Competitor or Substitute? The New Development Bank BRICS's role as an alternative to the World Bank.

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Master Thesis

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Date: 26th July, 2016

Word Count: 24,479

ERASMUS UNIVERSITEIT ROTTERDAM

Abstract

In 2015 the New Development Bank BRICS was established by the five BRICS countries and promoted as an alternative to the World Bank. In the short time since its creation, the NDB BRICS has received little academic attention regarding its place in the International Aid Architecture. What attention has been given focuses on the NDB BRICS's nature as a proxy of anti-US, and anti-World Bank, sentiment, fuelled by its self-determined nomenclature as an *alternative*. This thesis adds to the small existing body of literature regarding the NDB BRICS but rather than focus on the NDB as an assumed opposition to the US-led international system, aims to determine if the use of powerful rhetoric about balance-of-power shifts is warranted by assessing the type of alternative the NDB BRICS will be: competitor or substitute.

The extent to which the NDB BRICS can be considered an alternative to the World Bank is analysed through first defining which criteria must be met for a Multilateral Development Bank to be effective in the current system, and then comparing how the two banks fulfil these criteria to measure their operational effectiveness. A qualitative approach allows an understanding of the ways in which the NDB BRICS differs from the well-established World Bank in terms of size, financial capabilities, organisational structure, and interaction with other development organisations. However, the differences, it is argued, are not as ground breaking as they may first seem. It is postulated that the NDB BRICS offers a continuation of the trends, shifts, and movements seen in the Multilateral Development Banks which came before. The NDB BRICS thus provides a substitute in choice to the World Bank, and plays a complimentary role in the system it so strongly objected to at its establishment.

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Tables and Figures

Chapter 1: Introduction and Background

> *"The roots of the World Bank and IMF still lie in the post-world war two environment… We should see the BRICS bank as part of a new paradigm to share resources and…achieve a win-win outcome."*
>
> *Pravin Gordhan, Minister of Finance, South Africa, Speaking at the 5th BRICS Summit in Durban, South Africa*[1]

For two weeks in July 1944 the ideas of three men were debated and deliberated to create much of the International Economic System as we know it today. The economic policies of the then US Treasury Secretary Henry Morganthau, his chief economic advisor, Harry Dexter White, and British economist John Maynard Keynes, guided negotiations between the delegates of 44 countries representing the global economic powers of the UK, the United States of America, and the Allied Forces of WWII at the Bretton Woods Conference in New Hampshire. The conference established two institutions to regulate the International Monetary System: the International Monetary Fund (the IMF) and the International Bank for Reconstruction and Development (IBRD). 71 years later in July 2015, three different men stood on a stage in Shanghai before delegates of 57 countries to officially inaugurate the New Development Bank BRICS (NDB BRICS). Launched by its President Kundapur Vaman Kamat, the Chinese Foreign Minister Lou Jiwei, and the Mayor of Shanghai Yang Xiong, the NDB BRICS was proudly introduced as "an alternative to the…World Bank and International Monetary Fund".

The International Bank for Reconstruction and Development (the IBRD) was first created to finance the Marshall Plan, a $13 billion US financed fund to rebuild Europe from the ashes of WWII from 1948 to 1952. The genesis of the IBRD was not fully altruistic, as it was widely accepted to be a proxy to stem the flow of Communism across Europe, and to ensure that a booming post-War America had a market to which it could export. The IBRD today is one half of the World Bank and its activities and reach have increased and expanded to encourage development and a reduction in poverty across the globe. Comprised of the IBRD and the International Development Association (IDA), the World Bank has two objectives: 1) To end extreme poverty; and 2) Boost shared prosperity and finance. Efforts to achieve these objectives are undertaken by funding infrastructural projects through loans provided by the IBRD and IDA, and grants from the IDA.

[1] Guardian.com "Brics eye infrastructure funding through new development bank".

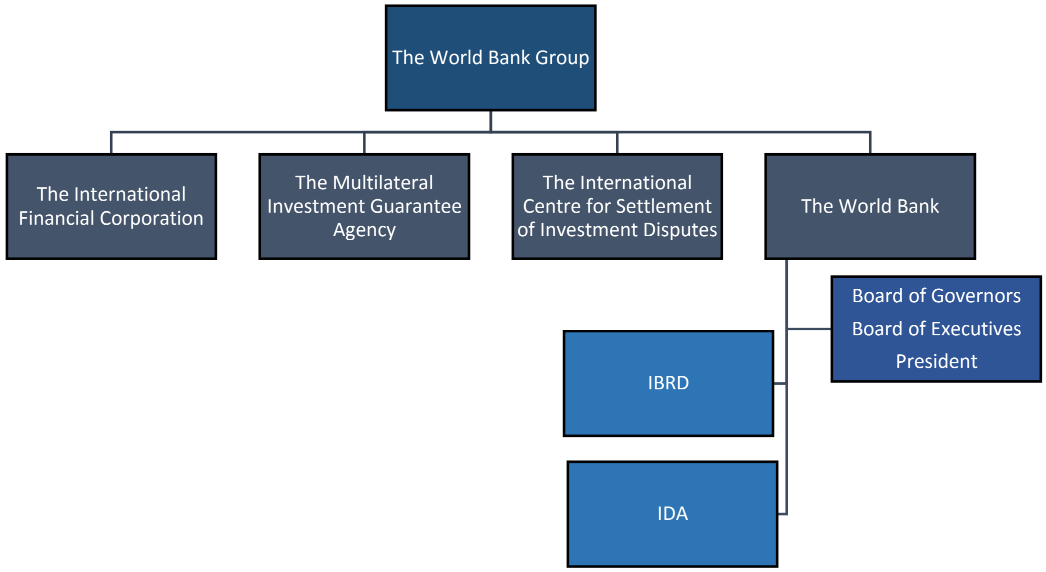

Figure 1 World Bank Group Organisational Structure

1.1. Big Fish, Big Pond: the dominance of the World Bank in the International Aid Architecture

The International Aid Architecture (the IAA) is "the system of institutions, rules, norms, and practices that govern the transfer of concessional resources for development" (Bräutigam, 2010: 8). Unlike other regimes within the global economic system, such as the clear institutionalised rules guiding international trade governed by the World Trade Organisation, the IAA is a "loose aggregation" of formal and informal institutions (Burall and Maxwell, 2006: 4). Bräutigam (2010) categorises the elements of the IAA into four areas: Institutions and Actors; Volumes and Composition; Instruments and Modalities and; Rules and Standards. (Bräutigam, 2010: 8). Institutions and Actors make up the skeleton of the system, they are the players in the IAA and donate, administer, or receive the aid volumes and determine its composition, furthermore institutions and actors create and utilise the instruments and modalities, and set the rules and standards of the system.

Multilateral Development Banks (MDBs) such as the World Bank and the NDB BRICS are one such actor and can be defined as:

> *….international institutions comprised of member states and dedicated to the alleviation of poverty through the financing of development projects in poor countries* (Braaten, 2014: 516).

The largest MDB in terms of funding, global reach, and historical significance is the World Bank (Nelson, 2015: 2). MBDs dominate the IAA in terms of funding and despite being only one of over 200 multilateral organisations and global funds, in 2013 22% of all multilateral Official Development Assistance (ODA), was operationalised by the World Bank (OECD, 2015a: 3). For comparison, globally the number of Civil Society Organisations (CSOs) totals the hundreds of thousands and in the same year received almost half the total amount of ODA as the World Bank did (11.6%). The World Bank's reach and dominance is not only financial but geographic: In 2015 the World Bank's membership totalled 189 nations, it employed nearly 12,000 full time staff in 127 countries, and provided multilateral disbursements of almost $32 billion (The World Bank, 2015a: 7-10) In comparison, the next largest MDB, the European Bank for Reconstruction and Development, employs just over 1800 staff in 32 countries (EBRD, 2014: 47-48).

1.2. The New Development Bank

First proposed in 2012, but delayed due to a protracted negotiation process, the NDB was founded by the Federative Republic of Brazil, the Russian Federation, the Republic of India, the People's Republic of China, and the Republic of South Africa, or, as they have come to be collectively known, the BRICS countries. Despite previous negotiations, new impetus for the NDB BRICS's creation was felt after the non-implementation of voting rights reforms in the IMF, dating back to 2010, which would have seen a redistribution of voting shares from overrepresented countries to less represented ones. It was a decision for which 85% of votes were required and of which the US had a *de facto* veto power due to holding more than 15% of the voting share. [2] In response to this discontent the BRICS nations created the $100 billion BRICS Contingent Reserve Agreement (CRA) which provide Balance of Payments assistance to its members in order to promote stability (Brixs.itamaraty.gov.br "Treaty for the Establishment of a BRICS Contingent Reserve Arrangement – Fortaleza, July 2015). Created at the same time as the NDB BRICS, the CRA is intended to offer similar assistance to the IMF and members can draw from the CRA at times of economic instability. Drawing rights and contributions to and from the CRA are determined per country with South Africa being the smallest economy having the right to draw double the amount they contribute (Table 1).

[2] Since January 21st, 2016, the quota of 85% has now been met, with the US accepting the amendments. As of the 16th January 2016 97.839% of the votes, representing 172 of the total 188 members have agreed, and thus the reforms will be completed.

Country	Contribution ($ US Billion)	Access to Funds ($ US Billion)	Voting Share
Brazil	18	18	18.10%
Russia	18	18	18.10%
India	18	18	18.10%
China	41	21	39.95%
South Africa	5	10	5.75%
Total	100	85	**100**

Table 1 BRICS Contributions and Access to CRA per country. Source: ndbbrics.org/agreement; Russia and India Report, 2015; and Biziwick et al., 2015)

A further stimulus was the continued discontent with the lasting dominance of the US in the World Bank. The agreement to create the NDB BRICS was finally signed on the 15th July 2014 at the Sixth BRICS Summit in Fortaleza, Brazil. As well as discontent by the BRICS leaders, the World Bank has come under fire in recent years and protests against the organisation have become common place. For example, in October 2015, Peruvian workers marched in Lima against the World Bank during its annual meeting: In the year 2000, large scale protests of thousands of people took place in Washington, DC; In February 2016 workers in Morocco, who first began striking against their own government but soon turned their attention to the World Bank and IMF. The World Bank has also been accused of "Mortgaging the Earth" due to its alleged disproportionate use of conditionality (Rich, 2013) and of being part of the *Unholy Trinity* of the IMF, the World Bank, and the World Trade Organisations and together have been charged with being guilty of imposing harmful neoliberal politics upon its members (Peets, 2009). Much of the criticism has been levied due to the political dominance of the US in the World Bank, but other criticism relates to the propagation of specific economic policies and the continued spread of the Washington Consensus as a panacea for economic development woes.

The US domination within the World Bank can be simply demonstrated by share of votes in the World Bank's decision making bodies. The US dominates in the two institutions of the World Bank with 15.97% of total voting rights in the IBRD and 10.46% of voting rights in the IDA, far higher than the 7.40% and 8.36% held by the second most powerful member, Japan, in the IBRD and IDA, respectively (as of 31st December 2015). IBRD voting shares legally determine power in the main decision making body, the Boards of Governors, in both institutions, and a majority of 85% is required for any organisational changes and thus the US has a *de facto* veto right in the World Bank, as it also does in the IMF (Vestergard, 2011: 14). [3]

[3] Source Voting Shares: worldbank.org, Voting Power

An informal agreement also exists that the President of the World Bank will be an American citizen who is selected by the President of the United States and confirmed by the Board of Governors through an 85% majority. Furthermore, the US has large stake in other development banks (Nelson, 2011: 14), with the exception of the Asian Infrastructure and Investment Bank established in 2015 and led by China.

The agreement establishing the NDB BRICS states that its purpose shall be:

> *… to mobilize resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries, complementing the existing efforts of multilateral and regional financial institutions for global growth and development. (*ndbbrics.org, "Agreement". Article 2)

Without US involvement and funding in the NDB this gives credibility to the BRICS nations' assertion that the NDB will be an *alternative* to the World Bank (ndbbrics.org: "About the NDB"). Furthermore, the funding of projects which are designed to increase economic development is directly in line with the work of the World Bank. It is therefore reasonable to expect that the NDB BRICS can become an *alternative* to the World Bank, the question is: to what extent is this true, and what does this mean for the future of the Word Bank?

1.3. Aim of Thesis

The New Development Bank is the most recent addition to the plethora of MDBs that exist in the global IAA (Table 2). During the launch of the NDB BRICS it was proudly announced that the NDB BRICS is an *alternative* to the World Bank. It is not enough to merely postulate that something is an *alternative* through grandiose rhetoric or by the exclusion of the hegemonic economic power, the US in this case. The NDB BRICS emerged from a discontent with the hegemon of the current international system, however, the aim of this thesis is not to focus only on the political manifestation of said dissatisfaction but the organisation result of the active challenge that the BRICS nations have engaged in. What is needed is an understanding of *why* and the extent to which the NDB can be considered as an alternative to the World Bank, and what this means for the World Bank.

A Selection of Multilateral Development Banks
Regional Development Banks
The African Development Bank
The Asian Development Bank
The European Bank for Reconstruction and Development
The Inter-American Development Bank Group
Sub-Regional Banks
Corporación Andina de Fomento
Caribbean Development Bank
Central American Bank for Economic Integration
East African Development Bank
West African Development Bank.
Multilateral Financial Institutions
The World Bank
The Islamic Development Bank
The Nordic Development Fund and the Nordic Investment Bank
The OPEC Fund for International Development

Table 2 Selected List of MDBs and Multilateral Financial Institutions

Alternative can mean both competitor and/or substitute. For example, the NDB could be an alternative by offering a different, competitive, and/or improved product compared to the World Bank. Or, the NDB could complement the work of the World Bank and offer a comparable service, where it would represent an additional choice as a source of project funding for its members. It is this difference that will be central to this thesis. The establishment of many other MDBs, and the survival of the World Bank suggests that a substitute to the work that the World Bank completes may not offer substantial change. Simply put, the NDB BRICS could exist as *just* another MDB. Furthermore, if the NDB BRICS represents a competitor to the World Bank, this could have a greater impact for the World Bank and the current IAA. In order to understand what, if any, implications the creation of the NDB BRICS has for the World Bank, the central research question for this paper is:

To what extent can the New Development Bank be expected to become an alternative to the World Bank?

In order to answer this central research question, several sub-questions will first be answered:

1) What is an effective Multilateral Development Bank?
2) Is the World Bank an effective Multilateral Development Bank?
3) Does the NDB conform to the definition of an effective Multilateral Development Bank?
4) How and why do the World Bank and the New Development Bank BRICS differ?
5) To what extent can the New Development Bank be expected to become an alternative to the World Bank?

1.4. Approach

The first sub-question will be answered through a literature review (Chapter 2). In order to provide a theoretical framework in this chapter, the ways in which an MDB can be determined as effective will be defined and criteria set. A robust theoretical framework which includes both the perspective of borrowing and non-borrowing countries will be established, as will the functions and financing of MDBs. Following the literature review, Chapter 3 will consist of the research design in which the operationalisation of the defined criteria will be offered. The methodological approach will be qualitative and use a combination of publicly available information and literature. The application of the theoretical framework will be presented in Chapter 4, which will first address the effectiveness of the World Bank and then the NDB BRICS as per the operationalised criteria (sub-question 2, and sub-question 3, respectively). The effectiveness findings of the two banks will then be compared in order to determine the extent to which the two MDBs differ (sub-question 4). Chapter 5 will consist of the presentation of these findings and a subsequent comparison. In the final chapter (Chapter 6) the final sub-question (sub-question 5) and thus the central research question will be answered.

1.5. Academic Relevance

There is very little research regarding the New Development Bank BRICS, explainable due to its recent creation. Much of the research which does exist and focusses on the relationship between the global balance of power and MDBs principally regarding the World Bank and the role of the US within this system (For example: Wade, 2002; Woods, 2003; and Vestergaard, 2013), as well as hegemons in regional banks, for example Kilby (2005) who studied the role of Japan in the Asian Development Bank. A more recent focus of research in this field has been regarding the rise of China as an international platyer, which is largely discussed in terms of the challenge it poses to a US lead multilateral system, as per Deng and Moore (2004), Ikenberry (2008), and Saunders (2013). Literature on the BRICS's role within the International Aid Architecture is heavily focussed on the role of China in Africa, and the role of the BRICS as emerging bilateral aid donors. As such, the research and findings presented within this thesis are intended to add to these bodies of literature and expand their focus.

1.6. Policy Relevance

For many decades social science and political science academics have been striving to make their work "usable" for policy makers (for a full discussion see: Weiss, 1979). Although various models of *utilisation* have been designed to assist both researchers and policy makers in making research applicable to policy, much dissonance exists between the two. In this paper, the research presented will have societally relevant and pertinent results, not only for policy makers of the MDBs themselves, but also at the national level for those who take the decisions regarding to where foreign aid budgets should be diverted. Furthermore, with recent criticism having been levied upon the World Bank, including public discontent and political displeasure, understanding the differences between the World Bank and any possible alternative and what the impact could be, will be vital for continuing policies and future institutional, national, and multinational policy creation and implementation.

1.7. Outline

This thesis will be divided into six chapters:

Chapter 1: Introduction

Chapter 2: Literature Review (sub-question 1)

Chapter 3: Research Methodology

Chapter 4: Findings (sub-questions 2, and 3)

Chapter 5: Analysis and Discussion of Results (sub-question 4)

Chapter 6: Conclusions, Discussion and Suggestions of Further Research (sub-question 5)

Bibliography

Annexes

Chapter 2: Literature Review: The Effective Functioning of an MDB

In this chapter, the first sub-question "What is an effective Multilateral Development Bank?" will be answered. In answering this question a theoretical framework will be created by which the World Bank and the NDB BRICS can be analysed and compared in order to answer the subsequent sub-questions. As the central aim of this thesis is to determine the extent to which the NDB BRICS is an alternative to the World Bank, be that an MDB of complementary or competitive nature, it is important to understand what makes an MDB effective and to determine the way in which a viable substitute or competitor can emerge.

The recent creation of the NDB BRICS as well as the Asian Infrastructure Investment Bank, also in 2015, places the total number of Multinational Development Banks at 22. Today the 22 existing MDBs are members of a common family (Babb, 2009: 23 in Braaten, 2014: 516), or a "family" of organisations that differ in some ways but share many important characteristics (Humphrey, 2016: 92), which are defined as:

(i) *…created by international treaty among sovereign nations, which act as their shareholders*
(ii) *Have the mission of promoting economic development in less developed countries*
(iii) *To this end, make loans (as opposed to grants) to sovereign governments, at terms more favourable than available through private markets*
(iv) *Cover administrative costs largely with the proceeds of loans and; Raise money to lend largely on private capital markets, with the guarantee of their shareholding countries. (*Humphrey, 2009: 1).

Due to familial similarities seen across MDBs and their extensive number, in order to determine the criteria required to be considered effective this chapter will focus on the theoretical and practical similarities seen across MDBs to assess what makes the MDBs that exist in this *family* of institutions effective and what has allowed their individual and collective growth and success.

Defining what *effectiveness* is no easy task as Quinn and Rohrbaugh write: "effectiveness is not a concept but a construct" (Quinn and Rohrbaugh, 1983: 363). Furthermore, as no literature exists which outlines what is required for an MDB to be effective as an organisation, one must draw from more general organisation theory.

