Research on the Impact and Pathways of BRICS Mechanism on Multilateral Development Financial System Reform under the Context of Global South Financial Cooperation

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Abstract: Against the backdrop of the global economy facing the "3D challenges" of population aging, debt expansion and anti-globalization, and the intensification of the financial predicament of global South countries by the hegemony of the US dollar, global South financial cooperation has shifted from a stopgap measure of "mutual assistance among poor countries" to institutional cooperation. As the core carrier of global South financial cooperation, the BRICS mechanism Its evolution and practice are of crucial significance to the reform of the multilateral development financial system. This study elucidates the collaborative connotation and developmental trends of Global South countries in the financial sector, positing that it represents an extension of the 'Bandung Spirit' within this domain. Currently, the mechanism exemplified by the New Development Bank of the BRICS has established a cooperative network spanning Asia, Africa, and Latin America, with a focus on infrastructure, green energy, and other critical areas, thereby providing a comprehensive analysis of the multilateral development financial system. Despite achieving significant outcomes in bridging funding gaps, mitigating risks, and establishing norms, this system continues to confront notable challenges, including an inequitable governance structure, restricted fundraising capabilities, and inadequate applicability of regulations. Consequently, this paper centers on how the BRICS mechanism can supplement and innovate the multilateral development financial system to better address the actual needs of the Global South. Finally, the paper proposes directions for reform from both theoretical and practical perspectives. Guided by the theory of inclusive governance, it advocates for enhanced internal financial coordination within BRICS, deeper collaboration between the New Development Bank and existing institutions, elevation of the Global South's voice, improvement of the governance of the New Development Bank, and the advancement of institutional upgrades for BRICS financial cooperation. Through these measures, the BRICS mechanism is poised to emerge as a financial beacon for the development of the Global South, thereby injecting momentum into the diversification of the international financial order.

Keywords: BRICS Mechanism; Multilateral Development Finance; Global South; Financial Cooperation; System Reform

1. The Background and Current Status of Financial Cooperation in the Global South and the BRICS Mechanism.

1.1 The Rise and Development of Financial Cooperation in the Global South

1.1.1 The connotation of financial cooperation in the global south

Global South Financial Cooperation primarily refers to the multilateral collaboration among emerging market countries and developing nations focused on the coordination of financial resources, policy synergy, and institutional framework development. The essence of this cooperation lies in enhancing the autonomy and influence of member states within the global financial system through the South-South cooperation framework, thereby reducing their dependence on the traditional, Northern-dominated financial structure [1]. From the perspective of financial resource flows, this cooperation emphasizes the targeted allocation and efficient distribution of capital among Southern countries, encompassing arrangements such as development financing [2], currency swaps [3], and local currency settlements [4], which aim to bolster regional financial stability and resilience against risks. The cooperation model entails the simultaneous implementation of institutional framework development and flexible initiatives, highlighting both long-term structural integrity and emergency coordination, thereby presenting a dual orientation of functionality and strategy.

In essence, this represents an extension and elevation of the "Bandung Spirit" within the financial domain [5]. The 1955 Bandung Conference first established solidarity, friendship, and cooperation as the political ethics of South-South relations, pioneering the autonomous consultation of developing countries on development issues free from Western dominance. This laid the ideological foundation for subsequent South-South cooperation. Over the past 70 years, the Bandung Spirit has evolved from a political consensus into concrete financial practices, culminating in a contemporary financial interpretation of the Bandung concept. The principle of "seeking common ground while reserving differences" in traditional political discourse has been elevated to the pursuit of "seeking common ground for shared prosperity" in financial governance. Core principles of cooperation now include equal access, joint rule-making, and shared benefits. The establishment of mechanisms such as the New Development Bank and the Contingent Reserve Arrangement by BRICS countries, alongside the implementation of tools like multilateral central bank currency swaps and regional reserve pools, vividly embodies the continuation of this spirit.

In the context of the accelerated evolution of a century-old transformation, financial cooperation in the Global South has acquired new contemporary significance. The current global economy faces three-dimensional challenges characterized by an aging population, expanding debt, and rising anti-globalization sentiments [6]. Simultaneously, the dominant position of the US dollar, maintained through mechanisms such as the petrodollar system and financial sanctions, has intensified issues like liquidity shortages and the spillover of exchange rate risks in Southern countries. In response, Global South Financial Cooperation has transitioned from a makeshift solution of mutual assistance among poorer nations to a framework of institutional collaboration. By institutionalizing common but differentiated financial responsibilities, it has established replicable Southern rules across four major domains: liquidity relief, development financing, green transformation, and digital infrastructure [7]. This framework internalizes the trade flows, industrial chains, and capital flows of Southern countries, creating a closed loop wherein Southern savings support Southern investment, thereby injecting new impetus into the diversified evolution of the international financial order.

