

Adrian Robert Bazbauers and Susan Engel: The Global Architecture of Multilateral Development Banks: A System of Debt or Development?

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Do multilateral development banks (MDBs) promote development, or debt relations among states? Where did the phenomenon of multilateral lending emerge and why does the MDBs model seem to continue to be successful in the 21st century? And should we expect MDBs to yet again turn into debt collectors and austerity advocates after the COVID-19 pandemic? These are some of the issues that Adrian Robert Bazbauers and Susan Engel touch upon in their newly published book *The Global Architecture of Multilateral Development Banks: A System of Debt or Development?*

According to a recently established database on public development banks, there are currently about 450 of these institutions with a combined total of 11.2 trillion US dollars in assets (Public Development Banks Database, undated). A study by Delikanli, Dimitrov and Agoli (2018, pp. 38–39), which focused only on 25 *multilateral* development banks, found out that the subscribed capital of these institutions increased by an average of 5.7% per annum between 2007 and 2016, reaching 1.4 trillion US dollars, which was equal to 1.8% of the world GDP in 2016. Notwithstanding these numbers, *The Global Architecture of Multilateral Development Banks: A System of Debt or Development?* is the first book-length study of multilateral development banks and of the system of multilateral finance more generally. The main aim of the book is to approach the MDBs from a systemic perspective and analyze their activities as part of a larger financial structure. Such novel approach enables Bazbauers and Engel to investigate the question they pose in the book's subtitle – do MDBs constitute an infrastructure for financing development, or do they rather function as parts of a global debt architecture?

Both authors have an established record of dealing with the topic. Adrian Robert Bazbauers (UNSW Canberra) focused in his previous publications mostly on the technical assistance programs of the World Bank and the role of the institution in teaching and transferring development lessons (2016, 2018), while Susan Engel (University of Wollongong) studied the World Bank's operations in Vietnam and Indonesia (2010). In the reviewed book, they combined their different theoretical perspectives (constructivism, organizational sociology and a critical/neo-Gramscian perspective) into an eclectic theoretical framework which guides the analysis of the book. Sadly, the authors decided to “keep [...] theoretical

musings short" (p. 3), although the originality of their framework and its shown usefulness for analyzing the MDBs system would deserve a closer examination.

In total, the authors examine 30 MDBs, which they divide into 3 groups: regional development banks, sub-regional development banks, and specialized development banks. The relatively large number of institutions that get attention in the book already makes a sizeable contribution because except for the biggest MDBs – such as the World Bank, the Inter-American Development Bank or the European Bank for Reconstruction and Development – the role, functioning and activities of other MDBs have so far been largely overlooked. Furthermore, as mentioned above, the authors also point out the interconnectedness between different MDBs and throughout the book they emphasize the fact that the MDBs constitute an identifiable system. Together, the 30 MDBs employ around 30,000 people, which compares to the United Nations' 44,000 employees (but with a narrower field of operations), and in 2018 the examined MDBs had a total capitalization of over 1.3 trillion US dollars and 222.7 billion US dollars in new lending commitments (p. 3).

The book could be divided into 3 parts, although the authors decided to not do so. The first part (the introduction and chapters 2–4) contains a short overview of the theoretical framework, and examines development thinking, the emergence of multilateral development finance, and MDBs in an historical perspective. The authors provide what they call "*a brief longue durée examination of the emergence of money and debt*" (p. 18) and with the help of several historical studies (such as Mikesell 1966, or Graeber 2014), they present a narrative on the evolution of debt relations among states. In addition, they identify 5 factors (pp. 24–33) which enabled the emergence of MDBs: the gradual growth of international cooperation, the changing international hegemony in the inter-war period and the rise of the United States (US), the "Keynesian revolution" in economics and Roosevelt's New Deal, US economic planning during WW2, and, finally, the US economic cooperation with Latin America and the role of Latin American countries, especially Mexico, in the evolution of the idea of long-term development investments (a point examined thoroughly by Thornton 2021).

