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The structural power of the BRICS (Brazil, Russia, India, China and South Africa) in multilateral development finance: A case study of the New Development Bank

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Abstract
The emergence of the BRICS (Brazil, Russia, India, China and South Africa) as an alternative force to the West has ignited a debate within the discipline of international political economy on the nature of the group's rise. Global governance scholars either debate the role of the BRICS in transforming the world order (playing the game) or focus on the domestic sources of the BRICS nations' preference formation (the position of states within the game). This article goes beyond the game-versus-player debate, by focusing on the structural power of the BRICS to 'change the rules of the game'. The article investigates how the BRICS-created New Development Bank as an alternative circuit for actors to exchange goods in the area of development finance has been integrated into global governance. The article argues that the New Development Bank does not grant the BRICS the structural power needed to change the rules and norms that underpin the game.

Keywords
BRICS, global governance, structural power, emerging markets and developing countries, New Development Bank

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Introduction

The emergence of the BRICS (Brazil, Russia, India, China and South Africa) as an alternative force to the West has ignited a debate within the discipline of international political economy on the nature of the group's rise within global governance. The principal focus of this debate has been on the structural power of the BRICS within global governance to change the institutions of the system; that is, on the power of the BRICS to influence/change the 'rules of the game' – the formal and informal constraints that shape human interaction (North, 1990: 3). We argue that although the National Development Bank (NDB) can be understood as a new alternative to western global governance institutions, it offers limited structural power and is not sufficient to cause foundational changes in the rules and norms that underpin the game. The increasing role of the BRICS as a group within global governance marks a substantial shift in our understanding of that system (Duggan et al., 2021). Therefore, the redistribution of power within global governance, without a change in the rules of the game, may see the BRICS simply support western values and norms. Thus, a critical question is how the BRICS are integrating their institutions into global governance.

To answer this question, we need to examine whether the BRICS, as a group of non-establishment powers rather than individual states, are creating innovative change in the structure of global governance, or whether they are simply giving greater legitimacy to the current structure. This requires the conceptualisation of structural power to reflect the 'area of social interactions', where both western and non-western actors trade goods and articulate their needs. This application of structural power will show how the BRICS, by using exit-voice pressure through 'alternative circuits' such as the NDB, can shape structures in global governance. This article will analyse the initial strategy presented by the NDB as a single case study. The BRICS are a political grouping, while the NDB is a multilateral institution, but it is the NDB as a source of structural power for the BRICS that will be examined in this article. The remainder of this article is divided into five main sections: a literature review of power analyses of the BRICS, an outline of a new structural power approach framework, a presentation of the NDB case study, a debate on structural power in the analysis of the NDB and finally a position on the innovative nature of the BRICS in global governance. A triangulate approach to the data collected is used to support the analysis. This includes BRICS and NDB official statements and policy papers, and 12 semi-structured elite interviews from officials in the banks listed in Table 1. This approach allows for a comprehensive understanding of the structural power of the BRICS.

A new game or a new player?

The term 'global governance' can be understood as the creation of rules and norms that allow for collective action at a global scale. The literature on the BRICS within global governance can be attributed to two important clusters of research. One discusses the role of the BRICS in transforming the world order (Larionova and Shelepov, 2021, this issue; Van Noort, 2019). This cluster argues that, through interaction, the BRICS members have developed layers of collective identity as emerging powers, and examines how this identity affects the role of the BRICS in global governance (Mielniczuk, 2013; Thakur, 2014).

This cluster also argues that the BRICS operate on an international level within a rules-based framework – that is, global governance – whereby states seek to achieve collective action through a common understanding of a set of rules. Rather than focusing on which states are dominant nations within the international hierarchy or on the international dynamics that drive the growth in power of individual states, this group focuses on how the BRICS are changing the rules and

Table 1. The political motivations behind multilateral development banks (MDBs).

Cases	Shareholder scope	Symbiotic relationship	Financial resources	Power diffusion
World Bank	Multilateral – scope of shareholders	Borrower–non-borrower	Good access – financial markets	(a) Responds to external pressure in order to secure financial resources; (b) lending orientated toward pro-western regimes.
International Monetary Fund (IMF)		Borrower–non-borrower	Good access – gold quota/fiscal instruments	(a) Demand for loans depends on the balance of power between their borrowing and non-borrowing shareholders; (b) lending orientated toward pro- western regimes.
Inter-American Development Bank	Regional – scope of commonality criteria	Borrower–non-borrower	Good access – financial markets	Responds to external pressure in order to secure financial resources.
Corporación Andina de Fomento (CAF)		Borrower–borrower	Poor access – state funding/financial markets	(a) Increases financial security; (b) to expand equity and, hence, operational capacity; (c) to fund any other projects shareholders may deem suitable.
National Development Bank (NDB)	Regional and multilateral – a combination of both scopes	Borrower–non-borrower/borrower–borrower	Good access – state funding/financial markets	(a) With the intention to present a new discourse focused in emerging economies; (b) expand in the delivery of goods; (3) bottom-up strategy.

