

DIRECTORATE-GENERAL FOR EXTERNAL POLICIES
POLICY DEPARTMENT



**THE ROLE OF BRICS
IN THE
DEVELOPING WORLD**

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DIRECTORATE-GENERAL FOR EXTERNAL POLICIES OF THE UNION

DIRECTORATE B

POLICY DEPARTMENT

STUDY

THE ROLE OF BRICS IN THE DEVELOPING WORLD

Abstract

The role of Brazil, Russia, India, China and South Africa (BRICS) as emerging protagonists in international development cooperation is significantly and rapidly changing. Over the last decade, BRICS have increased their financial as well as technical assistance and established distinct ways and means of economic cooperation, especially through south-south-cooperation with Low Income Countries (LIC). BRICS are striving for more political influence, thereby challenging traditional western donors such as the EU. BRICS impact on LICs through trade, foreign direct investment and development financing are significant and these south-south-efforts need to be reflected in EU development strategies. The high level conferences in Paris, Accra and Monterrey have not appreciated BRICS' role as emerging donors, but the Busan Global Partnership strategy has considered obvious changes in global development architecture more openly. Size, key areas and institutional settings of foreign assistance are differing among BRICS. The overall focus of development cooperation lies on neighbouring countries, regional integration and technical assistance. Economic growth is perceived to be crucial for sustainable development; non-interference and national sovereignty are guiding principles. Eye-to-eye level dialogue and trilateral settings of cooperation are means of addressing BRICS as new stakeholder in 21st century development politics.

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EXECUTIVE SUMMARY

This study examines the role of Brazil, Russia, India, China and South Africa (BRICS) as emerging protagonists in international development cooperation. Over the last decade, BRICS have increased their financial as well as technical assistance and established distinct ways and means of economic cooperation with developing countries. The progressive relevance of BRICS in economic respects is not yet reflected in political respects, which is why BRICS are seeking change in the architecture of international (development) politics.

BRICS are at the forefront of using their economic weight to induce change, which is challenging traditional western donors in general and the EU in particular. Among the five countries the role of South Africa is somewhat different as its economy is much smaller than that of the other four countries, and strictly speaking, the country does not comply with all the characteristics generally adopted to distinguish the country group: (1) the outstanding size of their economies, (2) strong growth rates, leading to increasing significance in world economy, and (3) the demand for a stronger political voice in international governance structures, which corresponds to their economic status. Nevertheless, BRICS are a heterogeneous group with individual countries also forming other coalitions. Beside the differentiation made above for South Africa, China is in an exceptional position at the other end concerning most aspects of economic cooperation and Russia stands out as a former superpower.

The impacts of BRICS' development policies are analysed in particular with regard to Low Income Countries (LIC). These relations follow the idea of South-South-Cooperation (SSC), which is based on solidarity, shared experiences and self-reliance of the South (Yamoussoukro 2008). Thereby, BRICS – LICs relations are not restricted to financial assistance. Trade, foreign direct investment (FDI) and development financing are often intertwined and come as a package. By and large, there are remarkable spillovers and positive impacts, especially regarding trade. These ties have helped lessening the effects of the recent financial crisis on LICs and contributed to economic development. However, many LICs still rely too much on exports of primary commodities and are in need of diversification and improved technologies for their industries. Overall, size, key areas and institutional settings of foreign assistance are differing among BRICS, yet a number of similarities can be identified: The overall focus of development cooperation lies on neighbouring countries and regional integration. Trade, investments and economic growth are perceived to be the main vehicle for improvement in development. Non-interference and national sovereignty are guiding principles, whereas social standards and governance issues are not the main concern. BRICS are concentrating on technical rather than financial assistance and a considerable share of aid is disbursed through bilateral channels.

The high level conferences in Paris and Accra were attended by Brazil, India, China and South Africa both as recipient and donor countries. In the European Consensus on Development and the Agenda for Change the BRICS, however, are not considered as donors. The philosophy of approaching aid varies considerably between emerging donors and traditional donors (Walz/Ramachandran 2011: 21). BRICS are not eager to join the Development Assistance Committee (DAC) but are influencing development policies through loose multilateral coalitions and international fora such as the G20. BRICS need to be taken seriously as increasingly important actors who are influencing EU development policies and should be included in dialogues on aid effectiveness and development strategies in a constructive way. The formulation of the Global Partnership by June 2012 represents a window of opportunity for the international community to credit the new donors with the right to their own opinion and agenda. Eye-to-eye level dialogue and trilateral settings of cooperation are ways of openly addressing BRICS as new stakeholders in 21st century development politics.

ABBREVIATIONS

AAA	Accra Agenda for Action
ABC	Agência Brasileira de Cooperação /Brazilian Agency for Cooperation
ARF	African Renaissance and International Cooperation Fund
AU	African Union
BASIC	Brazil, South Africa, India and China
BOD	Busan Outcome Document
BRIC(S)	Brazil, Russia, India, China, (South Africa)
CIVETS	Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa
DAC	Development Assistance Committee
DIRCO	Department of International Relations and Cooperation
EPA	Economic Partnership Agreement
ERF	Emergency Response Fund (UN)
EU	European Union
FDI	Foreign Direct Investment
G7/8	Group of Seven/Eight: Canada, France, Germany, Italy, Japan, United Kingdom, United States, (G7), including Russia (G8).
G20	Group of Twenty: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, United Kingdom, United States and the European Union.
GDP	Gross Domestic Product
GNI	Gross National Income
HLF	High Level Forum on Aid Effectiveness
IAPD	Indian Agency for Partnership in Development
IBSA	India, Brazil and South Africa
ICFD	International Conference on Financing for Development
IMF	International Monetary Fund
LIC	Low Income Country (World Bank definition)
MDG	Millennium Development Goal
MIC	Middle Income Country (World Bank definition)
NEPAD	New Partnership for Africa's Development
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
PD	Paris Declaration
PPP	Purchasing Power Parity
SAARC	South Asian Association for Regional Cooperation
SADC	Southern African Development Community
SADPA	South African Development Partnership Agency
SSA	Sub Saharan Africa
SSC	South-South-Cooperation
UN	United Nations
UNDP	United Nations Development Programme
USD	US-Dollar
WP-EFF	Working Party on Aid Effectiveness
WTO	World Trade Organization

1. INTRODUCTION

Brazil, Russia, India, China and South Africa (BRICS) are leading emerging economies and political powers at the regional and international level. The acronym was originally coined in 2001 to highlight the exceptional role of important emerging economies and only included Brazil, Russia, India and China (BRIC). It was pointed out that high growth rates, economic potential and demographic development were going to put BRIC further in a lead position and it was argued that their increased relevance should also be reflected in their incorporation to the G7 (O'Neill 2011). The four countries themselves started to meet as a group in 2006 and it was only in 2010 that South Africa was invited to join the group, which was then referred to as BRICS¹. Due to their geographic and demographic dimensions², BRICS economies are severely influencing global development, especially in Low Income Countries (LIC). They are promoting stability in trade and investment and cushioning global recession in the current financial crisis (IMF 2011a: 8). On the other hand, BRICS' lower growth in 2009 has caused a considerable setback in foreign trade performance of LICs in the same period.

LICs are the most vulnerable countries, and more than one billion of the world's 1.4 billion poor people living on less than 1.25 US-Dollar (USD) per day are living in LICs ("bottom billion"/ Collier 2007). LICs are very fragile in terms of external shocks, volatility in commodity prices and rising food costs. The International Monetary Fund (IMF) estimates that more than 23 million people could fall below poverty line in the case of no recovery in the world economy in 2012 (IMF 2011c: 15). The European debt crisis is challenging LICs directly as trade and development partners of the European Union (EU) and indirectly through decreasing demand from BRICS. Therefore, it will be of utter importance to find tools to prevent LICs from suffering an increase in poverty and food shortage in case of on-going global economic recession.

BRICS are causing changes in the architecture of international development cooperation, not only with regard to trade and financial flows but also as emerging donors. Overall, clear cut definitions of economic characteristics and performance to identify groups of countries are not easy to obtain. Not only BRICS but also other countries, such as CIVETS³ and the "next eleven"⁴ are self-confident players perforating traditional donor-recipient patterns. Mexico, Indonesia, Argentina, Turkey, Saudi Arabia and others form part of new global development structures as for example within the G20. In total, emerging donors have contributed USD 87.1 million to the World Food Programme of the United Nations (UN) and USD 90.6 million to UN Emergency Response Funds (ERFs) in 2010⁵. Even traditional classifications based on the Gross Domestic Product (GDP) into Middle Income Countries (MIC) and LICs are not always appropriate since countries of the same group might face very different challenges. Although these aspects should be kept in mind, due to limited space, this study focuses on BRICS-LICs

¹ The historical development as well as the differing weight of the individual countries causes some methodological and editorial problems for this study. As South Africa forms only part of the group since 2010 and due to its mere size does not have the same weight in world economy than the other countries, much of the literature (and data cited in this study) only refers to the four original countries. In order to be precise in the quotations and reference to the cited data the authors decided to use the acronym BRICS whenever South Africa is included (mainly own collection of data), while the term BRIC is used when talking about the original countries.

² The BRICS have a surface of 39.7 million km² (27 % of the world's landmass) and account for 2.9 billion people (42 % of world population).

³ CIVETS = Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa.

⁴ Next Eleven = Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, Philippines, Turkey, South Korea and Vietnam (cf. chapter 2).

⁵ cf. <http://www.devex.com/en/news/76166/print>

relations. The crucial question is how BRICS are influencing the development of LICs and what the economic interdependencies look like. Moreover, this paper analyses, how BRICS are targeting development policies and as to what extent BRICS have similar interests and are following a common approach.

The following section is going to retrace the evolution of BRICS from development countries to emerging economies and important donors. Key features of BRICS cooperation and their role in global politics are highlighted (chapter 2). Chapter 3 will examine BRICS and South-South-Cooperation (SSC). Similarities and differences of development policies are explicated in short profiles for each country. What does development cooperation among BRICS and LICs look like in respect of trade, investments and financing? To what extent are BRICS influencing economic growth and debt sustainability of LICs? Chapter 4 analyses the challenges of the EU-Agenda with regard to Official Development Assistance (ODA) and corresponding international agreements (Paris Declaration/PD, Accra Agenda for Action/AAA, Millennium Development Goals/MDGs, Monterrey-Process) with regard to increased BRICS engagement. The explanations also take the European Consensus into account. Finally, chapter 5 concludes and formulates recommendations for the European Parliament as well as for the Commission.

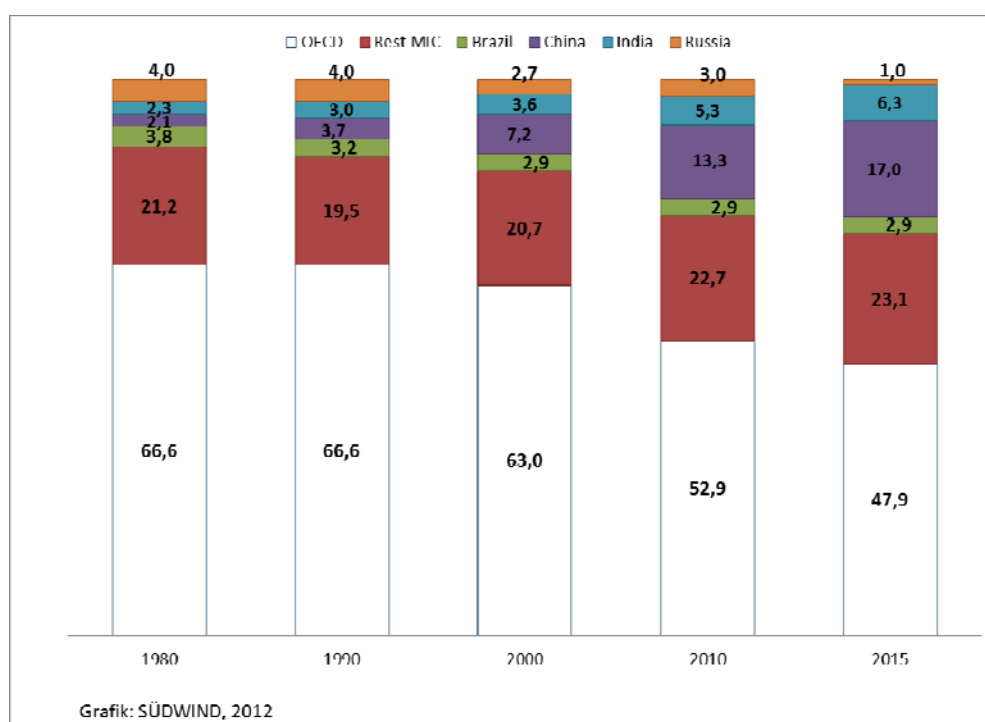
2. BRICS: FROM DEVELOPING COUNTRIES TO EMERGING ECONOMIES

Within the last 10 years, BRIC have consolidated and even further expanded their strong position in the world economy. Figure 1 features BRIC's participation in global Gross National Income (GNI – in Purchasing Power Parity / PPP) and shows that especially China but also India and other MICs are and further will be expanding their share – at the expense of OECD (Organization for Economic Cooperation and Development) countries. Brazil remains stable whereas Russia's share is supposed to decline in the future. By 2015, MICs and BRIC are expected to produce more than 50 % of global income.

