

## Chapter 5

### Is Development Assistance Getting Better Due to the Widening Role of Emerging Economies?

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#### Introduction

There is a seismic shift emerging in the way that the international development assistance regime is conceived, managed and run. It has two primary causes: *Firstly*, the weaknesses and limitations of the existing system, as grounded in the hegemonic and exclusionary power and influence of the West. *Secondly*, the arrival of the “emerging economies” with globalization, which are challenging the structural institutional architecture, central principles and underlying values of the old system, along with its managerial system and effectiveness of delivery. A central and critical aim of these emerging states is the fundamental and irreversible reform of the existing system and, even more radical, a fundamental change in the way international development assistance is understood. The New Development Assistance (NDA) practiced by these states reflects many influences, the most important of which are their historical experiences as colonies or semi-colonized countries and their long, often bitter paths to independence, reform and renaissance, and their experiences as recipients of international development assistance. Within this shared generic experience, each brings their own distinctive history, understanding and practices of development to NDA. At the center of NDA is the complex relationship between the traditional system and its counter-point, an intricate diachronic process. In this process, the agencies of NDA engage with the principles, structures, processes and practices of the OECD DAC system. In this respect, NDA is selectively learning from the “traditional” system whilst simultaneously stepping away from it to establish a “new” institutional architecture predicated on distinct principles and practices that deviate from that system.

This paper examines the current impact and future implications of the ever more central role played by “emerging economies” in international development assistance, in light of the wide-ranging challenges to the currently prevailing development system and the search for innovative responses. As the Introduction to the present volume has explained, the system of development assistance that has evolved since the end of the second world war has come under increasing criticism arising from a powerful combination of economic and political transformations in the global system. The emergence of critical voices from the so-called “Global South” has encouraged robust, concerted pressure for changes in the way the existing system operates.

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Structures, processes and institutional agencies at the core of the development assistance system have been interrogated on a wide range of failings rooted in the underlying distribution of international economic, political, socio-cultural and discursive power exercised by the Western states since the conclusion of the Second World War. The domination of these states in the international development assistance system they established has long been a source of tension with the independent states of Africa, Asia and Latin America that achieved their formal political freedom from the West in the post-war era. Despite a decades-long process whereby the post-independence states have painstakingly constructed a sense of collective identity, aims and objectives, they never did find the capacity to achieve that “critical mass” of countervailing power requisite for systemic change. This is attributable to the structural power and institutional influence of the Western states: the prolonged Cold War ideological and geo-strategic competition for influence and control in the post-independence states, inciting divisions between and within them; Western sovereign and corporate economic power constraining the opportunity structure and building-in debilitating economic dependencies, political destabilization and social fragmentation in post-independence states; and the history of instability and conflict within many developing states and across developing regions. Along with prolonged criticism of the traditional international development assistance régime’s exclusionary practices, operational culture, and institutional bias, pressure for change has grown steadily in the post-Cold War era and attained an additional impetus with the arrival of the “emerging economies”. This is a label frequently used interchangeably with “emerging market economies”, “emerging powers”, “rising powers” and it designates those states which have been making a critical contribution to NDA by driving new reformist processes *via* their strengthening economic capacity and influence, but also through soft power means such as collective dialogue, consensus-building, agreed agendas for change, and the creation of new institutions.

Part of the scholarly and policy challenge lies in defining clearly just “what” and indeed “who” constitutes an “emerging power”? This taxonomical challenge reaches back to the 1990s: as far back as 2004 one reviewer’s online Internet search recovered six definitions.<sup>2</sup> The definition has become much more problematic as the evolution of the international system has brought forward new groupings and new waves of emerging economies, prompting new acronyms but classificatory opaqueness, analytical complexity, and policy uncertainty. Witness, for example, the acronymic birth in 2001 of Jim O’Neill’s first-wave grouping of Brazil, Russia, India and China as BRIC,<sup>3</sup> and his later second-wave grouping of emerging economies, the so-called MINT countries, namely Mexico, Indonesia, Nigeria and Turkey, as emerging economic

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<sup>2</sup> Ashoka Mody, *What Is an Emerging Market? IMF Working Paper WP/04/177* (Washington DC: IMF Research Department, 2004), <https://www.imf.org/external/pubs/ft/wp/2004/wp04177.pdf>.