The year 2025 marks the 70th anniversary of the Bandung Conference and the 80th anniversary of the founding of the United Nations. While the North-South divide persists and the cyclical risks associated with dollar hegemony remain, financial cooperation among the Global South has evolved beyond a mere temporary measure of 'mutual assistance among poor nations.' Through various institutional arrangements, it has formalized financial accountability mechanisms and offered innovative proposals for reforming the international financial architecture. This evolution drives the global financial order toward greater diversity and balance, reflecting a critical reassessment of traditional global financial governance models while serving as a practical exploration of new pathways for international cooperation. These developments distinctly characterize our contemporary era [8].

1.1.2 The current situation of Global South financial cooperation

In recent years, financial cooperation among the Global South has shown a trend of continuous expansion, covering multiple key areas such as infrastructure financing, trade settlement facilitation, and the establishment of currency swap mechanisms, reflecting a multi-dimensional development trajectory. Multilateral financial mechanisms, exemplified by the New Development Bank (NDB) led by

BRICS countries, have achieved scaled growth and membership expansion. From its establishment in 2015 to 2025, the bank has expanded from the original five BRICS nations to "BRICS+", with the inclusion of several Global South countries such as the UAE, Egypt, and Bangladesh, forming a cooperative network spanning Asia, Africa, and Latin America. Its core operations focus on critical sectors like infrastructure construction, clean energy, and digital infrastructure. This institutionalized cooperation centered on development finance has broken the traditional dominance of Northern financial institutions, emerging as a hallmark practice of collective self-reliance within the Global South. In key areas, Global Southern Financial Cooperation has achieved significant results in strategic fields such as energy transition, technological innovation, and infrastructure development. In the realm of green development, approximately one-third of the New Development Bank's loans have been allocated to clean energy and environmental protection projects. Furthermore, it has bolstered regional economic resilience through a closed-loop model that facilitates Southern savings serving Southern investment. Currently, this cooperation has evolved from a singular mechanism into a diversified network. A development pattern led by the BRICS mechanism, characterized by multi-field collaboration, has emerged. As the flagship platform, the New Development Bank's positioning and operational experience as a new type of multilateral development bank in the 21st century offer a replicable model for cooperation among other Southern countries. The scope of cooperation has expanded from traditional investment and financing to institutional domains, including the construction of cross-border payment systems and the development of local currency and bond markets. In response to challenges such as global debt expansion and anti-globalization, the Bank's role has become increasingly vital. It continues to embody the core principles of unity and cooperation inherent in the Bandung spirit and, through innovative practices of rule discussion and benefit-sharing, provides new solutions for the reform of the international financial order, emphasizing contemporary characteristics of equality, pragmatism, and strategy [9].

1.2 The Formation and Evolution of the BRICS Mechanism.

In an environment full of great challenges, the Global South urgently needs to strengthen cooperation. The Global South has unique advantages and can address the challenges it faces through collective action. Moreover, with its growing political, economic and technological influence, it can forge a fairer and more sustainable development path Brics cooperation is a typical example of the continuous and in-depth development of global South cooperation in the 21st century. In 2001, Jim O 'Neill, an economist at Goldman Sachs, proposed the concept of "BRIC", clearly designating Brazil, Russia, India and China as four emerging market countries. These four countries have gradually gained increasing significance in the global economic landscape, leveraging their large populations, abundant resource endowments, and rapidly growing economic aggregates. At that time, however, no formal cooperation mechanism had been established. Nevertheless, the economic resilience demonstrated by the BRICS countries during the crisis underscored their role as stabilizers and highlighted the importance of institutionalized cooperation in amplifying their influence [10]. In June 2009, the BRICS countries convened their inaugural leaders' meeting in Yekaterinburg, which marked the official launch of the BRICS mechanism. This meeting established the principles of dialogue, coordination, and cooperation, covering topics such as economy and finance, global governance, and international security. Additionally, it resulted in a joint statement advocating for the reform of international financial institutions. Since then, the BRICS Summit has established an annual mechanism that fosters in-depth cooperation. The BRICS framework has successfully transitioned from a conceptual model to a substantive entity, creating a multi-level cooperation structure comprising 'leaders' meetings, ministerial meetings, and coordination in specialized fields.' This transformation aims to reduce reliance on traditional global governance systems. In 2015, the New Development Bank of the BRICS nations was established in Shanghai with an initial registered capital of 100 billion US dollars, where member states hold shares equally, thereby challenging the conventional distribution of power among development banks. Currently, member states are also exploring coordination on local currency settlements and central bank policies. The BRICS mechanism has evolved from a platform for political dialogue into a practical carrier for cooperation, emerging as a core driving force for financial collaboration in the Global South. In 2021, the BRICS mechanism entered the 'BRICS +' era, aimed at building a broader cooperation network among developing countries [11]. In 2023, five countries-the UAE, Egypt, Iran, Saudi Arabia, and Argentina-formally joined, marking a transition from five-nation cooperation to multi-regional collaboration. In the realm of global governance, the BRICS nations have leveraged their collective voices to advance agenda reforms on issues such as climate change and international debt restructuring, emerging as a pivotal force in promoting the multipolarization of the international order. At a deeper level, the formation of the BRICS mechanism reflects the pursuit of autonomous development paths by emerging economies. While preserving the distinct characteristics of their respective development models, member states rely on institutionalized cooperation to exchange development experiences. This model of cooperation, grounded in equality and mutual benefit, diverges from traditional North-South aid relationships and offers a new paradigm for South-South cooperation. As collaboration deepens, the BRICS mechanism has gradually evolved into a globally influential multilateral platform.

