

## **BRICS' institutionalization through the Creation of the New Development Bank and Its importance into the South-South Cooperation**

Maria Fernanda Carrillo<sup>1</sup>

### **Introduction:**

From an acronym created by O'Neil in 2001, and the incorporation of South Africa to the group, the BRICS went further and institutionalized the group, which today can be considered as “a group of emerging powers that converge in their positions regarding the defense of interest of developing countries, and the need for reforms in international organizations” (Nogueira, 2012, p.281). In the midst of the collapse of the world economy in 2008, the BRICS saw the opportunity to make the international change that many countries had previously failed to achieve, deciding to address the failures of foreign policy, blaming the irresponsibility of the policies implemented by developed countries, thus expressing the need to readjust the financial institutions created by the Bretton Woods such as the IMF (International Monetary Found) and the WB (World Bank), so that they would directly support developing countries.

This group, beyond being a relatively new organization, has been considered today as a group that has opened the way for international inclusion on its own, Garrido-Falla (2015) notes that this group of countries, with a series of shared characteristics, will, due to its evolution, be the dominant economic bloc in the world around 2050. The BRICS have developed a practice of cooperation and stabilization of the international environment by developing programs of mutual aid and support for other countries of the Global South, this cooperation has been known as soft-balancing (Cabello, Ortiz, Soza, 2021), through which they seek to implement gradual and peaceful reforms aimed at creating a more equitable and effective system, in order to interact equally with Western countries, generating greater participation in international governance institutions. In this regard, Vadell (2021) has interpreted this political formation, arising from systemic chaos and geopolitical rearrangement, as a key piece for the new reconfiguration of a specific multipolar system.

Over the past fifteen years, the group has made achievements in terms of its institutional evolution, such as the financial cooperation that led to the creation of the New Development Bank (NDB) and the Contingent Reserve Arrangement (CRA), In addition, the BRICS have made a commitment to strengthen a new multilateral regulatory order based on the regulatory principles of South-South Cooperation. Commitments made at the summits held annually. To date, the BRICS have held fifteen summits, the last one being held in South Africa (2023), where, once again, a reform of the UN Security Council was proposed; likewise, this summit served to promote multilateralism within the BRICS group by resolving to include emerging countries in the group from this year onward.

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<sup>1</sup> Anahuac University, Mexico

After the Cold War, the world witnessed the proliferation of multilateral coalitions and forums that bring together developed and developing countries, and others oriented towards South-South cooperation. Among the latter category, the BRICS group is perhaps the most visible initiative. The impetus for the creation of this bloc was the shared interest in reforming the architecture of global governance. As mentioned earlier, the geographic extension and economic dimensions of these countries were advantages driving change at a time when the international financial system was in crisis and U.S. leadership was being questioned. Despite the economic and demographic relevance that the countries in the group may have, the initiative has been perceived with skepticism due to the economic, political, geographic and cultural heterogeneity of the five nations. This has led several critics to argue the lack of capacity of these five nations to coordinate in a meaningful way (Abdenur, 2014). However, this homogeneity, which has been criticized, has allowed them to have a flexible character compared to other international institutions. This flexibility, according to Abdenur (2014) fulfills one of the key purposes of its members: to establish dialogues on specific issues and build ties informally without committing to a rigid framework, this through the summits held annually.

In this context, the Summits have been a space where nations have been able to generate initiatives on different topics, leading to the formation of key projects for the institutionalization of the group. For the purposes of this research, two Summits are important for understanding the birth of the New Development Bank: the fifth summit in 2013, where the group announced its intention to establish a development bank aimed at mobilizing resources for infrastructure and sustainable development projects in the BRICS, as well as in other emerging economies and developing countries (John, 2014). The objective was to create a new source of financing for emerging and developing economies, whose needs are not being met through existing financial institutions. The second important Summit for the formation of the Bank was the sixth in 2014, held in Fortaleza, Brazil, where the materialization of the NDB began with the signing of articles and treaties of incorporation. The inauguration of the NDB took place on July 7, 2015 (Marcén, 2017).