<sup>3</sup> David Harvey, *The Condition of Postmodernity: An Enquiry into the Origins of Cultural Change* (London, Wiley-Blackwell, 1991); David Harvey, *A Brief History of Neoliberalism* (New York, Oxford University Press, 2007).

powerhouses.<sup>4</sup> A key characteristic of some of them has been their widening role in the international development assistance system, bringing with them a distinctive experience as former colonized and semi-colonized economies, a number of them simultaneously recipients and new donors of assistance with their own approach grounded on a *narrative* of principles of equity, reciprocity, and partnership. These principles and the practices that follow from them provide the basis for a broad contextual consensus across the diversity of the emerging scene. This narrative is also a counternarrative or oppositional discourse to the verticality and linearity of the existing system and its founding principles embedded in the Western narrative of Humanism and Progress, itself embedded in a meta-narrative of Modernity, industrialization, and economic growth<sup>5</sup>.

The present study considers the emerging economies' developing relationships with the existing system and assesses the character and quality of the value they add to it. This study addresses two questions: *Firstly*, how is the widening role of the emerging economies impacting the development assistance system? *Secondly*, does this widened role mean that development assistance is “getting better”? A central consideration is the degree of synchronization with the existing system and what potential turbulence may have arisen? Analysis focuses specifically on the changes effected by the BRICS economies, a choice reflecting their rising individual and collective economic capacity; the group’s strengthening institutionalization; the recognition and importance accorded to the role in development assistance of China, India and South Africa in particular, and now of the group as a collective entity; the distinctiveness of their approach to development and development assistance; and, lastly, the availability of an established body of evidence enabling us to examine the relation between the traditional system and the new one.

This study of emerging economies’ engagement with the OECD-DAC-centered system is informed by a perspective on knowledge, discourse and power influenced by the concepts of meta-narrative, narrative, and counter-narrative encountered in Jean-François Lyotard’s critique of postmodern knowledge.<sup>6</sup> Meta-narrative is an overarching, abstract idea understood to provide comprehensive explanation of historical experience or knowledge. Meta-narrative both contextualizes and infuses narratives pertaining to specific domains of knowledge. These narratives form powerful discursive organizing mechanisms that shape knowledge formation, privileging particular ideas, values and understanding of knowledge over subordinated, oppositional counter-narratives. Critically, a meta-narrative is reified in behavioral practice. This

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<sup>4</sup> BBC, “The Mint countries: Next economic giants?” *BBC Magazine*. London, January 6, 2014, <http://www.bbc.co.uk/news/magazine-25548060>.

<sup>5</sup> David S. Landes, *The Unbound Prometheus: Technological Change and Industrial Development in Western Europe from 1750 to the Present* (Cambridge, Cambridge University Press, 1969).

<sup>6</sup> Jean-François Lyotard, *La Condition Postmoderne: rapport sur le savoir* (Paris, Les edition e Minuit. 1979. English edition: *The Postmodern Condition: A Report on Knowledge*. University of Manchester Press. [https://monoskop.org/images/e/e0/Lyotard\\_Jean-Francois\\_The\\_Postmodern\\_Condition\\_A\\_Report\\_on\\_Knowledge.pdf](https://monoskop.org/images/e/e0/Lyotard_Jean-Francois_The_Postmodern_Condition_A_Report_on_Knowledge.pdf)

concept helps explain the dynamics of the complex relationships at the heart of the present study of the international development assistance system. Firstly, the system is grounded in a narrative of development that privileges a specific reading of history, economics, industrialization, growth and development, itself embedded in a foundational meta-narrative of knowledge originating in Western modernity and progress. As the emergence of a BRICS collective narrative encapsulated in the construction of a BRICS Spirit demonstrates, one facet of the emerging economies as interlocutors with the traditional system is as originators and proselytizers of a hitherto subordinated counter-narrative of development, presenting a diverging reading of development knowledge and giving rise to a critical “challenge-convergence” tension at the heart of the issue of synchronization.

This counter-narrative elucidates ‘development’ in a more holistic and problematised way than has been allowed for in the traditional approach embodied in the OECD-DAC system. This discursive counterpoint, framed as “all-dimensional and multi-layered cooperation”, challenges a series of foundational binary opposites in the development grand narrative, notably donor/recipient and North/South and the system’s paternalistic ethos. By inference, in foregrounding the BRICS aim to overcome continuing structural inequalities to achieve a “just, equitable, fair, democratic and representative international political and economic order”, it presents a juxtaposition to an system held to be inherently unjust, unfair, undemocratic and unrepresentative international political and economic order; an order upon which the principles, rules and norms of behaviour, structures, processes and agencies of the traditional international development assistance system have been predicated. The critical challenge is, therefore, to the way that the mutually-reinforcing dominant meta- and grand narratives work to position economies and define their functionality. In this narrative, the emphasis is upon principles of equity, reciprocity and partnership, a horizontal reading of the processes of development cooperation with roots in the 1955 Bandung Conference and Non-Aligned Movement, the 1978 Buenos Aires Action Plan on Technical Cooperation between Developing Countries and the creation of the Global Partnership for Effective Development Cooperation (GPEDC) at the Fourth High-Level Forum on Aid Effectiveness held in Busan, South Korea in 2011.<sup>7</sup> This alternative reading problematises the hierarchical reading and forms a reformist challenge to institutional exclusivity to better reflect the interests and growing influence of the emerging economies. This is a conception of development entwined with the historical remembering in these economies of anti-hegemonic resistance and overcoming, stories of reform and development resonating with other developing economies. This understanding of development identifies a central role for the state and prioritises the wide spectrum of infrastructure needs of developing countries, knowledge exchange and technical cooperation set within a holistic approach to economic development that mainstreams the importance of trade and investment a