Sources: Harrigan et al. (2006); Humphrey (2014); Humphrey and Michaelowa (2013); interviews.

norms of the system. Much of the literature focuses on how the rise of the BRICS challenges the dominant western concept of international organisations (Kirton, 2015; Luckhurst, 2018; Schirm, 2010).

The second group of scholars that has examined the BRICS's role in global governance considers their ascent as a challenge to the current international order. This group focuses on the domestic sources of the BRICS nations' preferences regarding global governance, which allows for the assessment of the heterogeneity of and differences among the BRICS countries (Heldt and Schmidtke, 2017; Hopewell, 2017; Lavenex et al., 2017; Noelke et al., 2015; Schirm, 2013, 2019; Stephen, 2014, 2017; Stuenkel, 2016). These scholars focus on the BRICS nations' attempts to increase their power in different areas of global governance, creating a multipolar structure to global politics (Chakraborty, 2018; Petropoulos, 2013; Roberts, 2019; Yang, 2019). According to the majority of scholars engaged in this debate, the BRICS push their common interests, such as improving bargaining power at the multilateral level, securing access to international markets and, most importantly, pushing for a multipolar world order (Røren and Beaumont, 2019). Securing regional leadership and increasing global standing are critical aspects of the rise of the BRICS (Nayyar, 2016). Finally, the BRICS are seen as a group that prevents any single member of that group from becoming a dominant nation (Beeson and Zeng, 2018; Hooijmaaijers, 2019). Those scholars who apply a nation's preferences approach to the BRICS highlight the autonomy of each BRICS nation in developing coalitional behaviour and a coherent strategy. However, the nation's preferences approach to the BRICS does not fully develop an understanding of the BRICS as a group when limited to the formal frameworks offered by membership.

Using the framework of North's game, the first group of scholars focuses on the game itself, while the second group concentrates on states' positions within the game and the areas of the game where they have increased their influence. However, the concept of 'changing the game' has not been examined by either group. This leaves a clear gap in the research. If the BRICS challenge the dominant rules and norms in international organisations, this should lead to a foundational change in the rules and norms that underpin the game. If the BRICS are attempting to change the game itself, the BRICS, as a group in global governance, should be launching clear innovations – either through a restructuring of the rules and norms of current international organisations, or through the creation of new international organisations whose rules and norms reflect the identities of the BRICS. A new approach to structural power is required in order to fill this gap in the research.

A new approach to structural power

Structural power is the power located among its compulsory, institutional and relational dimensions. Inherent in 'a social structure beyond any conscious exercise' (Barnett and Duvall, 2005: 8), structural power is in stark contrast to relational power, which underscores efforts to maximise values within a given set of institutional structures and excels as a meta-power that refers to efforts to change the institutions (or change the game). Susan Strange defines structural power as

> the power to shape and determine the structures of the global political economy within which other states, their political and legal institutions, their economic enterprises, and their scientists interact. This, structural power means rather more than the power to set the agenda of discussion. (1994: 24–25)

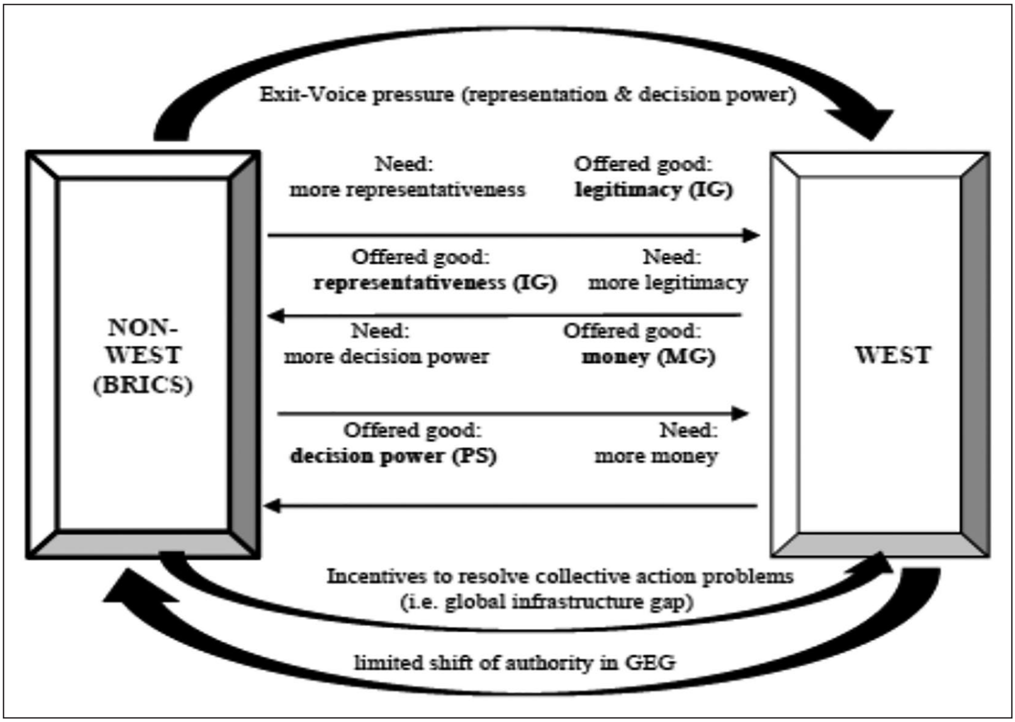
This can be understood to be the power to define the rules of the game. Strange identifies four key structures of power in the world economy: security, production, finance and knowledge. Of these, the financial structure is the core of global economic governance. Her basic tenet was that the financial structure of the world economy was based on two pillars. The first one comprised the (sub)structures of the political economy through which credit is created and in which power is shared by governments and banks. The second pillar was made up of national monetary systems creating the global superstructure (Strange, 1994: 90).