2 Analysis of The Impact of the BRICS Mechanism on the Multilateral Development Financial System

2.1 The Current Situation and Problems of the Multilateral Development Financial System

2.1.1 The basic functions of the multilateral development financial system

The multilateral development finance system constitutes a critical component of the global financial governance architecture [12]. Its fundamental framework encompasses the World Bank Group, the International Monetary Fund, and various regional development banks such as the Asian Development Bank, African Development Bank, and Inter-American Development Bank. These institutions assist member countries in promoting economic development, reducing poverty, and advancing regional integration through long-term financing, technical assistance, and policy advice. In performing core functions including resource allocation [13], risk mitigation, regulatory coordination [14], and development empowerment [15], they play an indispensable role in addressing the shortcomings of private capital markets and facilitating public-private capital collaboration.

2.1.1.1 Bridge the development financing gap and channel capital to key sectors

The multilateral development finance system addresses global mismatches in development financing through centralized fundraising and targeted allocation. By leveraging institutions such as the World Bank, the Asian Development Bank (ADB), and the African Development Bank (AfDB), it pools funds through member contributions and international bond issuances to provide low-interest loans, grants, and other forms of support for high-risk, long-cycle sectors in developing countries, including infrastructure, agriculture, and education. In fiscal year 2024, the World Bank allocated $93 billion to developing nations, with 60% directed toward low-income countries to alleviate financing challenges. This policy-driven system incorporates binding conditions, such as environmental protection and poverty reduction, to mobilize private capital. Through risk-sharing instruments, it channels private investment into renewable energy projects in the Asia-Pacific region, thereby promoting capital reallocation toward green sectors and optimizing resource distribution.

2.1.1.2 Build regional and global financial safety nets to withstand external shocks

In the context of intensified global economic fluctuations and frequent cross-border capital flows [16], the multilateral development finance system serves as a "risk buffer" through its multi-level mechanisms. Firstly, the International Monetary Fund employs tools such as standby credits and medium-term loans to provide emergency funds for countries facing foreign exchange pressures. For instance, in 2022, a $3 billion loan was extended to Sri Lanka to assist in stabilizing its exchange rate. Additionally, regional development banks and multilateral mechanisms have established a joint risk prevention system. The East Asia Chiang Mai Initiative Multilateralization Agreement features a $240 billion currency swap network, which effectively addressed the short-term funding gaps of member states during the 2008 financial crisis and the 2020 pandemic. Furthermore, the World Bank, the IMF, and the G20 have collaboratively promoted mechanisms such as the "Debt Moratorium Initiative." By 2024, these efforts have facilitated over 40 countries in completing debt restructuring, thereby preventing the spread of crises.

2.1.1.3 Formulate development finance standards to promote global governance coordination

The multilateral development finance system mitigates institutional barriers to cross-border cooperation by establishing unified rules and standards. It sets common benchmarks for project implementation, with institutions such as the World Bank and the Asian Development Bank issuing documents like the Environmental and Social Framework. These documents standardize various procedures, including environmental impact assessments and fund supervision, making their environmental assessment standards globally recognized benchmarks for development projects. Furthermore, efforts have been made to cultivate a global consensus on development-related regulations by integrating poverty reduction, climate change, and other critical issues into the objectives of development finance. Following the introduction of the UN Sustainable Development Goals (SDGs) in 2015, the World Bank incorporated these goals into its loan assessments, while the International Monetary Fund (IMF) integrated climate risks into its economic evaluations. Additionally, this system harmonizes financial regulatory policies, such as managing cross-border capital flows, thereby reducing policy conflicts and fostering a stable institutional environment for multinational projects [17].

2.1.1.4 Transferring technology and management expertise to enhance the self-development capacity of emerging and developing countries

The multilateral development finance system facilitates the transformation of developing countries from passive aid recipients to active partners through its integrated "capital+ technology+ expertise" model. In terms of technical support, institutions such as the World Bank and IMF assist member states in improving their fiscal, monetary, and financial regulatory systems by dispatching experts and conducting specialized training programs. In sharing project experiences, regional development banks have localized and promoted successful models. In the field of financial market development, the Asian Development Bank (ADB) allocated $4.5 billion to Southeast Asia during 2022-2024 to support cross-border payment system upgrades and credit information sharing, thereby reducing trade costs and enhancing financial inclusion. This multi-dimensional empowerment effectively breaks through capacity bottlenecks in developing countries and strengthens the foundation of Global South financial cooperation. The rise of the BRICS mechanism is providing new momentum and pathways for optimizing and reforming this system's functions.