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<sup>7</sup> UNDP, *The Buenos Aires Plan of Action*. (Washington DC: UNDP, Special Unit for TCDC, 1994). United Nations, *Report of the United Nations Conference on Technical Cooperation Among Developing Countries: Buenos Aires 30 August to 12 September 1978*. A/CONF.79/13/Rev.1 (New York, United Nations, 1978). Emma Mawdsley, *From Recipients to Donors: Emerging Powers and the Changing Development Landscape* (London; Zed Books, 2012). OECD, *Busan Partnership for Effective Development Co-operation. Fourth High Level Forum on Aid Effectiveness. Busan* (Paris: OECD, 2011). <http://www.oecd.org/dac/effectiveness/49650173.pdf>.

symbiotic components of sustainable development and international development assistance. The impact of this alternative reading has been to widen and deepen simultaneously the understanding and practices of development. In so doing, the condition of the international development system has become more congested and turbulent, its guiding precepts less certain, viscous and contested.

This study argues that, while there is potential for friction in the process of change, the transition to the New Development Assistance will be more of a “peaceful rise”. The emerging economies have generated substantial debate over their aims, conception of development practices and impact upon the traditional development assistance system and community, dividing academic and policy opinion. There are a range of concerns about their impact, including implications for understanding development assistance itself; consensus-building and application of rules, norms and expectations of right conduct over the coming decades; and the principles, values and culture of development assistance underlying the system; question marks hovering over the conception of “donors” and “recipients”. Critiques also focus on the efficiency, coverage, challenges for local communities, sustainability, risks, and prospects for global governance and inter-institutional effectiveness. The emerging economies have given rise to these issues insofar as they have expressed concerns over the way the current system works, its quality of governance and effectiveness. Groups like BRICS stress the need for greater inclusivity, innovation, and structural and procedural reforms in the institutions of the global development assistance architecture. For some, this has spurred debate over whether development assistance has entered a “post-aid” era, the character of which is being driven increasingly by emerging economies. These challenges for development assistance are set against the dramatically changing geopolitical, economic and strategic topography of renascent protectionism, global value chain conundrums, migration, terror used as an instrument of politics by new organizations, the political turbulence generated by the Trump Administration, questions over the future of the European integration project following the “Brexit” referendum outcome, uncertainties over the US-China relationship, and the heightened tensions over North Korea. The complex, often contradictory forces of globalization produce development challenges that require coordinated, multi-lateral efforts for improvement. Most notable is the growing importance of South-South Cooperation (SSC), including Technical Cooperation (TC), and, of both iconic and practical significance, the 2030 Sustainable Development Agenda and Goals (SDGs).

It remains to be seen what becomes of the international development assistance system in future, whether and to what extent the emerging economies, and the structures and institutional architecture, processes and agencies they create and promote will reform, revolutionize or, ultimately, reinforce the *status quo*. It is argued that they are already demonstrating that the *status quo* is not a credible outcome, in the fact that they have become a major force for systemic change in perspective, policy and practice. The debate is over the degree, direction and qualitative impact of that change. It is argued that in the beginning it will be reformist, but will prove revolutionary in the longer term, in the sense of upending the concepts and practices of development assistance – if only as the outcome of incremental systemic influence accumulating

over time. It is further argued that, while there is certainly a potential for friction in the process of change, the transition will be more of a “peaceful revolution”.

Perhaps the most challenging question posed is whether the growing involvement of the emerging economies is making development assistance better? Any such evaluation requires a definition of what “better” means to development assistance. A multidimensional approach is adopted: (i) better understanding of the very concepts of “development” and the “assistance” supporting it; *i.e.*, (ii) NDA thinking; (iii) better practices in the delivery of development assistance; *i.e.*, innovative ways of implementing NDA, benchmarked for greater effectiveness in achieving agreed outcomes; (iv) better in terms of human development, the “lived experience” of recipients on the ground; *i.e.*, improved wellbeing and life chances. It is argued that a widening role for the emerging economies, particularly the BRICS, does offer opportunities for development assistance to get better, but for this potential to be fully realized will require a closer understanding of NDA and watchful systemic management.