However, Strange's approach does have several critics who highlight that the approach has a non-intentional character, is narrow, has poor operationalisation and has an insufficient theoretical explanation of the causation mechanisms of structural power. Having noted this, the approach to structural power in this article differs from that of Strange. The first difference is the understanding of the financial structure visible in the shift from the 'power of influence' to the 'power of social interaction', where the pure structural approach to power (based on the unidirectional empowering of certain forces by an omnipotent structure) becomes balanced by agent-based structural power – that is, the capacity of an actor to change the underlying structures of the socioeconomic and political conditions in line with its interests and ideas. Here, power is constituted primarily by ideas and cultural contexts. Interests can be understood as societal material considerations – for example, tariffs and subsidies, and access to international decision-making. Ideas can be understood as value-based collective expectations and beliefs about national, regional and international identities, or about how to organise the international system (Schirm, 2010). This distinction between interests and ideas, and their inclusion into analyses, enriches our understanding of structural power. The rise of the BRICS in the area of development finance shows that new actors do not necessarily see the compatibility of interests and/or ideas dominant in other countries. Strange's structural approach to power focuses on the determination of social capacities. This approach, when supplemented by a constructivist approach to international normative and ideational structures, can be valuable when discussing the new role of the BRICS in global governance. This reformed concept of agency–structure relations can be considered a step towards a good institutional indicator of the performance of the BRICS in global economic governance. Yet fully analysing the emergence of the BRICS in global governance requires a new structural power approach.

The proposed framework of analysis, outlined in Figure 1, applies Strange's financial structure model to the context of development finance, and thus departs from purely macroeconomic factors and the narrow lens of credit and currency issues. As noted before, the framework also requires a shift in our understanding of the financial structure from Strange's 'power of influence' to 'power of social interaction'. The latter is based on a nexus between goods and needs articulated by various actors, with a special role conferred upon states that are deemed to be legitimate. Their power is rooted in determining not only prevailing meanings, ideas, interests and institutions within a community, but also in deciding which goods can be traded off to meet the needs of both the developed and emerging economies. This approach also requires an understanding of the concept of 'exit-voice pressure' (Hirschman, 1970). Exit-voice is where the cost of exiting a group is fragmented multilateralism, both for organisational leaders and for members, and where the cost of insufficient voice is a decreased capacity to influence the principles and procedures of development finance. Exit-voice pressure occurs when a member creates a demand for extra decision-power (voice) and meets the cost of this by increasing the resources the member puts into a system and is allowed to do so by the dominant actors in the system. In the case of the BRICS, their pursuit of representation and voice (depicted in the framework as ideational and positional goods) in global governance institutions raises the pressure stemming from their dissatisfaction and leads to a search for alternative ways of boosting their power by creating parallel institutions to the established, western-led ones. The NDB, seen this way, can be perceived as a materialisation of the 'exit' option, which comes at the cost of fragmented multilateralism.

The framework has three underlining assumptions. The first assumption is that there is a difference between resources and goods. Resources (broadly understood as anything an actor can theoretically access given their capacity to do so) turn into goods only when another actor articulates a

Figure 1. The framework of analysis.



Source: own elaboration.
IG: ideational good; PS: positional good; MG: material good; GEC: global economic governance.

corresponding need, and the exchange for another good becomes possible (Pustovitovskij and Kremer, 2012). For the purpose of this article, the term 'resources' refers to financial means.

The second assumption is that all goods fall into three categories: material, positional and ideational. Material goods are tangible and can be transferred from one place to another (e.g. input resources for production). Money can be used by the BRICS to mould the 'voice and vote' reform which was launched in the wake of the Asian Crisis (1997–1998). Positional goods (e.g. the ozone layer or water) are scarcer in some absolute or socially imposed sense and are subject to congestion through more extensive use (Hirsch, 1977: 27). Their positionality means that the utility derived from a good is (inter alia) dependent on the extent to which other people possess or make use of the same good (Claassen, 2008: 1021–1049). The BRICS group's pursuit of positional goods (i.e. decision-making power or voice/votes in international organisations) threatens to change the state of play in global governance. By combining material goods and exit-voice pressure, by creating alternative institutions to the established western counterparts and by providing resolutions to collective action problems such as the global infrastructure investment gap, the BRICS strive to secure certain assets in international organisations or access to informal global clubs that are 'systemically significant'. Decision-making power in global governance institutions – exemplified by chairing positions on the International Monetary Fund (IMF) board of directors, where emerging economies such as China and Russia have been pushing for reforms and asking for a voice, in contrast to being a permanent member of the United Nations (UN) Security Council – are nothing more than scarce and desirable positional goods.