During their rise, BRIC remained stable and intensified economic cooperation linkages with other development countries. Among the group of emerging economies, BRIC are playing a crucial, if not systemic, role in global economy. Three main aspects are underlining the relevance of BRIC as protagonists in development cooperation:

1. The outstanding size of their economies,
2. strong growth rates, leading to increasing significance in world economy, and
3. the demand for a stronger political voice in international governance structures, which corresponds to their economic status (cf. O'Neill 2001, Orgaz et.al. 2011).

A number of other emerging economies are revealing one or two of these characteristics. In this context, Goldman Sachs has identified the "next eleven" (Bangladesh, Egypt, Indonesia, Iran, Korea, Mexico, Nigeria, Pakistan, Philippines, Turkey and Vietnam), who have improved their position in world economy in a similar way (Wilson/Stupnytska 2007). But unlike BRIC, these countries are not meeting all three above mentioned conditions.

Figure 1: Share in Global GNI in PPP (Per cent of Total)

Source: Orgaz et al. 2011: 19 (citing IMF and World Bank data).

Russia was the country, Jim O'Neill – when coining the acronym in 2001 – was most uncertain about regarding a positive economic outlook (Cooper 2006: 4). However, due to high educational standards, growing investments and stable macroeconomic policy the economic development remains positive: The country has more than 140 Million inhabitants, roughly the same GDP as Brazil (PPP) and – with the exception of 2009 – constant growth rates of around 5 %.

Although South Africa was now accepted to form part of the group, it does not meet all the characteristics mentioned above, as its economy is much smaller than that of the other four countries. Its GDP is only a third of Brazil's or Russia's GDP and a much smaller fraction of China's or India's GDP. Nonetheless, South Africa is Africa's leading economy and has become one of the most important political actors on the continent. It is one of the few African countries ranked as an upper-middle income country and is the only African nation with a G20 seat. The country also enjoys relative political stability, having held four successful free elections since the end of apartheid. South Africa lobbied for several years to be allowed to join the BRIC group, before it was officially invited to join the hereafter designated BRICS.

The quest for higher representation and political say in global governance might be the most important aspect highlighting the relevance of the BRICS group (Keukeleire et al. 2011: 16ff). During their first meeting, a joint statement was adopted, in which they called for a more democratic and multi-polar world order based on cooperation, coordinated action and collective decision-making of all states. Considering the political dimension, some analysts are interpreting the emergence of BRICS in a neo-realistic way, assuming that BRICS want to challenge and counterbalance US (and western) hegemony (Leal-Arcas 2008: 236 f.; Skak 2011: 4 f.). Yet, the coherence of BRICS is undermined by a number of aspects (cf. chapter 3.4). One also has to keep in mind, that BRICS are actually winners of the globalisation process of the last decade (on average GDP) and are opting for participation and influence in – rather than opposition to – multilateral economic and political institutions (G20, IMF, World Bank,

World Trade Organization / WTO) (Skak 2011: 14/16). There are mutual economic interests and interdependencies among BRICS, the US and the EU. Thus, their political strategy is targeting multilateral negotiation and cooperation rather than confrontation and power politics.

Ministerial meetings took place during UN and G20 conferences. Beyond these informal meetings the BRIC(S) dialogue was institutionalized through summit meetings in Russia (2009), Brazil (2010), China (2011) and India (scheduled for 2012). During these meetings, development cooperation was not a major issue. The five countries are forming a strategic alliance in order to increase their political weight at the international level and to enforce common political and economic interests (Keukeleire et al. 2011: 5). Nonetheless, representing the biggest emerging economies, BRICS are bound to take a stand on the subject of global development politics. As a matter of fact, one topic of the first BRIC summit (Yekaterinburg 2009) was food security and the commitment to provide financial and technical assistance in fighting undernourishment in developing countries (BRIC 2009). This indicates that BRICS also put development issues on the agenda. In the joint declaration of Sanya (2011), BRICS claim to represent common goals of all LICs and MICs and emphasize the necessity to fight poverty and to achieve the MDGs:

„We believe that growth and development are central to addressing poverty and to achieving the MDG goals. Eradication of extreme poverty and hunger is a moral, social, political and economic imperative of humankind and one of the greatest global challenges facing the world today, particularly in Least Developed Countries in Africa and elsewhere. We call on the international community to actively implement [...] and achieve the objectives of the MDGs by 2015 as scheduled.“ (Sanya Declaration 2011)

Beyond annual meetings on presidential and ministerial level, BRICS' cooperation is not institutionalized in a formal way. Other multilateral gatherings as well as bilateral negotiations are reflecting existing asymmetries and differences within BRICS and are to some extent undermining the BRICS-concept: Since 2003, India, Brazil and South Africa (IBSA) try to coordinate more closely through launching the IBSA-initiative, targeting trilateral cooperation in energy supply, trade and other sectors. They also opened a fund for development cooperation (supported by the UN-Development Programme / UNDP), financing programmes of waste collection in Port-au-Prince, agricultural assistance in Guinea Bissau, HIV-workshops in Burundi and others. The fund "aims at supporting viable and replicable projects that, based on the capabilities available in the IBSA countries and in their internal best practices, contribute to the national priorities of other developing countries"⁶. Moreover, Brazil, South Africa, India and China are meeting within the BASIC group. They started off in 2009 in order to develop common strategies in the forefront of the Copenhagen climate summit and also cooperated in following international climate conferences.

As a consequence of respective trade in goods and services, capital flows and foreign direct investment (FDI), the focal point of global economic dynamics might be shifting slowly from OECD-countries to the BRICS in coming years. Next to other emerging economies like Saudi Arabia or Venezuela, BRICS are also becoming more important as donors in the international financial architecture. However, there are significant differences in dimension and orientation of development cooperation among BRICS correlating to differences in growth intensity, economic and trade structures, degree of market liberalisation, per-capita-income as well as history and tradition of SSC.

⁶ cf. <http://www.ibsa-trilateral.org>

Naturally, some BRICS try to strengthen their own positions and national interests through SSC. In their endeavour for more political say in global governance, BRICS claim to speak on behalf of the “global south” in a number of topics. This eventually leads to tension among emerging economies and is also causing scepticism in developing countries. Some countries of the “next eleven” are questioning the gain in power of BRICS, also because they are hoping to play a bigger part in international organizations themselves. In that respect, also other emerging economies are implementing SSC according to BRICS-patterns.

BRICS are not among the most prosperous countries according to per capita income. India has only recently moved from LIC to MIC status and all BRICS are facing serious disparity and poverty challenges themselves. However, through their strong economic dynamics as well as territorial and demographic dimensions **BRICS are influencing global economic development to a great extent.** Reflecting their increasing relevance, **BRICS have started to constitute a strategic alliance** with institutionalized meetings on ministerial and presidential level. Although **a primary objective is to gain influence in institutions of global governance, their strategy is based on multilateral soft balancing and SSC.** This has considerable impact on the international aid-architecture and needs to be taken seriously in EU development policies.

3. BRICS AND THE SOUTH-SOUTH-COOPERATION (SSC)

After the fruitless 2006 WTO-Doha round in Geneva, which failed to reach an agreement concerning agricultural subsidies and import taxes, the reputation of multilateral consultations was damaged and especially the BRIC turned towards SSC at the bilateral and regional level (Leal-Arcas2008: 241 ff.). SSC has become a central topic of many existing panels of international development cooperation. OECD and UN have introduced task forces on SSC and are aware of the fact that BRICS have tremendous influence on SSC.

There is no official international definition of SSC. However, the largest intergovernmental forum of development countries (G77) has agreed upon some general characteristics of SSC in the Yamoussoukro Consensus, adopted in 2008. Thus, “South-South cooperation is a common endeavour of peoples and countries of the South, based on their common objectives and solidarity”. It is not meant to replace North-South cooperation and needs to be evaluated using different standards. The strategy of SSC is pursuing “economic independence and self-reliance of the South”. SSC is also based on the specific “historic and political context” and “shared experiences” of developing countries (Yamoussoukro 2008).

In the following, a profile of each country’s foreign development structure is given with regard to focus areas, amounts, institutional arrangement and political objectives (3.1). Thereafter, BRICS’ impact within SSC concerning trade, FDI and development financing are drawn attention to (3.2). Complementary, chapter 3.3 analyses BRICS–LICs relations in terms of economic growth and debt sustainability. Chapter 3.4 highlights some key similarities as well as differences of BRICS’ SSC, thereby leading over to the topic of global development architecture and DAC/EU compatibility.

3.1 BRICS Development Policies

SSC has been institutionalised in all BRICS and turns out to be an important challenge for international development strategies of the EU since south-south dynamics seem to be out of reach. But, if awareness of SSC is improved, it can also be reflected in EU relations with BRICS. From the BRICS' perspective, SSC has three important dimensions (Orgaz et al. 2011):

- political dimension: to create spaces for autonomous discussion, independent of OECD-countries;
- economic dimension: Trade, financing and ODA
- technical dimension: exchange of expertise and technology know-how.

3.1.1 Brazil

Brazil's head international development institution is the "Agência Brasileira de Cooperação" (ABC), which is subordinated to the Ministry of Foreign Relations and divided into several units. The Agency was established in 1987 and is supposed to organize international cooperation as well as to coordinate internal development with foreign policy approaches (John de Sousa 2010: 3).

The main part of bilateral development assistance is going to neighbouring countries, especially Paraguay, Bolivia, and the Andean region. Brazil is also playing a crucial role in post earthquake cooperation in Haiti and the Caribbean region, where programmes in education, health (HIV/AIDS) and social development are supported. One third of bilateral ODA is concentrated on lusophone African countries (John de Sousa 2008: 3). Brazil is the biggest stakeholder of the regional organization Mercosur (Argentina, Brazil, Paraguay, Uruguay, Venezuela), generating 80 % of Mercosur's GDP (2005).

Brazil's foreign aid is concentrating on the social sector, education, health and poverty reduction. Above that, the country has experiences in emergency aid and, being one of the largest exporters of agricultural goods, is providing technical assistance and know-how regarding agricultural development. Here the country has comparative advantages in comparison to other donors. In general, technical cooperation is much more accentuated than financial aid.

Total amounts of foreign aid are difficult to obtain. Estimates vary from USD 362 million up to USD 1 billion (2009). Multilateral aid is estimated to amount to USD 248 million, of which 50 % went to Mercosur and the Inter American Development Bank (World Bank 2011: 20). Brazil's total development aid budget has been constantly increasing in recent years. However, Brazil is characterized by high economic disparity; therefore, social tensions and underdevelopment remain internal problems in the country itself.

Brazil's regional engagement and foreign investments in infrastructure and the mining sector are not only to be seen as development cooperation but also as outcomes of economic self-interest. On a political level, Brazil wants to increase its visibility on the international floor, for instance by using partnerships to lobby for a permanent seat in the UN Security Council (John de Sousa 2010: 1). Former president Lula da Silva has initiated an SSC-focused foreign policy approach, thereby emphasising Brazil's role as advocate of the global south. Even though Brazil is regarded to comply with EU-development concerns of human rights and democracy, political conditionalities are not attached to its foreign development projects. The principle of non-interference also explains Brazil's reluctance to supporting international donor agreements such as the Paris Declaration and the AAA (John de Sousa 2010: 2).

3.1.2 Russia

On the institutional level, a specialized governmental agency for international development assistance was announced in a 2007 white paper but has not been installed yet. The expenditures, priorities and implementation of international development assistance are jointly coordinated by the Ministry of Foreign Affairs and the Ministry of Finance in consultation with federal executive authorities. The Ministry of Economic Development and Trade is also involved in respect to providing strategic information on economic and financial conditions in recipient countries (Government of Russia 2007: 10 ff.).

Russia's position among the BRICS differs from that of the other countries, mainly due to its 20th century history. Russia is not a traditional development country but belongs to the so called transitional countries. Today's self-perception is still very much influenced by the former world power status, of which large military spending and personnel are still prevailing burdens. The Russian Federation is a huge territorial and multinational state and a number of disputes within the Federation and in the whole of the conflict-prone Caucasus region remain unresolved. Main exports are energy sources, minerals and materials of low level of processing. The economy is not very diversified, the service sector is somewhat underdeveloped and demography is predicting an ageing society. Russian politics at present do not assure macroeconomic stability, but include puzzling state involvement and security practices (Cooper 2006: 7ff).

On the other side, Russia is a re-emerging economy with growing efforts in the development arena. According to a government report for the G8 meeting in Deauville, Russia's ODA disbursements increased from USD 100 million in 2004 to USD 472 million in 2010, which corresponds to 0,015 %, respectively 0,05 % of GNI (Deauville 2011: 7). Almost 50 % of development aid is concentrated on neighbouring Eurasian countries; another regional focal point is Sub-Saharan Africa (SSA). Key aspects are food security and health – within the last 10 years, Russia contributed USD 260 million to the Global Fund to Fight AIDS, Tuberculosis and Malaria (Deauville 2011: 16) and the country is promoting research centres and cooperation in fighting HIV/AIDS and tropical diseases. Overall, the development policy is supposed to be a "reasonable balance" between the MDGs, the national foreign concept and the national security concept (Government of Russia 2007: 5).

In opposition to other BRICS, Russia's aid is much more in line with traditional DAC donors. OECD principles on development cooperation, such as the 0.7 % target and the Paris Declaration, are accepted as guidelines of Russia's development strategy. Also, a considerable amount of financial aid is transmitted through multilateral organizations such as Eurasian Economic Community, World Bank and UN (Walz/Ramachandran 2010: 11). Overall, the concept of economic cooperation and development seems to align much more to traditional donor-recipient mechanisms than to the idea of SSC as expressing solidarity among equals of the global south.