The rest of the first part discusses historical episodes (the “Keynesian” period of 1946–1979, the neoliberal era of the 1980s and 1990s, the post-Washington Consensus era of 1998–2009, and what the authors label the “retro liberalism” of 2010–2020) of the MDBs system and development thinking in general. A significant attention in this introductory overview is given to the World Bank (WB), due to the central position that it occupies in the MDBs system and also due to the fact that the WB often stands as a role model for the organization and functioning of other MDBs (p. 38; see also Heldt and Schmidtke 2019).

The second part of the book (chapters 5–8) firstly delves into the organizational structure of MDBs, again using the World Bank as a case in point. Chapter 5 is arguably the most technical part of the book, as it explains in detail the voting system at the WB; its capital subscriptions, credit ratings, and governance processes; and the types of loans it offers. The authors did a wonderful job in presenting all these aspects of the WB and managing to make the text understandable to non-specialists as well. Students of MDBs will find a lot of insight in this chapter. Regrettably, the comparison of the WB and other MDBs is quite short and even a bit sketchy. On the other hand, comparing all 30 institutions in terms of all the mentioned aspects would probably be too long and not essential for the book’s arguments; the authors thus arguably found a good compromise. Furthermore, it must be emphasized that due to the theoretical choice of the authors to “black-box” the MDBs, the internal organization of these institutions into departments, units and committees, together with their dynamics and evolution, is completely omitted.

The rest of the second part presents the remaining 29 MDBs divided, as stated above, into 3 groups: regional development banks, sub-regional development banks and specialized development banks, the last of which can be again divided into 3 sub-groups: the Arab-led grouping, the Nordic one, and the BRICS group. After a brief introduction of the groups, the authors take one MDB after another and focus on each one’s establishment, fields of engagement, financial position, institutional development, shareholder structure, and the types of projects it promotes. Although the depth of the insight varies among the different MDBs, the book contains an enormous amount of valuable information in one place. Among the analyzed MDBs are, for example, the Eurasian Development Bank, the

Black Sea Trade and Development Bank, the FONPLATA Development Bank, the Arab Bank for Economic Development in Africa, the Islamic Development Bank, and the recently established New Development Bank and Asian Infrastructure Investment Bank. As mentioned above, most of the MDBs have not so far received a significant academic attention, which only increases the value of these chapters.

Besides simply presenting an overview of the individual organizations, the authors also try to highlight some of the political dynamics surrounding the MDBs system. For instance, they present the dilemma of regional development banks, namely the matter of accepting non-regional states among their shareholders. Engaging richer states from the Global North may result in benefits for the region;¹ however, the regional stakeholders may lose their political space and autonomy in the bank when this happens. This choice can be a difficult one, since quite often the regional development banks promote as one of their aims the development of the region and regional identity.

Another interesting political dynamic surrounding regional MDBs can be seen in the challenge that the Asian Infrastructure Investment Bank (AIIB; established in 2015) poses for the Asian Development Bank (AsDB). While China is a land power with an inland capital and an “East-West” understanding of Asia, Japan is a North Pacific periphery of the Eurasian landmass and has a “North-South” maritime understanding of Asia. This gets reflected in the memberships of the two regional MDBs. As Bazbauers and Engel explain: *“The AIIB members have a strong representation from Central and South Asia and the Middle East, and of note there are eight Middle Eastern countries in the AIIB that are not in the AsDB, though several Middle Eastern states expressed early interest in the AsDB. Russia is a regional member in the AIIB but not a member of the AsDB, while Turkey is a regional member in the AIIB and a non-regional AsDB member. [...] The AsDB includes 14 Pacific Islands states that were not AIIB prospective founding members, though a couple have since joined.”* Here we see a battle for leadership in Asia being played out in how MDBs are structured and how ‘region’ is constructed by regional powers (p. 107, my emphasis).