Ideational goods, unlike material or positional goods, are virtual in nature. They do not exist separately from needs (as is the case with material and positional goods, which exist as physical resources until they are related to a need). They materialise only when they are met by a specific need (Pustovitovskij and Kremer, 2012: 63). Ideational goods (such as representation or legitimisation) are associated with social power, which is a way of understanding continuity and change in global (economic) governance and can be defined as 'the ability to set standards, and create norms and values that are deemed legitimate and desirable, without resorting to coercion or payment' (van Ham, 2010: 8). This takes place in the areas of social interaction – in this case, global governance – and it is achieved through increasing exit-voice pressure (representation and decision-making power) within the area of social interaction. This definition captures two important features of power: its noncoercive sources and its claims to legitimacy. The key feature of a given actor within this framework is not so much its material or financial resources as its use of power to shape collective rules and norms. Broome and Seabrooke (2015) consider this type of power to be a social construct based on the power of practice, which, in turn, supports the production of intersubjective meanings agreed upon in a given community (956–972). Therefore, legitimisation should be understood as an intersubjective belief in the ways in which the mechanisms of global economic governance should be set. They depend on the support of the international community (both financial support and integration into the wider network of international organisations) to sustain them at a given moment. One example here is the NDB, which is designed to overcome the constraints of divergent positions among the BRICS members. The principle of equality plays a central role here, as an actual catalyst (and perhaps potential inhibitor) of BRICS cohesion, and is anchored in the material and the ideational dimension of the NDB. Shared leadership, understood as the balanced distribution of rights and responsibilities in the NDB, might be a substantive feature in enhancing BRICS initiatives in development finance, attracting new followers and thus enhancing south–south cooperation, while making established institutions of global governance (such as the World Bank or IMF) more prone to shift authority toward Economically More Developed Countries (EMDCs).

The third and final assumption is that a need can be defined as 'the aim an actor is not able to achieve on his own, but rather by means of foreign policies, and which an actor articulates in a way that is noticeable by other actors' (Pustovitovskij and Kremer, 2012: 64). This framework, under these assumptions, should be applied to areas where two concepts are vying for dominance, as the norms and values that allow for collective action within a given system.

Despite being heavily influenced by the resources and capabilities of China, south–south cooperation, embodied to the full in the NDB, retains its legitimised quality thanks to the incorporation of the principle of equality amongst peers. Multilateral Development Banks (MDBs) such as the NDB are focused on combining development financial goals with economic growth. They prioritise such policy areas as infrastructure investment and inclusive finance. The NDB was established as the developing countries' supplier of capital for infrastructure and industrialisation projects without resorting to traditional institutions such as the Bretton Woods Institutions. Does the NDB differ from the Bretton Woods Institutions in terms of the goods it offers?

To support and articulate a response from the doubts indicated along the text, Chris Humphrey presented an approach focused on the politics (ideas and norms) behind the decision-making process of multilateral lending (Humphrey, 2014, 2016; Humphrey and Michaelowa, 2013). Humphrey concluded that there are two main elements visible in the reproduction of power in MDBs. One is related to the shareholder: an institutional political decision will depend on composition and contributions. The other one is related to the structure between lenders (re-expressed as 'non-borrowers') and borrowers. The interaction of these two levels defines the level of articulation and submission an MDB can exercise.

Humphrey found that the demand for international loans depends on the governance structures created within the MDBs. This was underpinned by the balance of power framework. He also noted that this dynamic can change under supply conditions (shareholders acting as main fundraisers). Humphrey's case studies focused on institutions such as the Bretton Woods Institutions, the Andean Development Cooperation and the Inter-American Development Bank (IADB), as the main source of influence (and funds) was the United States (US) in most cases. This has left an unexplained element in the rise of new institutions, such as the Asian Development Bank or the NDB. Humphrey's (2014, 2015) research invites new case studies to enrich the discussion of political analysts in the decision-making process in MDBs. Humphrey's methodological framework can be used to understand the structural power of the BRICS when the framework is applied to a single case study. The NDB, created in 2014, is a case study that can be used to understand the structural power of the BRICS.

The NDB as a source of structural power for the BRICS

A state can use its structural power to create new goods within a current social interaction by increasing its voice pressure (representation and decision-making power) within international organisations. If this is not possible, then a state can create channels of social interaction. This is what the BRICS have done in the case of the NDB. Therefore, a single case study that focuses on the NDB offers a testing ground for the structural power of the BRICS.