One appropriate approach to organisational effectiveness is the systems perspective which focuses not on the attainment of goals but on the way goals are achieved. This approach is especially appropriate as the effectiveness of MDB projects and attainment of their goals will not be addressed in this thesis. There is vast body of literature regarding the effectiveness of multilateral lending in achieving economic development, however, this aim of this paper is concerned with the extent to which the NDB BRICS is an alternative to the World Bank as an MDB, not its ability to promote economic development in a more effective or efficient way. [4]

Three areas of effectiveness are outlined in the systems perspective:

- An organisation's ability to sustain itself as an organisation;
- An organisation's ability to successfully interact with its environment; and
- An organisation's ability to source resources (Robbins and Barnwell, 2006: 85-87) [5]

In line with this approach, this literature review will determine the criteria of effectiveness based firstly on the organisational structure with emphasis on the role of its members. However, the systems perspective is not specifically designed to deal with multilateral organisations and therefore does not discuss the legitimacy required for organisational effectiveness when dealing with sovereign governments and their citizens, this is assumed imperative and will also be addressed (2.1). Focus will then move to the way In which MDBs interact with their environment (2.2) and then their resource acquisition (2.3), which will be completed through an assessment of the criteria required for effectively completing the activities and the financing thereof treating MDBs as financial institutions.

2.1. Organisational Effectiveness

The first requirement for organisational effectiveness presented above is *an organisation's ability to sustain itself as an organisation*. As such, this section will deal with organisational aspects of an MDB and will be divided into three sections. A central aspect of this criteria is that the behaviour, and ultimately sustainability, of an organisation depends on its overall structure, rather than the sum of its individual parts. As such, the structure in its entirety must be understood. This will be considered and discussed in the following section (2.1.1). The second (2.1.2) and third (2.1.3) sections will approach the matters of the importance of member countries' financial contributions and then the active role of borrowing countries in the creation of MDBs, respectively.

[4] Note: Only the World Bank and AfDB have specific mandates to alleviate poverty, all others focus on social and economic integration and development. See Annex A for a selected list of MDB mandates.

[5] "Interacting with its environment" in this sense means the ability of an MDB to perform its basic functions and enact its mandate.

2.1.1. Structure and Membership

The United States General Accounting Office defines MDBs as "autonomous international financial entities that finance economic and social development projects and programmes in developing countries" (United States General Accounting Office, 2001a: 1). However, it is a fact that MDBS are created by, owned by, and their membership consists of, sovereign states. (Mistry, 1995: 1). The organisational structure of an MDB determines its governance and the role of governments can be divided into two categories: their role in the governance and the running of an MDB, and their status as borrowing or non-borrowing members.

It is important to note that although MDBs are owned by governments, their day-to-day operations are completed by international civil servants who are politically neutral and supervised by the member country representative Board of Governors and Executive Boards which are the main decision making bodies (Braaten, 2014: 516). Thanks to the political neutrality of those working for the MDBs a certain level of autonomy exists which allows MDBs to enjoy a lack of politicisation which bilateral organisations do not (Rodrik, 1995: 3). Although not immune to politicisation, the neutrality of MDBs does allow a more effective functioning of MDBs as per a functionalist perspective which argues that "the policies of self-interest and rent-seeking negatively distort policy choice" (Santiso, 2001: 6). Assuming no-politicisation ignores the "essence of policy making in political communities" (*ibid*) and thus there is not an assumption of no politicisation in the MDBs, but that the day-to-day running is completed in a politically neutral manner with political solutions being found in the higher decision-making bodies. It is thus a requirement of MDB effectiveness is that they are **staffed by politically neutral international civil service** (Criterion 1)**.**

> **Criterion 1.**
>
> MDBs must be staffed by a politically neutral international civil service.

Within the governance of MDBs and their decision making bodies governments are not of equal stance and their role is determined by their individual voting shares. The voting shares of the members or shareholders, determines the balance of power within an MDB. Humphrey and Michaelowa (2013) define three types of governance models depending on shareholding and voting arrangements: i) domination by wealthy non-borrowing countries (i.e. the World Bank); ii) stronger but still subordinate influence of borrowing countries (i.e. the IADB) and; iii) control by borrowing countries (i.e. the CAF) (Humphrey and Michaelowa, 2013: 142). Although the descriptions provided by Humphrey and Michaelowa demonstrate that the role of borrowing and non-borrowing countries differs between MDBs they do not provide comment on which balance of power model is most effective.

2.1.2. The Role of Member Countries

In additional to partaking in the governance and decision making processes of MDBs, member states ensure the financial viability of an MDB by providing the basis financial resources through their subscriptions. (Humphrey, 2009: 1). As well as being covered by member contributions, operational costs are also covered by the money earned on non-concessional lending. The funding provided by governments through subscriptions only accounts for a small percentage of total financial assets of individual MDBs. Of the total amount committed, typically only 5-10% is paid (Nelson, 2015: 8). This is known as the "paid-in capital", the remaining amount is ready to be paid, should the MDB require it, and is known at the "callable capital", however, in recent history donors have seldom been asked to provide this amount (Nelson, 2015: 8). Callable capital, however, provides the financial foundations of any operation by guaranteeing that commitments will be satisfied should an MDB find itself in financial duress. The job of member states in ensuring effectiveness is to guarantee adequate paid-in and callable capital is available for the operational running of MDBs as well as ensuring capital exists for (non-) concessional lending. The World Bank summarises this model:

> "….as financial institutions, the MDBS…multiply the capital, subscriptions, and contributions invested…to provide a range of financial support and products to our partner countries" (World Bank et al, 2015: 2)

Without financial contributions MDBs would not be able to raise the capital required to provide the loans central to their role. As such, there must be **sufficient paid-in and callable capital to provide a basis for lending and guarantee operational viability and continuity** (Criterion 2).

> **Criterion 2.**
>
> There must be sufficient paid-in and callable capital to provide a basis for lending and guarantee viability and continuity of MDB operations.

2.1.3. The Role of Borrowing Nations and the Creation of MDBs

Once reconstruction was underway in Europe the World Bank turned its focus to other parts of the world. The World Bank's first loan for development, rather than post-War reconstruction, was provided to Chile in 1948 and was a $40 million financial injection for ""hydroelectric, forestry, harbour, urban and suburban transport, and railway projects" (Mason and Asher, 2973: 155). This was followed by a loan to Mexico, then Brazil, and then El Salvador (Mason and Asher, 1973: 158-161). The demand for infrastructural loans in Latin America emerged thanks to the changing economic landscape and a shortage of available capital in the region:

Consumer-goods industries had arisen in all the Latin American republics, and some countries had laid the foundations of heavy industry. However, shortages of capital, lack of advanced technology, and the extremely low purchasing power of the masses hampered industrial development. (Keen and Haynes, 2013: 287)

In Asia, nations also experienced a systematic lack of capital and in 1957 the World Bank provided Japan its first loan (Abe, 2011). At the same time decolonisation had left Africa with "fragmented and artificial nation-states" with poor financial climates for investment coupled with rampant poverty and a ballooning population (Kapur et al, 1997: 707-721). As a result of decolonisation the ex-colonial states were granted "priority" status in the World Bank which was a concern to Latin American nations as resources started to be diverted away from their region as World Bank membership and operations grew (Tussie, 1995: 18). Furthermore, a lack of willingness by Latin American governments to provide private sector guarantees meant that the World Bank could not provide lending, as per its Articles of Agreement, which require governments to provide a guarantee of financial management for private sector funding in their borders (Dell, 1974: 10).

The need for investment, but a regional financial dependence on the US, left the Latin American nations with two options: i) either create their own instrument for international finance as an affiliate to the World Bank, or ii) create an Inter-American fund between the Latin American nations and the United States *(*Dell, 1974: 6). The second option was chosen and in 1959 the first Regional Development Bank (RDB), the Inter-American Development Bank (IADB), was established. The IADB was, as it still is, mandated to fund both economic and social projects as well as to encourage regional integration and development (Tussie, 1995: 19; Faure et al., 2015).

The IABD emerged from the desire to create a multilateral lending institution which included US participation but understood and could respond to the economic needs and aspirations of the region (Diaz-Bonilla and del Campo, 2010: xi-xiii). The US also had its own reasons to want to participate, namely to reduce the region's dependence on European banks and thus extend its economic influence (Dell, 1974: 3-4). Likewise, less than a decade after the establishment of the IABD, in 1963 the African Development Bank (AfDB) was created as an "all-African initiative" with no non-regional shareholders for the first decade of its existence and no singular country playing a dominant role (English and Mule, 1996: 1-4). The AfDB was established to have an understanding of and sensitivity towards the governmental policies and economic problems of the African nations, especially those concerning the need for balance-of-payments support. Furthermore, similarities with the IADB can be seen in the mandate of the AfDB:

Strengthen African solidarity by means of economic co-operation between African States, considering the necessity of accelerating the development of the extensive human and natural resources of Africa in order to stimulate economic development and social progress in that region (Preamble, Agreement Establishing the African Development Bank, 2011).

In the same decade, parts of Asia were experiencing somewhat of an economic miracle with Japan and the four Asian Tigers (Hong Kong, Singapore, Taiwan, and South Korea) seeing rapid economic growth. Economic expansion led to the need for infrastructural financing in the region and soon after the Asian Development Bank (AsDB) was established. Established in 1966 the AsDB was mandated to:

> …foster economic growth and co-operation in the region of Asia and the Far East and to contribute to the acceleration of the process of the economic development of the developing members of the region" (Agreement Establishing the Asian Development Bank, 1966: Article 1).

Within all of the Regional Development Banks presented above one trend is clear, especially in the cases of the IADB and the AfDB, this is what Carrasco et al. (2009) refer to as the *golden rule*, which has prevailed since their inception: "whoever holds the gold: rules", due to the positive relationship between financial contributions and power in the decision making bodies. (Carrasco et al., 2009: 59). However, in RDBs borrowing-countries were granted a larger role to play in decision making bodies, a role which was less proportionate to their economic strength, but more connected to their role as those most affected by MDBs' policy. The institutional logic for this balance of power exists as "RBDs' legitimacy will suffer if borrowing countries are not given a stronger, more effective voice that will reflect regional priorities" (Carrasco et al., 2009: 59).The notion of *regional priorities* was a founding reason for the IADB and the AfDB. Table 3 shows the voting shares of borrowing member states which again demonstrates the difference between the World Bank (IBRD) and the IABD, the AfDB, and the AsDB.

MDB	Borrowing Members Shares
World Bank	39%
IABD	84%
AfDB	60%
AsDV	65%
Average RDB	70%

Table 3 Shares of borrowing countries in MDBs. (Source: Faure et al., 2015)

A similar pattern as that seen in the RBDs, occurred on the sub-regional level with the creation of the Sub-Regional Development Banks (SRDBs) The first SRDB was the Central American Bank for Economic Integration (CABEI) and was established in 1960 to increase regional integration and promote balanced growth it originally consisted of the governments of El Salvador, Guatemala, Honduras, and Nicaragua, with Costa Rica becoming a member in 1963 (Dent and Wilson, 2014: 86). In 1967 the East African Development Bank (EABD) was established as one of the "key institutions of the East African Community" (eadb.org, "History") and is mandated to "promote sustainable socio-economic development in East Africa" (Faure et al., 2015: 5). The East African Community's slogan is *One People, One Destiny* and aims to "widen and deepen economic, political, social, and cultural integration" (eac.int, "Pillars of EAC Regional Integration").

These SRDBs were followed in 1998 by the Corporación Andina de Fomento/The Andean Development Corporation (CAF), now known as the Development Bank of Latin America. Although the CAF is not officially an instrument of the Andean Pact, it was created as part of a wider effort to enhance cooperation and development in the region which was institutionalised by the signing of the Andean Pact in 1969 by Bolivia, Chile, Colombia, Ecuador, and Peru. Formed as a result of the negotiations regarding the deepening and widening integration in the region, the CAF was granted autonomous status in order to ensure that it could deal with the individual problems of the region with speed (Vargas-Hildalgo, 1979: 216). One of the specific problems for which the CAF was created to deal with was the low levels of savings in the region and the underdeveloped financial systems without outside interference (Titelman, 2006: 202). The CAF was created to circumvent the strict rules imposed by the World Bank on loans. (Washingtonpost.com, "What the new bank of BRICS is all about"). In 1973 the West Africa Development Bank (BOAS) followed which aimed to "promote economic development in member states and economic integration across West Africa (Faure et al., 2015: 5). Finally, in 1985 the Eastern and Southern Africa Trade and Development Bank (PTA) was created to "finance and foster trade, socio-economic development and regional economic integration across member states" (Faure et al., 2015: 5).

Although other impetuses may have encouraged the creation of the sub-regional banks, what is clear is that all sub-regional banks have a focus not just on satisfying demand for loans, but that the financing of loans and projects encourages integration as well as economic development. It should be noted that no sub-regional banks have been created in Asia, although other initiatives, such as ASEAN, do exist for the purpose of political and economic cooperation and integration.

In Table 4 the percentage of regional members in the sub-regional development banks are presented. With the exception of the EADB, all SRDB have some non-regional membership and more interestingly, borrowing-countries have a higher share of votes than the number of regional members. Column 2 demonstrates the importance and dominance of regional members in the SRDB, but what it more striking is that although the SRDBs were created to represent regional members and to respond to local problems by offering local solutions, borrowing members have a larger voice than the regional members (Column 3). If one considers the World Bank's borrowing countries' share of votes (39%), with the average of the RDBs (70%) to that of the SRDs (75%), a clear pattern of increased control by not only regional members but also borrowing countries can be seen.

Sub-Regional Development Bank (1)	Percentage of Regional Members (2)	Percentage Voting Shares Borrowing Countries (3)
CABEI	58%[6]	86% [7]
CAF	90%	97.5%[8]
BOAD	53%	93%
EADB	100%	90%[9]
PTA	75%	81%
SRDB Average	75%	89.5%

Table 4 Voting shares in SRDBs. (Source: Faure et al., 2015)

It is arguable that the increase in demand for (S)RDBs has arisen due to an increased demand not only for access to finance but the desire for MDBs which give an increased voice to borrowing countries. This also explains why, despite the global nature of the World Bank and vast levels of lending it provided the need for specialised localised MDBs has still arisen. This is closely linked to the legitimacy of the bank, not only in terms of its composition but the ability for members to direct the bank in line with their development needs. It must thus be considered that in the creation of new MDBs the focus of the banks must be more specific to their borrowing members, and those members must have a voice and role larger than that of non-borrowing nations not only in its inception but also policy formation. As has been demonstrated above in Table 4 the response to specific regional needs has emerged through banks with an identity representative of their borrowing member states and one which is more attuned to their needs and thus

[6] Although Belize is a beneficiary it is not considered as a member country, therefore, there are 13 countries involved in the CABEI, but only 12 official members.

[7] This figure is based on the differing levels of voting rights in the CABEI of which "A" series shares are held exclusively by the founding five members and account for 51%, and "B" series shares which are held by the non-founding members, and account for 49% (CABEI, 2009: 4). Ten of the 12 member countries constitute as "beneficiaries" (CABEI, 2015: 6). Thus the total number of share allocated to the borrowing countries is the full amount of "A" series, plus 5/7 of the total "B" series shares = 51% + (49% * (5 ÷ 7)) = 51% + 35% = 86%

[8] Source: CAF, 2015

[9] The EADB is made up of 4 member countries plus 9 private/public banking institutions who hold 10% of the shares.

borrowing member states must have an active voice in decision making bodies in order to provide legitimacy to the MDBs which represent them (Criterion 3).

> ## Criterion 3.
> Borrowing member states must have an active voice in decision making bodies in order to provide legitimacy.

2.2. Activities and Finance

The second requirement for organisational effectiveness is an organisation's ability to successfully interact with its environment. In the context of MDBs this means knowing its place in the wider system in which it belongs - the International Aid Architecture - and being able to conduct itself in a way that is appropriate and fitting for that environment (i.e. fulfilling its mandate) (Robbins and Barnwell, 2006: 85-87). The third requirement is to obtain sufficient resources (*ibid.*). The ability to source resources has been included here as well as the previous section because, as was argued, the ability to source capital to cover operational costs is related to the structure of MDBs in a manner not normally true of all organisations. Due to the specific case of MDBs, as will become clear, the ability to source resources and interact with their environment are intertwined.

This section will deal with the three central functions of MDBs and will address whether or not they are imperative for the effective functioning of MDBs:

i) *To mobilise resources from private capital markets and from official sources to make loans to developing countries on better-than-market terms*
ii) *To generate knowledge on and provide technical assistance and advice for economic and social development; and*
iii) *To furnish a range of complementary services to developing countries and to the international development community* (Prada, 2012: 3)

2.2.1. Loans and Resource Mobilisation

The provision of loans is central to the role of MDBs and is used to fund projects such as the construction of highways, dams, ports, electricity plants, but also social projects such as health and education programmes (Nelson, 2015: 1). MDBs use loans for the improvement of economic infrastructure and infrastructural projects as their main development tool (Faure et al., 2015: 5). The volume of loans provided by MDBs in real terms has remained stable for many decades with only slight fluctuations whereas IDA Credits (the concessional lending of the World Bank) have increased 190% since the 1970s. For example, the average commitments of IBRD Loans and IDA Credits in the 1970s in real terms was $16.1 billion and $6.1 billion, respectively, and in the 2000-2009 period were $16.6 billion and $10.6 billion, respectively ($2012 US) (Currey, 2014: 6). This represents an increase of half a billion dollars in real terms between the two periods. IBRD loans are provided at market rates, and their use since the 1970s has only increased on average by 3%. However, in the 2011-2015 period, IBRD loans averaged $20.94 billion per year, of an increase of 26% on the preceding complete decade.

	2011	2012	2013	2014	2015	Average 2011-2015
IBRD	26.7	20.6	15.2	18.6	23.6	20.94
IDA	16.3	14.8	16.3	22.2	19	17.72

Table 5 World Bank Lending Values in Real Terms (Billion, 2015 US$) (Source: World Bank, 2015(a))

Since the post-war era capital markets have changed in ways that were inconceivable in 1945 thanks to technological advancements, the total size of capital flows, and market liberalisation (Rodrik, 1995: 1). The ability of MDB's to *mobilise resources from private capital markets and from official sources* forms the basis of MDBs' financial model. As a result, MDBs utilise a financial model of self-financing, something which is arguably too seldom discussed in academic literature (Humphrey, 2016). On average for every $1 invested MDBs are able to commit $2-$5 in new financing (World Bank Group et al, 2015: 2). The "unique financial model" of MDBs works as follows:

> *"MDBs borrow most of their money on international capital markets, and then on-lend these resources to recipient countries to development projects. Thus, regular operations imply no direct budgetary cost to shareholder governments, apart from relatively minimal capitalisation costs* (Humphrey, 2016: 92-93)

Loans from MDBs can help borrowing countries deal with volatile domestic capital markets, as seen by the increase in short-term, counter-cyclical borrowing during crises (Ratha, 2005: 409; Currey, 2014). This is especially true in emerging market economies (Gurria and Voker, 2001: 3). The 2008 economic crisis highlighted that the ability of MDBs to access private capital markets and then *lend on* is vital when private capital markets function poorly. The same trend has been seen in other crises, for example, as a result of the Asian Crisis demand for IBRD loans increased 50% between 1996 and 1999 (Ratha, 2005: 408-409; Currey, 2014: 7). Addison et al. (2011) note that after the 2008 economic crisis private capital flows to emerging and developing countries fell in aggregate terms and to every region, except to the MENA region, and Global Foreign Direct Investment "turned negative after years of expansion" (Addison et al., 2011: 464). Risk premiums also increased massively and capital markets *locked up* for national governments (Addison et al., 2011: 465-466). Despite national governments' lack of access to capital markets, MDBs were able to continue lending, which was assisted by their ability to continue accessing capital markets when their members needed it most. As such, **MDBs must have access to international capital markets to multiply members' contribtuions and ensure capital is available to lend** as this is not only central to their financial model, but also provides the security to continue operations in periods of economic (in)security (criterion 4).

