



INTERNATIONAL BRICS CONFERENCE

“THE BRICS PARTNERSHIP AND MULTILEVEL GOVERNANCE: AN UNEXPLORED DIMENSION”

Cape Town, South Africa, 14-16 October 2015

The objective of this international BRICS conference is to explore how multilevel government – a dominant feature in all five BRICS countries – is impacted on and, in turn, may impact on the BRICS’s economic and social development initiative. Of particular importance is the role of domestic intergovernmental fiscal relations and metropolitan cities.

The conference will be an engagement between academics, think tanks and officials of the BRICS countries, from 14 to 16 October 2015, on the campus of the University of the Western Cape, Cape Town, South Africa. The proceedings will subsequently be published as a peer-reviewed book.

1. Organising partners

The Conference is organized by the following institutions:

- South African Research Chair in Multilevel Government, Law and Policy, at the Community Law Centre, University of the Western Cape (Prof Nico Steytler, convenor)
- Human Science Research Council (Professor Daniel Plaatjies, Executive Director: Governance, Democracy and Service-Delivery; Dr Jaya Josie, Director, BRICS Research Centre)
- Financial and Fiscal Commission (Mr Bongani Khumalo, Acting Chairperson)

2. Programme

The Conference will address three interlinked themes. The first will examine the impact that the BRICS initiative may have on the systems of multilevel government, and how, subnational governments may, in turn, play an important role in the implementation of

BRICS initiatives. The second theme looks at the impact that the BRICS initiative may have on domestic intergovernmental fiscal relations, and the role that the New Development Bank may play in this regard. The third theme addresses the question of metropolitan areas and urbanisation: how will metropolitan cities, as important subnational governments, play a crucial role in BRICS initiatives?

Theme 1: The dialectic between the BRICS Partnership and multilevel government in member countries

In the context of the implementation of the BRICS initiative, issues arise from the multilevel government dimension in each country, including:

- Will the BRICS domestic initiatives impact on the functioning of the current systems of multilevel government, and, if so, how? A number of areas identified by BRICS as areas of common interest, intersects directly with subnational governments' (SNGs) shared or exclusive responsibilities, and thus may impinge on the latter's autonomy.
- Given this intersection of responsibilities, will the SNGs play a significant role in the successful implementation of the BRICS domestic initiatives? Key areas of economic and social development may largely be dependent on SNGs' effective participation.
- Given the possible role of SNGs in the implementation of significant aspects of the BRICS domestic initiatives, should SNGs be playing a role also in shaping such initiatives?

Five country papers will address these questions.

Theme 2: The impact of the BRICS initiative on domestic intergovernmental financial relations in member countries

Given the effect that the BRICS initiatives may have on domestic policies affecting SNGs, a number of consequences may flow for domestic intergovernmental financial relations, including the following:

- If SNGs will be expected to give effect to BRICS policies with a domestic impact, how will the current intergovernmental financial relations, including financial transfers, be affected?
- Will the BRICS Initiative lead to greater interaction and trade among SNGs across international borders?
- The New Development Bank may have a major impact on the financing of SNG infrastructure. In terms of the Agreement on the Bank, its primary focus will be on member countries. It is also foreseen that the Bank could finance any undertaking in a member country, provided that the central government does not object. This broad ambit would certainly include projects in and by subnational governments.
- Questions may arise around the issue of the proliferation of multilateral funds and domestic eligibility frameworks for subnational borrowing.

Five country papers will address these questions.

Theme 3: The impact of the BRICS initiative on major cities and urbanization in member countries

All the member countries are characterized by the growth of massive metropolitan areas. While some countries' urbanisation rate has stabilized, India, China and South Africa are still undergoing rapid urbanization. Urban issues are on the agenda of every country. Key questions for all members are the effective governance of the metropolitan areas as well as the financing of massive investment in infrastructure – energy, transport, water and sanitation systems, waste management, and the environment. In this regard the New Development Bank, with its focus on financing infrastructure, has an important role to play.

Five country papers will address these and related questions.

3. Participants

The conference will be in the form of a round table to encourage dialogue, with participation limited to 50 persons. Participants in the conference will include:

- Scholars drawn from the BRICS Think Tanks and universities
- Independent state institutions concerned with intergovernmental fiscal relations
- National governments, subnational national governments, including organised local government
- Development banks and other multilateral institutions

4. Background: Domestic matters on the BRICS agenda

Over the course of the past six BRICS summits, cooperation on domestic matters in a number of sectors has increasingly been receiving attention. The sector focus inevitably brings the multilevel governance systems of the member states to the fore.

Although the main focus at the **First BRIC Summit, held in Yakaterinberg, Russia, on 16 June 2009**, was on the financial crisis, the implementation of the Rio Declaration on Sustainable Development, and a “more democratic and just multi-polar world order”, the Summit also mentioned enhanced cooperation among the four countries in science and education.

At the **Second Summit, held in Brasilia, Brazil, on 15 April 2010**, the first steps towards common financial institutions were mentioned in order to promote international economic stability. The members also committed themselves to support poor countries achieving the UN Millennium Development Goals. For the first time, sector cooperation came prominently to the fore. The BRIC ministers of agriculture and agrarian development met and decided to create an agricultural information base system.

The **Third Summit, held in Sanya, Hainan, China, on 14 April 2011**, welcoming South Africa as a new member, also touched on common domestic issues through the strengthening of dialogue and cooperation in the fields of “social protection, decent work, gender equality,

youth, public health, including the fight against HIV/AIDS” (Sanya Declaration, para. 24). Of interest was the hosting of the first “BRICS Friendship Cities and Local Government Cooperation Forum” in China, and the holding of a meeting of ministers of health.

