent a desk officer rather than an official with policy influence. In brief, OECD-DAC member states, and DAC officials, have willfully ignored the shifts in the balance of geopolitical power that have taken place over the past decade. They have tried to sidestep the reality that the BRICS rising powers see little if any benefit in associating more closely with the traditional Northern donors, and in fact see significant negative implications in terms of reputational costs. Research supported by IDRC (2008) on the B(R)ICS countries as aid providers found that the governments of these rising states do not support joining

the OECD-DAC; instead, they give their rhetorical support to the UN system, as well as human resource and material contributions. The research further indicated that the rising states wanted to bear witness to and were actively working toward a reordering of the global aid system, particularly moving beyond G7- or OECD-DAC-centered development cooperation.

The research further showed that there was variation between the BRICS countries in the degree of support for engaging the DAC. Brazil and South Africa appear somewhat more receptive to exploring opportunities for cooperation with the traditional Northern donors, but mainly at the bilateral level through triangular cooperation anchored in the UN rather than through the DAC. The Chinese government is in the middle range of “politeness” in responding to the DAC’s outreach, and India appears least receptive to engaging the DAC. The BRICS see little benefit in signing up for the OECD’s membership obligations—they do not see the need for the OECD’s stamp of approval to attract foreign direct investment. The BRICS want to avoid being entangled by the DAC’s donor norms and the donor coordination rules among the DAC members. The BRICS, as rising donors (Russia being the exception), prefer to self-identify with the South, and depict their assistance as distinct from that of the traditional Northern donors. Unlike Mexico or South Korea, the BRICS rising states do not harbor a desire to join either the OECD or the DAC.

Conclusion

The above analysis highlights three main points. First, that shifts in the balance of world economic power, involving the rise of the BRICS countries as aid givers and their contestation with the traditional donors, have not only generated inter-state tension but have had important implications for multilateral consultative forums. In particular, there have been misalignments in representational arrangements: under-representation of the rising states and over-representation of the traditional donors in the processes of agenda-setting and decision making on development cooperation.

Second, these representational misalignments, and the ongoing contestation between the BRICS rising states and the traditional donors, have resulted in three differing institutional outcomes: first, the *modification* of existing informal platforms at the apex of the existing system of global governance, as seen in the shift to a G20 leaders' process and the outgrowth of a G20 Development Agenda with its own Working Group on Development; second, the *creation* of new alternative consultative forums, especially the BRICS leaders' summitry, as well as the IBSA Dialogue Forum; and third, the *paralysis* of the OECD-DAC regime, the established multilateral consultative forum for international coordination on development cooperation.

Third, no single multilateral consultative forum has yet emerged where the global community can effectively and efficiently make collective decisions on global development cooperation and where the delivery of those global public goods can be seen through to fruition. The differences between the multilateral forums in which the influence of the traditional donors continues to prevail, such the OECD-DAC, and the newly emerging consultative forums, such as the BRICS leaders' process, are more than simply about who controls the development agenda. These differences reflect deeper-seated divergences about the specifics of how to foster national development. Spurred by their own accelerated growth and having withstood the 2007–09 Anglo-American financial crisis better than many expected, the rising states see a larger role for the state and the public sector, prefer a less intrusive approach to policy influence (than the “conditionality” of the traditional donors), and place emphasis on sharing public policy experiences between the South (rather than the “one size fits all” approach preferred by the international financial institutions (IFIs) and the DAC).

It remains to be seen whether the current efforts to bridge these differences via the G20, as a consultative platform, will bring the results desired by its proponents. What can be said for now is that the debate between those favoring the various consultative forums for development

cooperation—old, new, or modified—remains vigorous. The international community is facing a scenario of “messy multilateralism”¹ and a “negotiated order,” where respective consultative forums, each with its own strengths and weaknesses, will continue to contend for influence, and where mission creep, overlapping mandates, and systemic gaps will remain as lingering problems in the system. At the same time, we believe that the continuing though gradual rise of the BRICS, as a cooperative grouping, is a *driver of systemic change*. The ascent of the BRICS will continue to be a “game changer” in development cooperation for the foreseeable future, and a catalyst for change in the international hierarchy of the multilateral consultative forums for development cooperation.

¹ This observation was highlighted by one participant at the Ottawa workshop: IDRC, October 16-18, 2011.

² Notes from Gregory Chin’s discussion with officials of China’s Ministry of Foreign Affairs: Beijing, October 2011.

³ Notes from Gregory Chin’s discussion with officials of China’s Ministry of Foreign Affairs: Beijing, October 2011.

⁴ Notes from Gregory Chin’s interviews of former and then current DAC officials: Beijing, October 2006; Paris, March 2007.

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