Criterion 4.

MDBs must have access to international capital markets to multiply members' contributions and ensure capital is available to lend.

A further element to consider with regarding loans and the increase in the number of MDBs is the possibility of competition between providers, this section considers how demand is created by MDBs. To function on the most basic of levels all MDBs must provide *better-than-market terms* than private markets to ensure demand (Humphrey, 2009: 1; Prada, 2012: 3; and Bradlow, 2015: 290). The *terms* set by MDBs relate to interest rates, the use of concessional windows, and repayment terms. Competition could be created through the terms available and the way in which these terms are calculated as the terms offered by different MDBs differ greatly. For example: It was originally agreed that the IADB would use interest rates similar to those of the World Bank (Dell, 1974: 8) but it now uses LIBOR-based interest rates; and the Eastern and Southern African Trade and Development/ Preferential Trade Area Bank (PTA) determines different interest rates based on the amount of the loan, the risk exposure, and utilises both fixed and floating rates (Faure et al., 2015: 29), and the CABEI doesn't publicly announce its rates. Furthermore, the other *terms* of lending such as maturity, the maximum length of the loan, and grant periods (a period where no repayments are required) differ depending on the MDB and upon which instrument is being used. For example, the IBRD has maturity periods between 5 and 38 years, and grace periods of between 3 and 6 years, the AsDB varies maturity periods and for non-concessional loans has no grace period, the IADB offers a maturity period of between 20-25 years and within that a grace period of 12.75 to 15.25 years for its concessional window (Faure et al., 2015). Due to the complexities of assessing the rates of all non-concessional loans, in all countries covered by different MDBs, and for different types of projects, it is too large a task to provide a clear analysis of which terms are most competitive, however, what must be included and acknowledged is that providing terms which are better than standard private market rates is key to the effectiveness of the MDBs. Despite there being no universal

Criterion 5.

MDBs must provide better-than-market terms in order to not compete with private sources of financing.

consensus between MDBs on what effective terms of lending are, in order to stay competitive with other markets **MDBs must provide better-than-market terms in order to not compete with private sources of financing** (Criterion 5).

As well as differing in terms of their lending, MDBs can also introduce conditionality as a requirement to offering lending. Measuring how conditionality impacts competitiveness or effectiveness shares the same complexities as other more standard terms. Conditionality exists when "the borrower accomplishes critical policy and institutional actions, or *loan conditions*" (World Bank, 2007: 4). For clarity, these loan conditions do not apply to private market lending. Conditionality has often played a role in national policy, for example, the focus on good governance that was popular in academic discourse in the 1990's. These epistemic rationales were then translated into MDB policies for the promotion of positive externalities through public investment in education, rural infrastructure, financial services as well as in the promotion of good governance and the observation of human rights (Minister of Foreign Affairs, Sweden, 2001; Gurria and Vocker, 2001; Buiter and Fries, 2002; OECD DAC Network on Development Evaluation, 2012). Determining effective criteria for conditionality is especially difficult as the BOAD, CABEI, CAF, EADB, and PTA either do not publish their terms and conditions or they are set on a lending-by-lending basis (Faure et al., 2015: 14). Although much has been written about the conditions attached to World Bank lending any attempt to discuss the effects of different conditions and excluding many of the SRDBs will be an incomplete exercise. Furthermore, as Koeberle (2003) writes:

> *…conditionality remains controversial and is often considered intrusive, ineffective, or even harmful…. Conditionality should be used with judicious selectivity and tailored to country circumstances* (Koeberle, 2003: 269-270)

Despite the controversial and problematic nature of applying conditionality to lending - which is claimed to be "fundamentally flawed" - it is important that any conditionality applied to lending must be, at a minimum, "critical" (Eurodad, 2006: 25). The critical nature of conditionality means that it must be essential and influential to obtaining the intended results in line with the purpose of the lending. Although I will not define what the criteria for effective conditionality is, due to the complexities and vast body of literature surrounding this topic **conditionality must be seen as effective in the eyes of the borrowing countries** (Criterion 6). This is because the entering into an agreement for lending is a contract where borrowing countries agree to

Criterion 6.

Conditionality must be seen as effective in the eyes of the borrowing countries.

meet the loan conditions and if the conditions set are considered as illegitimate then borrowing will be less likely to occur. Furthermore, the apparent negative image that imposed conditionality has and the need for it to be *tailored to country circumstances* means that it must be seen as necessary, and thus legitimate, by those countries whom it affects. Legitimacy to this end has also been discussed in the formation of Criterion 3. The voice of members, either in their borrowing capacity or decision making forms the epistemic basis of an MDB including policy formation and economic direction. If conditionality is legitimate then discontent with governance can be alleviated, and the dissatisfaction expressed with dominance and hegemony in the current system can be eased.

2.2.2. Knowledge Generation

The second function, as defined by Prada (*To generate knowledge on and provide technical assistance and advice for economic and social development*) of MDBs is closely linked to the first ("*To mobilise resources from private capital markets and from official sources to make loans to developing countries on better-than-market terms")*. However, there is no reason that the role of knowledge acquisition and technical assistance "could not be played without attendant lending" (Rodrik, 1995: 9). This is to say that the second function of MDBs could be enacted in isolation to the first, however, it is instead strengthened by the knowledge and experience of the MDBs obtained through their lending function. Furthermore, technical assistance is a form of support where expert consultants are placed in developing countries in order to advise and support their domestic counterparts to enable "the transfer or adaptation of ideas, knowledge, practices, technologies, or skills to foster economic development" (World Bank, 1991). Technical assistance is a specific form of knowledge sharing within the wider group of knowledge generation activities and it is this wider category of activities which is common within all MDBs and is linked to the lending function.

The experience that MDBs have in financing projects offers their borrowers the wisdom drawn from the lessons they have learnt. (Bradlow, 2015: 290). However, the provision of technical assistance is not a fixed characteristic for all MDBs and although the majority of the largest MDBs provide technical assistance programmes many SRDBs do not (Faure et al., 2015). Furthermore, MDBS fund and produce large amounts of academic research, nearly all banks have their own research departments, and certain MDBS, such as the World Bank and EBRD, are prolific in their publication of new works.

Finally, the cooperative and multilateral nature of MDBs and the high quality of information available to them means they are "in a better position to internalise the externalities that may arise" regarding investments (Rodrik, 1995: 2). Meaning that they are in a strong position to acquire extensive knowledge and also have a strong incentive to do so to positively improve the allocation and performance of their financing operations (Buiter and Fries, 2001: 6). As well as cooperative knowledge sharing, the existence of monitoring and evaluation to learn from implemented projects generates knowledge, the ability for MDBs to complete such activities represents important advantages compared to private and bilateral financial institutions (*ibid.*).

In summary, knowledge generation and sharing can involve both unofficial and official fora where MDBs and their members can share information and knowledge with each other. MDBs must thus **partake in knowledge generating and information sharing which allows MDBs to improve project effectiveness** as well as risk assessments through the sharing of lessons learned from past projects (Criterion 7).

Criterion 7

MDBs must partake in knowledge generation and sharing activities in order to improve project effectiveness.

2.2.3. Complementary Services

As well as the provision of loans and grants to borrowing members MDBs provide other complementary services. Since the 1990's MDBs have also provided lending to private financial intermediaries which includes credit lines and loans to commercial banks, the purchasing of minority shares in new or existing private equity funds, and equity investments in local, privatised banks (World Resources Institute, 2005). Between 2001 and 2015 the amount invested by the AfDB, the ABD, IADB, EIB, EBRD, and the World Bank increased four-fold and, along with the IMF, they have recently pledged $400 billion in the period 2015-2018 (IMF.org, "International Financial Institutions Announce $400 Billion to Achieve Sustainable Development Goals"). Furthermore, a meeting in Washington, DC, on the 21st of April 2012 the "Multilateral Development Bank Principles to Support Sustainable Private Sector Operations" were established and were led by the EBRD to create standardised principles for how MDBs approach private investment (EBRD, 2012). Lending provided to actors other than national governments couples the use of lending and the promotion of technical capabilities by providing financial sector support in countries. In the mid-20th century domestic private sectors were viewed as a "passive partner" in the international market which responded only to government stimuli (European Investment Bank, 1998). Thus national policies would have to encourage private sectors to take a more active role in ensuring capital was available for large infrastructural projects. However, MDB loans and complementary services encourage private markets to participate in two ways. Firstly, the MDBs use them to provide funding; and secondly, MDB participation in lending in a specific country or project can then encourage other sources of funding on better terms than might otherwise have been the case (Bradlow, 2015: 290). The hope is that by supporting private financial infrastructure, MDBs can promote further investment and strengthen the financial framework of a country. Thus, private markets are not only non-passive but when an MDB leads the way in the use of favourable terms, it can then encourage private actors to follow suit, thus providing positive externalities. It is not however a central tenet of MDB operational effectiveness and does not lead to the formulation of a criterion as of the two ways in which the MDBs encourage private markets to participate in development the first is encompassed in Criterion 4 through the unique funding mechanism of MDBs, and the second is a hoped spill over of operations and not an operational activity within itself.

2.3. Defining Effectiveness

The aim of this chapter was not to provide a description of what an MDB is but to provide a theoretical and practical overview of the elements which ensure that MDBs are effective in their central function as financial institutions:

1. MDBs must be staffed by a politically neutral international civil service.
2. There must be sufficient paid-in and callable capital to provide a basis for lending and guarantee viability and continuity of MDB operations;
3. Borrowing member states must have an active voice in decision making bodies in order to provide legitimacy
4. MDBs must have access to international capital markets to multiply members' contributions and ensure capital is available to lend;
5. MDBs must provide better-than-market terms in order to not compete with private sources of financing;
6. Conditionality must be seen as effective in the eyes of the borrowing countries; and
7. MDBs must partake in knowledge generation and sharing activities in order to improve project effectiveness.

Chapter 3: Methodology and Operationalisation

Thus far seven criteria have been established which together determine the organisational effectiveness of an MDB. In this chapter the methodological approach and operationalisation of these criteria will be presented. This chapter is constructed as follows: firstly, the operationalisation of the criteria and the indicators which will be chosen to answer them will be derived (3.1), secondly, the data sources and an acknowledgement of the limitations to this research will be provided (3.2), and finally, these sections will be summarised (3.3)

The seven criteria presented in the previous chapter provide a guideline of how effectiveness of an MDB can be measured. However, in order to answer the subsequent sub-questions these criteria need to be operationalised. In order to do this what follows is a presentation of each criterion individually in which it will first be stated not as a normative statement as established in the literature review but as an interrogative one which must then be answered. The indicators needed to answer these questions, as well as their rationale will then provide a metric for measuring effectiveness. Where appropriate indicators will be drawn from other studies which have focussed on the specific aspects within the criteria, in other situations they will be chosen based on practical issues. In some cases a simplification of the question will be required in order that it can be dealt with effectively in this paper based on the data available.

3.1. Criteria and Indicator Determination

Criterion 1: *MDBs must be staffed by a politically neutral international civil service.*

The *international civil service* in this context is defined as those who complete the day-to-day running of an MDB. The decision making bodies will be excluded as they will be dealt with in depth in other criteria, however it will include the President who, as the head of the international civil service, is assumed to serve the interests of its overall membership and strive for the attainment of the bank's specific goals and mandate. The criterion can be reformulated as the following question:

<u>Is the MDB staffed by politically neutral international civil service?</u>

The politicisation of those undertaking the daily running of an MDB must be considered in terms of its organisational structure. However, it is impossible to know how *politically neutral* an individual person is. As such, this criterion will be measured in terms of the nationality composition of the whole international civil service. Firstly, the way in which the President is elected will be dealt with especially with regards to the process of the President's election. If there is an election then it is assumed that there will be more parity in the expression of political choices based on policy, not nationality in his or her selection. It is however not enough to only determine if the President is elected in an election but to understand if nationality is considered in that appointment, for example, such as the precedents (rather than formal regulations) in choosing of the United Nation Secretary General who before an election is eligible on the basis of regional rotation and that they are not a national of one of the permanent members of the United Nations Security Council (unelection.org, "UN Secretary General").

In terms of the international civil service, political neutrality will be measured in terms of nationality. If one takes a realist view of organisational structure it could be argued that members with a larger vote share would diffuse their interests to the staff by ensuring an equal or more dominant voice in the workforce that in decision making bodies. As such, the nationality of staff will be compared in terms of their national governments' voting share which is largely based on capital contributions, and thus will also provide an insight into the relationship between economic contributions and nationality. The indicators for this criterion are:

Staff to vote ratio: the percentage of staff as a percentage of the number of votes.
Example: 45% of staff hold the nationality of borrowing countries. Their share of total votes in decision making bodies is 46%.
- 45/46 = 0.98.
- Staff from borrowing countries would be underrepresented and would represent a slight dominance of non-borrowing countries.

- Is there an election for the President?
- Are there established (formal or informal) rules in place to reduce dominance of non-borrowing members in the position of President?
- Is the staff/votes ratio above 1 for borrowing members?
- Is the staff/votes ratio below 1 for non-borrowing members?

Effectiveness for this criterion will be met if there is an electoral process for choosing the President of the MDB as well as established rules to ensure that there is (are) no hegemonic power(s) in this role. The staff will be considered apolitical when the staff/vote ratio for borrowing countries is higher than 1, and that for non-borrowing countries is lower than 1, in this case then it will be accepted that the constitution of the international civil service is not influenced by financial contributions. The decision to measure the staff levels compared to voting shares has been chosen as this criterion aims to measure the influence of financial contributions on the nationality composition of the international civil service. As financial contributions are largely based on economic resources voting shares take measurements such as GDP/GNI into account. Furthermore, other indicators such as population would carry with them the assumption that all nations carry identical possibilities for their citizens to work within an MDB and would favour citizens from more populous countries, many of which are borrowing countries, such as China and India who together make up almost a third of world's population. Furthermore, of the ten most populous nations only two (US and Japan) are highly developed, the remaining represent over 50% of the world's population. Any measurement of population would carry with it an unfair bias to obtaining a negative result for an MDB with a large membership as many of the World's poorest live in the most populous countries. Finally, this criterion aims to determine whether or not the international civil service can be considered as apolitical based on their borrowing/non-borrowing status and the staff/votes ratio has been chosen as it will demonstrate any correlation between financial contributions and the levels of staff within an MDB.

Criterion 2: *There must be sufficient paid-in and callable capital to provide a basis for lending and guarantee viability and continuity of MDB operations.*

The reformulation of this criterion can be stated as:

Does an MDB have a sufficient amount of paid-in and callable capital to provide a basis for lending and to guarantee viability and continuity of their operations?

In order to answer this question one must first define what a *sufficient* level of capital is. However, several problems arise in attempting to produce such a definition. *Paid-in* capital for most MDBS is only a small percentage (5-10%) of total subscribed capital, the remaining c*allable* capital exists to "provide further security to MDB bondholders" (Humphrey, 2017: 9). The financial underpinning of MDBs is "embedded in the notion of callable capital…[which]…ensures creditors of these institutions that each dollar lent is fully backed by a dollar of shareholders' equity", which creates a 1:1 limitation of the portfolio to capital ratio (FONDAD, 1995: 22). However, it is accepted that portfolio amounts commonly exceed this amount. Contributing members are more likely to offer the guarantee of callable capital than provide paid-in capital as it does not require an immediate financial outlay but a promise to provide one at some *hypothetical point* in the future (Humphreys, 2015: 7). There is no recorded event where payment of this amount has been requested. It is in fact a "figment of confidence" (FONDAD, 1995: 22). As a result, instead of basing ratings on full subscribed capital, Credit Rating Agencies use *usable capital*, however, "financial analysts and ratings agencies vary widely in the definitions of usable capital", this also includes to what extent callable capital is "usable" (FONDAD, 1995: 23). Unfortunately, this means that there is no theoretical or conventional wisdom regarding what is a sufficient amount of capital in order to be effective. Furthermore, as well as subscriptions, capital is also raised by MDBs through their own finance generating activities, for which there is no way to measure how much base capital would be required to be effective for these activities.

If one considers the creation of other MDBs, for example the three RDBs, then it is also not possible to draw a conclusion on what a sufficient level of capital is. For example, the African Development Bank started its operations with an initial authorised capital of $250 million, 50% paid-in and 50% callable (afdb.org, "History"). The Inter-American Development Bank, by comparison, had an initial authorised capital of $850 million, with $400 million required as paid-in capital and $450 as callable (Inter-American Development Bank, 1996: 6). Finally, the Asian Development Bank's initial capital was $1 billion, 50% paid-in and 50% callable (Asian Development Bank, 1967: 11). Furthermore, their loan portfolios in the first years of operations were less than $5 million, $47 million, and $35 million respectively. [10] (afdb.org, "History"; adb.org, "Archived Projects (1967-2004)"; and Inter-American Development Bank, 2016). The portfolio amounts in the first year of operations differ as a percentage of total authorised capital from 2% for the AfDB, for the 4.7% AsDB, and 4.1% for the IADB. The low amounts of portfolio amounts is understandable considering that operations were just starting in each bank at these times, but they differ greatly.

The basic need for this criterion is that there are members who provide both paid-in capital, which can then be used to create the resources to *lend on* as per the specific financial model of the MDBS, and those that provide callable capital to act as a guarantee for lending.

As such the indicator is:

- The existence of members who provide both paid-in and callable capital.

[10] Two loans were approved in 1967 by the AfDB, the details of only one are available and it cost $2.3 million for a project in Nigeria.

The existence of contributing members along with the conditions for effectiveness will be outlined in subsequent criteria (see: Criteria 4 & 5) and will be taken into consideration together during the qualitative research in the following chapters.

Criterion 3: *Borrowing member states must have an active voice in decision making bodies in order to provide legitimacy*

The active voice that borrowing members have in the decision making bodies can be principally measured through their voting shares within the decision making bodies and thus Criterion 3 can be reformulated as:

How much power do the borrowing nations have in the decision making bodies of the MDBs?

In their 2013 article "Protecting Power: How Western States Retain the Dominant Voice in the World Bank's Governance", Vestergaard and Wade use five measurements relating to voting shares in order to discuss the power dynamics between different types of countries in the World Bank (Vestergaard and Wade, 2013). Of the five aspects presented by Vestergaard and Wade two measurable and replicable indicators exist for the purposes of this paper: [11]

1) Total share of votes of developing and transitioning countries in the decision making bodies;
2) Total share of votes to share of world GDP;

Besides the first measurement, which has been discussed, the second can give an indication of the decision making power of countries based on their financial strength within the MDB. One alteration that must be made is that whilst the *share of votes to share of world GDP* works well in the case of the World Bank, due to its near universal membership, the limited membership of the NDB BRICS means shares as a percentage of world GDP would not be appropriate, instead the *votes to share of membership* GDP should be used as a comparative baseline.

[11] The third was with regards to changes in the basic votes and the fourth was a discussion of the World Bank's voting share review and the conditions related to the voting shares within the World Bank. The specificity to the World Bank of these elements nature does not allow a comparable measurement to be derived from them. The fifth was the promise made by several high income countries to not subscribe to their full amounts thus entitling some of the developing and transitioning countries to be entitled to a larger proportional share.

Finally, although the indicators above provide a manner in which to provide a measure regarding the voice of the borrowing countries, another way in which borrowing countries can be politically represented is through politically appointed or nationally representative positions such as those on the board of executives and this should also be included as an indicator.