Although the authors underline that the MDBs find themselves in similar political environment, they do not engage in an analysis of the

political dynamics *among* the MDBs. A lot of attention is given to arguments that support the view of MDBs as constituting a system, such as that they share institutional similarities and a corresponding understanding of debt and development processes, but the dynamics of this system hardly show up in the analysis. Are there political fights among the different MDBs? Do the relationships between and among regional, sub-regional and specialized MDBs differ? If so, how? Can we find preferences of certain MDBs to cooperate with other MDBs or not to do so? How is the network of MDBs structured, who are the central actors and the gatekeepers, and who sits on the periphery in different areas of development? Regrettably, the readers won't find many answers to these questions in the book.

The last part of the book (chapters 9–11) leaves behind the institutional focus of the previous chapters and zooms in on specific fields of activity of the MDBs. Chapter 9 deals with infrastructure, chapter 10 with climate finance, and chapter 11 with human development, specifically in education, health and gender issues. These chapters comprehensibly show the systemic nature of the MDBs and their interconnectedness and thus reinforce one of the arguments of the book. In addition, the authors also return to the topic opened up in the first part of the book and warn against the global debt build up. According to them: *“many infrastructure investments from the MDBs will end up as debts, dragging down the prospects of states for decades”* (p. 227).

Ultimately, the book answers the question it poses in its subtitle by arguing that the current MDBs architecture is more a multilateral system of debt relations among states and less a system of development. As Bazbauers and Engel observe: *“the record of MDBs in creating economic development has not been overwhelming yet the system of MDBs continues to expand”* (p. 35). According to the World Bank research, the current global debt build-up is the fastest and most rapid in the post-war period (Kose et al. 2020) and it is only reinforced by the COVID-19 pandemic and the fact that the multilateral finance provided by the MDBs is a major source of finance for many Global South countries in their responses to the pandemic. Arguably, it is still too soon to predict the behavior of the MDBs and other international financial bodies such as the International Monetary Fund in the upcoming months, as well as the development and impact of the ongoing COVID-19 pandemic. The book, however, ends with a rather

dismal point by saying that “*it may not be long before the MDBs switch from being vital sources of funds in a pandemic to debt-collectors and austerity promoters*” (p. 275).

One of the shortcomings of the reviewed piece is the understanding of MDBs as almost exclusively lending/operational institutions. Therefore, the authors are mainly concerned with the financial operations of the MDBs. However, many of the 30 MDBs under examination are also important intellectual actors with significant knowledge production capacities and tangible ideational power in development discourse. The reader can find some scattered remarks pointing in this direction throughout the book, but the system of knowledge production, knowledge flows and research collaborations among MDBs is not mentioned, although one could argue that it is precisely this intellectual role that underpins the MDBs in the world of abundant private capital. Moreover, it would be interesting to see how the MDBs system contributed to the current development discourse (e.g. to the shift toward a retroliberal agenda) and to the intellectual defense of its current standing as a “system of debt”.

Notwithstanding, *The Global Architecture of Multilateral Development Banks: A System of Debt or Development?* is a well-researched and well-written book, a must-read for anyone interested in multilateral development banks and global development in general. It compiles an extensive amount of information and reads almost as a handbook in several parts. It places the current MDBs system into an historical context of debt relations among states and development thinking and calls for attention to the massive debt build-up following the COVID-19 pandemic. Finally, being the first monograph to analyze the system of multilateral development banks, the book helps to advance an interesting field of inquiry for economists, political scientists and development scholars, and in the future, it could serve as a point of reference in this field.

ENDNOTES

- 1 The authors present the case of the African Development Bank, which refused to admit non-regional member countries until the 1980s and, during its first ten years of functioning, approved projects totaling 451 million US dollars. In comparison, the Asian Development Bank, which was established two years after the African Development Bank with several Global North members, approved 3.36 billion US dollars in its first decade (p. 107).

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