### **Emerging Economies, NDA and their impact on the global development community**

The comprehensive analyses of the changing landscape of global development assistance provision presented in the opening chapters of this volume explain the key facets of NDA, identifying and tracing the role of the emerging economies in this transformational process. The aggregate market capacity of the emerging economies has or ought to have increased their collective influence in the economic, political and strategic systems of global governance, given that their input has become critical to global economic growth.

The emerging economies have generated substantial attention and debate; however, in the initial burst of interest lay a tendency to lump them together into one homogeneous mass: *the* Emerging Economies having indistinguishable interests, needs and objectives. Current understanding reflects a more sophisticated reading of the differential economic trajectories underlying the high levels of GDP growth being recorded, and a more cautious estimate of the resilience of these markets and of the persistent risks they face and vulnerabilities they are exposed to in the globalizing economy. As the country studies in subsequent chapters of this volume demonstrate, the extent to which the emerging economies are seeking systemic regime change has almost certainly been exaggerated; judging not only by their declaratory statements, but quite simply in terms of the power resources and political capacity of most of these economies to effect such a power-shift, and of the significant differences between them over which ideas and practices should replace the existing system. If the emerging economies’ growth and impact on the global economic financial, and development assistance systems prove durable, then of course *adaptive* change is highly probable.

The evidence of emerging economies’ pressure for systemic change – respecting development assistance, in particular – so far indicates a diachronic dynamic that has been termed “challenge-

convergence”.<sup>8</sup> Processes of change are complex and non-linear, involving gains for some and losses for others. This is visible, for example, in the prolonged resistance of the US Congress to ratifying the 2010 reforms of the IMF’s Executive Board representation and the review of quotas. That said, the emerging economies are not best understood as challengers *to* the system, but rather challengers within the system, revising it the better to reflect, recognize and respond to their needs, interests and shared understandings of sustainable development assistance. The revision involves an important element of synchronization with existing practices of the community, working within them to adapt while avoiding turbulence. This is illustrated by the BRICS group, whose experience we turn now to examine.

## **The BRICS**

Emerging and developing economies account for an ever greater share of global output and growth. In the five-year period 2010-2015, they were responsible for 56% of global output (in PPP terms) and 79% of global growth. Given such a shift, seeking to understand and explain the globalizing economy through the prism of advanced or developed economies has ever less currency, and for some observers is outmoded. It is against this backdrop that BRICS as a coalition is playing a substantial role in global governance and, increasingly, in the global development community. BRICS countries, as individual states, are centrally engaged in development assistance already. Their respective national policies mandate that this continue and intensify. What is new is that as a group BRICS is scaling up its development approach and programmatic components, evident in the declarations of recent BRICS Summits since 2015, especially: in Ufa, Russia (7th), Goa, India (8th), and Xiamen, China (9th), and in the actions and institutional initiatives resulting from these meetings and in the various ongoing BRICS consultative, deliberative, and policy implementation processes: the BRICS Summit 2017; New Development Bank; Asian Infrastructure Investment Bank, and One Belt One Road Initiative; the Johannesburg Action Plan of the Forum for China-Africa Cooperation (FOCAC); and the cooperation agreement between China and the Community of Latin American and Caribbean States setting up the China-CELAC Forum. It is impossible to assess the contribution of BRICS to development assistance without a more exact understanding of the national histories, political systems and development trajectories of each of its members – factors giving distinctive hues to their perspectives and strategies. Bearing this important caveat in mind, a more unitary BRICS approach to development assistance is gradually emerging within the context of NDA and the framing of a shared and particular reading of the way the international economic and political system operates. The consensus features a diffusion of power *via* a multipolar structural re-ordering of that system characterized by a declaratory commitment to principles of global equity, inclusivity, the primacy of international law, and by reformed global financial, economic and political institutions. Clearly, statements of intent and the realities of trying to put these into practice are far from unproblematic. The discussion so far has flagged-up the importance of

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<sup>8</sup> Jing Gu, Alex Shankland and Anuradha Chenoy (eds.), *The BRICS in International Development* (London: Palgrave Macmillan, 2016).

recognising factors of economic, political and societal difference across the BRICS. Whilst the BRICS economies are partners, they are also economic competitors and political rivals for influence in developing countries and there are, for example, considerations of commercial advantage and corporate confidentiality as well as differing approaches to financing, knowledge-sharing, corporate social responsibility, environmental risk assessment and local governance.