The voice of borrowing members can thus be measured using the following indicators:

1) Total share of votes in the decision making bodies of borrowing countries (%)
2) Total share of votes of borrowing countries compared to their share of total GDP (%)
3) Level of representation of borrowing countries in politically appointed or national representative positions (i.e. executive boards) (%)

Effectiveness will be considered as having been met for 1) and 3) when the level of representation of borrowing members equals either the percentage of borrowing members as a percentage of the total membership or 50%, whichever is lowest. For example, if borrowing members account for 52% of the total number of countries, but only hold 40% of the voting shares, then they will be considered as underrepresented, and if they account for 52% of the total membership but are represented by 58% of appointed positions, then they will be considered as sufficiently represented. This will demonstrate whether or not borrowing members are proportionally represented in terms of their total membership or are, as a group, represented on equal or larger terms than non-borrowing countries. For the second indicator, when borrowing countries' voting share is equal or more than their proportion of GDP then the MDB will be considered effective as it will show that considerations outside of economic power influences the way in which voting shares are determined, and if an MDB is constituted so that borrowing members are economically dominant as a collective then this is not diminished by their borrowing member status.

***Criterion 4:** MDBs must have access to international capital markets to multiply members' contributions and ensure capital is available to lend and **Criterion 5:** MDBs must provide better-than-market terms in order to not compete with private sources of financing.*

As will be reasoned below, criterion 5 is a condition which is reliant on the effective adherence to criterion 4 and thus the two will be operationalised together. Furthermore, due to a lack of data available regarding the terms of lending for the NDB BRICS, making an accurate comparison of the two MDBs based on these terms will not be possible.

The reformulation of criterion 4 can be expressed as:

<u>Do the MDBs have sufficient access to international capital markets?</u>

In a 2015 paper for the G24, Humphrey discussed the way that Credit Rating Agencies (CRAs) are limiting the operational capacity of MDBs as they are over prudent in order to maintain an AAA-rating. Conducting any activities which expand their portfolio and capacity but falls outside of the ideal behaviour dictated by Credit Rating Agencies will negatively impact their ability to raise more capital on the capital markets (Humphrey, 2015b). However, MDBs must have a high credit rating, which allows them to obtain “very attractive terms in international capital markets, hence limiting the cost of their loans to borrowing countries” (Humphrey, 2015a: 7). This connection between the ability to access capital markets, determined by economic strength, and a high credit rating allows favourable terms to be offered to MDB members. The interconnection between the two was demonstrated by the “flight to quality” in recent financial crises.

The desire for financial reliability and quality products saw an increase in the demand of the highly rated MBDs (Humphrey and Michaelowa, 2013: 145). At the same time, despite crises on the financial markets, MDBs were able keep their borrowing costs low. Furthermore, in a 2011 paper Humphrey compared the pricing mechanisms of the World Bank, the CAF, and the IABD and found that the presence of wealthy non-borrowing members with a high national credit rating allowed MDBs to access favourable interest rates which are then passed on to their borrowing members (Humphrey, 2011). It is therefore vital that MDBs have a high credit rating in order to access capital markets and provide better-than-market terms to their lending members.

Cantor and Packer (1996) looked at the determinants of Sovereign Credit Ratings and used the credit ratings of Moody’s, and Standard and Poor’s (S&P) rating assignments due to their comparable nature. The ratings of Moody’s and S&P will thus be used in this paper in order to allow a cross comparison between the two MDBs to determine their economic strength and that of their members. Table 6 shows the ratings for both Moody’s and S&P along with their risk classification.

Although a premium credit rating is one way to ensure access to credit markets and thus favourable rates, not all MDBs have an AAA-rating. For example, the sub-prime (Ba2/BB) ratings of the East African Development Bank and the Eastern and Southern African Trade and Development Bank/Preferential

Trade Area Bank (Faure et al., 2015: 9). Furthermore, the CAF is controlled almost entirely by borrowing countries for whom "capital market access [is] almost non-existent" but continues to keep its loan terms low (Humphrey, 2011: 22). In comparison to the World Bank and IABD, the CAF's rates have been historically higher but not by much and the three banks have been converging in recent years (Humphrey, 2011: 2). This has been made possible thanks to the CAF maintaining an extremely high equity to loan (e/l) ratio which counteracts a sub-prime credit rating (Humphrey, 2011: 22).

Moody's	S&P	Risk Characteristic
Aaa	AAA	Prime
Aa1	AA+	High Grade
Aa2	AA	
Aa2	AA-	
A1	A+	Upper Medium Grade
A2	A	
A3	A-	
Bbb1	BBB+	Lower Medium Grade
Baa2	BBB	
Baa3	BBB-	
Ba1	BB+	Non-investment grade Speculative
Ba2	BB	
Ba3	BB-	
B1	B+	Highly Speculative
B2	B	
B3	B-	
Caa1	CCC+	Substantial Risk
Cca2	CCC	Extremely Speculative
Caa3	CCC-	In default with little prospect of recovery
Ca	CC	
	C	
C	D	In default

Table 6 Ratings offered by Moody's and S&P, and risk characteristics (Source: Moody's Investor Service, 2016, and Standard & Poor's Rating Services, 2016a)

The e/l ratio became especially important after the recent global financial crisis. For example, prior to 2008, one World Bank official stated that they could have doubled their portfolio and still have retained an AAA rating (Humphrey, 2011: 11). Post the credit crises, one World Bank executive director stated in an interview with Humphrey:

> *…the ratings agencies are used to [high e/l ratios]. So when it goes below 23% or so, the ratings agencies see that as risky and they might reconsider their AAA rating of the bank" (ibid.)*

How the e/l ratio works:

If an MDB has a paid-in equity of $23 million, and a portfolio of $100, then their e/l ratio would be 23%. However, if they increased their portfolio to $104.5 million with no extra paid-in capital it would be 22% and the bank would appear higher risk.

The e/l ratio will be considered satisfactory if it is above 23%. The equity to loans is calculated by dividing the total amount of paid-in capital not the total commitments. Only the paid in equity is considered as MDBs and CRAs wants to ensure that it can "absorb its own risk" and thus avoid a callable capital call (Humphrey, 2011: 11).

As such, effectiveness will first be measured and considered met if an MDB has a credit rating of AAA, this is because any rating below this level is considered speculative and would have to be supplemented by a high e/l ratio of 23% of more. If a credit rating has not been assigned or is subprime then only the equity to loan ratio (e/l) will be measured to assess the ability of the MDB to raise capital.

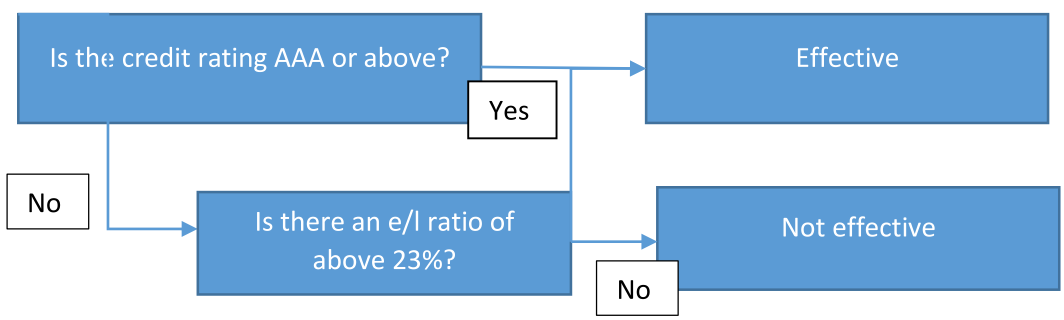

Figure 2 Criteria 4 and 5: Effective Flowchart

Criterion 6: *Conditionality must be seen as effective in the eyes of the borrowing countries.*

In order to determine how the legitimacy of conditionality can be measured this criterion will draw from theory regarding organisational legitimacy. One theory of organisational legitimacy popularised in the 20th Century analyses the legitimacy of "outputs" and "inputs", where:

> *Outputs refer to the achievement of the substantive purposes of the organization, such as security and welfare. Inputs refer to the processes by which decisions are reached – whether they have certain attributes regarded as important by the audience* (Keohane and Nye, 2001: 3)

Furthermore, Scharpf (1997: 1999) defines input legitimacy as the *mechanisms or procedures* which link political decisions to the preferences of its citizens and *mechanisms* are defined as the representative institutions. Scharpf writes that "political choices are legitimate if and because they reflect the 'will of the people' - that is if they can be derived from the authentic preferences of the members of a community" (Scharpf, 1999: 7). It is assumed that national representatives in decision making bodies of MDBs act in a way which is *derived from the authentic preferences* of their national citizens. Thus it follows that national representatives represent their citizens *authentically* and as such this criterion will be measured based on their ability to enact these preferences within the mechanisms (institutions) of an MBD. Conditionality is set and agreed within the decision making bodies, and thus the ability of countries to enact national preferences in these bodies will be measured. Legitimate output, writes Scharpf concerns the effectiveness of the outputs derived from the input, because regardless of how representative mechanisms are, democracy would be a mere "empty ritual" if these mechanisms did not produce effective outcomes. (Scharpt, 1997: 19). Output in terms of conditionality would consider how its introduction influences the attainment of an MDB's goals. As was described at the start of Chapter 2, due to the larger academic questions surrounding the effectiveness of MDB lending this aspect is not being dealt with in this paper and thus effective compliance with the criteria will be based on how the inputs influence the legitimacy of conditionality.

This criterion can be reformulated as:

> *How much power do the borrowing nations have in the decision making bodies of the MDBs?*

This criterion will be operationalised in the same manner as Criterion 3. The logical reasoning for measuring both criteria in the same manner is that member composition and voting share determine decision making, which in turn determines the policy direction of an MDB which includes conditionality, and thus how MDBs function. For clarity, the following indicators will be measured:

1) Total share of votes in the decision making bodies of borrowing countries (%)
2) Total share of votes of borrowing countries as a share of total GDP of all member countries (%)
3) Level of representation of borrowing countries in politically appointed or national representative positions (i.e. executive boards) (%)

For the indicators effectiveness will be considered as having been met when (i) the level of representation (percentage of votes for 1 and 2, or percentage of appointees for 3) of borrowing members equals either the percentage of borrowing members as a percentage of the total membership or 50%, whichever is lowest.

Criterion 7: *MDBs must partake in knowledge generation and sharing activities in order to improve project effectiveness.*

There are two ways in which MDBs can generate knowledge, firstly by conducting research and secondly through conducting evaluations, completed by both internal and/or external evaluators. Furthermore, knowledge sharing provides another benefit regarding coordination of activities amongst MDBs (Buiter and Fries, 2001: 19). As well as discussion of the knowledge related activities the MDB undertake internally, their external activities with research institutions, NGO's, and other MDBs can be considered in line with the *sharing* element of the criterion. The criterion can be reformulated as:

<u>Does the MDB partake in knowledge generation and sharing activities?</u>

In order to measure the extent to which MDBs partake in knowledge generation and sharing activities, the following activities can be considered:

- Number of publications;
- Number of internally conducted evaluations of MDB's projects;
- Number of externally conducted evaluations of MDB's projects;
- Percentage of projects evaluated; and

- Knowledge sharing cooperation with other development organisations;

However, the NDB BRICS has been operational for less than a year and is yet to complete a project, thus evaluation of projects is an unreasonable criteria by which to draw a comparison. The same rationale is given for not being able to judge the number of publications produced. What can be measured instead is the existence of a dedicated budget which goes towards any (future) research and development, including evaluation, and the existence of formal knowledge sharing and generating cooperation with other development organisations such as participation in fora on development financing, cooperative agreements, and partnerships between MDBs. Effectiveness will be deemed to exist should the MDB have a budget dedicated to knowledge generation and evaluation, and formal channels of cooperation. Applying a metric for this criterion which can be comparable between the two MDBs is a difficult task, especially due to the differences in terms of the length and history of operations. In order to determine if this criteria has been met, no metric will be set, however a purely qualitative approach will be applied to the activities undertaken by the MDBs and what their internal policy of knowledge sharing and generation is, and more importantly how the MDBs use these activities to improve their own effectiveness.

	Criterion	Inquisitive Reformulation	What will be measured?		What is effective?
1	MDBs must be staffed by a politically neutral international civil service.	Is the MDB staffed by politically neutral international civil service?	President	Is there an election for the President? (Y/N)	The President is chosen through elections which are guided by established rules which aim to reduce the dominance of non-borrowing countries.
				Rules in place to reduce dominance of non-borrowing members in the position of President? (Y/N)	
			Staff	Borrowing members’ staff/votes ratio ≥ 1	A staff ratio which is not equal to the total voting shares of members and does not favour economically stronger members.
				Non-borrowing members’ staff/votes ratio ≤ 1	
2	There must be sufficient paid-in and callable capital to provide a basis for lending and guarantee viability and continuity of MDB operations.	Does an MDB have a sufficient amount of pain-in and callable capital to provide a basis for lending and to guarantee viability and continuity of their operations?	The existence of members who provide both paid-in and callable capital.		The existence of members who provide both paid-in and callable capital.
3	Borrowing member states must have an active voice in decision making bodies in order to provide legitimacy	How much power do the borrowing nations have in the decision making bodies of the MDBs?	Share of votes in the decision making bodies (%)		Borrowing members’ vote shares equal 50% or vote shares equals the percentage of the memberships.
			Share of votes to share of total members’ GDP (%)		
6	Conditionality must be seen as effective in the eyes of the borrowing countries.		Level of representation of borrowing countries in politically appointed or national representative positions (%)		
4	MDBs must have access to international capital markets to multiply members’ contributions and ensure capital is available to lend.	Does the MDB have a favourable credit rating?	International Credit Rating (Moody’s and S&P)		A credit rating of AAA and/or an e/l ratio of at least 23%.
5	MDBs must provide better-than-market terms in order to not compete with private sources of financing.		e/l ratio		
7	MDBs must partake in knowledge generation and sharing activities in order to improve project effectiveness.	Does the MDB partake in knowledge generation and sharing activities?	Dedicated budget to research and development.		The existence of a budget dedicated to knowledge generation and formal channels of cooperation with other organisations.
			Formalised cooperation with other development organisations		

Table 7 Methodology and Indicator Overview

3.2. Data Sources and Limitations

For some of the criteria the focus of assessment and the indicators have been limited due to the scope of this paper, for example, regarding the effect and effectiveness of loan conditionality. Other criteria have been limited by restrictions in data availability. The vast history, academic attention paid to, and organisational information of the World Bank means that are no anticipated limitations to collecting the data required. A larger limitation comes in the form of the information. Due to its recent creation there is limited information available for the NDB BRICS. The information not available via the NDB BRICS itself will have to be obtained through the use of press releases, news items from reliable sources, information published by the individual governments – which due to linguistic limitations are expected to be mostly from the government of South Africa – and from the BRICS forum . When exact information is not available then educated and reasoned estimates will have to be made and their rationale provided.

Criteria	Indicator	World Bank	NDB BRICS
1	Election of President	Web.worldbank.org, "Selection of the President"	New Development Bank, 2015
	Staff	World Bank, 2015a	New Development Bank, 2015 Official Government Press Releases [12] NDB News/Press Releases (nbt.int, "news")
2	Membership of paid-in and callable contributing countries	World Bank, 2015a	New Development Bank, 2015
3 and 6	Voting Shares	Finances.worldbank.org, "World Bank Group Finances: IBRD Voting Shares Column Chart	New Development Bank, 2015
	List of Borrowing Countries	World Bank, 2013	New Development Bank, 2015
	Country GDP	Data.worldbank.org, "GDP, PPP (current international $)"	Data.worldbank.org, "GDP, PPP (current international $)"
	Appointed Board Members	World Bank, 2016a	ndb.int, "Leadership"
4 and 5	Credit Rating		
	Moody's	http://www.moodys.com	http://www.moodys.com
	S&P	Standard and Poor's, 2015	Not available
	Equity	World Bank, 2015a	New Development Bank, 2015
	Loans	Worldbank.org, "Projects and Operations"	nbt.int, "news"
7	R&D Budget	World Bank, 2015a	nbt.int, "news"
	Budget for Evaluation	World Bank, 2015a	Nbt.int, "news"
	Formalised Cooperation	Worldbank.org, "Partners"	Ndb.int

Table 8 Data Sources

[12] i.e. http://www.sanews.gov.za/business/recruitment-drive-begins-brics-development-bank

3.3. Use of operationalised criteria

The operationalised criteria will be utilised in the following chapter. However, the aim of this thesis is not to present a simple yes/no answering of whether or not the criteria are met, a deeper understanding of the effects of each element must also be presented. The structure of the sections regarding both MDBs will first look the membership and decision making aspects first (criteria 3 and 6), organisational structure second, (criterion 1), then their financing models (criteria 2, 4, and 5) before finally looking at knowledge based activities (criterion 7). The reason for choosing this approach is that the structure and behaviour of an MDB is in essence a policy decision and through the research completed in Chapter 2 the best practices of MDBs have been presented. Policy formation in organisations focussed on international development follows the same policy cycle as that presented in public administration literature. [13] The four stages of the policy cycle are:

- ***Problem identification and agenda setting:*** *Awareness of and priority given to an issue or problem;*
- ***Policy formulation:*** *How (analytical and political) options and strategies are constructed;*
- ***Policy implementation:*** *The forms and nature of policy administration and activities on the ground;*
- ***Policy monitoring and evaluation:*** *The nature of monitoring and evaluation of policy need, design, implementation and impact.* (Perkins and Court, 2005: 14).

The structure proposed fits within this policy cycle: Agenda setting in MDBs is completed by the Board of Governors, where it is then enacted by the Board of Directors both of which represent member states and are the decision making bodies of which the composition and representation are in question; policies are implemented by the international civil service, headed by the President of the MDB and financed through the MDB's financial model; finally, there is monitoring and evaluation. Although monitoring and evaluation does not fully encompass knowledge generation, within this context it is being extended to include other activities which will shape and improve policy decisions.

As well as providing a logical flow by which to present the findings, the second reason for presenting the criteria as such is that in the previous section the criteria were presented in isolation to one another, they are of course interrelated and must be analysed as such. Furthermore, several criteria advocate for the need and presence of high contributing and economically prosperous members for financial reasons (2,

[13] See: ODI 2005 for a full discussion on the policy processes in international development.

4, and 5), whereas in others the less-developed and less-economically prosperous countries are placed as central (3 and 6). There is a trade-off and a friction between the two views which must be taken into consideration, as such these criteria must be discussed and understood in relation to one another.

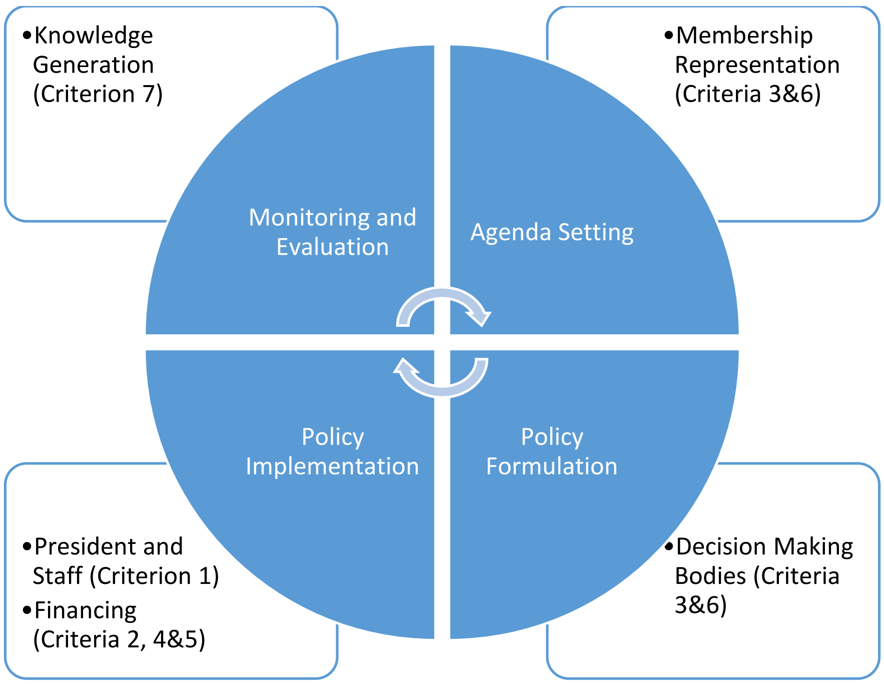

Figure 3 Criteria for Effectiveness grouped as per the Policy Cycle

Chapter 4: Findings

Thus far the criteria for effectiveness have been defined in normative statements (Chapter 2), they were then operationalised and indicators determined, and a definition of what effective compliance to the criteria would be provided (Chapter 3). This chapter is concerned with answering the reformulations presented in the previous chapter and answer the second and third sub-questions:

2) Is the World Bank an effective Multilateral Development Bank?
3) Does the NDB conform to the definition of an effective Multilateral Development Bank?

