ARTICULATING A VISION FOR A PROGRESSIVE BRICS DEVELOPMENT BANK

(AN ICRIER-OXFAM REPORT)

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Preface

A new financial architecture is being set up by the BRICS that promises transition to new poles of growth and demand, and offers an alternative financing mechanism to developing and emerging economies. The decision to launch a BRICS Development Bank is an expression of concern by the five countries with the existing institutions of Bretton Woods and the corresponding disappointment to address some of their key demands. It may well turn out to be the push that is needed to reform the international financial architecture. The BRICS countries wish the new bank to mobilize funding for infrastructure and sustainable development projects in BRICS and other emerging and developing countries. The intention is to promote greater cooperation while removing dependency on the developed world.

Against the background of there already being a large number of multilateral development banks and international financial institutions, the task is to identify the kinds of practices and norms the BRICS Development Bank should seek to replicate and adapt, and suggest what it should do differently. Accordingly, this report probes deeply into the architecture and functioning of two selected regional development banks, the Asian Development Bank (ADB) and the Corporación Andina de Fomento / Development Bank of Latin America (CAF), and lists cases of both good and bad practices with the purpose of drawing lessons for the proposed BRICS Development Bank. The strength of the idea lies in the fact that the BRICS countries could lay claim to their 'rightful' place in the international order through the BRICS Development Bank and simultaneously pursue a development agenda for the benefit of members as well as developing economies outside the BRICS fold.

I hope you find this report insightful and stimulating.

Rajat Kathuria
Director & CE
ICRIER

Foreword

At their Summit in Fortaleza, Brazil on July 15/16, the leaders of the BRICS (Brazil, Russia, India, China and South Africa) finally announced the details of the much anticipated 'New Development Bank". The Bank will have an initial authorised capital of US$ 100 billion, with an initial subscribed capital of US$ 50 billion equally shared among founding members. Details regarding the governance of the Bank were similarly revealed, with India slated to be its first President.

The idea of a BRICS Development Bank was first mooted at the 2012 BRICS Summit in New Delhi, at which time Finance Ministers of the collective were charged with preparing a feasibility report on a 'New Development Bank'. In 2013, at its fifth Summit in Durban, South Africa the BRICS announced their intent to launch the Bank this year – with little else revealed to the global community other than an agreed focus on "mobilising resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries", and in a manner that will "supplement the existing efforts of multilateral and regional financial institutions for global growth and development". The commitment to mobilising resources towards infrastructure and sustainable development was reiterated in this year's Summit declaration.

This matters. The BRICS have a special responsibility towards helping the world achieve its goal of ending extreme poverty, reducing inequality and achieving sustainable development as they collectively represent some of the world's greatest challenges and achievements. Despite remarkable strides made in reducing poverty within India and China, BRICS countries are home to nearly half the world's poor and – with the exception of Brazil – have experienced a rise in inequality in recent years.

The creation of a Southern-led BRICS Bank, and with it, the promise of reforming the global development architecture, offers a real and concrete opportunity for governments of the BRICS countries to ensure that development financing is sensitive to the needs of those who are poorest and most marginalised.

Details of what is planned are sketchy, and little is in the public domain. This needs to change. It is time for the discussion to move beyond the BRICS governments' current focus on technicalities around capital contribution and governance, and instead provide a solid vision for the principles, priorities and objectives on which the Bank's activities and operations should be premised. The BRICS Bank could – and should - be used as an instrument to promote pro-poor development and reduce inequalities, both within the BRICS countries, as well as in other partner countries where projects will be implemented.

So what needs to happen? Firstly, it is essential that the BRICS Bank is built and operates in a way that puts fighting poverty and inequality at the heart of its mission. Second, it must be set up in a way that is transparent and accountable both to BRICS citizens – whose money will form the Bank's capital - and to people in borrower countries. Finally, the Bank needs to institute safeguards and accountability mechanisms which protect and promote the interests of everyone affected by the projects it funds.

In the next weeks and months, India has an unprecedented opportunity and responsibility to influence the shape of the BRICS Bank, and to make sure it prioritises the interests of the poor. It is an opportunity that we must seize, not just for the sake of India, but for people living in poverty throughout the world.

Nisha Agrawal
CEO
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This report, like most others, has benefited from the contributions of several individuals and institutions, and the authors would like to take the opportunity to thank them here.

To begin with, we would like to thank OXFAM India for its funding support, in particular, Ms Supriya Roychoudhury, Programme Coordinator (India and the World) and Dr Avinash Kumar, Director (Policy, Research and Campaigns) at OXFAM India, who took the lead and shared the scope and methodology for this project. Nevertheless, the responsibility for the contents in this report – as also all the errors contained therein – remains entirely ours.