3.1.3 India

India started implementing small regional projects as soon as in the 1950s and eventually founded the Technical and Economic Cooperation in 1964 as a “flagship program” for training and technical assistance (Walz/Ramachandran 2010: 4). Today, India’s structure of development aid implementation is rather confusing. A number of different ministries and governmental institutions are involved in executing foreign aid, led by the Ministry of External Affairs. But, according to different sources, the Indian Agency for Partnership in Development (IAPD) is soon going to be established, with an estimated 5-7 year budget of USD 11.3 billion⁷. The agency would be an essential instrument, not only to improve the efficiency of foreign aid flows and to prevent double structures but also to coordinate inward development and incoming assistance.

Even though economic growth and future perspectives are raising hopes for India’s own development, in 2005 more than 40 % of the population were living on less than USD 1.25 / day. Within BRICS, India is by far the leading receiver of ODA which amounted to USD 2.5 billion in 2009 (Walz/Ramachandran 2010: 7).

On the other hand, India is meeting the challenge of being a political heavyweight by supporting LICs worldwide, but especially in its neighbourhood. Between 2005 and 2008, the main recipients of India’s aid programmes were Bhutan (36 % in 2009/ including hydropower projects), Bangladesh and Nepal as well as Sri Lanka, Myanmar and the Maldives (Katti et al: 2009: 2). An increasing amount of aid is spent within SSC, especially with Mauritius. India has contributed USD 200 million to the New Partnership for Africa’s Development (NEPAD) initiative and is improving technology based know-how through the Pan-African E-Network Project and the TEAM-9 Initiative (Techno-Economic Approach for Africa-India Movement, a credit facility for the promotion of socio-economic development in eight African countries with the help of Indian technology). India contributed a lot to Afghanistan’s reconstruction and is a key supporter of African peace keeping missions (Katti et al: 2009: 3).

In 2009 and 2010, India’s foreign development budget reached approx. USD 700 million per year. However, exact amounts are difficult to find because aid engagement is very often intertwined with bilateral trade and private sector involvement (World Bank 2011: 20). Foreign aid is primarily focusing on technical cooperation but includes debt relief and loans for infrastructure too. Main sectors are rural development, education and health (Walz/Ramachandran 2010: 15). About 80 % of India’s aid is distributed through bilateral channels (World Bank 2011: 20).

3.1.4 China

Without China, the BRICS are a toothless tiger. Not only is China the second largest economy worldwide in terms of total GDP but also one of the fastest growing, having 8-12 % real growth rates for eleven consecutive years now. Not surprisingly, today China is also the biggest and most influential actor among BRICS concerning international development cooperation. Chinese efforts go as far back as the 1950s, when bordering Asian nations received medicine and food supply. Also, the African continent has been a major recipient throughout the Cold War (Walz/Ramachandran 2011: 4).

⁷ Cf. www.globalsherpa.org.

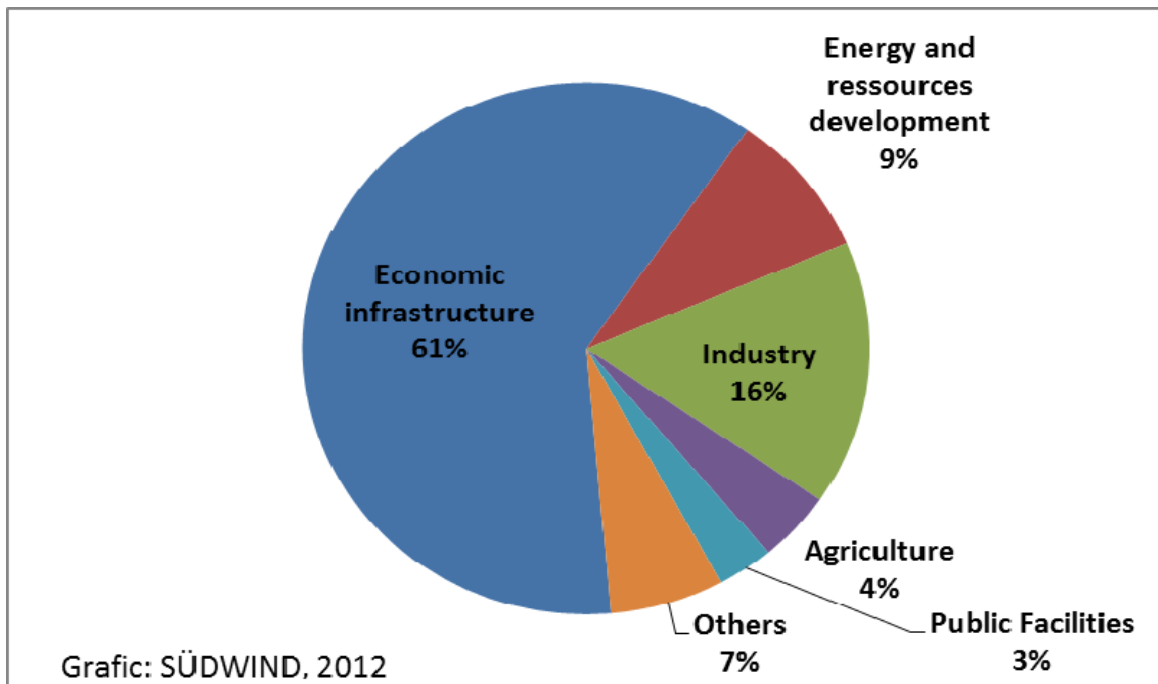
The institutional setting of foreign aid is somewhat complicated. Under the Chinese State Council there are three ministries and two financial institutions involved. Between the Ministry of Finance, the Ministry of Foreign Affairs and the Ministry of Commerce there is an “inter-agency coordination mechanism” (Government of China 2011). The Ministry of Commerce with its Department of Foreign Aid is the leading coordinator. In total, there are estimated 15-23 agencies involved in implementing development aid (Walz/Ramachandran 2011: 18). The China Development Bank and the Export-Import Bank together accounted for USD 110 billion of development related lending in 2009/10 which is more than the World Bank in the same period (Dyer/Anderlini 2011).

Geographically, China is focusing on Africa (46 % of foreign aid) and neighbouring Asia (33 %). For instance, in the resource-rich countries Angola, DR Congo and Sudan huge investments in infrastructure and energy supply took place. Often these projects are financed with Chinese credits which then are reimbursed through future oil-supplies, known as the “Angola-Model” (Lum 2009: 9 ff). 13 % of China's development spending is going to Latin America (Walz/Ramachandran 2011: 15). Also in Brazil and Venezuela major projects and investments are made on infrastructure, energy and in the raw materials sector. A minor proportion of foreign aid is going to eastern European countries.

According to the white paper on China's foreign aid, by the end of 2009 a total of 161 countries and 30 organizations benefited from Chinese aid. Recipients are mainly LICs (Government of China 2011). Major fields for projects are agriculture, economic infrastructure, public facilities, education and health care (Government of China 2011). Robust data is difficult to find, but according to World Bank estimations, Chinese aid increased from USD 0.5 billion in 1999 to USD 1.9 billion in 2009 (World Bank 2011: 19). The government specifically emphasizes SSC as well as trilateral and regional cooperation. In general, most foreign aid is based on bilateral agreements. Regarding development financing, resources are provided in the form of grants (41 %), 20-year interest-free loans (30 %) and concessional loans (29 %) (Government of China 2011). Concessional loans are mainly granted on economic infrastructure, followed by industry sector and development of energy and resources (cf. figure 2).

Frequently, investments, development aid, and trade relations are intertwined, which makes it difficult to calculate exact amounts for each sector. Chinese FDI involves private and state actors and has increased tremendously over the last years, especially in Africa. In some countries, like Zambia and Nigeria, Chinese FDI can go up to 100 Million USD per year. Thereof, Chinese investment in the resource sector and infrastructure projects constitutes the biggest proportion, followed by manufacturing and service industries. The number of private projects in other sectors is rising as well (IMF 2011a: 18). China has also signed debt relief contracts with 50 countries from Asia, Africa and Latin America amounting to 25.6 billion Yuan (USD 4 billion) (Government of China 2011). China's foreign development cooperation “entered a new stage in August 2010, when the Chinese government convened the National Conference on Foreign Aid”⁸.

⁸ cf. <http://www.globalsherpa.org/china-foreign-aid-india-brazil>

Figure 2: China: Sectoral distribution of concessional loans (by the end of 2009)

Source: <http://www.globalsherpa.org/china-foreign-aid-india-brazil>

China is constantly increasing its development aid efforts in terms of total spending and institutionalization of structures. At the same time, China up to now remains a recipient of western ODA and is very eager on keeping the “development country” status (Leal-Arcas 2008: 257 ff.). According to the Chinese government, multilateral settings such as BRICS are seen as the second best option, while the preference lies on bilateral SSC. The signing of development related agreements with Asian, African or Latin American countries is often accompanied by great ceremonial symbolism of eye-to-eye level partnership, contrasting the donor-recipient relations to western countries (Lum 2009: 4).

3.1.5 South Africa

The Department of International Relations and Cooperation (DIRCO) is responsible for South Africa’s foreign policy, including development assistance, which still is primarily Afro-centric. In a White Paper published in 2011 entitled “Building a Better World: The Diplomacy of Ubuntu” (DIRCO 2011) the government restates the centrality of the African continent to South Africa’s foreign policy objectives. One main focus of development assistance policy is regional security and stability, both of which are seen as central to Africa’s socio-economic development. In 2008, over half of total aid was earmarked to defence and security efforts. In the 2011 White Paper, this commitment is reemphasized, stating that South Africa will play a leading role within the African Union (AU) in conflict prevention, peacekeeping, peace-building, and post-conflict reconstruction.

More specifically, in its Strategic Plan for 2011 to 2014, DIRCO makes particular commitments for aid to the DR Congo, Sudan and Comoros with post-conflict reconstruction and development and to continue working with the Southern African Development Community (SADC) and the AU to facilitate peace building efforts in Sudan, Zimbabwe, Madagascar and the Great Lakes Region. Another main component of regional integration is strengthening sub-regional initiatives, such as the SADC, the NEPAD and the AU. Other main foreign policy objectives are strengthening regional integration and increasing intra-African trade.

One main vehicle for disbursement of foreign assistance funds is the African Renaissance and International Cooperation Fund (ARF). However, there are other directorates that liaise and manage policy towards particular world regions and countries, such as the Directorate Central Africa or the Directorate Western Europe. There are also directorates dedicated to South Africa's participation in multilateral forums, i.e. the Directorate African Union and the Directorate SADC. Notably, there is no central coordinating mechanism to manage development assistance. The effect is that development assistance policy often seems incoherent and diffused across various policymakers.

In response to these administrative challenges, the 2011 White Paper (DIRCO 2011) discusses the creation of a South African Development Partnership Agency (SADPA). The SADPA agency would replace the ARF and provide a more centralized and organized mechanism to channel development assistance funds and would facilitate monitoring of the funds granted by different government departments and responding to new requests for assistance. Originally, it was hoped that the SADPA could be phased in and the ARF phased out by 1 April 2012 already. However, it is now expected that SADPA's implementation will be "around June 2012" (Gamede 2012). Instead of amending the ARF, the SADPA will be a different legal entity with a board of trustees making sure that funds are used properly and effectively, forming policy, exercising oversight and advising the Minister. In terms of content, the SADPA would focus on project and programme management, as well as monitoring and evaluation (Gamede 2012).

South Africa also lacks a systematic database to track the country's financial development efforts. Development assistance in recent years is estimated to amount to USD 100 million. Taking into account the relative share in percentage of GNI this figure compares to that of other BRICS (cf. table 1). Other estimates even go up to more than USD 450 million.

While South Africa has yet to create the sustained levels of high economic growth, job creation and improvements in living standards that have characterized BRIC development, it can be expected that its role in international forums and SSC will continue to strengthen in the following decades. However slowly, the government is focusing on current strategies, official policies and multilateral participation both within and outside the UN to strengthen its role as a donor and leader in regional peace and integration.

Concluding this chapter, **the following table gives an overview of BRICS' development cooperation**, comparing various aspects with regard to structure, volumes and distribution.

Table 1: BRICS development policies - overview

	Brazil	Russia	India	China	South Africa
Development Institutions	Brazilian Agency for Cooperation, subordinated to the Ministry of Foreign Affairs	M. of Foreign Affairs and Ministry of Finance	Several ministries and governmental institutions, led by Ministry of Foreign Affairs	Ministry of Finance, Ministry of Foreign Affairs, Ministry of Commerce (lead)	Department for international Relations and Cooperation
Major Partners	Paraguay, Bolivia, the Andeans, Haiti, lusophone Africa	Former SU states, SSA	Bangladesh, Bhutan, Nepal, Sri Lanka, Myanmar, Mauritius	Angola, DR Congo, Sudan, Brazil, Venezuela, Asian and Europ. countries	DR Congo, Sudan, Comoros, Zimbabwe
Regional Integration	Mercosur	-	SAARC	SAARC (observer)	SADC, AU
Key Sectors	Agriculture, Education, health	Food security, health	Education, health, rural development,	Agriculture, Infrastructure, public facilities	Post-conflict reconstruction
Strategy/ Goals	Non-interference, regional integration	Multilateral channels	technical cooperation	SSC, trilateral and regional cooperation	Regional security and stability
Foreign aid in USD (World Bank 2011)	362 m – 1 bn (2009/2010)	472 m (2010)	700 m (2009)	1.9 bn (2009)	100 m
In % of GDP	0.02 – 0.05	0.03	0.05	0.04	0.04
other estimates USD (Walz/Ramachandran 2011)	356 m – 4 bn	785 m	488 m – 2.2 bn	1.5 bn – 25 bn	109 m - 475 m
Multi-/ bilateral aid (World Bank 2011 / Walz/ Ramachandran 2011)	68 % multilateral (Mercosur/ IADB)	large amounts multilateral	80 % bilateral	mainly bilateral	75 % multilateral
Others:					
2010 Population in million (UN)	195	143	1.225	1.341	50
2010 GDP per capita in USD (UN)	10.716	10.351	1.406	4.354	7.255
2010 GDP growth rate (UN)	7.5%	4%	8.8%	10.4%	2.8%
Gini-index (World Bank)	54,5 (2008)	42.3 (2008)	36.8 (2005)	41.5 (2005)	67.4 (2006)
HDI / rank (UN 2011)	0.718 / 84	0.755 / 66	0.547 / 134	0.687 / 101	0.619 / 123

Source: Authors. Data based on sources as specified in table.