Humphrey (2014, 2016) found that power diffusion was conditional upon two main factors: scope of shareholders and the symbiotic relationship between borrower and lender. If the same criterion is applied to the NDB, it can be seen that the composition of the bank has a multilateral (or combined) perspective, like the BRICS themselves, and at the same time a criterion of commonality – that of an emerging market economy. In this case, there is no principal shareholder and the NDB's power is not exercised in a single common region (Cooper, 2017).

The NDB presents itself as a unique case. In terms of a symbiotic relationship, multilateral financial development institutions have established two forms of mutually exclusive relations: borrower–non-borrower and borrower–borrower (NDB, 2017a). The former is a relationship of dependence that results in benefits for the non-borrower. The latter scenario presents more equal treatment, although the impact is reflected in the higher cost of accessing material goods. The NDB presents a non-mutually exclusive situation, and it is open to both types of scenarios. The bank's borrowing strategy is both borrower–non-borrower and borrower–borrower (NDB, 2017a, 2019, 2020b). This has led to the development of financial products whereby both members and non-members of the bank can access material goods at market value. Therefore, the NDB differs from the classical institutional paradigm observed by Humphrey (2015). These two conditions have become important variables that have an impact on the level of power diffusion. In the case of the NDB, there is an explanation gap that needs a proper theoretical framework that answers how power diffusion is exercised by this specific type of institution.

The structural power approach outlined above provides a framework to define the interests and capabilities of the shareholders (the BRICS) and the new power relationships created via lending schemes which have new alternative practices. The approach can therefore outline the conditions that determine real change in terms of power structure. An analysis of these elements, viewed through the lens of power structure, should be tested according to the dimensions presented in Table 1. As the NDB is new in terms of its history of operations, there are limitations to using the bank as a single case study. However, the NDB presented as a single case will allow this research to provide an understanding of the political capabilities of the institution to create structural change. An evaluation of what goods (material, positional and ideational) the NDB provides will be relevant to establishing an understanding of the capabilities of the BRICS' structural power. This framework outlines the structural power of the BRICS using the NDB to change to the structure of global economic governance.

The NDB's lending strategy

From the supply side, MDBs are providers of financial resources. From that perspective, it matters how shareholders satisfy economic and political conditions. The shareholder structure of MDBs has a significant implication in determining the banks' actions. From the demand side, Humphrey's framework notes that borrower countries with recurrent borrowing that have shown fiscal improvements can change the conditions required for exchange. This results in an increase in the voice pressure of a borrower within the MDBs' decision-making processes. The NDB, which creates a new voice pressure outside the current system of MDBs that make up global economic governance (area of social interaction), links both sides – supply and demand. Therefore, the NDB should offer a new element of structural power that should be considered.

A rigid shareholder structure?

A primary analysis based on the memorandum of agreements from the supply side shows that the NDB's structure differs from that of other MDBs (Hooijmaaijers, 2021). This shapes the NDB's strategy, not only in financial terms but in its medium- and long-term goals (NDB, 2021). The NDB presents a unique and even structure. Currently, the shareholding structure of the NDB stands at 20% per member, which means that each of the BRICS shares an equal power (NDB, 2015, 2017b). No member holds a veto. Since the NDB's operations commenced, the BRICS have retained this rigid shareholder structure (allowing for different preferences among the members). Clearly, the BRICS consider the shareholder structure to be of utmost importance. The NDB also empowers each of its members to set an agenda with priorities for emerging economies (allowing for partly common goals). Moreover, the NDB differs from the Chinese-led Asian Infrastructure Investment Bank (AIIB). Both are born conceptually from non-western powers, but the NDB, by focusing on equal power of shareholders, is signalling a prospective shift from material leverage towards an association with ideational capacity.

It is worth noting that the dynamics of shareholders may change over time, as they did with other institutions, such as the IADB, which exhibits a significant asymmetry in its shareholder composition.[1] Borrowing members (developing economies from the Americas) represent 50.015% of votes, while the remaining group of non-borrowers make up the remaining 49.985% (IADB, 2020). Or consider the case of the Latin American Bank (Corporación Andina de Fomento (CAF)), where shareholding is exercised by state representatives and private banks (CAF, 2020).

The NDB's composition requires a political balancing act in terms of the provision of financial resources. Evidence of this is expressed in the Memorandum of Understanding (MoU) that the NDB produces with most multilateral financial institutions and with other regional development banks and agencies of cooperation. Since 2018, the NDB has signed MoUs with a number of smaller institutions, including the Latin American Bank, the Industrial Credit and Investment Corporation of India (ICICI), the China Construction Bank, the Standard Bank of South Africa Limited and the BRICS Interbank Cooperation Mechanism. In these documents, the NDB initially expressed a clear idea of cooperation in a series of activities that are focused on extending cooperation at the technical and research levels (NDB, 2020b). These activities, which are presented in terms of goods, mark cooperation among the various parties. They differ from the initial MoU of 2016 presented and signed by all the BRICS member states when creating the NDB. The set of actions established are more specific, focusing on the financial aid structure of the bank and how it will be delivered.