The effectiveness of the World Bank and then the NDB BRICS will be presented in isolation to each other through a summary of how *effective* both MDBs are. In the following chapter the analysis of the findings will be presented.

4.1. The World Bank

Is the World Bank an effective Multilateral Development Bank? That is the question that will be answered in this section. Due to the complexity of the World Bank group it is first important to define what is meant by a borrowing or non-borrowing member. As described in Chapter 1, but repeated for clarity, the World Bank Group consists of four organisations of which two, the IBRD and the IDA, make-up the World Bank. The IBRD's primary financing tool is loans, and the IDA's credits. The World Bank provides a classification of countries based on their eligibility to access one or both of these products. As such, the World Bank categorises its members into three groups:

1) IBRD loans
2) Blend (both IBRD and IDA)
3) IDA credits (World Bank, 2015f)

There is however no formal classification for countries which are not eligible for access to any products due to their economic status. In the information presented below, all countries within these three categories will be considered as borrowing countries due to their access to at least one form of financing, and all non-classified countries will be considered as non-borrowing. [14]

[14] A full list of the countries and their categories can be found in Annex B. Source: (World Bank, 2016b)

4.1.1. Membership, Representation, and Decision Making (criteria 3 & 6)

The World Bank's membership consists of 189 member states and its membership is open to all countries who are also members of the IMF (IBRD, 2012: Article II, Section 1(a)(b)). Of the 189 member countries, 144 are eligible for IBRD lending, IDA credits, or a blend of the two. Borrowing members thus represent 76.2% of total membership. Effectiveness will be determined to be met should the voting shares of borrowing countries account for 50% as per the definition provided in the previous chapter for criteria 3 and 6. The Board of Governors is the body in which the power of the World Bank is vested and it consists of one governor from each country and his or her alternate (worldbank.org, "Board of Governors"). Decisions are made in the Board of Governors through votes, which are decided based on the voting shares (*ibid.)*. The voting shares in the IBRD Board of Governors and the IDA Board of Governors are identical and the Governors in both are also the same. Within those bodies borrowing nations represent only 38.86% of votes, and thus non-borrowing countries represent 61.14%. Borrowing members are thus underrepresented in the decision making bodies. Furthermore, borrowing countries represent 55.87% of total membership Gross Domestic Product (GDP). [15] This means that borrowing nations only hold 69.5% of votes compared to their share of global GDP. [16] As a comparison, in their literature the World Bank categorises members as either developed or developing and transitional countries (DTCs). This classification gives developing countries, as a group, a comparatively stronger voice than the borrowing/non-borrowing dichotomy where DTCs have 45.06% of the voting share, instead of the 38.86% of borrowing nations (World Bank and the IMF, 2015: 6).

	Voting Shares	GDP as % of total	Vote share/GDP share	World Bank Classification (developing/DTC)
Borrowing	38.86%	55.87%	69.5%	45.06% (Developing and Transitioning Countries)
Non-borrowing	61.14%	44.13%	138.55%	54.94% (Developed)

Table 9 Voting Shares, GDP Shares, Voting Shares as a Percentage of GDP by borrowing and non-borrowing country status.

[15] At PPP Current International $. Angola and Eritrea are 2011 amounts. Guyana, Malta, Venezuela and Yemen are 2013 amounts. Naura data from UNdata, 2013 amounts. San Marino data from UNdata, 2013 amounts. Somalia data from UNdata, 2013 amounts. Syria Data from UNdata, 2013 amounts. Source: <http://data.worldbank.org/indicator/NY.GDP.MKTP.PP.CD>

[16] Borrowing nations GDP = $59.173 trillion, Total membership GDP = $105.911 trillion.

Part of the voting share is made up of basic votes. They currently account for 2.8% of total votes, and have seen an erosion since they were first introduced in the IBRD when they represented 10% of total votes. On average they guarantee a minimum share of 0.015% of total votes per country (Vestergaard and Wade, 2013: 154). Despite the existence of basic votes, the World Bank requires a super majority 85% for most decisions to be passed and the US's de facto status as a veto player with 16.64% means that the basic votes make no difference. For comparative purposes, the seven borrowing countries with the highest vote shares account for a total of 16.79% of votes, the following fifty countries account for 16.66%. [17] Furthermore, even if voting rules meant a simple majority (51%) was required, the 10 non-borrowing countries, or 5.3% of the total membership, with the highest vote shares could remove the voice of all other members with 49.51% of the total votes. [18]

The Board of Directors, in which politically appointed or nationally representative positions are located, is made up of 25 Executive Directors each of whom represents an Executive office comprising either a single or group of countries and serve on both the IBRD's and IDA's Board of Directors (IBRD, 2012; and ida.worldbank.org, "What is IDA?"). Under the IBRD terms of agreement the five members with the largest number of shares each appoint one Executive Director (the US, Japan, China, Germany, and United Kingdom at this time) however other countries (France, Russia, and Saudi Arabia) also have their own Executive Directors (worldbank.org, "Board of Directors"). During votes the individual Executive Directors cast their vote on behalf of their Executive Office and the total voting shares of all members of that office are pooled.[19] In terms of nationality, 28% (7) of Executive Offices represent non-borrowing countries, whilst 36% (9) contain only borrowing countries. 68% (17) of Executive Offices are comprised of a majority (50%+) of members from borrowing countries, this would suggest that borrowing countries are represented and have a strong voice on the Board of Directors. However, only 44% (11) Executive Directors are from borrowing countries which represents a higher proportion than their vote shares. However, including alternates 52% of people in politically appointed positions are from borrowing

[17] 16.79% = China (4.64%), India (3.06%), Russia (2.91%), Brazil (1.85%), Korea (1.65%), Iran (1.54%), and Turkey (1.14%)
16.66% = Namibia, Azerbaijan, Bolivia, Georgia, Dominican Republic, Guatemala, Jordan, Syrian Arab Republic, Senegal, Yemen, Rep., Congo, Dem. Rep., Trinidad and Tobago, Uzbekistan, Ecuador, Iraq, Jamaica, Kenya, Serbia, Zambia, Angola, Croatia, Côte d'Ivoire, Myanmar, Uruguay, Zimbabwe, Kazakhstan, Belarus, Vietnam, Sri Lanka, Bulgaria, Bangladesh, Morocco, Romania, Peru, Libya, Colombia, Chile, Philippines, Malaysia, Egypt, Arab Rep., Ukraine, Thailand, Algeria, Pakistan, Nigeria, Poland, South Africa, Argentina, Venezuela, Mexico, Indonesia,
[18] Belgium (1.64%), Spain (1.94%), Netherlands (2.01%), Italy (2.53%), Canada (2.56%), Saudi Arabia (2.91%), France (3.94%), United Kingdom (3.94%), Germany (4.21%), Japan (7.19%), United States (16.64%).
[19] A full list of the executive directors, their nationality, the countries represented by them, and the percentage of borrowing countries represented by Executive Director can be found in Annex C

members but of the nine mixed constituencies only one has an executive director and an alternate from a borrowing nation and two have both positions filled by people of non-borrowing member nationality. Of the other six, five have a director from a non-borrowing country, and an alternate from a borrowing country, and one with the opposite composition.

	Non-Borrowing	Borrowing	Total
Executive Directors	14	11	25
Alternates	10	15	25
	24 (48%)	**26 (52%)**	**50**

Table 10 Executive Directors and Alternates per country type.

Effectiveness for the criteria discussed in this section would be met should the total shares of borrowing members reach 50%. Despite accounting for 76.2% of the total membership of 55.87% of total GDP of the World Bank, the total voting share of borrowing countries is only 38.86%. Furthermore, despite the existence of basic votes, a combination of US hegemony and the voting rules established in the World Bank mean that basic votes have no obvious effect on increasing the power of the borrowing countries. Finally, in politically appointed positions of the Board of Directors borrowing countries are also underrepresented in votes but 52% of Executive Directors and alternates are from borrowing nations which means that with the exception of the voting rule, the borrowing nations are effectively represented.

4.1.2. Staffing (criterion 1)

The President of the World Bank is elected by the Board of Directors and has up until this time been an American citizen. An informal agreement exists that the President of the World Bank will be an American, and the head of the IMF will be European. A US candidate is chosen by the President of the United States and agreed by the Board of Governors by a supermajority of 85%. The US thus has hegemony in the position due to their share of votes as any candidate not endorsed by the US Governor will receive an automatic veto. The President of the World Bank also takes a seat on the Board of Directors, but does not have a vote apart from in the case of a tied vote.

In terms of the international civil service which serves the World Bank there is a total of 12012 members of staff (World Bank, 2015d: 5). Of this figure, 61% are from developing countries (World Bank, 2015a: 8). However, this paper is not determining status of countries on the developed/developing categorisation but on the basis of borrowing or non-borrowing status. As no clear nationality breakdown is provided the Part I and Part II groupings of the IDA will be used.

Part I countries are principally contributing, developed, non-borrowing countries but Part I countries do not equally align to non-borrowing status as the Part I and Part II categories are an IDA classification. Part II countries are IDA borrowing countries, and Part I are contributing countries in the IDA. But this does not mean that they are not borrowing countries in the IBRD. Part II country nationals account for 7350 of the 12012 total staff, or 61.2%. [20] However, some countries are Part II countries, but are not borrowing countries. [21] The World Bank provides data on staff by Duty Office, which shows their geographic location but not nationality (World Bank, 2015d: 5). If one removes Part II country Duty Offices which were staffed at the time that the data was collated – as not all Duty Offices are permanently staffed – and assuming that all staff in a Duty Station are of that country's nationality then the total number of staff in borrowing countries reduces to 7298 or 60.8% of staff. [22] Furthermore, there are also two countries which are Part I countries but are borrowing, South Africa and Russia, with 47 and 58 members of staff in their national Duty Stations. If these are included in the number of staff from borrowing nations then the total staff from borrowing nations increases to 7448, or 62%. If one accepts this conservative assessment of the total number of staff then the total staff ratio, based on voting shares of 38.86% and the percentage of staff from borrowing countries is 62%, of borrowing countries is 1.6 and non-borrowing countries 0.62. This means that borrowing countries are 60% more represented in the international civil service than in votes and non-borrowing countries 32% less represented. However, Part II nationals only represent 41.5% of managers, and thus are less represented in roles of authority. The same trend is seen in other positons of leadership where of the 32 operational leaders (including the President and heads of regional operations) 44% (14) positions are filled by borrowing nation nationals (worldbank.org, "World Bank Group Leadership"). [23] [24] Borrowing nations are also underrepresented if one considers population of staff in relation to world population. Non-borrowing countries represent only 13.92% of the total world population, but represent 38% of population. [25] However, this indicator was intended to measure

[20] As per May 2015 Figures differ between World Bank (2015a) and World Bank (2015d) due to fluctuations in staffing cycles. World Bank (2015d) will be used for analysis as all data was presented at the time.

[21] The countries that are classified as Part II but are not borrowing countries and the staff in their Duty Offices are are: The Bahamas (0) , Bahrain (0), Barbados (0), Brunei Darussalam (0), Cyprus (0), Czech Republic (0), Hungary (0), Israel, Malta, Nauru, Oman (1), Qatar, San Marino, Saudi Arabia (16), Singapore (35), and the Slovak Republic (0). Source: World Bank, 2015d

[22] Only three Duty Stations were staffed at the time (Oman (1), Saudi Arabia (16), and Singapore (35)). Source: World Bank, 2015d

[23] This includes the Vice President for the Middle East and North Africa who is an Egyptian/French dual national who has been counted as being from a borrowing country due to the link between his Egyptian nationality and position.

[24] A full chart of roles and nationalities can be found in Annex D.

[25] Population data from World Bank Data Bank, 2015 data. Source: <http://data.worldbank.org/indicator/SP.POP.TOTL>

effectiveness based on the relation between staffing and financial/voting power, the comparison of population does also provide a further reflection of the underrepresentation of borrowing countries within the staff especially due to the differences in populations between borrowing and non-borrowing countries as discussed in the operationalisation of this indicator.

Effectiveness for this criteria is assumed if there is an electoral process for choosing the President, which is the case. However, a combination of an informal agreement and voting rules combine to ensure political will and representation of one state is ensured. On the other hand 60.8% of staff are from borrowing countries demonstrating a disconnect between voting shares and the international civil service with a staff to votes ratio of 1.6 for borrowing countries and 0.62 for non-borrowing countries.

4.1.3. Financing (2, 4 and 5)

All members of the IBRD contribute dependent on their allocated capital subscriptions, in 2015 a total of $252.821 billion was subscribed of which $15.192 billion was paid-in, representing only 6% of the total, leaving 94% as callable capital to be called (IBRD, 2015: 83-87). The amounts subscribed by individual countries ranged from $1.9 million for Palau ($200,000 paid-in) to $43.17 billion ($2.6 billion paid in) for the United States (*ibid.*). The IDA receives financing mostly from contributions made by partner governments, it also relies on transfers from the net income of the IBRD, plus reflows from the IDA, as well as grants from the International Finance Corporation (World Bank, 2015a: 56). IBRD transfers are made up of the profit and capital generating activities of the IBRD, and thus the ability of the IBRD to borrow on the capital markets is important to the IDA's operations too. It is therefore the credit rating of the IBRD which is of interest. Moody's rates the IRBD at AAA, and cites the extremely high levels of capital adequacy which allows for a *buffer*, liquidity which allows for *shock absorption*, and the financial commitment of members which provides assurance and *support*, as reasons for this rating (Moody's Investor Service, 2015). Standard and Poor's rates the IBRD also as AAA and cites their IBRD's "extremely strong business profile", "unsurpassed franchise value", preferred creditor status, and a risk-adjusted capital ratio of 23% as rationale for this rating (Standard and Poor's, 2016b). [26]

The World Bank, and specifically its lending arm the IBRD, therefore meets all criteria including the existence of contributing members, an outstanding credit rating, and even though its rating is AAA and has large levels of callable capital to call upon, it retains a theoretically ideal e/l ratio of 23% or below.

[26] This is a risk-adjusted percentage of the total portfolio in June 2015, the

4.1.4. Knowledge Generation (7)

The main evaluation body of the World Bank is the Independent Evaluation Group (IEG) which evaluates the policies and programmes of all World Bank Group organisations (ieg.worldbankgroup.org, "About IED"). The IEG is an IBRD Unit and it reports to the Board of Directors and evaluates whether or not IBRD projects have met their basic objectives (IBRD, 2015: 17). The IEG has a proposed budget of $34 million in 2016 (World Bank, 2015e: 7 footnote 2)

In the fiscal year 2015/16, $57 million has been allocated to *business programmes* which includes the supporting of operations which amongst other categories includes *information, knowledge, and learning* (World Bank, 2015e: 31) Information, knowledge, and learning is defined as: "open information, information matters, and global knowledge and learning" (World Bank, 2015e: 40) Furthermore, the World Bank has a dedicated programme for increasing knowledge: the Knowledge for Change Programme which generates research and data on development economics to support government efforts towards poverty reduction and shared prosperity (econ.worldbank.org, "About Knowledge for Change Program")

The World Bank is also a prolific publisher of studies and papers and the Development Economics Group (DEG) is its dedicated research group. The majority of the papers published by the World Bank are available in the public domain. [27] Furthermore, the World Bank provides a public Data Bank.[28] The World Bank also has extensive cooperative agreements with partners such as the regional development banks (i.e. AfDB, AsDB, EBRD, IADB), the sub-regional development banks (i.e. CAF, EADB), political organisations such as the European Commission, and aid coordination groups including member state development agencies (i.e. the British DFID, the Swedish SIDA, and the Dutch BuZa) (Worldbank.org. "About Us: Affiliates; Worldbank.org, "Partners"). Finally, the World Bank's position within the United Nations system ensures its position in many forums such as the Global Leadership Forum, the WTO/World Bank Trade and Poverty Forum.

4.1.5. Is the World Bank an effective Multilateral Development Bank?

The World Bank is not effective in terms of membership, representation, nor decision making. With the exception of the existence of established rules to remove dominance of non-borrowing countries in the role of the President, the World Bank is however effective in terms of staffing. In terms of financing the World Bank is effective in terms of its paid-in and callable contributing members, its AAA rating, and also

[27] Publications can be found at <http://www.worldbank.org/en/publication/reference>
[28] The World Bank Data Bank is available via <http://databank.worldbank.org>.

its equity/loans ratio of 23%. With regards to knowledge generation and sharing, the World Bank is effective as an MDB as it has dedicated budget, and (in)formal fora of cooperation. Is the World Bank an effective Multilateral Development Bank? In many ways, yes. However, the World Bank does not meet two of the indicators for criteria 3 and 6. Furthermore, the World Bank does not meet one indicator for criterion 1.

	Indicator	Result	Effective?
Membership, Representation, and Decision Making (criteria 3 & 6)	Total share of votes in the decision making bodies of borrowing countries (%)	38.86%	No
	Total share of votes of borrowing countries compared to their total GDP (%)	69.5%	No
	Level of representation of borrowing countries in politically appointed or national representative positions	52%	Yes
Staffing (criterion 1)	Is there an election for the President?	Yes	Yes
	Are the established (formal or informal) rules in place to reduce dominance of non-borrowing members in the position of President?	No	No
	Is the staff/votes ratio above 1 for borrowing members?	Yes	Yes
	Is the staff/votes ratio below 1 for non-borrowing members?	Yes	Yes
Financing (criterion (criteria 2, 4, and 5)	The existence of members who provide both paid-in and callable capital.	Yes	Yes
	Does the MDB have an AAA rating?	Yes	Yes
	Does the MDB have an e/l ratio of 23% or above?	n/a	
Knowledge Generation (criterion 7)	Dedicated Budget?	Yes	Yes
	Partakes in knowledge sharing and generation activities.	Yes	Yes

Table 11 World Bank Effectiveness by Criteria

4.2. The New Development Bank BRICS

The aim of this section is to answer the third sub-question:

Does the NDB conform to the definition of an effective Multilateral Development Bank?

It will follow the same structure as Section 4.1.