3.2 Changes of development cooperation over the past decade

Development cooperation of BRICS has changed immensely over the last ten years. China and Russia have had strong political and economic ties with neighbouring countries and also SSA. After the end of the cold war, these relations weakened and/or changed. Also Brazil, India and South Africa did not live in isolation. However, they were far from having a strategy for implementing development efforts abroad: a strategy only emerged after the economic boom started in the late 1990s. Thereafter, the view was no longer restricted to self-development but active engagement in foreign trade and economic cooperation was pursued. Growing economic relations between BRICS and LICs have influenced Asian and African LICs the most. The IMF argues that these growth spillovers have even helped lessening the negative impact of the recent financial crisis (IMF 2011a: 8).

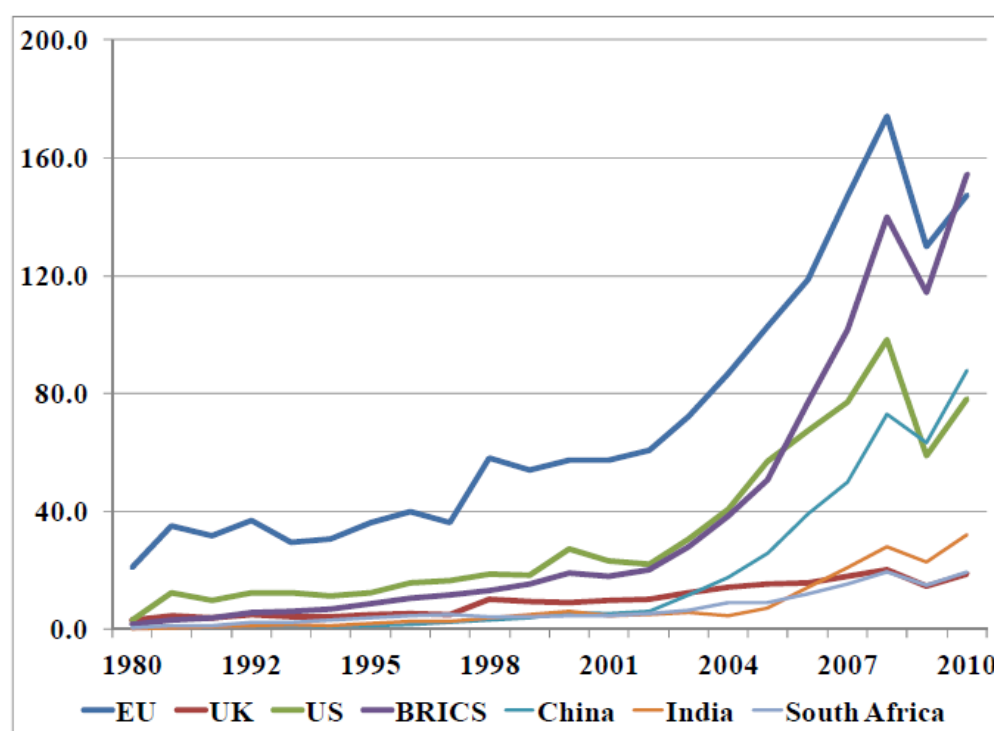
3.2.1 Trade

The BRIC-group (the following data excludes South Africa) is showing some remarkable trends in its foreign trade figures: The growth rate of exports was 13.3 % in the mid 1990ies and 49.8 % ten years later, growth of imports was 13.2 % and 47.7 %, respectively. With these remarkable growth rates, large parts of the GDP growth of these countries were induced by trade. The export share of GDP was 9.2 % in 1980 and 26.6 % in 2009, while the import share increased from 11.3 % to 20.4 % in the same period (Orgaz et al. 2011: 22).

Bilateral Trade is considered to be “the backbone of LIC-BRIC relations” (IMF 2011a: 6). LIC export to BRIC grew from USD 15 billion in 2000 to USD 61 billion in 2009, pushing back the EU and the USA to receive less than 45 % of LIC exports. Among all BRICS, China and India are the main consumers of LIC exports, followed by Brazil. In 2010, China and India account for more than 90 % of LIC exports of agricultural raw materials and for almost 85 % of fuels exports to BRICS. 52 % of exports of manufactured goods went to China, followed by Brazil (14 %), Russia, India and South Africa (10 % each) (UNCTADstat). Crops, minerals and other raw materials, especially fuels and metals, are the main component of LIC export to BRIC. One reason for the increase in LIC-BRIC trade figures are complementary trade structures providing overlap between BRIC demand and LIC supply (IMF 2011a: 13 f).

With regard to SSA, trade figures increased tremendously not only for the BRICS but also for the EU and the US, starting in 2002 (with a temporary downturn in mid 2008 due to the financial crisis). It should be noted, however, that BRICS’ total merchandise trade with SSA in 2010 exceeded for the first time the one of the EU (cf. figure 3).

The demand for resources has been increasing in the past decade, among the BRICS mainly due to strong growth of Chinese and Indian manufacturing industries. These circumstances have led and might continue to lead to strong price increases of raw materials. This has consequences for LICs on both sides: Those LICs that are importers of (most) raw materials, including oil, pay a higher import bill, which is not compensated by higher prices of their export products. But even LICs that are exporting raw materials and are potential winners of the price boom, run the risk of increasing their dependency on raw material exports, which might compromise the formation of significant manufacturing industries. Moreover, currency appreciation due to increased export earnings can lead to undesired negative effects in traditional export industries as they loose competitiveness on the world market (a common phenomenon known as the Dutch Disease).

Figure 3: Total Merchandise Trade between SSA and BRICS 2000-10 (billion USD)

Source: World Bank (2011): 21 (using IMF data: Direction of Trade Statistics).

However, Brazil and Russia were able to benefit from high raw material prices in the past and used the inflow to invest in higher processing industries. Their expertise can be useful to help LICs to escape the commodity trap and avoid the effects of the Dutch Disease. The emergence of manufacturing industries is critical for sustainable growth and economic development of LICs. Transfer of know how and technology are important measures to prevent LICs from being constrained to the role as suppliers of raw materials. BRICS trade preferences in favour of LICs can help to establish diversified economies. Trade-oriented financial aid is also helpful to initiate positive growth impulses in LICs.

Regional integration and trade agreements can be seen as a key aspect in BRICS-LICs economic relations. South Africa is focusing on consolidating the free trade area between the 14 members of the SADC and is currently developing a proposal for a model customs union. Regional trade agreements can also be found in Latin America (Mercosur) and Asia (South Asian Association for Regional Cooperation - SAARC) with involvement of Brazil, India and China. They include free trade directives and other preferential economic cooperation amongst member states. Regional organizations also deal with cross-border infrastructure projects (roads, energy, communication) which have considerable impact on trade relations, e.g. lowering of transactions costs (Rhee 2011: 267).

As the accentuation of foreign trade relations of BRICS varies from that of the EU there are a number of challenges for EU trade policies. For instance, China sets different priorities with regard to human rights and governance issues in their trade relations. This can have implications for EU efforts to establish Economic Partnership Agreements (EPA) or Free Trade Agreements as well as the efforts to interact with regional blocs, as partner countries have more trade options. Brazil, on the other hand, complies more with EU-development concerns of human rights and democracy, and therefore can be a valuable partner of the EU to help addressing these aspects in Latin America. Overall, **EU trade policies need to consider more strongly the increasing relevance of BRICS as global actors.** The failure of the Doha

round has disclosed the limitations of multilateralism with regard to trade policies. However, bilateral trade agreements are also inadequate for the coordination of global trade ties. In order to find solutions to this dilemma, the **EU should be constructive in appreciating the increasing influence of BRICS in their trade relations with development countries and emphasize common ideas and goals in respective negotiations.**

3.2.2 Increase in Foreign Direct Investment (FDI)

Worldwide FDI flows from BRICS have increased incredibly during the last decade. Starting from less than USD 10 billion until 2002 they amount to USD 146 billion only eight years later. UNCTAD-statistics show a steadily growing tendency in outward FDI for all BRICS, despite a decline in 2009 due to the financial crisis during which especially Brazil suffered from a recession. However, this is about the only similarity to be found. South Africa's share in total numbers is rather negligible, Brazil and India account for about 10 % each while China and Russia claim more than 75 % of total BRICS' FDI in 2010 (cf. table 2). Overall, Russian flows sum up to USD 265 billion during the last decade, putting China in second place with USD 251 billion. But Chinese FDI has increased the most and is likely to outnumber Russia over the next years.

Table 2: Outward foreign direct investment flows in million USD 2000-2010

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	total
Brazil	2.282	-2.258	2.482	249	9.807	2.517	28.202	7.067	20.457	-10.084	11.519	72.240
Russia	3.177	2.533	3.533	9.727	13.782	12.767	23.151	45.916	55.594	43.665	51.697	265.540
India	514	1.397	1.678	1.876	2.175	2.985	14.285	17.234	19.397	15.929	14.626	92.098
China	916	6.885	2.518	2.855	5.498	12.261	21.160	22.469	52.150	56.530	68.000	251.242
S.Africa	271	-3.178	-398	565	1.350	930	6.063	2.966	-3.134	1.151	450	7.038
total	7.159	5.380	9.813	15.272	32.612	31.461	92.862	95.650	144.464	107.191	146.292	688.158

Source: <http://unctadstat.unctad.org/TableViewer/tableView.aspx>

Finding exact numbers on outward FDI to LICs is rather difficult. Not all BRICS are publishing respective statistics and if they do, they might not comply with UN- or OECD-findings. In any case, the total FDI proportion going to LICs is rather small. In 2009, an estimated USD 2.2 billion (little more than 2 % of total FDI) went to LICs, of which USD 0.9 billion were directed to SSA (IMF 2011b: 5). Nonetheless, FDI from BRICS does have an impact on developing countries and is considered to be a significant growth driver for LICs. On the other hand, especially in the African context, there are concerns of "the new scramble" and exploitation of poor countries (Kimenyi/Lewis 2011: 19).

Some FDI comes in form of land acquisitions aiming to satisfy commercial or strategic interests. While this is not a new phenomenon, pace and scope of these deals have risen dramatically in recent years, particularly since 2008. Findings show that especially China and India are regularly involved in large-scale land acquisitions. However, on the other hand, the BRICS themselves "are also attractive markets for land acquisitions by private investors" (Kugelman/Levenstein 2009: 64). Generally speaking, "land investment tends to flow from wealthier to poorer countries, but is by no means limited to a "North-South" pattern; a number of developing countries are also actively investing in their regions and across the globe" (Kugelman/Levenstein 2009: 42). Consequently, the BRICS are involved in land grabbing but do not act as a group. In contrast, some of the BRICS countries are even responsible for land deals in other BRICS countries (e.g. China and India in Brazil and South Africa).

However, a substantial part of the land grabbing takes place within one country. This is the case in China and India for instance, where large scale land acquisitions occur through domestic enterprises and – often unlike the case with FDI land grabs – do not focus on agricultural purposes but mining, business parks, infrastructural development etc. (Borras/Franco 2012: 48). The picture with the BRICS being involved in land grabbing is thus manifold. The major problem with land grabbing – by BRICS as well as all other countries and enterprises involved – is that deals, their conditions and circumstances are not made transparently.

Apparently, BRICS do not have a common approach on FDI. South Africa, India and Brazil are focussing on neighbouring countries, but the latter two are also active in SSA. Indian FDI is concentrated on Bhutan, Sri Lanka, Nepal and Mauritius, whereas flows from Brazil are going to Bolivia, Angola and Liberia mainly (IMF 2011b: 6). Key targets of FDI are raw materials (mining), energy, communication and infrastructure, whereas manufacturing is playing a minor role only. Chinese FDI, on the other hand, is much more diversified both regionally and sectoral. Resource-rich countries such as Zambia, Nigeria and South Africa are still main recipients of Chinese FDI, but especially private companies are focussing on manufacturing and service sectors nowadays. FDI from China to SSA added up to USD 1.3 billion in 2007, which is still less than 5 % of global FDI to SSA (IMF 2011b: 13f). In contrast to China's FDI preference for the developing world, Russia is mainly acquiring assets in developed countries – partly due to its European connection, but is also active in SSA, especially Angola and Nigeria. Regarding the sectoral focus, Russian private and state owned enterprises are heading for natural resources mainly (Sauvant et al 2009: 10).