According to its official website, the NDB aims to provide resources to support and finance infrastructure and sustainable development projects that drive growth and improve people's lives in its member countries. Additionally, these projects seek to impact development in a fast, flexible and efficient manner by supporting the public and private sector through loans, equity investments and customized instruments. Today, the headquarters is located in Shanghai, China, and a regional office is expected to open in Johannesburg, South Africa.

The establishment of the NBD contradicts the skepticism regarding the BRICS' ability to produce real results. More importantly, the group's initiative represents a formal institutional extension of the BRICS as an informal club. Therefore, the Bank serves, and will continue to serve, as a proof of the collective culture of a group of heterogeneous countries that have been guided by a specific collective goal. This has empowered BRICS members to send a message to the international community that they are capable of promoting alternative

solutions if existing international financial institutions fail to make progress in adapting to the demands of emerging powers.

The resurgence of South-South cooperation has taken on a significant role within the global agenda. Cooperation is defined within the United Nations' framework for sustainable development (UNSDG, 2019, p. 7) as:

(...) A process by which two or more developing countries pursue their individual or shared national capacity-building objectives through the exchange of knowledge, skilled personnel, resources, including collaborative partnerships between governments, regional organizations civil society and the private sector, for their own or mutual benefit between and across regions.

This type of cooperation has been referred to as the awareness of the underdeveloped world and South-South relations, establishing the solidarity among developing countries as a political tool (Ayllón, 2011). On the other hand, South-South Cooperation is fundamentally a cooperative modality aimed at strengthening bilateral relations and forming a union within multilateral forums, with the intention of increasing the joint negotiating power of these countries.

An outstanding feature in the development landscape of the Global South is the emergence of new financing mechanisms led by emerging economies. And, to understand the role of the NBD within South-South Cooperation, it is necessary to remember the BRICS economies, which transitioned from being a thesis predicting global economic change to becoming an intergovernmental forum, which has enabled political action by promoting a model of cooperation for development that does not depend on the traditional powers. In this context, the BRICS have seen an opportunity for international projection, both economic and representative of the different regions of the South. Based on the above, Torres (2015, p. 15) states the forum's goal as "A more democratic order in the institutional organization, the promotion of international cooperation for development and, proposing an international economic system better suited to the needs of developing countries". In this sense, the BRICS served as an important vehicle for strengthening South-South cooperation.

In the framework of South-South cooperation, while traditional cooperation has worked to secure reasonable rights for developing countries in the international financial system, aiming at the reform of international mechanisms, the objective of a new (South-South) cooperation is to establish a new international economic system that belongs to developing countries. This does not mean that in order to establish a new mechanism at the international level, relations with the "traditional" economic system must be severed, but rather, it must complement it.

The creation of the New Development Bank has had an impact within the international financial architecture, considering that developed countries have controlled multilateral banks such as the World Bank, which have shown resistance to expanding financing and committing to more complex infrastructure projects, exacerbating long-term financing difficulties in developing countries. According to Jiejin (2015) the establishment of the NBD

is distinguished for several reasons: First, the funding comes mainly from developing economies originally, whereas in traditional North-South cooperation the funding comes from developed countries.

Similarly, the NDB focuses specifically on infrastructure financing, unlike multilateral development banks that have a wide range of priorities, thereby limiting the resources available for financing. And finally, the introduction of new financing mechanisms that are less conditional and bureaucratic compared to North-South cooperation. The NDB seeks a balanced mix of emerging and advanced economies from various parts of the world, in line with the principles of South-South cooperation. This aligns with the vision expressed in the Moscow Declaration of the 12th BRICS Summit (Hooijmaaijers, 2021) which advocated for a gradual and balanced expansion to geographically represent its members and support the NDB's objectives.

In this context, the institutionalization of the BRICS through the NDB has demonstrated a strong commitment to promoting South-South cooperation, showing that developing countries can effectively collaborate to address their common needs and objectives. This approach, driven by the Bank's policies, has generated a paradigm shift not only in international financing, traditionally dominated by institutions and led by developed economies, but also in the entire global financial architecture. Both, its commitment to South-South Cooperation and sustainable economic development reflects a new perspective on how international financial relations are conceived by opening up new opportunities to address current challenges.

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