4.2.1. Membership, Representation, and Decision Making

Although only currently having a membership of five, membership to the NDB is open to all UN member states (New Development Bank, 2014: Article 2). All founding members of the NDB BRICS (Brazil, Russia, India, China, and South Africa) are eligible to borrow from the NDB BRICS and membership is open to both borrowing and non-borrowing countries (New Development Bank, 2014: Chapter II, Article 5(c)). The NDB BRICS operates on similar terms to other MDBs with a President, a Board of Directors, and a Board of Governors. The Board of Directors can only be filled with representatives of the five founding members (see: Figure 4). With regards to voting shares, the current five members all have equal financial contributions and hold 20% of voting shares each. In case of future membership expansion the founding members have institutionalised limitations to changes in the balance of power where increases in the capital subscriptions are not possible should they reduce the BRICS voting power below 55%, increase non-borrowing members' voting power above 20%, or give a non-founding member more than 7% of votes (New Development Bank, 2014: Chapter II, Article 8 (ci)(cii)).

Due to the borrowing status of the founding members, the NDB BRICS has 100% borrowing members in decision making bodies, their share is equal to the total GDP of members. Although there are no basic votes there are protocols in place to ensure the votes of non-borrowing members do not exceed 20%. Furthermore, all appointed positions are currently filled by member states, thus representation in politically appointed positions and decision making bodies are also filled by borrowing members.

4.2.2. Staffing

The President of the NDB BRICS is elected on a rotational basis from one of the founding members and is supported in his or her role by at least four vice-Presidents, each of whom represents one of the other four founding members (New Development Bank, 2014: Chapter III, Article 13(a)(b)(c)). There are currently four vice-Presidents and the number thereof can be increased and decreased, to no less than four, by the Board of Governors when deemed necessary (New Development Bank, 2014: Chapter III, Article 11(a.ix)).

The President is elected and his or her salary is determined by the Board of Governors which consists of one Governor and one alternate for each member state, both roles are not salaried and thus Governors and alternates do not receive financial compensation (New Development Bank, 2014: Chapter III Article 10 Article 11). Presidents and Vice-President(s) are elected for non-renewable five year terms[29] (New Development Bank, 2014: Chapter III, Article 13 (d)). So long as the founding members all retain the ability to borrow from the NDB, the rotational nature of the presidency ensures that there is not only no possibility of dominance by a non-borrowing country, but possibly no option for a (Vice-)President from a non-borrowing country to be elected.

Staffing decisions are approved by Board of Directors once proposed by the President (New Development Bank, 2014: Chapter III, Article 12 (e)). By the end of 2016, the NDB wants to employ a total of 100 members of staff, deadlines for applications closed on the 12th April 2016 for many of the positions and details of appointments are yet to be announced (ndb.int, “opportunities”; and devex.com, “Now hiring: New Development Bank opens vacancies for top posts”). There is no nationality requirements on applying for these roles, which means that the nationality of staff can be that both of a member or non-member. However, within the membership all staff from member states will be from borrowing countries. Although the current staffing is not known, there are articles which theoretically promote political neutrality and encourage impartiality (New Development Bank, 2014: Chapter III, Article 12 (e)(f)(g)). Finally, after reportedly protracted discussions between China and India regarding where to locate the head office of the NDB BRICS, Shanghai was finally chosen (euractiv.com, “BRICS launch ‘New Development Bank’”). The first regional office will be based in Johannesburg, South Africa (New Development Bank, 2014: Article 4 (a)(b)). It is thus possible that there could be an overrepresentation of China in the international civil service, however, at this time this is speculative.

All Directors that sit on the Board of Directors are from borrowing countries and are responsible for the general operations of the bank (New Development Bank, 2014: Chapter III, Article 12 (a)). The Board of Directors is made up one director from each founding member and one alternative, who are chosen nationally, as well as the President. Due to the requirement to represent a founding member the Board of Directors membership is permanently established at ten members, plus the President (New Development Bank, 2014: Chapter III, Article 12 (b). Although, other (future) members can send

[29] With the exception of the first Vice-President term which will be for six years, assumingly so that the end of their tenures do not coincide.

representatives to attend meetings of the Board of Directors when a matter concerns them (New Development Bank, 2014: Chapter III, Article 12 (i)).

The election of the President of the NDB BRCIS will be on a rotational basis between the founding members. Due to the borrowing status of all members, the staff will be by default representative of borrowing nations. However, applications are also open to non-member state nationals. The NDB BRICS is thus effective in terms of being served by an apolitical staff.

4.2.3. Financing

The initial subscribed capital of the NDB is $50 billion, of which $10 million is to be paid-in (20%) and $40 is callable (New Development Bank, 2014: Chapter II, Article 7 (c)). Moody's report that the NDB BRICS currently holds a B1 *long term rating*, meaning that investments are Highly Speculative (moodys.com, "NDB Bank"). This rating was last updated on the 26th April 2016. Standard and Poor's is yet to release any information regarding how they will rate the NDB. However, in a press release from 22nd March 2016, the NDB hopes to receive one by the 3rd quarter of 2016 from all CRAs. [30] If this rating holds, then access to international capital markets will be limited. Although the NDB has not yet received a favourable credit rating from any of the large CRAs, the NDB announced that they have received an AAA rating from two Chinese firms (Chengxin Credit Rating Co and China Lianhe Credit Rating Co.) (*ibid.*). This is good news for the NDB BRICS as the NDB also announced a five-year plan to raise funds on the Chinese bonds market, which has already been approved by the Board of Directors, allowing the NDB to raise resources with or without a favourable rating from the CRAs. [31] [32] The AAA credit rating awarded by two Chinese rating agencies will facilitate this.

Due to the suboptimal rating, as per Figure 2, we must turn to the equity/loan ratio. The paid-in capital was agreed to be paid in seven instalments, of which $750 million was paid in January 2016. [33] When the following six instalments will be paid has not yet been announced. At this time the NDB BRICS has approved and issued one set of loans totalling $811 million for investment in renewable energy programmes with $250 million being issued to India, $300 to Brazil, $180 million to South Africa and $81

[30] Source: <http://www.ndb.int/new-development-bank-to-receive-international-investment-rating-by-q3-2016-russias-finance-ministry.php>
[31] Source: <http://www.ndb.int/brics-bank-plans-5-year-bonds-in-chinese-yuan-interfax2.php>
[32] Source: <http://www.ndb.int/new-development-bank-board-approves-five-year-yuan-bonds.php>
[33] Source: <http://www.ndb.int/founding-members-contribute-usd-750-million-towards-first-installment-of-paid-in-capital.php#parentHorizontalTab2>

to China. [34] The loans are expected to run between 12 and 20 years and further loans are expected to be issued to Russia.

As per Chapter II, Article 7 (c) of the Agreement on the New Development Bank, the paid-in capital of the total initially subscribed amount is backed by four times that amount in callable capital. It is therefore reasonable to deduce that the $750 million paid-in capital will thus be backed by $3 billion callable capital. Representing a total equity level of $3.75 billion. However, the World Bank does not include its callable capital in its e/l calculations, and as this indicator has been determined based on data from the World Bank, the equity to loan ratio is made of the $750 million paid in equity and the current total portfolio of only $811 million, the e/l ratio ($750 million/$811) at this time is 92.5%. As such, despite the poor credit ratings, the NDB can be considered as financially effective because of its extremely prudent e/l ratio, far above the 23% required for this indicator. Furthermore, during a G20 meeting the NDB's President Kundapar Kamath stated that within the next three years the NDB aims to lend a total of $10 billion, if this is the case, and should the full subscribed capital have been paid at this time, this will represent the full amount of the original level of subscribed paid-in capital as per the agreement establishing the bank. [35] At this point, the e/l ratio would be 100% as of the $50 billion subscribed capital $10 billion is to be paid-in, or in other terms, the measured equity would be equal to the loan portfolio, meaning the NDB BRICS could considerably increase its portfolio.

[34] Source: <http://www.ndb.int/brics-bank-hands-$811m-in-green-energy-loans.php> and <http://www.ndb.int/new-development-bank-to-lend-$180m-to-sa-for-clean-energy-projects.php>
[35] Source: <http://ndb.int/p-G20-Finance-Ministers-and-Central-Bank-Governors-Meeting.php>

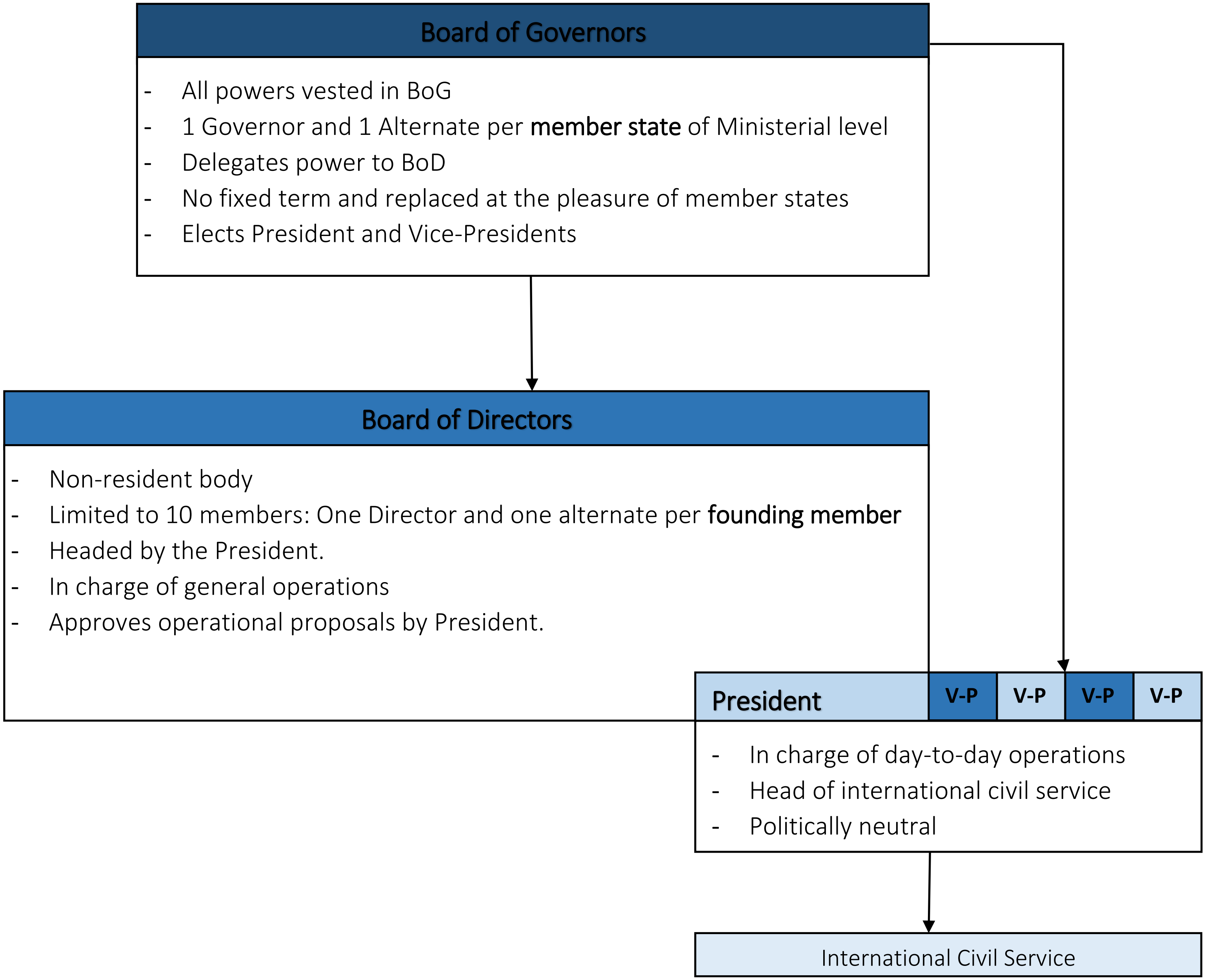

Figure 4 Organisation of the NDB BRICS (Source: Adapted from NDB, 2015).

4.2.4. Knowledge Generation

The NDB has no formalised budget for knowledge and information sharing activities which fall under this criterion. However, in a speech at the 2015 Global Poverty Reduction and Development Forum the President of the NDB BRICS concluded with six points for the future of international development:

- *Learn from the past*
- *Listen to [their] members*
- *Keep technological advancements in mind and leverage technology*
- *Share knowledge*
- *Be less risk averse and increase the flow of funding*
- *Approach the issue of inclusion in a holistic context.*

This commitment to share knowledge was a self-aware declaration which appears to understand the limitations to the NDB's abilities in this arena. Mr. Kamath went on to state that:

> *We are conscious that we may not be able to be present in all areas of the agenda, but will endeavour to be in those, which we believe we would be capable of adding value…*[36]

The self-awareness that the NDB demonstrated at the United Nations was also shown during an intervention at the G20 summit in February 2016 where Mr. Kamath stated that the NDB is *new* and that their presence at the G20 summits allows them to *listen and learn*. [37] Furthermore, the Board of Governors has the ability to approve the presence of observers from non-member countries and international financial institutions at their meetings (New Development Bank, 2014: Chapter II, Article 5 (d)). However, the intention behind this agreement has not been made explicit regarding whether it is politically motivated, regarding knowledge generation, or a mixture of both. The NDB BRICS has also not made explicit whether or not it is going to evaluate its projects.

Within the *Purpose and Function* of the NDB BRICS, the NDB is committed to "cooperate with international organisations and other financial entities" (New Development Bank, 2014: Article 1). The desire to cooperate with other MDBs and organisations was re-established and demonstrated during the United Nations South-South Round Table in New York on the 26th September 2015, again in a public lecture organised by the Department of International Relations and Cooperation, South Africa in December 2015, and again at the G20 Finance Ministers and Central Bank Governors' Meeting. [38] [39]

[36] Source: <http://ndb.int/2015-global-poverty-reduction-and-development-forum.php>
[37] Source: <http://ndb.int/intervention-by-the-President-at-the-g20-finance-ministers-and-central-bank-governors-meeting.php>
[38] Source: <http://ndb.int/united-nations-south-south-round%20table-new-york.php>
[39] Source: <http://ndb.int/public-lecture-organized-by-department-of-international-relations-and-cooperation-pretoria-govt-of-south-africa.php>

[40] However, a limitation to the level of cooperation that the NDB wishes to partake in was made explicit: in every circumstance the President of the NDB BRICS referred to cooperation and knowledge sharing with regards to South-South cooperation. The NDB has already committed to working with the Asian Infrastructure Investment Bank (AIIB) and once the NDB and AIIB were established, the Presidents of both MDBs stated that they would work closely with each other. [41] The NDB BRICS also partook in the first Global Infrastructure Forum in 2016 which was predominantly organised by the United Nations and brought together the leaders of the African Development Bank, Asian Development Bank, Asian Infrastructure Investment Bank, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank Group, Islamic Development Bank, New Development Bank, and the World Bank Group, as well as partners and representatives of the G20, G24, and G77. [42]

Although it is still early days for the NDB BRICS. The NDB BRICS has already committed to increasing its knowledge base and has partaken in formalised fora of cooperation. However, despite this work and the central mandate to cooperate with other organisations, the lack of formalised budget and action plan suggests that it is an ad-hoc approach to cooperation.

4.2.5. Does the NDB conform to the definition of an effective Multilateral Development Bank?

The NDB is effective in terms of membership, representation, and decision making, mainly due to the membership consisting of all borrowing countries. Furthermore, the institutionalised rules are in place to favour the BRICS nations in the case of any future membership expansions. With regards to financing, the NDB has received an unfavourable rating from Moody's, but is yet to receive a rating from Standard and Poor's, however, a conservative e/l ratio, and future funding and expected portfolio size suggests financial prudence. Furthermore, a favourable credit rating from two Chinese rating agencies will allow progression of the NDB's plan to access the Chinese bond market. Finally, the NDB is effective in terms of knowledge generation and sharing with the exception of having a dedicated budget. This is the only indicator that the NDB does not meet in its entirety. Does the NDB conform to the definition of an effective Multilateral Development Bank? Yes, with the exception of one indicator of Criterion 7 the NDB BRICS meets all criteria.

	Indicator	Result	Effective?
Membership, Representatio	Total share of votes in the decision making bodies of borrowing countries (%)	100%	Yes

[40] Source: <http://ndb.int/p-G20-Finance-Ministers-and-Central-Bank-Governors-Meeting.php>
[41] Source: <http://news.xinhuanet.com/english/2015-07/24/c_134441415.htm>
[42] Source: <http://www.ndb.int/unprecedented-collaboration-among-development-partners.php#parentHorizontalTab2>

n, and Decision Making (criteria 3 & 6)	Total share of votes of borrowing countries compared to their total GDP (%)	100%	Yes
	Level of representation of borrowing countries in politically appointed or national representative positions	100%	Yes
Staffing (criterion 1)	Is there an election for the President?	Yes	Yes
	Are the established (formal or informal) rules in place to reduce dominance of non-borrowing members in the position of President?	Yes	Yes
	Is the staff/votes ratio above 1 for borrowing members?	Yes	Yes
	Is the staff/votes ratio below 1 for non-borrowing members?	Yes	Yes
Financing (criteria 2, 4, and 5)	The existence of members who provide both paid-in and callable capital.	Yes	Yes
	Does the MDB have an AAA rating?	No	Yes
	Does the MDB have a e/l ratio of 23% or above?	Yes	
Knowledge Generation (criterion 7)	Dedicated Budget?	No	No
	Partakes in knowledge sharing and generation activities.	Yes	Yes

Table 12 New Development Bank BRICS Effectiveness by Criteria

Chapter 5: Analysis and Discussion of Results

In this Chapter the following sub-question will be answered:

4) *How and why do the World Bank and the New Development Bank BRICS differ?*

The focus will be on how the two differ from each other as well as the way in which they differ from the normative definition of an effective MDB as derived in Chapter 2. Table 13 gives an overview of the ways in which the two MDBs are similar through a summary of the specific indicators that they have both been measured as effective, as there were no areas where neither bank was effective. If the following indicators are considered in isolation then it appears that the extent to which the NDB is an alternative to the World Bank is only in terms of being a substitute.

In answering this question I will focus on how one MDB is effective and the other not, and most importantly explain why. Focus will first be given on how the two differ in terms of meeting the criteria and then on how they differ on the indicators where they were both deemed effective. The central research question of this paper aims to provide an understanding to the extent to which the NDB BRICS is an alternative to the World Bank. It is thus important to determine how they differ from each other and why and what that means for both MDBs.

		Effective?	
	Indicator	**World Bank**	**NDB BRICS**
Membership, Representation, and Decision Making (criteria 3 & 6)	Level of representation of borrowing countries in *politically appointed* or national representative positions	Yes	Yes
Staffing (criterion 1)	Is there an election for the President?	Yes	Yes
	Is the staff/votes ratio above 1 for borrowing members?	Yes	Yes
	Is the staff/votes ratio below 1 for non-borrowing members?	Yes	Yes
Financing (criteria 2, 4, and 5)	The existence of members who provide both paid-in and callable capital.	Yes	Yes
Knowledge Generation (criterion 7)	Partakes in knowledge sharing and generation activities.	Yes	Yes

Table 13 World Bank and New Development Bank BRICS Effectiveness Comparison: Individual Indicators

The first category in which the World Bank is not entirely effective, and the NDB BRICS is, is in terms of membership, representation, and decision making. There are two explanations for why the NDB meets the criteria, and the World Bank does not. Firstly, the difference in membership, and secondly, the difference in vote share calculations. The NDB's recent creation with a founding membership of only five, all of whom are borrowing members, gives it a default advantage in this area, as well as the indicators measuring the effectiveness of the staffing. Which is the second category where the NDB BRICS is comparatively more effective.