The MoU presents an initial strategy that is biased towards the NDB's founding members. The BRICS articulate a series of actions and disposable resources that match their own financial needs and are required for their development projects. The priority was to reinforce the BRICS's position as a strong group. In that analysis, the BRICS's intention is to use material goods – in this case, institutional capital – as a proxy for power capability. In this matter, the NDB differs from classical institutions described by Humphrey. In these institutions, the balance of power was posed under an asymmetric structure within the institution. In the case of the NDB, this asymmetry structure is not present inside a banking board or shareholder portfolio but in the structure of the financial system.

For the NDB, the aim of the Strategy Plan 2017–2021 is to foster an established balance of power among the BRICS. This will become a challenge in the future when the NDB seeks out new partners.

Who is demanding resources?

In a borrower–non-borrower scenario, actors attempt to maximise their interests, which create political and economic demands. In these matters, institutions such as the Bretton Woods Institutions combine both political and economic resources to create significant changes. Still, the agents demanding material goods – in this case, financial resources – are subject to the conditions that reinforce the ideational goods of the Bretton Woods Institutions.

Other models, such as the Latin American Bank, aimed to provide a more horizontal strategy of borrower–borrower. Members of the Latin American Bank sought to access better conditions for material goods (loans), which could be supported more easily if the country asking was also a member of the structure. While it presents a form of reducing the asymmetry, this process comes at a risk. The creditworthiness of the bank and its members can be brought into question. Humphrey notes that, in this case, the type of shareholders – all developing countries – had an impact. In the end, this scenario created a sense of poor financial leverage, which translated to downgrading the credit rating of each country, translating into a higher interest cost paid by the borrower's economy, in the end a burden carried by the society (Humphrey and Michaelowa, 2013). So, even if the Latin American Bank was looking to lend the material goods that its main shareholders demanded, this might prove to be a poor lending strategy.

The NDB has attempted to change the concept of actors on the demand side, under the borrower–borrower scenario, by subjecting this scenario to market rules. Even before the COVID-19 pandemic, BRICS members such as Brazil, Russia and South Africa were facing economic stagnation. However, due to Chinese growth, the BRICS, as an economic bloc, have sustained the prospects for economic growth.[2] As a consequence, the area of social interaction within the financial sphere is changing, due to various dynamics. First is the shareholders' demand for credit – that is, the fast-tracking of funds for financial development projects in the BRICS. The demand for material goods – in this case, resources that address the demand for financial development – is allocated in the context of specific or tailored needs. This creates a new ideational good – that is, the idea that there needs to be an understanding of each context to provide the best resources, and that context is best defined using individual countries' economic and political structures (NDB, 2016). In the context of the NDB, this is the country system approach to development financial resources. As a result, the NDB has provided funding to 51 projects in different types of loans (NDB, 2020a). The aim is to improve the credit profile of those taking out loans, although the risk of exposure can vary according to the conditions offered. The strategy of supplying money to their main members is very similar to the Latin American Bank's strategy. This is where a second dimension of the financial system plays an important role. MDBs also demand financial resources. One way of obtaining them is via government contributions. In the case of the NDB, that material good depends on the economic performance of each shareholder. In the end, there is a transition of risk from borrower (shareholder) to borrower (client), which translates into a higher cost of the material good, making the lending operation less efficient.

Like all material goods, financial resources can also be obtained from the market itself. The NDB has established seven bond programmes. The main idea is to recapture financial resources over time. In the short term, liquidity is assured, so the bank can have enough resources to keep meeting the growing demand, not only from borrowers but also from non-borrowers. The advantage of this scenario is that it comes under the scrutiny of an area of social interaction – in this case, the financial markets – which lowers the risk. In addition, these financial instruments have been listed in the stock exchange platforms of the BRICS. This new interaction can provide new and low-cost resources, allowing the NDB to become a financially sustainable institution. It is important to note that the institutional actors, such as western credit-rating agencies, are unbiased inspectors of the products that the NDB presents to the market.

For the NDB, the demand for financial resources should be presented as a reproduction capacity system. This not only connects the potential of the BRICS economies, but also reinforces their creditworthiness, producing more stable financial resources that will be redistributed in time.

This strategy is not static: it is evolving, and the NDB will need to move beyond it, especially in the bank's bond programmes. The NDB has launched two programmes: Euro-Commercial Paper and Euro Medium-Term Note. Both aim to secure liquidity for funding. These types of bonds were launched in non-borrower markets, specifically the US and Europe, and are regulated under English law. It is important to note that their main articulators in the US are the private banks, such as Goldman Sachs and Citigroup. Moreover, these bonds are sold in Europe via the Irish Stock Exchange (NDB, 2020a).

These kinds of material goods created by the NDB illustrate that the bank understands the need for an interdependent association with older structures in order to secure good credit ratings and, therefore, to create demand for its goods in the market. As expressed in the Strategy Plan, the 'NDB builds on the experiences of older institutions while seeking to establish and follow "next practices" in the world of development finance' (NDB, 2017a: 10).