2.1.2 Reform needs and challenges of the multilateral development finance system

Over prolonged operational processes, the multilateral development finance system has gradually revealed certain structural deficiencies that constrain its capacity to fully advance global development. The decision-making process lacks sufficient transparency and inclusiveness, failing to adequately reflect the interests and demands of emerging markets and developing countries, thereby casting doubt on its legitimacy. The governance structure remains imbalanced, characterized by insufficient financing capacity and uneven mechanisms for regional and sectoral fund distribution. Consequently, access to development financing is constrained for some developing countries, complicating their efforts to meet urgent needs for infrastructure construction and sustainable development. Traditional multilateral development financial institutions continue to uphold practices in loan conditions, project approval, and knowledge support that do not align with the actual needs of Global South countries, thereby diminishing the efficiency and relevance of fund utilization.

An analysis of the current imbalance in the distribution of discourse power reveals that the voting rights allocation rules, which are primarily based on capital contributions, have led to a pronounced issue of "mismatched weightings." Within the system established at the 1944 Bretton Woods Conference, the United States-by virtue of controlling nearly 60% of global gold reserves and possessing formidable industrial production capacity-spearheaded the design of voting rules determined by capital subscription ratios. This mechanism continues to exert profound influence on multilateral development financial institutions to this day. Developed economies, such as the United States and the European Union, maintain a conservative stance on core issues like the reallocation of voting rights and the establishment of capital increase quotas. They fear that reforms could undermine their dominant positions, a concern rooted in strategic anxiety over the shifting landscape of global economic power. Although reform attempts have been initiated in recent years, the World Bank's limited adjustments to the International Bank for Reconstruction and Development (IBRD) voting rights have merely transferred marginal voting shares to emerging economies without substantial capital increases. However, this incremental approach of 'small but frequent steps' falls far short of aligning voice representation with economic contributions. On the financing front, the existing multilateral development financial system exhibits significant shortcomings in terms of funding scale, instrument innovation, and capital leverage capacity when addressing the dual gaps in global development finance and climate finance [18]. These limitations render it fundamentally inadequate to meet the urgent needs of countries in the Global South, while the rigidity of financing mechanisms further exacerbates this contradiction. The existing financial instruments within the system remain predominantly traditional loans and bonds, which are insufficiently adaptable to meet the urgent needs of developing countries for emergency funding and financing for technological upgrades. Moreover, innovative tools such as green bonds present high entry barriers, making it challenging for low-income countries to effectively utilize them due to inadequate market infrastructure. More critically, the leveraging effect of private capital has fallen short of expectations. Although multilateral institutions have sought to attract private capital through guarantees and blended finance [19], factors such as political risks and regulatory uncertainties in developing countries have led to cautious participation from private capital. According to the World Bank's 2023 report, over 70% of global climate finance is concentrated in emission reduction projects, such as renewable energy and energy efficiency, while less than 30% is allocated to climate adaptation. This imbalance is particularly pronounced in developing countries. Fund flows, influenced by international discourse and policy orientation, direct substantial resources into mitigation projects, while critical areas for developing nations-such as climate adaptation and resilient infrastructure development-remain underfunded. Furthermore, current allocation mechanisms lack dynamic assessments of national vulnerability, making it challenging to align funding with actual needs precisely. The challenges of functional deepening are further compounded by the increasingly complex global governance environment. With escalating geopolitical conflicts and the gradual rise of anti-globalization sentiments, the neutrality and effectiveness of multilateral development finance systems have been undermined. Some developed countries have linked fund allocation to political conditions, deviating from the core principle of 'development first.' Meanwhile, divergent rules and data barriers among institutions have reduced coordination efficiency, complicating cross-border data sharing. This has hindered the tracking and optimization of fund utilization outcomes. Such functional ambiguities have resulted in delayed responses to emerging global challenges, such as debt restructuring and digital infrastructure development, ultimately impairing the system's capacity to fulfill its central role as a provider of global public goods.

These institutional deficiencies have become particularly pronounced against the backdrop of profound transformations in the global economic landscape. With the collective rise of emerging economies and the shift in global development priorities, the existing system has struggled to accommodate increasingly complex and diverse international development needs. The imperative for reform is urgent, with priorities focusing on enhancing the representativeness and fairness of governance structures, optimizing the adaptability and flexibility of financing instruments, and strengthening responsiveness to the development strategies of Global South countries. Only through systematic and profound institutional reforms can the multilateral development finance system better fulfill its core mandate of promoting shared global development.

2.2 The Complementarity and Innovation of the BRICS Mechanism to the Multilateral Development Finance System

Amid the surging demand for financial cooperation among Global South countries and the pressing need to reform the traditional multilateral development finance system, the BRICS mechanism-through its core platforms such as the New Development Bank and the Contingent Reserve Arrangement-has achieved innovative breakthroughs and differentiated complementarity to the conventional system across governance structures, financing modalities, and operational scopes. Guided by the principles of "equal collaboration, pragmatic efficiency, and development-oriented adaptability," it has demonstrated distinct institutional advantages.