In the lead up to the **Fourth BRICS Summit in Delhi, India, on 29 March 2012**, a Fourth BRICS Academic Forum made some important recommendations to the Summit. For our purposes, the following are highlighted. Urbanization is mentioned as “both a common challenge and an opportunity for Brics”, with the emphasis on capacity building through the sharing of knowledge, policies and skills (4th BRICS Academic Forum, Recommendations, para. 12). Key areas for action include “infrastructure development, investment in mass transport and programmes to enable social transformation” (ibid). A further recommendation is the study of the efficacy of members’ education policies “and policies on Affirmative Action in promoting inclusive growth” (para. 13). The Summit mooted the establishment of a new Development Bank for “mobilizing resources for infrastructure and sustainable development projects in BRICS and other emerging economies and development countries” (Delhi Declaration (DC), para. 13). Also, responding to the Academic Forum’s recommendations, it recognized the challenge of rapid urbanization, and commended the first meeting of the BRICS Friendship Cities held in December 2011, a process that would be taken forward with an Urbanization and Urban Infrastructure Forum (DC, para. 44).

The **Fifth BRICS Summit, eThekweni, South Africa, on 27 March 2013**, focused on the overarching theme of “BRICS and Africa: Partnership for development, integration and industrialisation”. Thus, immediately following the Summit, a retreat with African leaders was held under the theme “Unlocking Africa’s potential: BRICS and Africa Cooperation on Infrastructure”. Significant in this regard was the Summit agreement of establishing a New Development Bank, with a mandate to mobilize resources for infrastructure development. The eThekweni Act Plan included a strong emphasis on common domestic issues, foreseeing ministers, officials and forums meeting on agriculture, health, population development, local government and urbanisation. Anti-corruption and tourism were among the new areas of cooperation to be explored.

The importance of the **Sixth BRICS Summit, Fortaleza, Brazil, on 15 July 2014** was the establishment of the New Development Bank with initial capital of US\$50 billion and the creation of a Contingency Reserve Arrangement (CRA) of US\$100 billion. The general theme of the Summit was “Inclusive Growth: Sustainable Solutions”, suggesting a twin focus: first, on growth of all BRICS members, and second, on inclusive growth in each country. The Summit signalled progress from the BRICS original objectives of “peace, security, development and cooperation” to new areas of “a comprehensive cooperation and a closer economic partnership to facilitate market inter-linkages, financial integration, infrastructure connectivity as well as people-to-people contacts” (Fortaleza Declaration (FD), para. 4).

On the theme of sustainable development, “the central and overarching objective” is poverty eradication (FD, para. 54). Key areas integral to achieving sustainable development,

the Summit identified as education, population related matters, the environment, renewable and clean energy, culture, agriculture, and combatting corruption.

The **Seventh Summit, held on 9 July 2015 at Ufa, Russia**, celebrated the establishment of the New Development Bank, which held its inaugural meeting of the Board of Governors on the eve of the Summit. It is expected that the NDB will approve its first investment projects in 2016. In the context of existing and new development finance institutions, the Summit declared that the NDB will cooperate closely with such institutions, including the Asian Infrastructure Investment Bank, the backbone of China's Silk Road and Belt Initiative. Although the main focus was economic matters, including inter-country trade, the Summit noted the progress made in the preceding year on matters that have a subnational impact, including in the fields of health and education. An agreement on cooperation in the field of culture was also signed at the Summit. For the first time a BRICS Parliamentary Form was held in June 2015. As the national Parliaments of Brazil, Russia, India, and South Africa comprise two houses, one of which representing subnational regions or governments, subnational interests have become part of the BRICS debate. It is worthy to note that the South African parliamentarians were led by the Chairperson of the National Council of Provinces and the Deputy Speaker of the National Assembly. Looking forward the depth of cooperation on domestic matters is striking. Under Russia's chairpersonship meetings at ministerial and official level will be held in the areas of health, labour, population matters, education, agriculture, and disaster management. Finally, as the second item on the Ufa Action Plan of "areas of cooperation to be explored" is the establishment of "the BRICS Council of Regions". While no details are provided, it may suggest an institution not dissimilar to the European Union's Council of Regions, representing subnational governments at regional and local level, which must be consulted before the European Commission makes decisions that may have an impact on regions or local governments.

5. BRICS's multilevel government dimension

All the BRICS countries have constitutionalized systems of multilevel government, which allocate powers and functions among the different levels of government. Many functions relating to domestic economic and social development are shared responsibilities between the central and subnational governments (SNGs). Issues of urbanisation perforce draw local government into the picture. Thus with a strong BRICS focus on sustainable development, inclusive economic growth is unlikely to materialise as the result of central governments' efforts alone. SNG has a vital role to play as one of the very objects of devolved systems of government is to promote and facilitate development.

Placing urbanization on the BRICS agenda, affects SNGs directly. Although urbanisation policy may be determined at a national level, the implementation and shaping of such policy in particular contexts are the focus of regional governments (states, regions, provinces) in general and metropolitan governments in particular. In the massive agglomerations of people in metropolitan areas the issues of water, sanitation, transport, energy, and housing, come to the fore - the very mandate of local government.

Given these extensive overlaps in responsibilities between central and subnational governments, it follows that SNGs stand central to the implementation of the BRICS domestic initiatives. Securing domestic economic growth is unlikely without the buy-in and implementation by SNGs. Moreover, social development falls particularly in the domain of the SNGs and their implementation strategies and efforts would be key to success.

New initiatives require funding and the domestic intergovernmental fiscal relations are bound to be affected thereby. It is in the area of urbanization that the BRICS initiatives and SNGs are likely to be the most synergetic. The New Development Bank, with its mandate to support infrastructure development, will see cities as major clients. Furthermore, it may also place particular emphasis on funding decentralization projects as engines of economic development.

6 August 2015