MDBs and the provision of goods

The NDB aims to tailor its material goods to the needs of its individual borrowers. The perception according to Harrigan et al. (2006) is that classical institutions have been applying an enforcement model to their material goods, using conditional funding to promote western values. These conditional material goods provide the shareholders of classical institutions with ideational goods, such as legitimacy. All borrowers must comply with the same conditions in order to provide this ideational good. This limits the agenda of an MDB, and that is why the introduction of tailored assistance has become an opportunity for the NDB.

According to the NDB Strategy Plan, the World Bank, among other multilateral institutions, has weakened country systems on both national and subnational levels. The NDB sees this as a critical failure for the development finance strategy of the World Bank. For the NDB, country systems are vital for understanding the design of a project. It is not only the financial element and the technical component that should be considered. It is important also to address a state's legal structure, as well as issues of sovereignty, which can raise questions regarding how a project should be carried out (NDB, 2017c).

For a project to proceed, the NDB has to acknowledge the interests of the institution and the borrower states, and it must include input from the government in the country where the project will take place, as well as the interests of local government in that country (NDB, 2017c: 15–16). This could be an important change in strategy for the BRICS, from delivering positional goods to ideational goods. This is the opportunity the NDB has found to produce representation and legitimisation. As stated in its report, '[i]nstead of starting from externally designed set of standards,[3] NDB will take a country's systems as the starting point and see where weaknesses may need to be addressed to meet the Bank's requirements' (NDB, 2017c: 15–16).

The NDB (2020) has attempted to represent the country system concept through its products, such as the Green Bonds from 2016 and the bonds to combat coronavirus. In addition, the type of projects funded by the bank are related to renewable energy, clean water, environment and social infrastructure, among others, which are critical to sustainable development finance and which match the needs of those demanding resources from the NDB.

Structural power and the NDB's lending strategy

The NDB commenced operations in 2016. Most of the institutions used for comparison in Table 1 – the Bretton Woods Institutions, the IADB and the Latin American Bank – have at least 60 years of operational history. The NDB – a new, relatively small bank – has focused on establishing a significant presence in the international system. Therefore, a long-term analysis is not possible. The objective of this article is to provide an analysis of the institutional behaviour of the NDB and an understanding of its lending strategy within a structural power approach.

The structural power approach outlined states that actors increase their structural power by increasing their exit-voice pressure within a given system. This is done when an actor or group of actors provides a good that is needed and cannot be provided by the dominant actors within the system in exchange for more representation and decision power. This results in a shift in authority in that system and the creation of new norms and values to underpin the new structure. If this has occurred, it should be clear that the BRICS, through the creation of the NDB, a new area of social interaction, are causing a shift in authority within global governance. Therefore, if the NDB is increasing the BRICS's structural power then it should be providing positional goods, material goods and ideational goods that western actors cannot provide.

Positional goods: shareholder membership

The cost of a positional good – in this case, membership of the NDB – requires a new member to adopt the standards (bottom-up domestic vision and environmental finance criteria are the two most significant, according to their strategy plan which has a largely local perspective) and therefore values and norms set by the founding members of the BRICS. This would give the BRICS greater decision-making power within global governance because they would have the power to set new norms as a requirement for membership. The rigid shareholder structure of the NDB limits the BRICS's ability to use the bank to offer positional goods. Accepting a new member would require either that the bank abandon its equal shareholder principle or that the BRICS nations reduce their decision-making power within the bank, and with that their ability to set new norms and values. As scholars such as Cooper (2017) have highlighted, the NDB's shareholder structure reflects a core principle of the BRICS – that of equal partnership – so it is unlikely that the BRICS will change this shareholder structure. The lack of availability of positional goods provided by the NDB, due to the rigid nature of its shareholder structure, also prevents western powers from joining the bank and therefore giving the bank wider legitimacy within global governance. This prevents a shift in authority within development finance, as the NDB is not seen as a legitimate leader in global governance. Therefore, the NDB does not create positional goods that increase the structural power of the BRICS. However, it is worth noting that the prospective creation of positional goods by BRICS members is possible, as the NDB Strategy Plan (2017–2021) remains open to an expansion of its membership to include advanced countries. The main incentive for these will be the reinforcement of liberal economic discourse, albeit restricted to a maximum voting power of 20% and to the role of non-borrowers.

Material goods: who is demanding the NDB's resources?

Resources become a good only when another actor needs those resources. The NDB offers material goods under a borrower–borrower model. Material goods are exchanged for a good that the seller needs, which in the case of the BRICS is to achieve greater decision-making power within global governance. However, in terms of increasing the BRICS's structural power in global governance, this approach to providing material goods creates two barriers. The first barrier is the borrower–borrower model. The main actors demanding the resources of the NDB are its own members, the BRICS nations. While this may reduce the members' need to access material goods through western dominant bodies such as the Bretton Woods Institutions, it does not increase the BRICS's influence among other actors outside the group. As the BRICS nations are the main demanders of the NDB's goods, conditions attached to these loans have no impact in creating new norms within the wider system and therefore do not increase the group's structural power.