From the perspective of decision-making mechanism design, the New Development Bank (NDB) of BRICS adheres to the principle of "equal shareholding and voting rights." Regardless of differences in economic scale or capital contributions, all member states hold identical equity shares and possess equal voting power, thereby completely overturning the World Bank's "one share, one vote" weighted allocation model. This design ensures that Brazil, Russia, India, China, South Africa, and newly joined members such as the UAE and Egypt have an equal say in core processes, including project approval, strategic planning, and rule-setting. It effectively mitigates the drawbacks associated with decision-making dominance by a few developed countries in traditional systems, thereby strengthening the governance ethos of joint consultation, contribution, and benefit-sharing. This stands in stark contrast to the U.S.-led power structure of conventional frameworks. Consequently, the NDB provides a decentralized and practical model for reforming the governance of multilateral development finance systems. In expanding funding sources, the BRICS mechanism has transcended the limitations of traditional systems that depend on capital increases from developed countries. It has established a diversified funding pool based on voluntary contributions from member states and regional financial integration. On one hand, the authorized capital of the New Development Bank is jointly subscribed by member countries, allowing each to adjust its contribution pace according to its economic capacity. This flexibility helps avoid the funding shortfalls often experienced by traditional institutions due to delayed capital increases from developed nations. By 2025, the Bank's authorized capital is projected to grow from an initial \$100 billion to \$150 billion, with the additional capital primarily sourced from voluntary contributions by Global South members-demonstrating the principle of 'Southern resources fueling Southern development.' On the other hand, the New Development Bank actively utilizes the international capital market to issue multi-currency bonds, including those denominated in emerging market currencies such as the Chinese yuan, Brazilian real, and Indian rupee. This strategy not only reduces dependence on US dollar financing but also offers global investors a more diversified range of asset options. In the realm of green finance, the BRICS cooperation mechanism has effectively addressed the structural imbalances inherent in traditional climate financing systems, which have historically prioritized emission reduction over adaptation. It has established a support framework that equally emphasizes both mitigation and adaptation, while simultaneously promoting the transition to traditional energy sources and the development of renewable energy. Within the climate financing landscape of international financial institutions, approximately 70% of funds are allocated to climate change mitigation projects, such as wind and solar energy, leaving relatively inadequate support for the climate-resilient infrastructure that developing countries urgently require. In contrast, the New Development Bank has increased the proportion of funding directed toward climate adaptation projects to 40%. Furthermore, acknowledging the unique energy structure characteristics of Global South countries, it has introduced specialized loans aimed at facilitating the clean transformation of traditional energy sources. In 2024, the institution provided South Africa with a \$6 billion loan specifically designated for supporting upgrades to carbon capture technology in coal-fired power plants and the construction of natural gas transition energy systems. This initiative mitigated potential risks associated with energy supply disruptions and economic fluctuations while balancing the objectives of a low-carbon transition with the energy security needs of developing nations. Compared to traditional institutions' policy approaches that often overlook energy accessibility and system stability, this measure better aligns with the sustainable development aspirations of Global South countries, demonstrating a governance logic that is more inclusive and pragmatically adaptive. This "teaching to fish" empowerment model has effectively enhanced the self-development capacity of Global South countries, marking a distinct departure from the traditional system's "passive blood transfusion" approach. It provides a new direction for the functional upgrading of multilateral development finance, effectively addressing the deficiencies of existing international financial mechanisms in terms of fairness, flexibility, and practical application. Simultaneously, it offers a replicable demonstration model for systemic reform, promoting the transformation of multilateral financial development systems toward greater equity, efficiency, and better alignment with the actual needs of developing countries.

3. The Path and Recommendations for BRICS Mechanism to Promote the Reform of Multilateral Development Financial System

3.1 The Reform Logic of BRICS Mechanism in Promoting Global Financial Governance from a Theoretical Perspective

From a theoretical perspective on global financial governance, the transformation of the multilateral development financial system represents an evolutionary process characterized by the restructuring of governance entities, the refinement of regulatory frameworks, and the elevation of value orientations. As a pivotal platform for financial cooperation among Global South countries, the core philosophy underpinning the reform of the BRICS mechanism is not to supplant the existing system. Rather, in alignment with the principle of inclusivity within global financial governance theory, it aims to provide both the reform logic and practical pathways for innovating the multilateral development financial system through pioneering practices.

The BRICS mechanism plays a pivotal role in advancing global financial governance reform through its core logic, which leverages the collective empowerment of peripheral actors to dismantle the entrenched 'center-periphery' paradigm. This approach aims to reshape the power distribution mechanism within multilateral development finance systems. Theoretically, this process aligns with the evolutionary trajectory of power rebalancing in governance structures. With the collective GDP of Global South nations continuously expanding-projected to surpass 45% of global GDP by 2024-a disconnect persists between their decision-making influence and economic contributions within the existing international financial governance framework. The equal voting rights mechanism implemented by the New Development Bank serves as a feasible validation for a non-hegemonic governance model, granting each member state identical decision-making weight regardless of economic size, thereby establishing a de-weighted power distribution paradigm. This practice provides an institutional innovation reference for addressing the long-standing issue of voting rights concentration in traditional multilateral development banks, demonstrating a practical pathway for peripheral nations to achieve equitable participation in governance frameworks. The second approach involves leveraging the "BRICS+" mechanism to continuously expand its membership, attracting more Global South countries such as the UAE and Egypt to participate. This gradually forms a collaborative network of peripheral nations with shared interests, and such an alliance-building trend enhances the collective bargaining power of developing countries within the international financial system.