Special thanks are due to Dr Rajat Kathuria, Director & CE, ICRIER and Dr Nisha Agrawal, CEO, OXFAM India for ensuring institutional support and reviewing this report in a short span of time. Their comments and suggestions have added a great deal of value to it, and so have their preface and foreword at the beginning, skillfully setting the tone for what follows later.

It was very enlightening for us to meet and seek the expert opinions of highly distinguished interviewees listed in Annexure C, and we would like to thank them profusely for sparing their valuable time and sharing their invaluable insights with us, which were particularly instrumental in developing the vision for the BRICS Development Bank outlined in this paper. At this stage, it is, admittedly, no more than an *outline*, given the time-frame in which it was completed (August 2013 to January 2014), even as details of the *New Development Bank* – the way BRICS refer to it – were still being worked out, and obviously even lesser was known about them publicly.

Last, but not the least, we thank Ms Tara Nair and Dr Renu Gupta for copyediting the first and final drafts respectively, and Mr Rajesh Chaudhary and Mr Anil Kumar for formatting the respective drafts, with all due professional care and diligence.

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Abstract

Articulating a Vision for a Progressive BRICS Development Bank

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Amidst calls for reform of international financial institutions and failure of existing development banks to satisfy the development financing needs of developing countries in general, and BRICS in particular, the BRICS leadership at their 5th Summit in Durban in March 2013 announced the establishment of a BRICS Development Bank. While details regarding the mandate, governance structure, etc. of the proposed bank are still being worked out, this report tries to propose a vision for a progressive BRICS Development Bank based on case studies of two regional development banks – the Asian Development Bank (ADB) and the Development Bank of Latin America (CAF) – as well as semi-structured expert interviews. What kinds of practices and norms can the *New Development Bank* seek to replicate and adapt from these two banks, and what should it be doing differently? A number of proposals have been put forth in this report. The concluding part points to some of the challenges that the BRICS will have to effectively address as well as details they would have to meticulously and mutually negotiate because these would determine whether the proposed bank remains a proposal or becomes a thriving reality.

JEL Classification: F02, F35, F55.

Keywords: International financial architecture, World Bank, International Monetary Fund, Asian Development Bank, Development Bank of Latin America, BRICS Development Bank.

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Introduction

The last two decades have witnessed the rise of several countries in the South, with four BRICS countries – Brazil, Russia, India and China – figuring in the elite club of top ten economies in the world. Despite this, the existing international financial architecture continues to be dominated by traditional Western powers and has failed to heed the call of emerging and developing economies for a fair representation and just monetary system, which serves the interests of all countries and supports their development. It is, therefore, no surprise that, despite having roots in the 1960s, the notion of South-South development cooperation has been gaining momentum recently. For instance, the ADB and the Inter-American Development Bank (IDB) forged a partnership in 2009, and have been sharing knowledge and technical assistance between the Asia-Pacific and Latin America (ADB and IDB 2013). While making the case for a better representation of the South in global governance, UNDP's Human Development Report 2013 – *The Rise of the South: Human Progress in a Diverse World* – highlights potential sources of development financing within the South itself.

The BRICS have decided to take South-South development co-operation to a whole new level. In March 2013 they announced their intention at the 5th BRICS Summit in Durban to establish a New Development Bank, unofficially referred to as the BRICS Development Bank (BDB), 'for mobilising resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries' in order 'to supplement the existing efforts of multilateral and regional financial institutions for global growth and development'.[4] At their 1st Summit in Yekaterinburg in June 2009, the BRICS had started out with a commitment to 'advance the reform of international financial institutions', which reflects changes in the global economy. However, by the 4th BRICS Summit in New Delhi in March 2012, they came to realise that a development bank of their own is 'a fine idea whose time has come',[5] and tasked their respective Finance Ministers to prepare a feasibility and viability report for the BDB, based on which came its announcement at the 5th BRICS Summit. The BDB is poised to be launched at the next BRICS Summit in Fortaleza, Brazil in March 2014 and become operational by 2015.[6]

A number of details still need to be worked out, even as several questions remain about the proposed Bank's vision, mandate, governance structure, funding, and so forth. This report addresses one issue: given that there are already a significant number of multilateral development banks (MDBs) and international financial institutions (IFIs), what kinds of practices and norms can the new development bank seek to replicate and adapt, and what should it do differently? We take the ADB and CAF as our case studies, with some focus on the World Bank, since preliminary indications suggest that the BDB may be modelled along the lines of these (and possibly other) development banks. Based on a literature review of these banks, expert interviews (Annexure C) and analysis, we have identified best and poor practices and outlined a vision, which we see as 'progressive' for the proposed bank. Needless

[4] BRICS 2012a.
[5] Romani et al. 2012.
[6] IDS 2013.

to say, since we are at the preliminary stage of the discourse surrounding BDB, and very little is known about it officially, the proposals contained in this report remain tentative and subject to revision in the light of fresh details that emerge as the BRICS move ahead to turn their dream into reality.