BRICS' share in outward FDI flows to developing countries in comparison to OECD-countries is still a minor one, but has been increasing lately and even more so as a result of the financial crisis. Thereby, a number of **positive impacts of FDI to developing countries can be identified**, such as improvement of infrastructure and energy supply as well as trade and general market incentives. For instance, a correlation between outward FDI and import demand in BRICS-LICs relations can be drawn. **However, FDI is also challenging for receiving countries in various ways.** It has to be ensured, that unlocking of natural resources, construction projects and local competition are to the benefit of the people in the respective countries. Just as any other home country of FDI, BRICS want to maximize their own economic and political interests; they are not acting on sheer altruistic beliefs (Kimenyi/Lewis 2011: 20). But, from a BRICS' perspective, promotion of economic key aspects like trade, transport, manufacturing and service industries is perceived to be crucial for general improvement of developing countries. In that respect, **FDI is also to be seen as a way of SSC.**

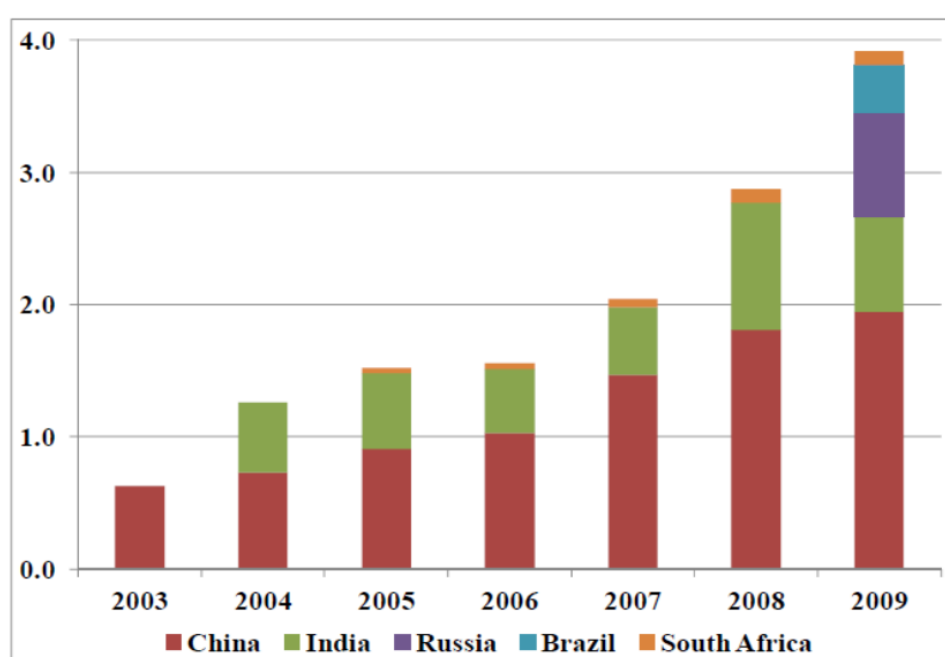
3.2.3 BRICS Development Financing

Development financing from most BRICS, and particularly from China and India, very often comes within a larger package, where grants, concessional and non-concessional loans are a complement to trade and investment arrangements. These packages can sometimes be very complex and even include natural resources of the recipient country as collateral ("Angola-Model", cf. chapter 3.1.4) (IMF 2011a: 24). As has been mentioned, BRICS do not follow the perception of donor-recipient-relationship but rather the idea of SSC. This notion of an equal economic partnership and mutual benefit of the cooperation constitutes the principle of non-interference in internal affairs of the recipient country and usually no political conditionality attached to the assistance. Whenever this aspect of unconditional assistance was adopted in countries with a problematic human rights situation, like in Sudan or Angola, this practice has raised concerns by traditional donors. It is precisely the mix of different forms of funding, concessional and non-concessional, and the mix between traditional development

cooperation, economic cooperation and internal business promotion, which makes the estimation of the amounts of aid and development cooperation as well as its impact difficult.

Data need to be treated cautiously, amounts are still difficult to obtain, and they are not directly comparable with OECD-DAC-data⁹. However, it can be stated that BRICS development aid has increased, with this development clearly being lead by China. The World Bank's estimation of BRICS' financing for 2009 adds up to USD 3.9 billion, which accounts for only about 3 % of total ODA. By far the biggest share with almost 50 % is provided by China, followed until 2008 by India. Financial flows from Russia and Brazil have risen notably in 2009 whereas South Africa's share remains rather small, but on a constantly increasing level. From 2005 onwards, the annual growth rate of BRICS aid was 16 % on average (cf. Figure4), with China's growth rate of foreign aid averaging 29.4 % from 2004 to 2009 (Government of China 2011).

Figure 4: Estimated Aid from BRICS 2003-2009 (USD billion)



Sources: Brautigam (2008); Smith and Zimmerman 2011; and Government budgets for India and South Africa.

Note: 1/The aid figures for BRICS are a mixture of budget allocations and best estimates, as such not directly comparable with the OECD ODA data. For China, the budgeted expenditures presented above reflect only the interest subsidy, and not the face value of the concessional loans extended by China Eximbank.

Source: World Bank 2011: 19.

With the focus on concessional and non-concessional loan commitments, other data (IMF 2011d) suggest that total BRIC loan commitments (excluding South Africa) to LIC amounted to a total of USD 26 billion in 2000-2008¹⁰. Moreover, it is to be expected that with increasingly tight budgets and crisis

⁹As BRICS are not part of the OECD-DAC and do not report their ODA financing to the OECD on a voluntary basis like some other non-DAC members do, the data used for this paper here was drawn from the reporting of loan commitments by recipient countries (IMF 2011d) and on various official and unofficial sources (World Bank 2011).

¹⁰ This includes a high peak in 2005 of more than USD 11 billion, driven by Chinese loan commitments to Angola, with constantly shrinking levels thereafter and current levels of below USD 3 billion (to LIC). Note that humanitarian aid, grants, debt relief and other elements of ODA, generally included according to the OECD-DAC reporting system are not included here (IMF 2011d). Large parts of India's assistance are given in the form of grants (World Bank 2011: 20).

financing including the Euro-crisis in traditional donor countries, the role of BRICS in development finance flows to LIC will increase further. Again, China is in a good position to lead this development, as the country not only has large international reserves and is therefore in a strong after-crisis position but also has a huge demand of resources, which is notably connected to the financing decisions of the country.

Poverty reduction is not generally in the centre of development financing, as “LICs with relative higher income per capita receive significantly more financing suggesting that BRIC financing is not necessarily need-based” (IMF 2011d: 11). However, especially grants are also spent for building social infrastructure such as hospitals and schools. In general, development financing by BRICS focuses on infrastructure and the productive sector, which is in line with the idea of SSC. Therefore, new development partners complement the aid from traditional donors as BRICS financing “has helped many LICs alleviate infrastructure bottlenecks and reduce poverty [...] BRICS’ specialization in infrastructure financing has generally been complementary with aid from many OECD donors, who had increasingly shifted their resources to social spending” (IMF 2011a: 36f). Aspects that have recently come up among OECD donors with regard to the discussion on ownership and aid effectiveness, such as untied aid, programme and budget support are usually absent in BRIC financing (World Bank 2011: 18).

Although this complementarity is generally to be seen positively, aspects of huge dimensions on infrastructure projects, coupled with tied aid, which in the rhetoric of traditional donors are to be decreased in order to foster ownership and aid effectiveness, should also be watched closely. The IMF also argues for greater transparency with regard to data availability on the amount and terms of BRICS’ development financing as well as the conditions of these packaged deals. Greater transparency is also essential with regard to the allocation of concessions for natural resources within in these deals (IMF 2011a: 28).

Especially for China and India, financing is mainly bilateral (often tied aid) with a low share of multilateral funding. Where multilateral aid is provided, it is mainly funded through regional institutions. This is in line with BRICS’ general tendency of focussing their aid on neighbouring countries, China being an exception here (World Bank 2011: 18ff.). Thus, Brazil is strongly engaged in Latin America and Lusophone African countries, Russia in the countries of the former Soviet Union, and India in Bangladesh, Myanmar, Nepal and Bhutan (IMF 2011d: 7). However, regional and language ties can also be observed by traditional donors.

BRIC development financing also seems to be in line with geostrategic and economic considerations. Landlocked countries with small or none raw material resources or interesting economic perspectives are likely to receive less financing than countries with opposite characteristics. One reason for this could be that in resource rich countries, such as Angola, Nigeria, Sudan, Ethiopia or Zambia, infrastructure projects with higher amounts of financing are more frequent than in resource scarce countries. However, against overall perception, BRIC do not favour resource rich countries when development financing is seen in relation to GDP (IMF 2011d: 6).

Overall, **the sharp increase of development financing by BRICS**, which is very often intertwined with trade and FDI arrangements, **is mainly due to Chinese engagement**. Therefore, BRICS financing is often channelled in infrastructure financing, which generally **has been seen as complementary with aid from traditional donors**. Nevertheless, **some aspects of development financing** from emerging donors, such as transparency on the conditions of these packaged deals, tied aid or impacts on debt sustainability, **should be watched closely**.

3.3 The Impact of BRICS Development Cooperation

As could be seen, linkages of BRICS with developing countries in general and LICs in particular have intensified over the last decade through various forms of cooperation and support. The question is now, as to what extent this liaison has helped developing countries to make progress in economic and general terms. In the following, this subject is going to be analysed in respect of economic growth and debt sustainability, two key drivers of economic stability and future development.

3.3.1 Economic growth and development

The implications of increased relations are differing among the heterogeneous group of developing countries. Largely, BRICS have contributed to economic growth and sustainable development as recent studies show (IMF 2011e; Lin 2012). The biggest effect can be identified in trade relations. 60 % of BRIC total impact on LICs is attributed to trade. Due to strong trade ties of BRIC to Middle East, North Africa and Central Asia, respective impacts are pronounced in these regions. Oil exporting countries are more influenced by trade shocks than others (IMF 2011e: 18). Indirect spillovers to LICs include commodity prices, global interest rates and demand. The influence of BRIC on these variables should not be underestimated. In terms of demand and productivity, a 1 % increase in BRIC is followed by a 0.7 % increase in LICs output over 3 years (Lin 2012). Moreover, due to higher wages and mechanisation, China and other MICs are moving from low-skilled, labour-intense production to higher value added goods, thereby leaving spaces and opportunities for LIC-economies to create jobs in these sectors (Lin 2012).

Impacts of FDI from BRIC to LICs can be very strong in countries with high inflows in percentage of GDP (e.g. Sudan, Zambia). In general, these flows are seen as a minor contributor to LIC growth only. After all, the volume is somewhat undersized in comparison to western countries and so far “empirical evidence (...) is inconclusive” (IMF 2011e: 19). Taking into account the overlapping structure of trade, FDI, grants and development financing the positive impact of BRIC becomes more obvious. Especially African countries show substantial improvement in electricity supply, railway and road infrastructure as well as communication structures. Service security and lower transport and communication expenditures are enabling further economic development. Positive spillovers include higher productivity, higher export-rates, diversification of industries, and intensifying of regional trade linkages. The IMF is also acknowledging BRIC assistance being complementary to traditional development aid (IMF 2011a: 27).

The BRIC impact on LICs growth has significantly increased during the financial crisis. BRIC were affected less than western countries, which has also led to an increased share in total LICs export. BRIC economies are not fully intertwined with western structures, thereby providing certain autonomy and reducing growth volatility in LICs (Lin 2012). Counterfactual analysis show, that if BRIC growth would have declined at the same extent as industrialized countries during the crisis, LICs’ growth would have been 0.3 – 1.1 % lower (IMF 2011e: 27).

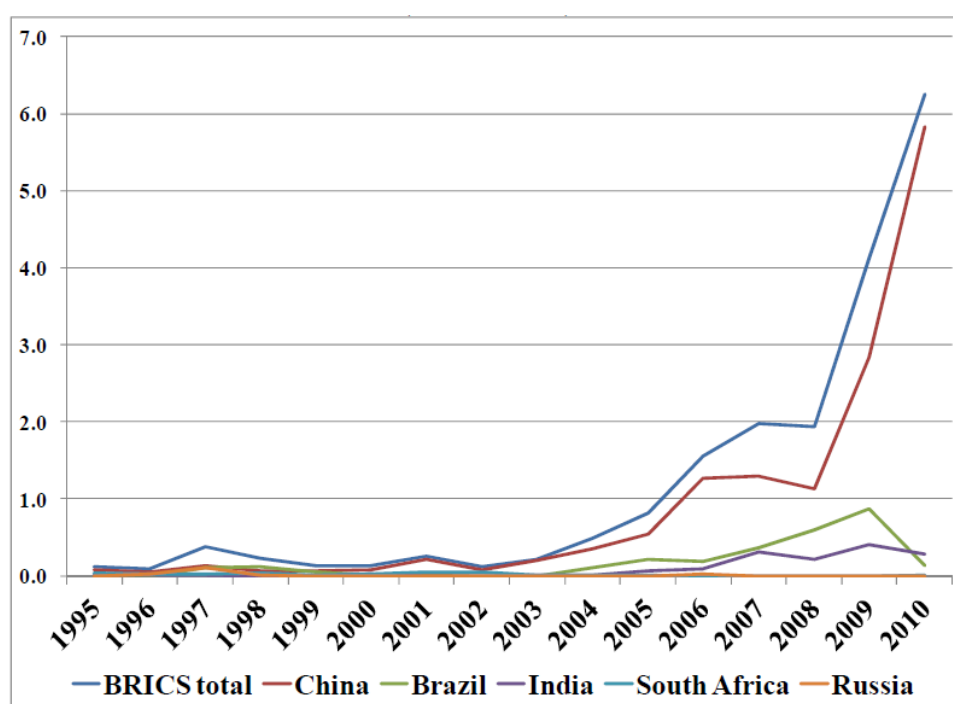
By and large, **there are remarkable spillovers and positive impacts through BRICS’ engagement, especially regarding trade. Trade, FDI and development financing have** not only contributed to LICs’ economic development but **also lessened the effects of the recent financial crisis on LICs.** However, many LICs still rely too much on exports of primary commodities and are in need of diversification and improved technologies for their industries.