Most traditional rules were established in the mid-to-late 20th century, primarily designed to facilitate postwar reconstruction in developed countries and promote global expansion. These rules-encompassing financing standards, project evaluation, risk pricing, and other relevant areas-have not adequately adapted to the developmental characteristics of nations in the Global South. Guided by the theory of adaptive efficiency, the BRICS mechanism promotes rule reforms through demand-driven institutional innovation, thereby offering a practical testing ground for optimizing the multilateral development finance system. In terms of financing regulations, the New Development Bank departs from the traditional 'one-size-fits-all' standardized model and establishes a differentiated support framework.

It implements tiered financing arrangements based on the income levels and development stages of member countries, offering low-income nations extended loan terms of up to 30 years at more favorable interest rates, while also streamlining approval procedures. This development-oriented regulatory design effectively addresses the shortcomings of traditional multilateral financial institutions, which often overlook the structural differences among member countries in the application of rules. Consequently, it enhances the inclusiveness and accessibility of the financing mechanism. In the realm of climate finance regulations [20], it acknowledges the strategic importance of clean transformation of traditional energy during the energy transition phase, avoids compromising energy system stability through an exclusive focus on carbon reduction targets, and overcomes the policy rigidity stemming from the excessive emphasis on mitigation objectives characteristic of traditional climate financing mechanisms.

The most crucial reform logic is to adopt inclusive governance theory as the core reform philosophy, fully integrating the value orientation of equal cooperation, joint consultation and shared benefits into institutional practice. As key participants in the global governance system, the development demands of Global South countries should not be marginalized, but rather become an inherent component of multilateral financial mechanisms' value orientation. In cooperative practices, it is essential to adhere to non-traditional financing principles and abandon the conventional approach of linking loans to political system reforms or ideological orientations of recipient countries. The New Development Bank prioritizes project feasibility and developmental benefits as core evaluation criteria, granting member states greater policy autonomy. In 2023, it provided Ethiopia with a $4 billion loan for road infrastructure construction, with funds strictly allocated to project implementation and local employment promotion—free from any political reform conditions. This practice of respecting national development sovereignty breaks with the conditional aid logic long upheld by traditional multilateral financial institutions, enhancing the legitimacy and acceptability of its financing mechanism. Furthermore, it elevates issues of paramount concern to Global South nations-including infrastructure connectivity, poverty reduction governance, and climate resilience building-to the forefront of multilateral financial agendas. Within the G20 framework, BRICS countries jointly advocated the Global Infrastructure Connectivity Initiative [21], which effectively prompted the World Bank to gradually increase the proportion of infrastructure-related loans-rising from 30% of total financing in 2015 to 45% by 2024. Through establishing a dedicated poverty reduction fund for the Global South, they steered international financial resources toward more inclusive development goals, compelling traditional institutions to reassess their resource allocation priorities. This series of reform measures has enriched the application of inclusive governance theory in international development finance, providing both theoretical depth and practical feasibility for the value restructuring of the global financial governance system.

3.2 Strengthen Financial Coordination Within the BRICS Mechanism

Deepening financial collaboration and coordinated development among BRICS nations constitutes a crucial cornerstone for advancing the reform of the international development finance system. These member states demonstrate remarkable synergistic advantages in the financial domain, which are reflected not only in the disparities of their respective economic development levels but also in the complementarity of their financial system sophistication and market characteristics. By strengthening internal financial integration, the BRICS mechanism can establish a more interconnected financial network, thereby enhancing collective competitiveness and injecting stronger momentum into the reform of the global financial architecture.

Currently, the BRICS countries have established a cooperation framework with the New Development Bank and the Contingent Reserve Arrangement as its pillars. Following the expansion to 11 members, the increased diversity among members and divergence in agendas have placed higher demands on coordination mechanisms. Regarding relevant data post-expansion of the New Development Bank, it is necessary to refine the decision-making mechanism under the fundamental principle of "equal voting rights."