### *The BRICS in principle*

The epistemology of emerging economies is driven by a vision that they offer something distinctly different in the realm of development assistance with power to change the development community and its culture. The BRICS group is held to epitomize this vision; if it represents anything new on the development assistance scene, this should be evident through an interrogation of the guiding rules, norms, and expectations of right conduct – the very language and tone of BRICS discourse; the extent to which words are translated into innovative action, and such action might be deemed more effective than the traditional practice.

Since the institutionalization of the BRIC (Brazil, Russia, India and China) group just over a decade ago in 2006, a substantial “BRICS discourse” has emerged in the corpus of declarations, speeches, *communiqués*, agreements, memoranda and actions plans. This body of official documents defines and by usage establishes key words and phrases the reiterative weight of which, accumulating over the past decade, constitutes a collective identity, a semiotic differentiation of the BRICS members from non-members and an inside/outside demarcation of their values. At the heart of this socially constructed identity lies a common core around which the group and its work program can cohere: a self-styled “BRICS Spirit” prioritizing “mutual respect and understanding, equality, solidarity, openness, inclusiveness and mutually beneficial cooperation”.<sup>9</sup> The notion of a *spirit* is important in both discursive and political terms for this paper’s assessment of South-South Co-operation. Discursively, it triggers meaningful “active remembering”, releasing warm sentiments of common historical experiences of exploitation, marginalization, the struggle for freedom, independence and post-independence mutuality, embodied in the 1955 Bandung Declaration and enduring “Bandung Spirit”; a spirit celebrating its 50<sup>th</sup> anniversary on the eve of the BRICS group’s own inauguration. Politically, the BRICS Spirit situates the group in a long historical trajectory of “otherness” – a Third World, an Intermediate Zone, a Developing World, a Global South positioning, juxtaposed against the First World of advanced industrialized states and the global infrastructure of financial, economic, political, strategic institutions they created in their own image to serve their collective self-interest. Accordingly, the stated aim of BRICS is to work together for “a more just, equitable, fair, democratic and representative international political and economic order”.<sup>10</sup>

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<sup>9</sup> BRICS Xiamen, *BRICS Leaders Xiamen Declaration* (Toronto: BRICS Information Centre, University of Toronto, September 4, 2017), <http://brics.utoronto.ca/docs/170904-xiamen.html>.

<sup>10</sup>BRICS Xiamen. *BRICS Leaders Xiamen Declaration*.



In seeking to realize this vision of a “better” world order, the BRICS discourse puts great emphasis on the concept of “partnership”. While this idea pervades the work of the BRICS as a group, it has taken on added resonance as the group has evolved a “development” pathway. The Declaration of the 7th BRICS Summit held in Ufa, Russia in 2015 committed BRICS “to strengthen partnerships for advancing international development cooperation and to begin interaction through dialogue, cooperation and exchange of experience in advancing international development cooperation”.<sup>11</sup> BRICS’ criticism of traditional development assistance portrays it as paternalistic, condescending and, above all, ill-fitted to the needs of developing countries. The contrasting spirit of partnership is held to be the requirement *sine qua non* for achieving the SDGs and fulfilling the 2030 Agenda. As Quadir has argued, grounding an approach to development in these principles challenges the established system to move away from its perceived vertical structure, processes, and culture to a more horizontal culture of reciprocity, mutual respect and equality.<sup>12</sup> By the 9th BRICS Summit in Xiamen, China in September 2017, the group had committed itself to being a voice for change, advocating “equitable, open, all-round, innovation-driven and inclusive development, to achieve sustainable development in its three dimensions – economic, social and environmental – in a balanced and integrated manner”.<sup>13</sup>

Integral to this challenge to the established order is BRICS’ united call for reform of the post-war institutions of Bretton Woods: the United Nations (UN), the International Monetary Fund (IMF), and the World Bank Group (WB). The 2005 World Summit Outcome became a fountainhead for arguing for “a comprehensive reform of the UN, including its Security Council, with a view to making it more representative, effective and efficient, and to increase the representation of the developing countries so that it can adequately respond to global challenges”.<sup>14</sup> The stress on reform was reiterated at the 2017 Xiamen Summit: “We support the important role of the United Nations, including the High Level Political Forum on Sustainable Development (HLPF), in coordinating and reviewing global implementation of the 2030 Agenda, and support the need to reform the UN Development System with a view to enhancing its capability in supporting Member States in implementing the 2030 Agenda”.<sup>15</sup> Accordingly, China and Russia, the Permanent Members of the UN Security Council which are members of BRICS, are supporting the aspirations of Brazil, India and South Africa for a higher profile in the UN and the wider

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<sup>11</sup> BRICS Ufa, *VII BRICS Summit: 2015 Ufa Declaration*. (Toronto: BRICS Information Centre, University of Toronto, 2015), [http://brics.utoronto.ca/docs/150709-ufa-declaration\\_en.html](http://brics.utoronto.ca/docs/150709-ufa-declaration_en.html).