3.3.2 Debt sustainability

The World Bank's Global Development Finance lists the BRICS in its statistical databank as developing debtor countries and – except for South Africa – they can all be found in the TOP 5 borrowers¹¹. With an external total debt stock of USD 1,615.7 billion in 2010, the BRICS together “accounted for almost 40 % of the end 2010 external debt stock owed by all developing countries” (GDF 2012: 2). However, especially China, but also other BRICS have incurred enormous amounts of international reserves over recent years. Except for Brazil (83.2 % of external debt stock) and South Africa (97.0 %) this amount surpasses the external debt stock, and in the case of China even more than five times (531.2 %). Also related to GNI, none of the BRICS is severely indebted with the indicators ranging from 9.3 % (China) to 26.9 % (Russian Federation).

Although BRICS play an increasingly important role as providers of development finance, financial flows are generally (still) much smaller than OECD countries' financing, however, it tends to be less concessional. Debt creating flows from BRICS to SSA, for instance, have risen dramatically: Total loan disbursements from BRICS to SSA grew by an average of 60 % annually over the period 2000-10, reaching over USD 6 billion in 2010 (cf. Figure 5). Figure 5 also shows that again China plays the predominant role in this overall trend (World Bank 2011: 22).

Figure 5: Total loan disbursements from BRICS to SSA 1995 – 2010 (USD billion)



Source: World Bank 2011: 22.

¹¹ China accounts for 13.5 % of total debt stocks of all developing countries, the Russian Federation for 9.4 %, Brazil 8.5 % and India 7.1 % (while South Africa only accounts for 1.1 %). If not otherwise stated these and all other debt related data in this chapter are drawn from the World Bank Global Development Finance at www.databank.worldbank.org.

This has raised concerns that BRICS financing could affect debt sustainability negatively, especially in countries which have received debt relief recently and countries with weak institutions. Indeed, though generally benefits are identifiable through increased BRICS development financing, some risks remain especially connected with the following findings:

- BRIC seem to “provide more financing to LICs with weaker institutions and governance.” (IMF 2011d: 18).
- Several indicators seem to point to the fact that BRIC financing is based at least partly on commercial risk calculations: if the risk is perceived higher, the concessionality of the loan decreases. For example, countries with higher BRIC loan commitments (=higher exposure), countries without IMF-supported programmes and countries with weaker institutions (which all could reflect a higher risk of debt distress) tend to receive loans on less concessional terms (IMF 2011d: 12f).

Both factors are inconsistent with the logic of the IMF debt sustainability framework for LICs, which was designed to help maintain long term debt sustainability providing guidelines for debtor and creditor countries on borrowing limits and grant-allocation decisions according to a country’s prospective repayment ability. Within this framework, countries with strong institutions and good governance indicators are perceived as having higher repayment ability; they can therefore manage higher debt indicators and incur more loans with low concessionality. Thus, especially countries with weak institutions are at higher risk to run into debt distress if much and less conditional financing is provided.

However, so far there are very few examples of BRICS financing creating debt sustainability problems. In the case of Bhutan, for instance, partly loan financed investment in hydropower projects (by India) is seen as unproblematic as the prospective rate of return is seen as increasing repayment capacities (IMF 2009). In Mozambique, where two non-concessional loans were signed with China and Brazil for infrastructure projects, amounts are fairly small but still raise some concerns that this form of financing needs to be used more productively than in the past (IMF 2011f). A case in point is certainly Zimbabwe, currently classified as being in debt distress, where the government agreed upon non-concessional loans with China amounting to USD 566 million (IMF 2011g). However, Zimbabwe has not yet received debt relief under the respective frameworks (the Heavily Indebted Poor Countries Initiative and Multilateral Debt Relief Initiative), and it is likely that China will take its share if conditions are met for debt relief in the future.

Although not yet problematic, it is certainly important to observe BRICS’ financing, its social and economic returns and possible debt sustainability issues in LICs in the future. However, it can also be seen, that the debt sustainability framework could turn out to be a toothless tiger if it is not used as a guidance by all development partners on both sides. This implies that **the EU should not only engage in capacity strengthening of debt and project management as well as governance issues in LICs but also engage in a political dialogue with BRICS (and other non-OECD development partners) to come to common terms of needs-based development financing within a commonly designed debt sustainability framework.**

3.4 BRICS and the international development arena: similarities and differences

The quest for similarities and common approaches of BRICS development policies is a challenging one. China is in an outstanding position concerning basically all issues discussed. Its demand for raw materials and trade opportunities leads to economic bonds all over the globe, whereas South Africa and Brazil are focusing on regional stability and development mainly. Russia complies with traditional multilateral donor structures in many ways, while the other four are explicitly pursuing SSC to draw a distinction to western donors. Size, key areas and institutional settings of foreign assistance are differing among BRICS as well. Nonetheless, a number of parallels can be extracted:

- **There exists an overall preference of neighbouring countries and regional networks**, which is quite reasonable. Most adjacent nations are on a lower economic development status and some are in need of assistance due to natural or humanitarian catastrophes. BRICS have the regional expertise, are familiar with historical and social characteristics and are experienced in implementing development projects on their own. Promoting regional development and integration is also justified by BRICS' interest in political stability and peace as a prerequisite for local trade and joint ventures, for instance in energy supply and infrastructure projects.
- **Foreign aid, development financing, trade and direct investments of BRICS are intertwined and interdependent.** Economic growth is the priority that will eventually lead to poverty-reduction and social improvements, not the other way around. Therefore, **fostering growth in trade and manufacturing is perceived to be more relevant to development than insisting on human rights standards and good governance.** To some extent, BRICS can be considered to be less hypocritical regarding the ambivalence of development cooperation and economic self-interests (energy supply, raw materials, infrastructure etc.).
- **BRICS' development cooperation is focusing on technical rather than financial assistance.** China and India are concentrating on bilateral aid mainly, whereas Russia, Brazil and South Africa are predominantly using multilateral channels, the latter two due to their commitment to regional integration.
- In respect to DAC-compatibility of BRICS, one also needs to point out, that there is a major difference in prioritisation of political objectives. Development cooperation of BRICS is not following OECD-guidelines or western-standardized aid criteria. On the contrary, support is given without strict requirements on national policies of development countries. **Non-interference and national sovereignty are guiding principles** (Walz/Ramachandran 2010: 17). But, different shapes of this paradigm are to be found among BRICS. In IBSA-countries, this distinction seems to be less clear than in China or Russia.

The inclusion of South Africa into BRICS reveals two allegedly contradictory issues: The group wants to keep the label "development countries" and, at the same time, wants to attain political say in the international arena. Geostrategically, BRICS are now represented on all continents of the global south. In bilateral and regional agreements, the BRICS emphasize south-south solidarity and horizontal cooperation in contrast to western dominance. Yet, in global fora such as G20, UN Security Council or World Climate Conferences, BRICS claim to speak on behalf of the developing world (whether they actually do represent these countries is disputable) and gradually challenge western supremacy in international politics.

4. BRICS: CHALLENGES FOR THE GLOBAL EU-ODA-AGENDA

In the Sanya Declaration (2011), the BRICS clarify their objectives, foci and issues for further development. Generally, the BRICS affirm that they “are open to increasing engagement and cooperation with non-BRICS countries, in particular emerging and developing countries, and relevant international and regional organizations” (Sanya Declaration 2011, § 6). Neither the OECD-world, nor the EU or the US are explicitly mentioned as cooperation partners.

The Declaration also points to those institutions and international agreements that are to be supported. Among them are the UN (§ 8), the G20 (§ 14), the IMF (§ 15), the MDGs (§ 20, §21), the UN Framework Convention on Climate Change (§ 22), the Kyoto Protocol (§ 22), the Rio Declaration on Environment and Development (§ 23), the Agenda 21 (§ 23), the Johannesburg Plan of Implementation (§ 23), the NEPAD (§ 25), the WTO (§ 26), and the Doha Development Round (§ 26). Finally, the Action Plan included in the Declaration should explore establishing a BRICS-UNESCO Group (Sanya Declaration 2011: III.5).

Obviously, the BRICS have carefully thought of which institutions and agreements they want to consider and mention in the Sanya Declaration — and which ones not. None of the OECD- or EU-led processes (like the Monterrey Process, the Paris Declaration, the AAA, the European Consensus on Development, or the Agenda for Change) are included. The crucial question then is how the BRICS place themselves towards these processes that have taken place in the global and EU ODA arena since the early 2000s.

4.1 Monterrey Process (2002) and the MDGs

The Millennium Declaration, which sets out MDGs, and the Monterrey Process (starting with the International Conference on Financing for Development - ICFD), which meets the challenges of financing the MDGs, are two parallel processes starting in the early 2000s. Twelve years after the adoption of the MDGs, the poorest developing countries are still far from achieving these goals. However, a small group of countries that have seen fast economic growth in the last decade are either close to achieving some of the goals or have already done so. In the BRICS, MDGs were only partially achieved and it is important to note that the individual countries perform differently with quite good performances by Brazil and China, moderate achievements in Russia and India, and, finally, South Africa bringing up the rear. Table A.1 in the annex gives a more detailed overview of the BRICS' achievements with regards to the MDGs. Moreover, it must be stressed that although the BRICS are making progress concerning their economic growth and the achievement of the MDGs, roughly 41 % of the world's population living in extreme poverty (with less than 1.25 USD a day) live in Brazil, China, India, and South Africa¹².

In their Sanya Declaration, the BRICS stress: “We believe that growth and development are central to addressing poverty and to achieving the MDG goals. Eradication of extreme poverty and hunger is a moral, social, political and economic imperative of humankind and one of the greatest global challenges facing the world today, particularly in Least Developed Countries in Africa and elsewhere” (Sanya Declaration 2011, § 20) and further: “We call on the international community to actively implement [...] and achieve the objectives of the MDGs by 2015 as scheduled” (Sanya Declaration 2011,

¹² Authors' calculation based on data from the World Bank (data.worldbank.org).

§ 21). However, although the BRICS are not only ODA-recipients but also donors, they fully support the MDGs, but see themselves only as recipient countries in this respect.

All BRICS attended and were engaged quite actively in the Monterrey Conference with various statements (cf. UN 2002), although they were not speaking with one voice. In terms of content, the Consensus called for efforts to reach the 0.7 %-target, for making ODA more effective, and – more as a passing reference – to strengthen triangular and SSC (Monterrey Consensus 2002, § 42 and § 43). It also provided recommendations to countries on how to achieve the MDGs and emphasised developing countries' role in fixing their own governance mechanisms and institutions to spur domestic development (Shkolnikov/Sullivan 2010: 60). Moreover, the Monterrey Consensus stated that “there is a strong need for policies and measure at the national and international levels, formulated and implemented with *the full and effective participation of developing countries and countries with economies in transition*” (Monterrey Consensus 2002, §7, authors highlight).

At the occasion of the Monterrey Conference, Brazil, India, China, and South Africa were still presenting themselves more as recipient countries than as providers of SSC. Therefore, they all pointed to the fact that still very few countries had so far met the longstanding UN target of delivering 0.7 % of GNI as ODA to developing countries (e.g. Lafer 2002: 138), which the Monterrey Consensus also refers to (Monterrey Consensus 2002, § 42). On various occasions, Brazil, India, China, and South Africa have come up with this issue (e.g. Ahamed 2011: 2; Huaicheng 2002: 147; Lafer 2002: 138; Min 2011: 3; Mbeki 2002: 100), thus speaking from the viewpoint of developing countries.

Concerning the Monterrey Consensus, the four countries are more or less all on the same line. At the time the Consensus was agreed upon, they all highlighted the following issues (Huaicheng 2002; Lafer 2002; Mbeki 2002; Shourie 2002; Zhang 2002):

- The Monterrey Consensus is in principle a good policy framework;
- Donor countries should stick to their commitment of the 0.7% target;
- A multipolar approach is highlighted, with the UN institutions as central (as opposed to bilateral aid);
- Strengthening growth in domestic countries is more important than the mere aid to the social sector;
- It is important to remove trade barriers.

China was more precise in its statement; in particular, China welcomed the governance approach of the ICFD, namely recognizing the UN for inviting the World Bank, IMF and WTO to participate in the Conference and share with them mutual responsibilities for global development. At the ICFD itself, China highlighted the ownership principle and that “there is no such thing as a stereotyped development mode or a one-size-fits-all solution that can be imposed on developing countries” (Huaicheng 2002: 145). And again, China called for “equal status of and participation by all members of the international community” (Huaicheng 2002: 145) and also, in this context, for building “a new international economic order” (Huaicheng 2002: 146), including the international financial, trading, monetary, and economic systems.

India also was direct in its critique, although wrapping it in metaphors: “it is no use extending a ten feet rope to a person drowning in twenty feet of water” (Shourie 2002: 177). However, India also explicitly mentioned its hope that the donors provide more ODA and that these resources are not invested in bilateral aid, but will be channelled through multilateral development agencies, including the regional banks (Shourie 2002: 177). Like China, India highlighted the importance of implementing what has been

agreed upon and proposed an “Action Taken Report” that will be published on an annual basis and reports for every international conference that has so far been achieved. The international community should attend to the agreed tasks “with the urgency of a person whose hair is on fire” (Shourie 2002: 178).