Drawing on the experience of international multilateral development banks, a tiered and categorized decision-making system should be constructed. Special consensus thresholds should be set for core areas such as infrastructure construction and climate finance, requiring agreement from at least 75% of member states for approval. For ordinary operational projects, a simple majority voting system should be implemented to balance the protection of smaller members' voices with the efficiency of major project approvals. Additionally, financial cooperation capacity-building programs should be launched. Through thematic training, joint research, and other methods, new member states can be assisted in quickly familiarizing themselves with the operational rules of the New Development Bank. Efforts should also be made to expand the scale of local currency investment and financing. Based on the existing RMB, ruble, and rand bonds, specialized issuance plans for core currencies such as the Indian rupee and Brazilian real should be formulated to establish a diversified local currency bond system. By creating a Local Currency Financing Coordination Center through the New Development Bank of BRICS, and with the anticipated maturity of the multilateral guarantee mechanism pilot by 2025, the proportion of local currency financing can be increased from the current 30% to over 50%. This can be achieved by optimizing cross-border clearing systems and establishing a dynamic adjustment mechanism for local currency swap quotas. Such measures will mitigate currency mismatch risks among member states, promote the internationalization of BRICS currencies, and reduce reliance on the dollar-dominated system. Additionally, support mechanisms for expansion will be strengthened by establishing a dedicated capacity-building fund for new members, such as Algeria and Colombia. This fund will specifically address project needs in key areas, including infrastructure and green energy for new members, by providing financial support for preliminary feasibility studies and technical solution designs to facilitate efficient project implementation. On the other hand, by collaborating with international institutions such as the World Bank and the International Monetary Fund, we conduct specialized training programs on project management and alignment with international financial standards to enhance the professional capabilities of new members in global financial cooperation. Through establishing a trinity support system encompassing funding, technology, and talent, we fully unlock the resource mobilization potential brought by membership expansion, helping new members swiftly integrate into the BRICS cooperation framework and achieve the development goal of mutual benefit and win-win outcomes.

3.3 Promote In-Depth Cooperation between the New Development Bank of BRICS and Existing Institutions

As a significant symbol of independent development for Global South countries [22], the New Development Bank (NDB) is not merely a resource supplement to existing international financial institutions. Through strategic coordination and synergy integration, it is reshaping the ecological landscape of multilateral development finance systems. The G20 Summit's adopted "Roadmap for Optimizing Multilateral Development Banks" explicitly outlines the strategic direction of promoting systematic collaboration mechanisms among development banks, providing clear policy guidance for the NDB's strategic cooperation with other international financial institutions.

Establish a dedicated capacity-building fund targeting new members such as Algeria and Colombia, adopting a model that combines targeted support with dynamic adjustments. On one hand, this fund will provide financing for preliminary feasibility studies and the design of technical solutions to address the project needs of new members in key areas such as infrastructure and green energy, thereby facilitating efficient project implementation. On the other hand, it will collaborate with international institutions, including the World Bank and the International Monetary Fund, to conduct specialized training programs focused on project management and alignment with international financial standards. This collaboration aims to enhance the professional capabilities of new members in global financial cooperation. By creating a comprehensive support system that encompasses funding, technology, and talent, this initiative will fully unlock the resource mobilization potential resulting from expansion, assist new members in swiftly integrating into the BRICS cooperation framework, and achieve mutually beneficial development goals.

Building upon the robust foundation of the BRICS Bank Cooperation Mechanism, we can systematically integrate the global peer cooperation networks of member banks, such as the China Development Bank and the Brazilian Development Bank (BNDES). This integration will enable precise alignment with the network resources of regional financial institutions, including the Asian Development Bank and the African Development Bank. We can leverage the well-established credit-sharing and project co-management cooperation model of the China-ASEAN Interbank Association to promote the establishment of a local currency credit reciprocity mechanism among the member banks of the New Development Bank and the Asian Development Bank. A credit pool of up to $5 billion should be established specifically to support cross-border trade financing for SMEs in the region. By adopting local currency settlement, this initiative will mitigate exchange rate risks, enhance capital flow efficiency, and establish a joint risk control system. It will integrate the professional capabilities of both parties in credit assessment, risk monitoring, and crisis resolution, leveraging data sharing, coordinated risk alerts, and dynamic stress testing to achieve comprehensive risk management for cross-border projects. Additionally, a joint project pool can be established to identify infrastructure, green energy, and other projects aligned with sustainable development goals. These projects would be jointly funded and co-managed by both parties, ensuring transparency in execution while effectively mitigating credit risks in multilateral cooperation. This approach would gradually foster a mutually beneficial regional financial cooperation ecosystem. Only through such in-depth collaboration can the collective strength of the "Global South" and existing institutions be harnessed to achieve high-quality reform of the multilateral development finance system.

3.4 Enhancing the Voice of Global South Countries in Financial Governance

Amidst profound shifts in the global economic landscape, economies of the Global South now account for over 40% of the world's economic output and contribute approximately 80% to global growth. However, within the existing multilateral development finance framework, the actual influence of these nations remains significantly below their economic scale. As a crucial platform for cooperation among emerging economies, the BRICS mechanism has enhanced its representativeness by welcoming new members, now encompassing nearly half of the world's population and over a quarter of global GDP. This mechanism is committed to breaking the monopoly of developed countries in international financial governance through collective agenda-setting, collaborative rule-building, and joint capacity-building. It aims to steer the global governance system toward a more balanced direction and promote the transformation of multilateral development finance systems into more equitable and inclusive frameworks.