The second barrier is how the NDB constructs material goods. The NDB relies on western market mechanisms to achieve creditworthiness for its material goods. The NDB has established seven bond programmes, which rely on western credit-rating institutions, western private banks and western stock exchanges. In some cases, the bonds are issued under western legal structures such as English law. The NDB uses western market structures to achieve creditworthiness for its material goods. Therefore, its members, the BRICS nations, either do not have the political will to set up structures to prove creditworthiness, as suggested by scholars such as Helleiner and Wang (2018), or the BRICS do not have the capacity, lacking the domestic market mechanisms to do so.

These two barriers prevent the NDB from creating a material good that would enjoy demand beyond its membership. It also creates a situation whereby the BRICS's material goods, rather than creating an alternative to western material goods, are in fact shaped by the same norms and values, because western market mechanisms are needed for the goods to be created.

Ideational goods: provision of goods

Western-dominated institutions of global governance such as the Bretton Woods Institutions place conditions on funds, which lead to the promotion of western values. These institutions produce ideational goods, which become a basic set of rules and norms that underpin collective action within global governance. The creation of these goods, in turn, provides the shareholder of these institutions with legitimacy. The NDB offers ideational goods – that is, rules and norms that reflect the identity of the BRICS.

These new norms state that, rather than setting rules and norms externally, which is the case with the current system of global governance, a country system approach to funding should be taken (NDB, 2017c, 2017d). The country system approach to development funding includes the requirement to 'apply the country's own legislation and procedures, and work together with relevant agencies to propose actions whenever compliance falls short of national and local requirements' (NDB, 2017c: 15). The country system approach is an underlying principle of the bank's environment and social framework. This framework sets the conditions in terms of environmental and social standards for loans from the NDB (NDB, 2016). The country system approach offers an ideational good that targets countries that cannot afford the costs of western ideational goods – that is, the adoption of western norms and standards. A focus on the country system approach is a clear break from western norms and is therefore a clear innovation by the BRICS. However, it is unclear if this innovation, through exit-voice pressure from the creation of the NDB, has allowed the BRICS to achieve enough structural power to change the rules of the game. The NDB is a small bank with limited funding compared to the World Bank. There is no clear evidence yet to indicate that the NDB's ideational goods are in such demand that it is increasing the decision-making power, and therefore structural power of the BRICS within global governance.

Conclusion

The BRICS need a degree of structural power to integrate the NDB and have it accepted as a legitimate part of global governance. The bank offers a new and alternative circuit for actors to exchange goods in the area of financial development. The bank has been successful in creating a new model of MDBs through its representation strategy of borrower–non borrower/borrower–borrower (see Table 1). The NDB, unlike other MDBs, has a balance of power based on its lending capacities and shareholders' strong political systems. The NDB's financial sustainability is created using market instruments. The financial objectives of the NDB are to supply material (money), positional (innovation in the financial system) and ideational (legitimacy within the financial structure) goods.

An analysis of the structural power approach adopted from Strange's concept illustrates that the bank does offer ideational goods. These ideational goods include the country system approach and a new approach to the borrower–borrower model using market mechanisms. However, the NDB does not give the BRICS the structural power needed to make these ideational goods part of the wider nexus of rules and norms that underpin global governance. This is because the NDB does not have the positional goods or material goods to create new values and norms within global governance. The NDB's rigid shareholder structure restricts the BRICS from offering a wider membership to the bank, reducing its impact on global governance, compared to other MDBs.

The NDB can offer only a limited but significant insight to the structural power of the BRICS in global governance. A rigid shareholder structure prevents the BRICS from offering bank membership, and therefore representation, in exchange for legitimacy for these non-western values and norms. This deficit of 'structural flexibility' stands as a challenge, given the prospective imminence of different preferences transforming into common objectives of global governance. The use of western market mechanisms to provide material goods links the NDB to western values and norms, preventing the creation of a new, alternative system. Due to a lack of strong positional or material goods, the NDB allows the BRICS a passive exit-voice pressure, which means that the structural power of the BRICS offered by the NDB is limited. The NDB, through its use of western market mechanisms, in fact gives greater legitimacy to the current structure of global governance. Therefore, the NDB does not offer the BRICS the structural power to change the current system of global governance. When limited to a BRICS-constructed institution, the BRICS cannot create a new game, and it has limited power to change the rules of the current game.

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Notes

1. The increase is correlated to a specific internal reform plan agreed by the Members Board (IADB, 2010).
2. In this view the BRICS have seen an opportunity to join forces and held summits that resulted in political statements mainly criticising the international economic status quo.
3. Each MDB has a set of indicators for evaluating the potential of a project. These criteria are established in guidelines that help the public international officer to produce a thorough evaluation of the loan and the social impact of the project.

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