In later statements, Brazil acknowledged that the Financing for Development process is a “key pillar” of the development agenda and that the Monterrey Consensus and the “Doha Declaration on Financing for Development” “remains a model for international cooperation in economic and financial issues” (de Almeida 2011: 1)—whereby its multipolarity is highlighted. However, the lack of a permanent intergovernmental body to monitor the implementation of the Monterrey Consensus was criticised and the institutional framework was considered a priority issue by Brazil (de Almeida 2011: 3).

Russia, on the other hand, argues rather from the viewpoint of a donor: Accordingly, the country stresses the mobilization of domestic resources that should play “a decisive role in financing for development” while ODA should only play a complementary role (Kolotukhin 2002: 237). While the other four countries also acknowledge that the mobilization of domestic resources is a necessary component, they highlight the importance of ODA much more than Russia.

Only recently, China and India again stressed their support for and the importance of the Monterrey Consensus and the Doha Declaration on Financing for Development (Min 2011: 1; Ahamed 2011: 1). The non-fulfilment of ODA-targets was criticised, but economic growth, FDI and trade were also highlighted as important for financing for development. While China stresses that “the global development partnership must not be confused with South-South cooperation” (Min 2011: 3), India calls for providing a much greater share of ODA to the productive sectors (Ahamed 2011: 3). Their positions reflect both, their dissociating themselves from OECD countries and respective targets, and their bias in favour of economic partnership, SSC, and their way of development financing. Both countries call for a reform of the international financial architecture, which would give them more control of development financing.

To sum up, BRICS were mainly supporting the Monterrey Consensus, and arguing along the same lines, (with the exception of Russia) mainly from the viewpoint of (self-confident) recipient countries. In terms of content, they already made clear where their preferences are and where they differ from those of the OECD countries (e.g. strong focus on multipolar approach). At Monterrey, the BRICS did not yet take the role of providers of SSC. Russia has to be looked at from a different perspective. Its interest in the Monterrey Conference was limited, since at that time it was neither one of the most important donors, nor one of the recipient countries.

4.2 Paris Declaration (2005) and Accra Agenda for Action (2008)

The Paris Declaration on Aid Effectiveness (PD) contains a set of commitments that were meant to improve the effectiveness of aid and established a set of targets to be reached by 2010. It was established at the occasion of the 2nd High Level Forum on Aid Effectiveness (HLF-2).¹³ The PD introduced five principles: ownership, alignment, harmonization, managing for results, and mutual accountability. Some authors suggest that the new donors – among them BRICS – have a different approach to development aid than the traditional (OECD) donors¹⁴. Thus, their approach to how those

¹³ The first High Level Forum on Aid Effectiveness was held 2002 in Rome (HLF-1), HLF-2 in Paris in 2005, HLF-3 in Accra in 2008 and only recently, HLF-4 took place in Busan.

¹⁴ In fact, Walz and Ramachandran distinguish three aid models: the DAC model (to which they count Russia), the Arab model, and the Southern model (including Brazil, India, China, and South Africa) (Walz/Ramachandran 2011).

principles should be implemented varies from the interpretation of the traditional donors (Park 2011: 53). For instance, aid through SSC is often tied to certain conditions (OECD 2011: 55, Park 2011: 53), while one aim of the PD is to untie aid. However, tied aid is also still common among the group of OECD donors (Walz/Ramachandran 2011: 18). Moreover, for BRICS, it is very important to stress independence, sovereignty, unity and territorial integrity (Sanya Declaration 2011, § 9). Consequently, they refuse political conditionality (Chahoud 2007: 1; John de Sousa 2010: 2).

The declaration, together with its monitoring instruments, was drafted by the DAC, with only limited input from other countries. As a consequence, the PD, to a vast extent, only displays the perspective of the industrialized countries on the actions needed to improve aid effectiveness. It is a “donor-centric approach that can be found in many of the indicators used to measure the effectiveness of the declaration,” though possibly unintentional (Venter 2008: 21). For instance, the way the monitoring system is designed, there is only very little quality control of data presented by donors. Therefore, it is difficult for recipient countries to challenge the reported data, for instance concerning the majority of untied aid.

A weakness of the PD was that it did not treat the BRICS as emerging donors that are changing the dynamic of traditional aid through SSC arrangements. The Busan Outcome Document (BOD) “Busan Partnership for Effective Development Co-operation” explicitly mentions that “the Paris Declaration did not address the complexity of these new actors, while the Accra Agenda for Action recognised their importance and specificities” (Busan Partnership 2011: §14). Consequently, the PD, although strong in defining principles, targets, timelines, and indicators, is weak in its design since it follows the logic of an outdated international architecture. Emerging actors that are quickly becoming stronger are not represented in the PD, which makes it difficult for them to identify with the document. Consequently, it is rather difficult to find official statements of the BRICS towards the PD or the AAA. This is presumably due to the fact that Brazil, China, India, and South Africa are quite critical of the PD, but that such critique is not openly expressed internationally on the diplomatic floor.

Some authors even go as far as to classify the New Aid Agenda as “hegemonic” since “it combines neoliberal economic and institutional reforms with poverty reduction under an overarching umbrella of ‘good governance’. But ‘good governance’ is narrowly equated, in practise, with the institutional framework of an Anglo-American laissez-faire model of capitalism” (Oya 2008: 2). In Oya’s view, this uniformity of views leads to a tension over the risk that the PD infringes a recipient country’s sovereignty since it cannot determine its own development path (Venter 2008: 21) — an issue regularly stressed by the BRICS.

Nevertheless, all BRICS have signed the PD in the meantime, although, for instance, Brazil claims to have signed as a recipient country only (John de Sousa 2010: 2). India signed the PD in December 2006 because “pressure was mounted on India, which has also emerged as a major donor country, to adhere to the Paris Declaration guidelines on aid” (Sharma 2006). Also Russia claims to accept the principles of the PD as well as the AAA from the perspective of a donor country and will try to enhance the transparency of aid flows (Medvediew 2009).

To respond to their critiques of the program, the Working Party on Aid Effectiveness (WP-EFF) was seeking to dialogue with non-DAC donors. On 27 November 2007, a special session between the WP-EFF and non-DAC providers of development assistance took place in Paris. On this occasion the following general consensus among DAC and non-DAC donors was reached: the PD’s principles are concerned with the quality of aid and improving aid effectiveness (Davies 2008: 9).

Brazil was quite critical with the Accra Process. In particular, in a speech on 4 September 2008 in Accra, the Brazilian delegation stated that the country is “not comfortable to endorse the AAA’s final draft as it has been circulated” (Brazil 2008). Furthermore, Brazil distanced itself from the standards applied by donor countries and asked that SSC providers should not be classified as new donors (Brazil 2008). Following Brazil’s first refusal to sign the AAA, the document was amended to include a paragraph on SSC, in which “all development actors, including those engaged in South-South cooperation, [are encouraged] to use the Paris Declaration principles as a point of reference in providing development co-operation” (AAA 2008, § 19a).

As Grimm and Hackenesch put it, “the 2005 Paris Declaration was issued against the background of the North-South divide; the Accra agenda in 2008 was extended only slightly to include some weak statements on South-South cooperation” (Grimm /Hackenesch 2011: 1).

4.3 The European Consensus on Development (2005)

The European Consensus was adopted in 2005 and should provide, “a common vision that guides the action of the EU, both at its Member States and Community levels, in development co-operation” (European Council / Parliament / Commission 2006, § 3). Along the lines of the PD, the European Consensus focused on the eradication of poverty and achievement of the MDGs. Consequently, the EU explicitly mentioned that it wanted to take a lead role in implementing the PD and prioritise least developed and other LICs (European Council / Parliament / Commission 2006, § 32, § 10, § 24).

At that time (and only until 2007), India was the only member of the BRICS classified as a LIC, according to the OECD-DAC list of ODA recipients. Since 2008, all of the BRICS have become MICs; in other words, they are no longer the priority of EU development aid. However, as mentioned earlier, it must be noted that 41 % of the world’s population living in extreme poverty live in Brazil, China, India, and South Africa (cf. chapter 4.1) and the European Consensus acknowledges the ambivalent role of the MICs, the high number of poor people, their vulnerability as well as their regional and global importance: Therefore, the EU still committed itself “to supporting the pro-poor development of middle-income countries (MICs)” (European Council / Parliament / Commission 2006, § 24).¹⁵

Concerning the de facto ODA payments of EU institutions, results show that South Africa (USD 157.3 m) and India (USD 101.5 m) receive more aid than the average recipient (USD 98.52 m), while China (USD 44 m) and Brazil (USD 19.3 m) receive payments far below the average sum (cf. Table 3)¹⁶.

Table 3: ODA flows from EU institutions in million USD (in 2009)

<i>from highest to lowest</i>			Turkey	South Africa	India	Average	China	Brazil	Malaysia
ODA	of	EU	807.37	157.3	101.3	98.52	44	19.3	0.1
institutions									

Source: EU Donor Atlas 2011 (2009 data).

¹⁵ Although in the Commission’s Agenda for Change this is completely absent and seems not to play a significant role any more.

¹⁶ Turkey and Malaysia are added as reference in the Table since they get the highest and the lowest, respectively, ODA from EU institutions.

Surprisingly, China gets relatively little ODA from EU institutions, by contrast, China (USD 1,017.6 m) gets almost as much ODA from the individual EU Member States as India (USD 1,039.6 m) and much more than Brazil (USD 380.1 m) or South Africa (USD 450.1 m)¹⁷. According to the OECD-DAC list of ODA recipients, Turkey is also classified as an Upper MIC (like Brazil, China, and South Africa), but obviously it is the geopolitical proximity to Europe that accounts for these higher EU ODA flows. However, it is somewhat surprising that South Africa ranks higher than India. If the European Consensus is to be respected, the payments towards India should be increased.

4.4 The Agenda for Change (2011)

Shortly before the High Level Forum (HLF) in Busan, the EU published its Agenda for Change (European Commission 2011). While SSC did not play any role in the European Consensus on Development, the Agenda for Change mentions that SSC should be strengthened through the EU's engagement (European Commission 2011, § 3.2, p. 8). Furthermore, the role of a global partnership is mentioned neither in the European Consensus nor in the Agenda for Change. However, the latter already promotes the idea of a partnership-like approach, albeit not at the global level but on a differentiated basis for bilateral relations and for the relationship to the private sector.

Overall, the Agenda for Change does not represent a real change in the EU ODA approach and does not give credit to the developments that took place on the international level since the formulation of the European Consensus on Development in 2005. In contrast, it reemphasises the eradication of poverty as main goal. Compared to the European Consensus on Development, its scope is a little bit broader but it does not bring fresh content into the debate and simply seems to gain additional momentum for the European Consensus on Development. It has to be noted that – unlike in the European Consensus on Development – the Agenda for Change lacks a statement about the pro-poor development of MICs. However, the Agenda for Change is so far not yet a new policy but a proposal from the Commission to, among others, the Council and Parliament, which can still be adapted. It remains to be seen whether this focus will (again) be included or not.

So far, little reactions of the BRICS towards both the European Consensus on Development and the Agenda for Change are to be found publicly. Arguably, the two European Initiatives are less important than other issues for the political agenda of the BRICS. Consequently, reactions to these do not find their way into political statements.

4.5 Global Partnership, Busan (2011)

In contrast to the Paris Declaration and the AAA, HLF-4, which took place in Busan, South Korea, in 2011, occurred in a different geopolitical context: Between 2008 and 2011, the international economic and financial crisis led to an increased importance of actors from outside the West, mainly the BRICS. Consequently, HLF-4 took a different perspective and focused on establishing a Global Partnership instead of producing yet another declaration.

The design of this Global Partnership has yet to be defined, which is why the final document is often referred to as the “Busan Outcome Document” (BOD) instead of “Busan Partnership for Effective Development Cooperation.” By June 2012 – reflecting a quite ambitious timeline – “light working

¹⁷ EU Donor Atlas 2011 (data from 2009).

arrangements for this Global Partnership, including its membership [and] opportunities for regular ministerial-level engagement [...] have to be agreed upon (BOD § 36b).

However, it is clear that the BOD aims to establish a partnership and that SSC is heavily emphasised. This is also reflected in the wording of the different HLF outcome documents (cf. Table 4).

Table 4: Usage of the terms “South-South cooperation” and “partnership”

	Monterrey (2002)	Paris (2005)	Accra (2008)	Busan (2011)
"South-south cooperation"	2	0	4	14
"Partnership"	0	14	11	21

Source: Authors

Unlike Monterrey, Paris, and Accra, the BOD shows the influence of the new actors in formulating the document. For instance, although the MDGs are included in the BOD, it also focuses on economic growth (unlike the OECD aid paradigm of the previous years). The most influential new actors were China, India, and Brazil (in this order). Some assume that the BOD is the beginning of the end of OECD dominance within the development community. However, this is not yet the case because, above all, the document is not formulated clearly and thus the path ahead is extremely unclear. Much will depend on the implementation of the tasks that the single parties took home with them and that should be completed by June 2012. However, when looking at the concrete distribution of tasks, the BRICS are only mentioned as being co-responsible for agreeing on the light working arrangements mentioned above (BOD § 36 b). Nonetheless, Brazil, India, China, and South Africa are all part of the Busan Partnership Interim Group that will guide the process for designing the Global Partnership until June 2012 (Publish What You Fund 2012)¹⁸.