<sup>12</sup> Fahimul Quadir, “Rising Donors and the New Narrative of ‘South-South’ Cooperation: what prospects for changing the landscape of development assistance programmes?” *Third World Quarterly* 34, no.2 (2013): 321-338.

<sup>13</sup> BRICS Xiamen, *BRICS Leaders Xiamen Declaration*.

<sup>14</sup> BRICS Goa, *8th BRICS Summit: Goa Declaration*. (Toronto, BRICS Information Centre, University of Toronto, 2016), <http://brics.utoronto.ca/docs/161016-go.html>.

<sup>15</sup> BRICS Xiamen, *BRICS Leaders Xiamen Declaration*.

global system.<sup>16</sup> The change agenda also targets the IMF. With the 14<sup>th</sup> General Review of Quotas in 2010 initiating reforms finally ratified by the US Senate at the end of 2015, China and India received more voting rights, while the US and European economies gave up rights. China has become the third largest member of the IMF, and four BRICS economies rank among its 10 largest shareholders.<sup>17</sup> Implementation issues remain nonetheless. The BRICS Goa Summit, for example, reminded the Europeans that they agreed to relinquish two IMF Executive Board representatives as part of the reform process, and called on them to fulfil this commitment. The 2010 IMF governance agreement had stipulated that this should be completed “at the latest by the time of the first election after the quota reform takes effect”.<sup>18</sup> The justification put forward for this was that reform “should strengthen the voice and representation of the poorest members of the IMF”.<sup>19</sup> However, deep frustration followed on the electoral round held at the October 2012 Annual Meeting of the IMF in Tokyo. Paulo Nogueira Batista, the outspoken IMF Executive Director for Brazil, along with several other Latin American and Caribbean countries, claimed that “this so-called reduction in the number of European chairs has petered out into a reshuffling that is largely cosmetic in nature”.<sup>20</sup>

### *Actions speak louder than words*

What does BRICS want to do that is different and how does it want to do it differently? The short answer is that the agenda today is wide-ranging and technically focused on practical initiatives that stress effective implementation of BRICS programmes and aims. The Xiamen Summit divided these core aims, policies and programmes into four categories: (i) Practical Economic Cooperation, which builds on the Strategy for BRICS Economic Partnership; (ii) Global Economic Governance, the aim of which is to “foster a global economic governance architecture that is more effective and reflective of current global economic landscape, increasing the voice and representation of emerging markets and developing economies”; (iii) International peace and security. In a comprehensive approach detailed at the Xiamen Summit, the BRICS have committed themselves to the framework of international law and institutions embedded in “a fair and

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<sup>16</sup> BRICS Goa, *8th BRICS Summit: Goa Declaration. Goa, India* (Toronto: BRICS Information Centre, University of Toronto, 2016). <http://brics.utoronto.ca/docs/161016-go.html>.

<sup>17</sup> International Monetary Fund, *Factsheet: IMF Quotas* (Washington DC: International Monetary Fund, October 11, 2017), <http://www.imf.org/en/About/Factsheets/Sheets/2016/07/14/12/21/IMF-Quotas>.

<sup>18</sup>, International Monetary Fund, Press Release: IMF Executive Board Approves Major Overhaul of Quotas and Governance. (Washington DC: International Monetary Fund, 2010), <http://www.imf.org/en/News/Articles/2015/09/14/01/49/pr10418>

<sup>19</sup> BRICS Goa, *8th BRICS Summit: Goa Declaration*.

<sup>20</sup> Carey L. Biron, “Brazil Frustrated with European “Backtracking” on IMF Reforms”, *IPS News*, October 19, 2012 <http://www.ipsnews.net/2012/10/brazil-frustrated-with-european-backtracking-on-imf-reforms/>.

equitable international order.” The group reaffirms its belief in the central importance of the United Nations (UN), the UN Charter whilst reiterating their support for United Nations Security Council reform, and “respect for international law, promoting democracy and the rule of law in international relations, and making joint efforts to address common traditional and non-traditional security challenges”; (iv) People-to-people exchanges. Here BRICS takes its discursive and policy point of departure from established Chinese political discourse, policy and practice. The stated aim of this distinctive category of action is “to garner more popular support for BRICS cooperation through deepened traditional friendships.” This strand of the BRICS programme of action reflects a need to avoid criticism of being too state-centric, concerned, in an exclusive or exclusionary way only with government-to-government relations with civil society of marginal importance. The approach is intended to reaffirm the group’s distinctive understanding of development partnership as an inclusive, multi-layered process, nested within the 2030 Agenda’s commitment of the global partnership, intended to widen societal participation in BRICS cooperation, strengthen mutual learning, communication and understanding between their cultures and peoples, deepening traditional ties in order to make the BRICS partnership “closer to our people's hearts”.