As argued in Chapter 2, with the evolution of MDBs from focussing on the global (the World Bank), to the regional (AfDB, AsDB, and IADB), to then sub-regional (the CAF, EADB etc) levels the structure of membership has moved towards higher levels of borrowing nations compared to non-borrowing members. The rationale for this change in standard composition was to ensure that the specific needs of not only borrowing countries, but its founding members were observed and the policies of an MDB represented this. The NDB's compliance with these criteria demonstrates a continuation of this trend and can be seen to closely resemble the CAF, which until recently had no members from outside the region, and more notably, had no non-borrowing members. The NDB BRICS's genesis differs from the CAF's in that instead of focussing on a sub-regional level, it is focussing on an international inter-continent grouping of states. However, they are similar in that they both wanted to reduce the interference of non-regional members in their development, especially that of the US. The NDB BRICS can be seen as a response to the challenges that the BRICS nations share as a group as well as individual nations. The NDB BRICS thus represents the far reaching geographic nature of the World Bank, whilst following the trend of SRDBs such as the CAF and the RDBs which came before it.

It could be argued that the creation of the NDB BRICS represents a new paradigm in the creation of MDBS by creating one which is neither global nor local. However, this would be a revisionist approach. It is important to remember that despite current global coverage, the World Bank was first limited to the US as a donor and Europe and Japan as recipients of the Marshall Plan in order to promote economic strength and stem the red tide of encroaching communism. It is also pertinent to remember that the IBRD was created by the US in cooperation with war stricken nations. The NDB in comparison was created as equal venture between five nations, as demonstrated in their collective nomenclature in their official charter and equal voting shares. The NDB BRICS does not represent a new, innovative model of international financial cooperation: instead it is an amalgamation of the geographic, needs based, membership of the World Bank in its early days, and the borrowing member focussed decision making of SRDBs such as the CAF. The use of and the specific content of conditionality is closely related to the membership composition of MDBs, which, as already reasoned, is closely related to legitimacy with an MDB. Although this may appear to dismiss the impressive fruits of the cooperation between five historically, economically, and politically different nations, it does not. Instead, it must be understood that the NDB BRICS, as evidenced in this thesis, has adopted many of the organisational traits of other MDBs including the organisational structure and financing model, and has joined many of the established fora on economic development.

It is also important to note that membership for the NDB BRICS is possible for all United Nations members whereas the World Bank is open to all members of the IMF. It therefore has the opportunity and possibility to become a more universal MDB like the World Bank, but diminishing any argument that the NDB BRICS's set up is unique. However, this does increase the possibility of being an alternative to the World Bank. This competitor status will arise should the NDB BRICS be able to offer alternative financing to more countries. However, membership in the World Bank and NDB is not either/or, it is possible to be a member of both, as the BRICS nations currently are.

Competition, in the traditional economic sense, could be created if the BRICS nations are able to shape their policies based on development theory alternative and more successful to that of the World Bank, which continues after several decades to promote the Washington Consensus. However, this is dependent on the assumption that a majority of the members of an MDB hold the same opinion on what direction of policy and economic development is best for their members, or that there is a consensus that the terms of lending (i.e. conditionality) can be agreed on to be favourable to their borrowing members. Agreeing on such a consensus is naturally easier when a majority, in voting share terms, of members are borrowing nations. If terms are favourable, more so in NDB BRICS than in the World Bank, then the NDB could increase demand for their loans, and for membership, however, time and more research is needed to understand if this will occur but the use of a varied mic of terms which in the research show no discernible way in which competition is created by the RDBs and the SRDBs would suggest that this could remain merely speculative.

The second explanation for why the World Bank is not effective and the NDB BRICS is, are the differences in how their vote shares are calculated and distributed. The World Bank calculates vote shares based on a normative approach of how much a country *should* contribute based on their economic strength, amongst other aspects. This manner of calculating votes, with no failsafe to ensure that no country can acquire more than 15% of the share, and the need for a supermajority of 85% to create substantial change, has obvious implications for allowing the hegemony of the US in the World Bank, with implications regarding the continuous election of an American citizen in the role of President of the Word Bank. In the NDB BRICS, by comparison, the amount of capital a country provides as a percentage of all capital determines its voting share (New Development Bank, 2014: Article 2). A country may also increase its share with the agreement of the other nations. However, there are explicit rules in place to stop dominance of any non-borrowing country, for whom membership is also possible, or in fact any non-BRICS country. The minimum share of votes that the

BRICS countries combined can share is 55%, more than enough for any simple majority vote rule (New Development Bank, 2014: Chapter II, Article 8). Again, though, the NDB has an advantage due to the current borrowing/non-borrowing composition of its membership. The rules established in the NDB's charter will ensure that should the same assessment be completed in 5, 10, 15, or 20, years the same results will be found for the NDB BRICS. Should the World Bank continue with its current manner of determining vote shares then it is unlikely that these results will change. Once a country graduates economically to a higher income class then its classification is changed. Some countries have moved from borrowing nations to non-borrowing ones once their economies have grown, for example Hungary from 2014 to 2015. [43] This means that the contributions will increase, and so will their vote share, thus increasing the share of non-borrowing countries.

Finally, the World Bank is at near universal saturation with its membership. If countries continue to graduate from borrowing to non-borrowing status, then globally a larger percentage of countries will be non-borrowing, thus increasing their vote share, and increasing the imbalance of power between the two groups in the World Bank. Are the two banks truly so different in this regard? No. Both determine voting shares based on economic contributions. The difference comes in the way that subscriptions are calculated. Furthermore, both MDBs retain the power of the founding member(s), and both have institutionalised policies – whether formal or informal - in place to ensure that those who founded it retain a strong and powerful voice. This will influence the way in which policy creation and implementaton is enacted within both MDBs, if one accepts the reasoning for measuring the legitimate voice of members (Criterion 3) and the legitimacy of conditionality (Criterion 6) in the same way, as has been completed, the voting structure is a proxy for other aspects such the direction of economic, political, and structural decisions. Whether or not allowing economically weaker countries to play a more active voice amounts to a plebiscite revolution or a celebration of international democracy would require further comparative research into the processes and effects of decision making within MDBs.

The one full category in which the NDB is not effective, but the World Bank is, is in terms of knowledge generation. The World Bank has an established and robust set of activities for research, evaluation, and knowledge sharing. The NDB has demonstrated no plans to do similar, however, has been involved in events and has shown a desire to be involved in knowledge sharing and cooperation. What is interesting and pertinent is that the President of the NDB BRICS made it clear that it would assist where it had the necessary skills. For a young and recently formed MDB this seems very self-aware, especially when its expertise are compared to the over 70 years of experience and history of the World

[43] Source: http://data.worldbank.org/news/new-country-classifications-2015

Bank. This may explain the difference in their approaches. However, it would be beneficial, in terms of the criteria for effectiveness if the NDB BRICS were to introduce a formal budget in order to ensure that knowledge generation is at the forefront of their work including a budget for evaluation.

Although both MDBs are effective in terms of financing, their effectiveness for this indicator is based on different elements. The World Bank's AAA credit rating is ideal for an MDB, however, as was argued in relation to other MDBs with subprime credit ratings such as the CAF, the East African Development Bank (EADB), and the Eastern and Southern African Trade and Development Bank/Preferential Trade Area Bank (PTA), the NDB is not automatically excluded from being effective and raising financial resources, and thus ensuring operational effectiveness.

The NDB is not revolutionary in providing financial security through a high e/l ratio. Furthermore, the NCB BRICS is also not revolutionary in raising bonds on the Chinese bond market, for the World Bank issued its first bond in Chinese Renminbi on the Hong Kong capital market in 2011, other bonds have been issued but most notably a 1.25 billion Chinese Renminbi (Approximately 204 million USD) bond in 2014. [44] [45] Furthermore, regarding financial standings and operations it must also be highlighted that the capital levels of both banks differs greatly, the World Bank has a total subscribed capital of $252.8 billion available at this time (World Bank, 2015a), the NDB BRICS's is $50 billion. The ability of the NDB BRICS to act as an alternative in terms of flows of capital is thus limited at this point, especially considering only an estimated $3.75 billion of subscribed capital is currently at its disposal.

[44] Source: http://treasury.worldbank.org/cmd/htm/FirstChineseRenminbiBond.html
[45] http://treasury.worldbank.org/cmd/htm/CNY1_25Billion_Benchmark.html

Chapter 6: Conclusions and Recommendation

The creation of the New Development Bank BRICS in 2015 signalled the creation of the 21st Multilateral Development Bank. The NDB BRICS was created to be an *alternative* to the World Bank. This paper has attempted to establish the extent to which the NDB can be considered to be an alternative to the World Bank, as well as determining what being an "alternative" means. In order to do this the criteria for determining what an effective MDB is were presented. In doing so the World Bank and the NDB BRICS could be placed in the same framework and it could be assessed if the two banks were substitutes for of competitors of each other on this basis. In the analysis of the results the rationale for difference between the two banks were described.

The results of the analysis were that the MDBs are both effective in many ways which suggests that the NDB BRICS would be a suitable complement to the World Bank and join it in the current International Aid Architecture. This was further highlighted in the discussion of the way the two banks differ. The NDB BRICS's membership offered an advantage for effectiveness, however, a membership of only borrowing countries is not a new phenomenon, as demonstrated through its comparison with the CAF, and a historic consideration of the World Bank's origins highlighted that although more recently MDBs have focussed on regional issues, the existence of an MDB which shares a common goal between geographic distant nations isn't new. The NDB represents a culmination of these two aspects. It was also argued that the advantages that the NDB BRICS holds in terms of voting shares originate from its limited and specific membership, which in turn does not offer a competitive alternative to the World Bank. This is especially true as the NDB BRICS has the possibility to become more universal in its membership due to the requirement that new members must only be members of the United Nations, a relatively low bar to set, and means that all sovereign and universally recognised nations can become members.

The NDB BRICS does not offer itself as a competitor in terms of specialisation, or size of portfolio, considering that its authorised capital stands at approximately 20% of the World Bank's, and current paid in capital at only 4.9%, which considering the need to keep their e/l ratio above 23%, due to poor credit ratings from CRAs, their operations are further limited.

The one area in which the NDB BRICS holds a competitive advantage in terms of voting is the existence of formal rules to remove not only domination of one country within the bank, but the domination of non-borrowing countries. In Chapter 2 it was described that effectiveness in MDBs comes, in part, from borrowing countries having and retaining a strong voice in order to shape policies for their specific developmental needs. This also counts for the need to have legitimate conditionality, which could shape the competitive nature of the NDB BRICS in terms of the World Bank. The NDB's limit of non-borrowing countries vote shares being no more than 20% ensures that borrowing countries retain a strong voice. However, the requirement that the BRICS nations retain at least 55% of the vote ensures that they remain dominant. The strong voice borrowing countries could take the NDB BRICS, especially as they are well celebrated as current and future economic giants who have mostly enjoyed great economic success in recent years, in a different development direction to that of other localised MDBs. The increase in the number of specific MDBs has been described as a logical evolution based on shifting the balances of power, but this has not expanded beyond notions of legitimacy within the bank. Whether or not the exceptional position of the BRICS nations in the global economy and the lessons they have learnt as transitioning economies will enable them to bring about a new paradigm in development is yet to be seen at this time as it is still young, but the focus on South-South cooperation is a promising sign that the NDB BRICS may be attempting to carve a niche for itself as a globally reaching MDB not dominated by advanced economies.

To what extent can the NDB BRICS be expected to become an alternative to the World Bank? In brief, to the extent that other MDBs are an alternative: as a substitute source of development financing to its members. The five BRICS countries were, and are still, members of the World Bank and borrowing members at that. It is therefore still a source of financing, and an alternative one at any extent. The World Bank may lose them as members, and possible clients, the NDB BRICS would then become more of a competitor. This could be counteracted by the types of projects which the NDB BRICS funds, but it is too early to tell if these will differ in any marked way from those of the World Bank.

The analysis provided in this paper has not drawn attention to any points in which the NDB BRICS could offer a competitive advantage to the World Bank at this time. Both banks exist within the same system, the members of the NDB BRICS are also members of the World Bank, both focus on striving for the same goal, both use the same system of paid-in and callable capital, both MDBs are active in global cooperation within the same fora, to name but a few parallels. The ways in which the banks differ give no reason to suggest that the NDB BRICS offers any more of an alternative than other MDBs which have already been established for many years. The NDB has the fundamentals of an MDB: members, capital, financing capabilities, an organisational structure, and projects. Thus the extent to which it can expected to be an alternative is that it already is one, but at this time only in the sense that it is another source of possible funding for its limited membership, as nothing indicates that it is going to create a paradigmatic shift in the development financing.

What is also clear is that there is evidently still a large unmet demand for the funding of infrastructural projects. Since the IBRD was first established in the 1940s the NDB BRICS represents MDB number 21 of 22. The continuation of MDB creation indicates that there is no lack of thirst for development financing and cooperation, but with the NDB BRICS and the AIIB in 2015, there continues to be plurality of the types of MDBs with different memberships but all have the same central goal: economic development.

6.1. Recommendations

This study has been limited in its focus, and should be taken in consideration with what is sure to be a growing field of study based not only on the role of the New Development Bank BRICS, but also the Asian Infrastructure Investment Bank. What the creation of the NDB BRICS means for the World Bank and the future of financing is to still to be seen, especially in terms of its role as a competitor. The ability to study these matters will only be able to be completed once more time has passed and more data and information regarding the activities of the NDB BRICS and the way in it conducts its projects, the conditions applied to them, and their results, is known. Furthermore, the criteria set in this paper to determine effectiveness could, and should, be replicated to include other MDBS, especially the CAF to perform analysis on how the NDB BRICS and the CAF differ alongside the World Bank in order to determine if there is more difference between the three. Measuring how the NDB BRICS differs from the CAF will allow a more nuanced understanding and analysis of how the NDB BRICS fits into the current development financing landscape, and if any questions are raised or questions answered, to what, if anything, this means for the future.

The method of comparison has been based on how effective the two MDBs are as financial institutions in isolation of political, economic, and other aspects addressing only organisational effectiveness, not the effectiveness of the two banks on topics such as economic development. Whilst this method has provided a satisfactory insight, due to limitations in data regarding the NDB BRICS's operations subsequent research should focus on expanding the criteria used to include the effects of specific policy decisions, including conditionality, on development and if possible, value for money of MDB operations. Although problems with attribution may render this difficult. However, this will not be possible until the NDB BRICS has completed more projects. It would be desirable if further research considered how the differences in membership composition and voting shares effects the attractiveness of an MDB to possible member countries especially in terms of political and economic considerations and what happens when borrowing members are heard in terms of autonomy, fairness, equality, equity, and self-determination. For example, although not discussed at length in this paper, it was mentioned in the introductory chapter that there is much discontent towards the World Bank, with much of the criticism being levied due to the hegemonic role of the US. Such later research would consider if differences in composition influences the willingness, and wish, of a nation to work within an MDB and the effects of competition including standard terms such as interest, concessional windows, and length of lending, as well as conditionality, and what consequences these aspects have.

Many questions still exist, and many have been raised in the completion of this research regarding the future of the International Aid Architecture, however, the recommendations outlined above will provide an insight into what the creation of the NDB BRICS could mean for the coming years.

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Annexes

Annex A: MDB Mandates

MDBs and their mandates/mission statements (Source: Faure et al., 2015)

Multilateral Development Bank		**Mandate/ Mission Statement**
Global Banks		
	World Bank	End extreme poverty within a generation and boost shared prosperity
Regional Banks		
	Asian Development Bank (ADB)	Eradicate poverty in Asia Pacific
	African Development Bank (AfDB)	Promote sustainable economic growth and reduce poverty in Africa
	European Bank for Reconstruction and Development (EBRD)	Foster the transition towards open market-oriented economies and private and entrepreneurial initiatives in central and eastern European countries committed to the principles of multiparty democracy, pluralism and market economies
	European Investment Bank (EIB)	Contribute to the development of the internal market of the European Union
	Inter-American Development Bank (IADB)	Promote the economic and social development of the developing member states, individually and collectively
	Islamic Development Bank (IsDB)	Foster economic development and social progress in member countries and Muslim communities, individually as well as jointly, in accordance with the principles of the Sharia
Sub-Regional Banks		
	West African Development Bank (BOAD)	Promote economic development in member states and economic integration across West Africa
	Central American Bank for Economic Integration (CABEI)	Promote economic integration and balanced economic and social development in member states
	Corporacion Andino de Formento (CAF)	Promote sustainable development and regional integration
	East African Development Bank (EADB)	Promote sustainable socio-economic development in East Africa
	Eastern and Southern African Trade and Development/ Preferential Trade Area Bank (PTA)	Finance and foster trade, socio-economic development and regional economic integration across member states

Annex B: World Bank Country Classification.

Source: World Bank, 2015f.

Non-Borrowing	Blend	IBRD Only	IDA Only
American Samoa	Cabo Verde	Albania	Afghanistan
Andorra	Cameroon	Algeria	Bangladesh
Aruba	Congo, Rep.	Angola	Benin
Australia	Dominica	Antigua and Barbuda	Bhutan
Austria	Grenada	Argentina	Burkina Faso
Bahamas, The	Moldova	Armenia	Burundi
Bahrain	Mongolia	Azerbaijan	Cambodia
Barbados	Nigeria	Belarus	Central African Republic
Belgium	Pakistan	Belize	Chad
Bermuda	Papua New Guinea	Bosnia and Herzegovina	Comoros
Brunei Darussalam	Sri Lanka	Botswana	Congo, Dem. Rep.
Canada	St. Lucia	Brazil	Côte d'Ivoire
Cayman Islands	St. Vincent and the Grenadines	Bulgaria	Djibouti
Channel Islands	Timor-Leste	Chile	Eritrea
Cuba	Uzbekistan	China	Ethiopia
Curaçao	Vietnam	Colombia	Gambia, The
Cyprus	Zimbabwe	Costa Rica	Ghana
Czech Republic		Croatia	Guinea
Denmark		Dominican Republic	Guinea-Bissau
Estonia		Ecuador	Guyana
Faroe Islands		Egypt, Arab Rep.	Haiti
Finland		El Salvador	Honduras
France		Equatorial Guinea	Kenya
French Polynesia		Fiji	Kiribati
Germany		Gabon	Kosovo
Greece		Georgia	Kyrgyz Republic
Greenland		Guatemala	Lao PDR
Guam		India	Lesotho
Hong Kong SAR, China		Indonesia	Liberia
Hungary		Iran, Islamic Rep.	Madagascar
Iceland		Iraq	Malawi
Ireland		Jamaica	Maldives
Isle of Man		Jordan	Mali
Israel		Kazakhstan	Marshall Islands
Italy		Korea, Rep.	Mauritania
Japan		Lebanon	Micronesia, Fed. Sts.
Korea, Dem. People's Rep.		Libya	Mozambique
Kuwait		Macedonia, FYR	Myanmar
Latvia		Malaysia	Nepal
Liechtenstein		Mauritius	Nicaragua
Lithuania		Mexico	Niger
Luxembourg		Montenegro	Rwanda
Macao SAR, China		Morocco	Samoa
Malta		Namibia	São Tomé and Principe
Monaco		Palau	Senegal

Netherlands		Panama	Sierra Leone
New Caledonia		Paraguay	Solomon Islands
New Zealand		Peru	Somalia
Northern Mariana Islands		Philippines	South Sudan
Norway		Poland	Sudan
Oman		Romania	Tajikistan
Portugal		Russian Federation	Tanzania
Puerto Rico		Serbia	Togo
Qatar		Seychelles	Tonga
San Marino		South Africa	Tuvalu
Saudi Arabia		St. Kitts and Nevis	Uganda
Singapore		Suriname	Vanuatu
Sint Maarten (Dutch part)		Swaziland	Yemen, Rep.
Slovak Republic		Syrian Arab Republic	Zambia
Slovenia		Thailand	
Spain		Trinidad and Tobago	
St. Martin (French part)		Tunisia	
Sweden		Turkey	
Switzerland		Turkmenistan	
Taiwan, China		Ukraine	
Turks and Caicos Islands		Uruguay	
United Arab Emirates		Venezuela, RB	
United Kingdom			
United States			
Virgin Islands (U.S.)			
West Bank and Gaza			