Furthermore, it is stated that the Busan principles, commitments, and actions shall be the reference for SSC on a voluntary basis (BOD § 2), whereas they are binding for North-South cooperation. Along these lines, the BOD stresses action at the country level (“country heavy, global light” is the buzzword associated with Busan) and consequently promotes the building of blocks, meaning that not every country needs to be involved in every action. Generally, this leaves more leeway for the design of individual programmes. At the same time, however, it may hinder the design of a well-functioning Global Partnership.

In this context it must also be noted that there is an increasing overlap with other institutions, such as within the OECD, G20, Rio+20, MDG+, or UN group. None of the BRICS is part of the OECD-DAC¹⁹, and it is highly uncertain whether China will accept the OECD-DAC criteria for ODA and that, as a consequence, India and Brazil will also abstain. Some observers assume that the G20 Development Working Group – which comprises all BRICS – will become the central body for discussing development issues on a global scale (instead of the OECD-DAC). Consequently, the newly emerging Global Partnership should work closely together with the G20 Development Working Group since the latter would be able to neutralise the former through its stronger political power.

¹⁸Although at least Brazil, China, and India perceive themselves more in the role of “observers”, but could be convinced to agree to the term “active observer” (Meyer 2012).

¹⁹cf. http://www.oecd.org/linklist/0,2678,en_2649_33721_1797105_1_1_1_1,00.html

Furthermore, the lowest common denominator for development cooperation, designed by traditional donors on the global level, will certainly be further lowered with the rise of BRICS as donors. However, the momentum created in Busan represents a chance to create a new forum that could indeed become a Global Partnership. A new forum is a prerequisite for a partnership since the old fora (e.g. OECD-DAC) were founded and designed in a different context that no longer reflects the global world order. Therefore, the existence and effectiveness of a new development partnership will depend on the design of the Global Partnership. The effectiveness would certainly be helped by collectively defining, as part of the Global Partnership, concrete targets, timelines, and indicators with which to measure progress.

In any case there is still the danger that the Global Partnership suffers from the central role the OECD DAC also played in Busan. In the view of many emerging economies, other international fora (e.g. the UN Development Cooperation Forum) would be more legitimate institutions for defining principles and frameworks for the international cooperation community (Grimm and Hackenesch 2011: 2). However, the UN's consensus principles would threaten the effectiveness of the process.

4.6 The Challenge

The critical issue at hand is that the BRICS are ambivalent partners for the EU: Brazil, China, India, and South Africa see themselves both as developing countries and as providers of SSC which leads to different responsibilities. For example, Brazil, India, China and South Africa attended the conferences in Paris and Accra as both recipient and donor countries when they had attended the conference in Monterrey as recipient countries. However, on the European level, the European Consensus on Development and the Agenda for Change do not consider other actors than recipient countries. Consequently, the BRICS, in their new or re-emerged role as donors, are not considered in these documents.

When compared to OECD countries, the BRICS can be characterised as a relatively consistent group when it comes to the global EU-ODA-Agenda because they have often acted in similar ways with regard to development cooperation (although only compared to each other, they are not as similar). However, this does not hold true for Russia which plays a different role in the development arena. Like the other BRICS, it has to redefine its role as a donor, but its neighbouring countries, which are presumably mostly the recipients of ODA, are not the countries of major interest for the EU when it comes to development cooperation. These countries do receive coverage, but through the European Neighbourhood Policy. Consequently, the EU needs to combine several of its processes if they indeed want to keep treating the BRICS as a group when it comes to development cooperation.

As pointed out previously, the BRICS are becoming donors in their own right and are trying to entrench their own viewpoints in the international agenda. The formulation of the Global Partnership by June 2012 represents a window of opportunity for the international community to take account of the new geopolitical architecture and credit the new donors with the right to their own opinion and agenda.

5. CONCLUSIONS AND RECOMMENDATIONS

In general, **BRICS do not constitute a homogeneous alliance**. Their economic and political position in respect of international development politics and policies should not be underestimated by EU-institutions. BRICS are part of the leading group of emerging economies that are going to – or are already – changing the setting of traditional development aid. The heterogeneity among BRICS seems to make development partnerships with BRICS en bloc rather complicated and less attractive. Especially China and Russia are differing – one being the next superpower, the other a former superpower – and need to be addressed in different ways. On the other side, agreements with India, Brazil and South Africa are more feasible (Leal-Arcas 2008: 271). They already have formed a group of mutual interests and goals (IBSA) and in terms of democracy, federalism, political norms and values, common grounds with the EU are evident.

The impact of BRICS on the economic development of LICs has increased. However, it did not lead to a push back of the EU as a partner of these countries. Above all, China is an important trade partner of many LICs and is influencing growth dynamics through demand of raw materials as well as manufacturing exports. But also trade, FDI, and development financing of the other four countries can be regarded as growth drivers for LICs, though trade is considered to be the most important link (IMF 2011a: 6). Overall, four areas have been analysed and have been identified as relevant for the dynamics of SSC, LIC's development and EU cooperation:

- **Trade:** BRICS' gain in power has been obvious in trade relations and **opposed interests between EU and BRICS are most likely to occur in issues of international trade**. However, conflicting interests **should not be carried out at the expense of LICs**. BRICS demand for resources has been increasing in the past decade due to strong growth of Chinese and Indian manufacturing industries. Brazil and Russia were able to benefit from high raw material prices in the past and their expertise can thus be useful to help LICs to escape the commodity trap. **The EU could give support for the transfer of know how and technology to prevent LICs from being constrained to the role as a supplier of raw materials** and to help establishing diversified economies.
- **FDI:** Worldwide **FDI flows from BRICS have increased** more than significantly during the last decade, but BRICS' share in outward FDI flows to developing countries in comparison to OECD-countries is still a minor one. A number of **positive impacts of FDI to developing countries can be identified**, such as improvement of infrastructure and energy supply as well as increased trade and general market incentives.
- **Financing:** **BRICS contribution to international development financing has increased** substantially over the past decade, with China playing the predominant role. But again, BRICS' share in ODA flows in comparison to OECD-countries is still rather small. **Development financing usually comes within a larger package of grants, concessional and non-concessional loans and trade and investment arrangements. BRICS pursue SSC in distinct opposition to traditional donor-recipient-relationships**. Thereby, financing is mainly bilateral regarding China and India, whereas Brazil and South Africa are using multilateral channels, especially for regional institutions. BRICS' development financing is focussing on neighbouring countries but also complies with geostrategic and economic considerations.
- **Debt sustainability:** Although BRICS financing has rarely created debt sustainability problems in the past, still **it is important to observe social and economic returns and possible debt**

sustainability issues in LICs. Thereby, the EU should engage in a political dialogue with BRICS (and other non-OECD development partners) to agree on needs-based development financing within a commonly designed debt sustainability framework.

BRICS as donors are not necessarily in competition neither with the DAC as institution nor with the DAC's aid model. The OECD should recognize differences instead of aiming to fit all donors under one umbrella (Walz/Ramachandran 2011: 10). In particular, there is a lack of incentives for Southern donors to join the DAC and, in addition, the philosophy of approaching aid varies considerably between emerging and OECD donors (Walz/Ramachandran 2011: 21). Therefore, **new institutional settings of global development cooperation are required.** If one single body is to be promoted at the international level, the DAC should not be that body, but part of it. The EU has now the chance to initiate and take its Member States with it on the road for a Global Partnership. At the same time, the parties of the Global Partnership need to consider other fora at the international level, so that responsibilities, mandates, and funding are clear and do not overlap. Furthermore, the issue of global governance is closely linked to the (voting) design of the Bretton Woods and other global institutions. Indeed, it is a challenge to adapt the international institutional architecture to the current geopolitical status. However, the EU should try to work in favour of adapting it.

Through trilateral settings, the EU can help developing the potentials of SSC. BRICS sub-coalitions like IBSA and BASIC are strong bodies to coordinate trilateral south-south-north-cooperation. Some of their focus areas coincide with priorities defined by the EU. Thereby, the EU could also build on the Agenda for Change and the Monterrey Consensus, which foresee "differentiated development partnerships" and the support of trilateral cooperation (Agenda for Change 2011, § 4, p. 12). Especially Brazil but also other emerging economies are interested in or are already practicing trilateral cooperation with OECD donors (John de Sousa 2010: 4). Also the G77 is appreciating triangular cooperation as a way "to respond to the new realities and opportunities for development" (Yamoussoukro 2008). However, it is important to avoid double structures and develop comparative advantages of SSC within trilateral development strategies. In order to reach these goals it is also necessary to demand more transparency of BRICS' SSC.

BRICS need to be included in aid effectiveness and development strategy dialogues. The EU should include BRICS and other emerging donors in an exchange of ideas on basic principles and effectiveness of development cooperation. Thereby, a certain amount of flexibility and openness is needed. Individual ideas of BRICS can be included in a constructive way although the risk remains that some BRICS might use their SSC-strategy to undermine EU policies. Human rights, democracy and social cohesion are crucial principles of European development cooperation and these core values cannot be relinquished in the dialogue with BRICS. Above that, poverty reduction remains the most important goal of EU development efforts and affects BRICS as donors as well as recipients of aid – high inequality and widespread poverty are major problems of BRICS themselves (cf. table 1; chapter 2; chapter 4.1). Alongside BRICS there are other emerging economies such as CIVETS and the "next eleven", who are gaining influence in international development politics. However, among MICs, BRICS are at the forefront of actually using their economic weight to induce change in the global governance architecture, which directly and indirectly is affecting the development agenda of the EU. This holds true in particular for the link between good governance, democracy and human rights on the one side and development financing, aid effectiveness and trade ties to the developing world on the other side.

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Appendix

Table A.1: Performance of BRICS countries towards reaching the MDGs

Country	Performance
Brazil	Score: 6.5. Seemingly achieved MDGs 1, 2, 3, 4, and 7; moderate progress in MDG 5. No data for MDG 6. The proportion of the population living in extreme poverty in Brazil fell from 25.6% in 1990 to 4.8% in 2008. Literacy rates improved between 1990 and 2008, from 91.3% of the population between 15 and 24 years old to 97.8%. The ratio of women to men in primary school and the labor force is relatively even, although there is still a higher incidence of poverty in women. Child mortality has decreased dramatically. The under-five mortality rate has fallen from 53.7 per thousand live births to 22.8. The international target is 20 per thousand live births. In the same time period, maternal mortality fell from 140 deaths per 100,000 live births to 75.
Russia	Score: 4. Regarding MDG 1, Russia has already eliminated extreme poverty (the proportion of the population living under \$1.25/day) but it has not halved the proportion of the population who is undernourished. It has made similarly good progress on MDGs 4 and 7 and moderate progress on MDGs 2 and 5. It has performed poorly on MDGs 3 and 6.
India	Score: 4.5. India has made moderate progress on MDGs 1, 4, and 5 and is on track to meeting MDGs 2, 3, and 7. It has performed rather poorly on MDG 6. The proportion of the population living in extreme poverty fell from 36% in 1994 to about 27.6% in 2005, but malnutrition is still widespread. Primary school enrollment has increased. The percentage of 6–11 year old children enrolled in primary school has risen from 83% in 2000 to over 95% in 2008. The ratio of boys to girls enrolled in primary school is 0.94, which represents an improved compared to the 1990 ratio. Yet, the participation of women in employment is still far less than that of men. Mortality rates for children under 5 years old has been reduced from 125 per thousand live births in 1990 to 74.6 per thousand live births in 2006. In 2005, maternal mortality was at 254 deaths per 100,000 live births. The target for India is 109 maternal deaths per 100,000 live births by 2015, which it will likely miss by approximately 26 points. The incidence of HIV/AIDS on the other hand, has increased significantly in the last decade.
China	Score: 6. Apparently, China has met MDGs 1, 3, 4, 5, and 7. There is insufficient data to determine its progress on MDG 2 (universal education) and MDG 6 (to halt the spread of HIV/AIDS). Poverty has fallen from 85 million in 1990 to 35.97 million by end of 2009. Net primary school enrollment has increased from 97.8% of school aged children in 1990 to 99.4% in 2009. Gender equality seems to have improved as well, with 99% of both girls and boys who enroll in primary school completing it. Reported infant mortality rates dropped from 50.2% in 1991 to 13.8% in 2009. The mortality rate of children under-five dropped from 61% in 1991 to 17.2% in 2008. Maternal mortality has also decreased, from 80 deaths per 100,000 live births in 1991 to 31.9 in 2009. There are large disparities between rural and urban settings that these figures do not convey however.

South Africa	Score 2.5. South Africa is on track to reach MDGs 1, 7, and 3 and has made moderate progress on MDG 2. It has performed poorly on MDGs 4, 5, and 6. Between 2000 and 2006 the proportion of the population living under \$1.25/day dropped from 17% of to 9.7%. Yet in 2006, the proportion of the population living under \$2.50/day was still 34.8%. The main education target, the literacy rate of 15–24 year-olds, was close to 90% in 2009. There is no data available for net enrollment in primary school or for the proportion of pupils who complete primary school. Child mortality is still quite high for under 5-yrs at 104 old per thousand live births. Maternal mortality ratio has increased from 369 per 100,000 live births in 2001 to 625 in 2007. South Africa has not been able to halt the spread of HIV/AIDS, which is the main target of MDG 6.
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Source: Authors. Data based on: Center for Global Development 2011; Brazilian Government and UNDP 2010: 22, 50, 72, 86; Government of India 2009: 15f., 60; UNDP 2011; Republic of South Africa and UNDP 2010: 52, 58, 60.

The Centre for Global Development publishes an annual Commitment to Development Index in which it tracks countries' progress towards meeting the MDGs. Each country is assigned a score between 0 and 8 (8 showing the most progress).

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