Much of the discussion of the contribution of BRICS to traditional development assistance and the character of their own assistance has centered on the two major collective initiatives of the group: the New Development Bank (NDB), and the Contingent Reserve Arrangement (CRA). The NDB was announced at the 6th BRICS Summit in Fortaleza, Brazil in July 2014 and opened its doors in Shanghai in July 2015. Article 1 of the NDB’s Articles of Agreement sets out the Bank’s purpose, to “mobilize resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries, complementing the existing efforts of multilateral and regional financial institutions for global growth and development”.<sup>21</sup> The Bank approved its first series of loans worth US\$811 million in April 2016. Currently, four of its loan projects are in China. By the start of the Xiamen Summit, it had approved funding for 11 projects worth up to US\$3 billion. It opened its first regional center in Johannesburg, South Africa in October 2017. The Bank’s strategic remit is to base its funding for infrastructure projects in developing countries on a different culture of institutional governance to that of the IMF and WBG, to whose financing the NDB’s is supplementary. The estimated annual global infrastructure investment demand is about US\$3.7 trillion – of which only about US\$2.7 trillion is currently met.<sup>22</sup> A McKinsey Global Institute Report finds that globally there is a need to invest an average of US\$3.3 trillion annually in economic infrastructure in order to support currently expected rates of growth through to 2030. Emerging economies are projected to

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<sup>21</sup> New Development Bank, *Agreement on the New Development Bank – Fortaleza, 15 July* (Shanghai, New Development Bank 2015), <https://www.ndb.int/wp-content/themes/ndb/pdf/Agreement-on-the-New-Development-Bank.pdf>

<sup>22</sup> World Economic Forum, *Strategic Infrastructure: Steps to Prepare and Accelerate Public-Private Partnerships*. (Geneva, World Economic Forum, 2013). <https://www.weforum.org/reports/strategic-infrastructure-steps-prepare-and-accelerate-public-private-partnerships>.

account for some 60% of that need. The Report concluded that if the current pace of underinvestment continues, world infrastructure will fall short by roughly 11%, or US\$350 billion a year. The size of the gap triples if the additional investment required to meet the UN's SDGs is factored in.<sup>23</sup> BRICS leaders argue that existing institutions are unable or unwilling to meet the need, and that the NDB represents a necessary new mechanism to fill the gap. While this may indeed be the primary motivating rationale for the NDB, it is also an important signal to the stand-pat First World that the emerging economies, BRICS economies above all, are not willing to wait for change to be implemented from above, but are willing and able to act on their own collectively and effectively.

### *Delivering NDA? BRICS in performance*

Other studies in this series examine specific instances of development assistance originating from BRICS economies. One specific issue in this study is how much the BRICS group's engagement with the establishment is causing systemic turbulence. The first point to note is that, while there is clear evidence of a declaratory collective commitment to development assistance and a degree of consensus on the principles associated with this, and even an institutionalization of them in initiatives like the NDB, the overall process of formulating and implementing systematic BRICS development assistance is still in its early stages. How much BRICS fit in with the existing system is in no small part determined by how well they manage the complexities of their respective differences, interests and needs. One might point to their divergent approaches to political rule and conception of political culture; for example, while China joins with four partners to make BRICS, three of the five make part of IBSA, a separate group which puts a premium on the principle of multi-party, representative democracy. The structural imbalance across these economies is also an important caveat. The transitioning of the Chinese economy to a lower annual consumption-led, sustainable GDP growth rate of "around" 6.7 percent has had appreciably adverse knock-on effects on the income-generation of commodity-exporting economies. African states, including South Africa, have warned of the structural imbalances in trade, the so-called "resources curse", and the difficulties of accessing the higher value-added rungs of the value chains of large, globalizing enterprises; and expressed concerns over land grabs, issues of corporate social responsibility, and limited knowledge and skills transfers to the home economy. Respecting BRICS cohesion, the reader should note that its members are competitors as well as collaborators, not only in trade and investment, but in terms of the scales, formats, and operationalization of development assistance, most conspicuously perhaps in Africa.