IBRD Country Classifications and Subscriptions

Country	Classification	Subscription Amount	Subscription Percent	Vote No.	Percent Votes
Australia	Non-borrowing	3159.2	1.45	32270	1.4
Austria	Non-borrowing	1461.1	0.67	15289	0.66
Bahamas, The	Non-borrowing	107.1	0.05	1749	0.08
Bahrain	Non-borrowing	110.3	0.05	1781	0.08
Barbados	Non-borrowing	94.8	0.04	1626	0.07
Belgium	Non-borrowing	3715.3	1.7	37831	1.64
Brunei Darussalam	Non-borrowing	237.3	0.11	3051	0.13
Canada	Non-borrowing	5835.4	2.68	59032	2.56
Cyprus	Non-borrowing	146.1	0.07	2139	0.09
Czech Republic	Non-borrowing	799.3	0.37	8671	0.38
Denmark	Non-borrowing	1779.6	0.82	18474	0.8
Estonia	Non-borrowing	117	0.05	1848	0.08
Finland	Non-borrowing	1143.9	0.52	12117	0.52
France	Non-borrowing	9040.4	4.14	91082	3.94
Germany	Non-borrowing	9657.4	4.43	97252	4.21
Greece	Non-borrowing	168.4	0.08	2362	0.1
Hungary	Non-borrowing	1079.3	0.49	11471	0.5
Iceland	Non-borrowing	162.1	0.07	2299	0.1
Ireland	Non-borrowing	738	0.34	8058	0.35
Israel	Non-borrowing	601.9	0.28	6697	0.29
Italy	Non-borrowing	5778.8	2.65	58466	2.53
Japan	Non-borrowing	16544.4	7.58	166122	7.19
Kuwait	Non-borrowing	1533.5	0.7	16013	0.69
Latvia	Non-borrowing	175.4	0.08	2432	0.11
Lithuania	Non-borrowing	191	0.09	2588	0.11
Luxembourg	Non-borrowing	228.9	0.1	2967	0.13
Malta	Non-borrowing	107.4	0.05	1752	0.08
Netherlands	Non-borrowing	4582.9	2.1	46507	2.01
New Zealand	Non-borrowing	976.1	0.45	10439	0.45
Norway	Non-borrowing	1341.8	0.62	14096	0.61
Oman	Non-borrowing	156.1	0.07	2239	0.1
Portugal	Non-borrowing	546	0.25	6138	0.27
Qatar	Non-borrowing	138.9	0.06	2067	0.09
San Marino	Non-borrowing	59.5	0.03	1273	0.06
Saudi Arabia	Non-borrowing	6650.5	3.05	67183	2.91
Singapore	Non-borrowing	556.9	0.26	6247	0.27
Slovak Republic	Non-borrowing	407.5	0.19	4753	0.21
Slovenia	Non-borrowing	170.9	0.08	2387	0.1
Spain	Non-borrowing	4415.9	2.02	44837	1.94
Sweden	Non-borrowing	1972.9	0.9	20407	0.88
Switzerland	Non-borrowing	3466	1.59	35338	1.53
United Arab Emirates	Non-borrowing	534.2	0.24	6020	0.26
United Kingdom	Non-borrowing	9040.4	4.14	91082	3.94
United States	Non-borrowing	38367.8	17.59	384356	16.64
Nauru	Non-borrowing	58.6	0.03	1264	0.05
Albania	IBRD	83	0.04	1508	0.07
Algeria	IBRD	1172.4	0.54	12402	0.54
Angola	IBRD	292.6	0.13	3604	0.16
Antigua and Barbuda	IBRD	52	0.02	1198	0.05
Argentina	IBRD	1818	0.83	18858	0.82
Armenia	IBRD	113.9	0.05	1817	0.08

Azerbaijan	IBRD	187.1	0.09	2549	0.11
Belarus	IBRD	421.1	0.19	4889	0.21
Belize	IBRD	58.6	0.03	1264	0.05
Bosnia and Herzegovina	IBRD	54.9	0.03	1227	0.05
Botswana	IBRD	61.5	0.03	1293	0.06
Brazil	IBRD	4196.3	1.92	42641	1.85
Bulgaria	IBRD	521.5	0.24	5893	0.26
Chile	IBRD	1001.3	0.46	10691	0.46
China	IBRD	10659.4	4.89	107272	4.64
Colombia	IBRD	973	0.45	10408	0.45
Costa Rica	IBRD	112.3	0.05	1801	0.08
Croatia	IBRD	290.6	0.13	3584	0.16
Dominican Republic	IBRD	209.2	0.1	2770	0.12
Ecuador	IBRD	277.1	0.13	3449	0.15
Egypt, Arab Rep.	IBRD	1068.2	0.49	11360	0.49
El Salvador	IBRD	14.1	0.01	819	0.04
Equatorial Guinea	IBRD	71.5	0.03	1393	0.06
Fiji	IBRD	98.7	0.05	1665	0.07
Gabon	IBRD	98.7	0.05	1665	0.07
Georgia	IBRD	179.5	0.08	2473	0.11
Guatemala	IBRD	200.1	0.09	2679	0.12
India	IBRD	6992.3	3.21	70601	3.06
Indonesia	IBRD	2303.1	1.06	23709	1.03
Iran, Islamic Rep.	IBRD	3496.3	1.6	35641	1.54
Iraq	IBRD	280.8	0.13	3486	0.15
Jamaica	IBRD	283.1	0.13	3509	0.15
Jordan	IBRD	200.9	0.09	2687	0.12
Kazakhstan	IBRD	394.9	0.18	4627	0.2
Korea, Rep.	IBRD	3752.4	1.72	38202	1.65
Lebanon	IBRD	34	0.02	1018	0.04
Libya	IBRD	784	0.36	8518	0.37
Macedonia, FYR	IBRD	42.7	0.02	1105	0.05
Malaysia	IBRD	1044.7	0.48	11125	0.48
Mauritius	IBRD	157.4	0.07	2252	0.1
Mexico	IBRD	2218.8	1.02	22866	0.99
Montenegro	IBRD	68.8	0.03	1366	0.06
Morocco	IBRD	661.9	0.3	7297	0.32
Namibia	IBRD	152.3	0.07	2201	0.1
Palau	IBRD	1.6	0	694	0.03
Panama	IBRD	38.5	0.02	1063	0.05
Paraguay	IBRD	122.9	0.06	1907	0.08
Peru	IBRD	769.1	0.35	8369	0.36
Philippines	IBRD	990.3	0.45	10581	0.46
Poland	IBRD	1712.9	0.79	17807	0.77
Romania	IBRD	686.6	0.31	7544	0.33
Russian Federation	IBRD	6650.5	3.05	67183	2.91
Serbia	IBRD	284.6	0.13	3524	0.15
Seychelles	IBRD	26.3	0.01	941	0.04
South Africa	IBRD	1737.9	0.8	18057	0.78
St. Kitts and Nevis	IBRD	27.5	0.01	953	0.04
Suriname	IBRD	41.2	0.02	1090	0.05
Swaziland	IBRD	44	0.02	1118	0.05
Syrian Arab Republic	IBRD	220.2	0.1	2880	0.12
Thailand	IBRD	1110.8	0.51	11786	0.51

Trinidad and Tobago	IBRD	266.4	0.12	3342	0.14
Tunisia	IBRD	71.9	0.03	1397	0.06
Turkey	IBRD	2564.3	1.18	26321	1.14
Turkmenistan	IBRD	52.6	0.02	1204	0.05
Ukraine	IBRD	1097.7	0.5	11655	0.5
Uruguay	IBRD	356.3	0.16	4241	0.18
Venezuela, RB	IBRD	2036.1	0.93	21039	0.91
Afghanistan	IDA	50.6	0.02	1184	0.05
Bangladesh	IDA	646.8	0.3	7146	0.31
Benin	IDA	86.8	0.04	1546	0.07
Bhutan	IDA	68	0.03	1358	0.06
Burkina Faso	IDA	126	0.06	1938	0.08
Burundi	IDA	104.3	0.05	1721	0.07
Cambodia	IDA	21.4	0.01	892	0.04
Central African Republic	IDA	97.5	0.04	1653	0.07
Chad	IDA	86.2	0.04	1540	0.07
Comoros	IDA	28.2	0.01	960	0.04
Congo, Dem. Rep.	IDA	264.3	0.12	3321	0.14
Côte d'Ivoire	IDA	350.5	0.16	4183	0.18
Djibouti	IDA	55.9	0.03	1237	0.05
Eritrea	IDA	59.3	0.03	1271	0.06
Ethiopia	IDA	97.8	0.04	1656	0.07
Gambia, The	IDA	54.3	0.02	1221	0.05
Ghana	IDA	173.8	0.08	2416	0.1
Guinea	IDA	129.2	0.06	1970	0.09
Guinea-Bissau	IDA	54	0.02	1218	0.05
Guyana	IDA	152.6	0.07	2204	0.1
Haiti	IDA	122.3	0.06	1901	0.08
Honduras	IDA	64.1	0.03	1319	0.06
Kenya	IDA	271.1	0.12	3389	0.15
Kiribati	IDA	46.5	0.02	1143	0.05
Kosovo	IDA	96.6	0.04	1644	0.07
Kyrgyz Republic	IDA	110.7	0.05	1785	0.08
Lao PDR	IDA	27.2	0.01	950	0.04
Lesotho	IDA	66.3	0.03	1341	0.06
Liberia	IDA	46.3	0.02	1141	0.05
Madagascar	IDA	142.2	0.07	2100	0.09
Malawi	IDA	109.4	0.05	1772	0.08
Maldives	IDA	46.9	0.02	1147	0.05
Mali	IDA	116.2	0.05	1840	0.08
Marshall Islands	IDA	46.9	0.02	1147	0.05
Mauritania	IDA	103.2	0.05	1710	0.07
Micronesia, Fed. Sts.	IDA	47.9	0.02	1157	0.05
Mozambique	IDA	105.1	0.05	1729	0.07
Myanmar	IDA	346.5	0.16	4143	0.18
Nepal	IDA	96.8	0.04	1646	0.07
Nicaragua	IDA	82.7	0.04	1505	0.07
Niger	IDA	97.5	0.04	1653	0.07
Rwanda	IDA	104.6	0.05	1724	0.07
Samoa	IDA	77.7	0.04	1455	0.06
São Tomé and Principe	IDA	49.5	0.02	1173	0.05
Senegal	IDA	232.2	0.11	3000	0.13
Sierra Leone	IDA	82.3	0.04	1501	0.06
Solomon Islands	IDA	51.3	0.02	1191	0.05

Somalia	IDA	55.2	0.03	1230	0.05
South Sudan	IDA	143.7	0.07	2115	0.09
Sudan	IDA	85	0.04	1528	0.07
Tajikistan	IDA	106	0.05	1738	0.08
Tanzania	IDA	129.5	0.06	1973	0.09
Togo	IDA	110.5	0.05	1783	0.08
Tonga	IDA	49.4	0.02	1172	0.05
Tuvalu	IDA	46.1	0.02	1139	0.05
Uganda	IDA	61.7	0.03	1295	0.06
Vanuatu	IDA	58.6	0.03	1264	0.05
Yemen, Rep.	IDA	221.2	0.1	2890	0.13
Zambia	IDA	281	0.13	3488	0.15
Bolivia	Blend	178.5	0.08	2463	0.11
Cabo Verde	Blend	50.8	0.02	1186	0.05
Cameroon	Blend	173.8	0.08	2416	0.1
Congo, Rep.	Blend	105.1	0.05	1729	0.07
Dominica	Blend	50.4	0.02	1182	0.05
Grenada	Blend	53.1	0.02	1209	0.05
Moldova	Blend	156.6	0.07	2244	0.1
Mongolia	Blend	46.6	0.02	1144	0.05
Nigeria	Blend	1277.4	0.59	13452	0.58
Pakistan	Blend	1183.4	0.54	12512	0.54
Papua New Guinea	Blend	129.4	0.06	1972	0.09
Sri Lanka	Blend	515.4	0.24	5832	0.25
St. Lucia	Blend	55.2	0.03	1230	0.05
St. Vincent and the Grenadines	Blend	27.8	0.01	956	0.04
Timor-Leste	Blend	51.7	0.02	1195	0.05
Uzbekistan	Blend	249.3	0.11	3171	0.14
Vietnam	Blend	417.3	0.19	4851	0.21
Zimbabwe	Blend	357.5	0.16	4253	0.18

Annex C: Executive Offices World Bank

Source: worldbank.org, "Board of Directors". Accessed 2nd June, 2016.

Executive Office Code	Executive Director	Executive Director Nationality	National of Borrowing Country? (Y/N)	Countries	% of Borrowing Countries
EDS01	Matthew T. McGuire	US	No	US	0%
EDS02	Masahiro Kan	Japan	No	Japan	0%
EDS03	Melanie Robinson	UK	No	United Kingdom	0%
EDS04	Hervé de Villeroché	France	No	France	0%
EDS05	Ursula Müller	Germany	No	Germany	0%
EDS06	Nasir Mahmood Khan Khosa	Pakistan	Yes	Afghantistan Algeria Ghana Iran Morocco Pakistan Tunisia	100%
EDS07	Alister Smith	Canadian	No	Antigua and Barbuda, The Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Guyana, Ireland, Jamaica, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines.	85%
EDS08	Alejandro Foxley	Chile	Yes	Argentina Bolivia Chile Paraguay Uruguay	100%
EDS09	Heenam Choi	Korea	Yes	Australia, Cambodia, Kiribati, Republic of Korea, Republic of the Marshall Islands, Federated States of Micronesia, Mongolia, Nauru, New Zealand, Palau, Papua New Guinea, Samoa, Solomon Islands, Tuvalu, and Vanuatu	81%

EDS10	Franciscus Godts	Belgium	No	Austria, Belarus, Belgium, Czech Republic, Hungary, Kosovo, Luxembourg, Slovak Republic, Slovenia, and Turkey	50%
EDS11	Merza Hussain Hasan	Kuwait	No	Bahrain, Arab Republic of Egypt, Jordan, Iraq, Kuwait, Lebanon, Libya, Maldives, Oman, Qatar, West Bank and Gaza, United Arab Emirates, and Republic of Yemen.	62%
EDS12	Subhash Chandra Garg	India	Yes	Bangladesh, Bhutan, India, and Sri Lanka	100%
EDS13	Mohamed Sikieh Kayad	Republic of Djibouti	Yes	Benin, Burkina Faso, Cabo Verde, Cameroon, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Republic of Congo, Côte d'Ivoire, Djibouti, Gabon, Guinea, Guinea-Bissau, Equatorial Guinea, Madagascar, Mali, Mauritania, Mauritius, Niger, Sao Tome and Principe, Senegal and Togo.	100%
EDS14	Louis Rene Peter Larose	Seychelles	Yes	Botswana, Burundi, Eritrea, Ethiopia, The Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, Rwanda, Seychelles, Sierra Leone, Somalia,	100%

				South Sudan, Sudan, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe.	
EDS15	Antonio Henrique Pinheiro Silveira	Brazil	Yes	Brazil, Colombia, Dominican Republic, Ecuador, Haiti, Panama, Philippines, Suriname, and Trinidad & Tobago	100%
EDS16	Rionald Silaban	Indonesia	Yes	Brunei Darussalam, Fiji, Indonesia, Lao PDR, Malaysia, Myanmar, Nepal, Singapore, Thailand, Tonga and Vietnam	90%
EDS17		China	Yes	China	100%
EDS18	Jose Alejandro Rojas Ramirez	Venezuela	No	Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Republica Bolivariana de Venezuela, and Spain.	88%
EDS19	Frank Heemskerk	The Netherlands	No	Armenia, Bosnia & Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, Macedonia, Moldova, Montenegro, The Netherlands, Romania and Ukraine.	75%
EDS20	Satu Santala	Finland	No	Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden	0%
EDS21	Patrizio Pagano	Italy	No	Albania, Greece, Italy, Malta, Portugal, San Marino, and Timor-Leste	25%

EDS22	Khalid Alkhudairy	Saudi Arabia	No	Saudi Arabia	0%
EDS23	Andrei Lushin	Russia	Yes	Russian Federation	100%
EDS24	Jörg Giovanni Frieden	Switzerland	No	Azerbaijan, Kazakhstan, Kyrgyz Republic, Poland, Serbia, Switzerland, Tajikistan, Turkmenistan and Uzbekistan.	89%
EDS25	Ana Afonso Dias Lourenco	Angola	Yes	Angola, Nigeria, and South Africa	100%

Annex D: Leadership: World Bank

Source: Worldbank.org. “World Bank Group Leadership”. Accessed 12th June, 2016

Title	Name	Nationality	Borrowing Country?
President	Jim Yong Kim	US	No
Managing Director and Chief Operating Officer	Sri Mulyani Indrawati	Indonesia	Yes
Managing Director and World Bank Group Chief Financial Officer	Joaquim Levy	Brazil	Yes
Managing Director and World Bank Group Chief Administrative Officer	Shaolin Yang	China	Yes
Chief Economist and Senior Vice President	Kaushik Basu	India	Yes
Senior Vice President and World Bank Group General Counsel	Anne-Marie Leroy	France	No
Senior Vice President for the 2030 Development Agenda, United Nations Relations, and Partnerships	Mahmoud Mohieldin	Egypt	Yes
Senior Vice President, Operations	Kyle Peters	US	No
Vice President, Budget, Performance Review, and Strategic Planning	Pedro Alba	US	No
Chairperson, Inspection Panel	Gonzalo Castro	Peru	Yes
Vice President and World Bank Group Chief Ethics Officer	Ousmane Diagana	Mauritias	Yes
Vice President, Africa	Makhtar Diop	Senegal	Yes
Vice President, South Asia	Annette Dixon	New Zealand	No
Vice President, Latin America and Caribbean	Jorge Familiar Calderon	Mexico	Yes
World Bank Group Chief Information Officer and Vice President, Information and Technology Solutions	Stephanie von Friedeburg	US	No
Vice President, Middle East and North Africa	Hafez Ghanem	Egypt/France	Yes/No
Vice President, Human Development	Keith Hansen	US	No
Director General, Independent Evaluation Group	Caroline Heider	US	No
Vice President, East Asia and Pacific	Victoria Kwakwa	Nigeria	Yes
Vice President and World Bank Group Controller	Bernard Lauwers	Belgium	No
Vice President, Institutional Integrity	Leonard McCarthy	South Africa	Yes
Vice President, World Bank Group Human Resources	Sean McGrath	Ireland	No

Vice President, Europe and Central Asia	Cyril Muller	Switzerland	No
Vice President and Auditor-General	Hiroshi Naka	Japan	No
Vice President and Treasurer	Arunma Oteh	Nigeria	Yes
Vice President, World Bank Group External and Corporate Relations	Sheila Redzepi	Denmark	No
Vice President, Operations Policy and Country Services	Hartwig Schafer	Germany	No
Vice President and World Bank Group Chief Risk Officer	Lakshmi Shyam-Sunder	Iraq/India	Yes
Vice President, Development Finance	Axel van Trotsenburg	Dutch	No
Vice President and Corporate Secretary	Yvonne Tsikata	US	No
Vice President, Sustainable Development	Laura Tuck	US	No
Vice President, Equitable Growth, Finance, and Institutions	Jan Walliser	Germany	No