On the international front, BRICS countries have actively embraced their role as the "voice of the Global South." Leveraging multilateral governance platforms such as the UN Sustainable Development Goals process and G20 Finance Ministers and Central Bank Governors Meetings as strategic pivots, they proactively launched the "Joint Initiative on International Financial Architecture Reform." This effort has propelled structural reform issues-including IMF quota adjustments and World Bank voting rights redistribution-into the core agenda of global governance. Particularly noteworthy is the historic increase in the overall quota share of emerging markets and developing countries during the IMF's eighth general quota review, launched in 2025, which marked a 3.2 percentage point rise from the previous review. Key BRICS members, such as China and India, achieved significant enhancements in their quota weight. Over five consecutive years within the G20 framework, they advanced technical initiatives for reforming the international financial system, collaborated with the Group of 77 to promote the deliberation and adoption of relevant draft resolutions at the UN General Assembly, and distilled institutional innovation models oriented toward development through the operational practices of the New Development Bank. These efforts provide actionable exemplars for Global South countries participating in governance reform. The BRICS mechanism is reshaping the global development financing landscape, injecting sustained momentum into the construction of a more equitable, inclusive, and balanced global economic governance system [22].

4. Policy Recommendations and Future Prospects

4.1 Improve the Governance and Expand the Functions of the New Development Bank

Under the circumstances of BRICS expansion, to enhance the inclusivity and regional representation of the decision-making mechanism, a two-tier council structure could be established, composed of core member states and regional representatives. This framework would maintain equal voting rights for founding members while creating dedicated issue-based seats for member states from regions such as Africa and Latin America. Through institutionalized channels, it would ensure full expression of the Global South's diverse demands on critical agendas including development financing, green transition, and debt sustainability, thereby improving the legitimacy and responsiveness of the decision-making process. To enhance the capabilities of financial services, it is essential to expand both the scope and depth of investment and financing in local currencies. This can be accomplished by systematically linking the currencies of BRICS nations (such as the RMB, Ruble, and Rand) with ASEAN’s foreign exchange reserve pool and the currency swap network led by the African Export-Import Bank, thereby reinforcing regional liquidity support mechanisms. Building upon this foundation, composite risk mitigation instruments can be developed to address the prevalent policy volatility, exchange rate risks, and uncertainties associated with sovereign credit in infrastructure projects across the Global South. By implementing a tiered risk-sharing mechanism, these tools would effectively reduce entry barriers for private investors, enhance the bankability of project assets, and amplify the synergistic effects of public funds and market capital. This strategy would significantly bridge the financing gap for achieving sustainable development goals [23].

4.2 Advance the Institutional Upgrading of BRICS Financial Cooperation

To deepen institutionalized cooperation among BRICS nations in the financial sector, the immediate priority is to establish a durable governance framework and a robust technical support system [24]. Drawing inspiration from the G20's "troika" model, it is essential to create a deliberation mechanism that includes the current, preceding, and incoming chair countries. This system would leverage regular video conferences and annual summits to form a core decision-making structure, concentrating on critical issues such as global financial system reform, debt resolution for emerging economies, and the harmonization of green finance standards. Additionally, establishing a policy agenda repository and an expert advisory committee would ensure both policy continuity and professional rigor, effectively mitigating the risks of cooperation disruption arising from rotational leadership transitions.

In the realm of enhancing institutional effectiveness, priority should be accorded to selecting member cities with robust financial systems and significant regional influence as operational bases. Here, multilingual professional teams will be established to undertake core functions, including agenda planning, cross-border data standardization, and independent evaluation of cooperative outcomes. Concurrently, leveraging the New Development Bank platform, a Global South Financial Risk Monitoring Center should be established to consolidate multidimensional data from member countries, encompassing macroeconomic indicators, government debt profiles, and infrastructure project statistics. This center will employ intelligent algorithms to develop a real-time risk analysis framework. The monitoring platform will not only issue periodic risk assessment reports but also conduct stress tests at both national and project-specific levels. While respecting data sovereignty, it will facilitate coordinated monitoring and analysis of cross-border financial risks, thereby strengthening the strategic resilience of the BRICS mechanism within the global financial safety net.

5. The Structural Transformation of BRICS Cooperation Has Become a Financial Beacon for the Development of the Global South

The BRICS cooperation framework is undergoing a significant transition from being a leader in reforming the global financial system to becoming a dominant rule-setter. Its core principles-such as promoting local currency investment and financing, advocating for equal collaboration, and emphasizing pragmatism and efficiency-continue to enhance the existing international development finance architecture through value supplementation and institutional innovation, significantly reshaping the evolution of the global development financing system. As BRICS nations expand their membership and refine their internal governance mechanisms, this cooperation framework is set to establish an alliance of emerging economies that encompasses over half of the world's population and 40% of global economic output, emerging as the most symbolic institutional representative of the Global South. From a long-term perspective, the BRICS mechanism is actively forging a new financial development order characterized by greater inclusiveness, equity, and responsiveness through the extension of its institutional influence and the dissemination of its rule-based system, thereby laying a solid foundation for financial governance in the pursuit of building a community with a shared future for mankind.

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