These are important factors, indeed; however, perhaps the central consideration is the relationship between China and India. In 2017 China was the second-largest economy in the

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<sup>23</sup> Jonathan Woetzel, Nicklas Garemo, Jan Mischke, Martin Hjerpe, and Robert Palter, *Bridging Global Infrastructure Gaps* (New York: McKinsey Institute, June, 2016), <http://www.mckinsey.com/industries/capital-projects-and-infrastructure/our-insights/bridging-global-infrastructure-gaps>.

world, India the 6th largest. Predictions are for China to become the top global economy by 2030, pushing the US into second place, with India moving up to 3<sup>rd</sup>. Each has deep roots in the story of the developing world and has established its own development assistance programs. Long-running debates have queried whether and how these two states might work together in Africa, the presumed basis for which is their shared historical experience as colonial societies, their fight for independence, recovery and reform. They each have success stories to share with other developing countries on promoting high-level economic growth, generating higher incomes, and lifting millions into the middle classes. Yet they continue to struggle against persistent poverty and widening inequalities. The two countries cooperate in multilateral fora: BRICS, NDB, AIIB. In addition, both have well-established roles working with and speaking up on behalf of the developing countries of Africa through the G-77. Their case, however, highlights the extent to which extra-BRICS factors act as constraints on the Sino-Indian relationship's providing a firm platform for catalyzing development assistance cooperation. There are, clearly, a range of challenges in their relationship, from their different understandings and practices regarding political systems, economic development models and trajectories, to the scale and character of their engagement in Africa. Beneath these factors lie deeper problems in the relationship, from ongoing territorial disputes to popular nationalism. Tensions arise from India's seemingly lukewarm, even averse response to China's flagship One Belt, One Road (OBOR) project; Indian concern over what it sees as China's expansionist strategic ambitions in the Indian Ocean; the rejection of India's July 2016 application to join the Nuclear Suppliers Group (NSG), attributed to China's opposition; and Indian references to a Chinese strategy of "containment" of India. India did not attend the May 2017 OBOR Conference in Beijing, though Prime Minister Modi did attend the September BRICS Summit; heightened border conflict having supervened between the two events. All these are factors that have had a bearing on the character of their development assistance co-operation within BRICS, and more widely.

### **Conclusions: toward "better" development assistance?**

This paper asked the question of whether the rising influence of the emerging economies is helping to improve development assistance. "Better" was defined in a multidimensional way as innovative thinking, improved delivery, and effective outcomes. This study concludes that the evidence from BRICS' experience implies that emerging economies have on balance been contributing positively to "better" development assistance in three ways.

Firstly, they have asserted and prioritized key ideas and messages to the development assistance community about what sustainable development means to developing countries (*viz.*, the discourse of partnership, equity, mutuality, respect and reciprocity), offering an alternative development discourse that is steadily being mainstreamed into the traditional system. The discussion of this discourse emphasizes the power of language in the construction of thought and practice, as reified in the BRICS' evolving approach to development

Secondly, NDA rests on a consensus on practical delivery aiming for inclusivity and innovation.

Multilateralized institutionalism, grounded like the NDB in an alternative culture and practice of governance, is one strand; another is a holistic approach to development that combines trade, investment, state-owned and private enterprise, development assistance, and humanitarian support, an approach with potential to deliver improved assistance. However, issues of CSR and corporate practice, non-interference and human rights, uneven knowledge and skills transfers, employment and labor rights, offer mixed experiences in terms of making development assistance “better”.

Thirdly, the NDA emphasizes the importance of investment in infrastructure, – not least social and public infrastructure: improvements in communication, transport, health and educational capacity, the growing utility of development assistance as a factor of industrial development in African states through production-capacity building. It is evident in the establishment of industrial parks and construction of public buildings, from conference and sports centers to parliament houses, that a demonstrably substantial back-catalogue of achievement is on exhibit in developing countries.

This paper has tried to assess how BRICS are engaging with the existing development assistance system and community. The evidence indicates a strong and deliberate element of challenge involved in the principles and practices of NDA; it also indicates, however, that the BRICS’ challenge is one of reform within rather than revolutionary overthrow of the existing institutional configuration; new institutions, agencies, structures and processes so far finding place within the *status quo*. To date there has been no evidence that BRICS or the broader cohort of emerging states are driven by any intent to sweep away the Bretton Woods institutions wholesale and reconstitute the system.

This chapter has illustrated the way in which the emerging economies of the BRICS group have evolved an approach to international development assistance as a response to the problems of traditional development assistance, responding to an incremental shift in the center of economic gravity of the global economy and system of states. Examination of the BRICS engagement with the principles and practices of the traditional system also indicate the importance of the evolution of a BRICS Spirit embedded in their particular experiences, histories, economic conditions, and political systems, generating a diachronic process of challenge and convergence, association and dissociation with the precepts and practices of the OECD-DAC entered system.