Before we outline our proposals, let us briefly discuss whether we need a BDB.

Why a BRICS Development Bank?

Several arguments have been put forward in favour of the BDB by the BRICS as well as by commentators in institutional briefs and newspaper columns. That is the kind of literature we have at our disposal at the moment, this report being the only one of its kind in the public domain at the moment, to the best of our knowledge. Let us highlight some of the arguments which have been or can be put forth favouring a new development bank. A number of arguments have also been made against the very notion of BRICS in general, and their proposed bank in particular,[7] and we have tried to respond to some of them here.

Lack of fair representation in existing MDBs / IFIs

Several calls and efforts by emerging economies to reform the international financial architecture in the context of the altered global dynamics have failed to yield substantial and satisfactory results. The major donor countries led by the US and EU still make crucial decisions that range from restructuring the economy of borrowing countries to approving development loans, grants, etc. Quota restrictions and presidential selection procedures ensure the continuance of this authority. Given the limited role of the BRICS in the Bretton Woods system, starting their own bank gives them the means to increase their bargaining power in the system and to lend greater voice to the perspectives and interests of the BRICS (and, hopefully, that of developing countries in general). Further, the aggregate GDP of the BRICS today is higher than that of advanced economies at the time when the Bretton Woods institutions were formed.[8] As things stand today, BRICS and other developing countries might never have the kind of representative clout that they can have in a bank of their own vis-à-vis Bretton Woods institutions. There are problems associated with these institutions that the BDB can try to avoid, even as it can learn lessons from the best and worst practices of these and other MDBs / IFIs.

The Regional Development Banks (RDBs) were also set up by the G7 countries, and reflect their priorities and decision-making. Japan and the United States, for instance, continue to exert uneven influence over the ADB (see the ADB case study in Annexure A).

Lack of adequate development finance

The existing institutions are unable to meet the development financing needs of emerging and developing economies. Infrastructure finance from MDBs and Official Development Assistance (ODA) would, at best, be able to cover merely 2 to 3 percent of their projected needs (Stern et al., 2013), even as IFIs are increasingly being called upon to support crisis-ridden economies in the developed world. Despite impressive growth in BRICS countries, vast swathes of their population still lack access to clean drinking water, toilets, education, health, etc. even as these countries no longer qualify for the World Bank's concessional support under the International Development Association (IDA), which is part of the World

[7] Vembu 2013; Kumar 2013; Coleman 2013.
[8] Stern et al. 2013.

Bank and helps the world's poorest countries at little or no interest charges[9]. So, these countries need funds not just for their physical infrastructure but also their social infrastructure, if they have to move towards inclusive growth. Given the development requirements of BRICS as well as developing countries in general, the more the sources of development finance, the better.

Utilisation of internal savings and investments

Rommani, Stern and Stiglitz (2012) have argued that the BDB 'could play a strong role in rebalancing the world economy by channelling hard-earned savings in emerging markets and developing countries to more productive uses than funding bubbles in rich-country housing markets'. According to the World Bank's Global Development Horizons 2013 Report —*Capital for the Future: Saving and Investment in an Interdependent World* —developing countries will account for almost half the global capital (158 trillion in 2010 dollars) and 60 percent of total investments by the year 2030. For this to occur, these countries will require, obviously in addition to sound policies, massive investment in physical and social infrastructure, for which they cannot remain dependent on development financing from the developed world or its institutions. The BDB could tap into the savings of the developing world and channelise them towards investment requirements within (BRICS 2012b). Another suggestion is that the BDB should aim at tapping funds in oil-rich countries. India, for example, has been trying to seek investments from the Middle East for its infrastructure projects.

Need for an alternative development paradigm

Civil society perspectives have focused on the free market orientation of the existing MDBs and IFIs and the policy conditionalities that they impose on weak borrowing countries. The BDB is viewed as an opportunity for an alternative development paradigm, one that is germane to the differential contexts and needs of countries in the South. Here, it is amusing to note the origins of Millennium Development Goals (MDGs), which is the dominant international development paradigm since the turn of the new millennium; four people (all European) went into the basement of the United Nations headquarters and came out with the MDGs. In the deliberations on the post-2015 development agenda, we have been told that 'disproportionate' importance is being attached to the recommendations that have emerged from five developing countries, namely, Brazil, India, China, South Africa, and Turkey.[10] Simultaneously, given the non-satisfactory role played by advanced economies in the context of MDG 8 ('a global partnership for development'), which is the only MDG that pertains to them, agencies such as the UNDP recommend South-South co-operation in terms of development finance, etc.[11] The BDB would be a good organisation for developing a vision of development that reflects the realities and requirements of countries in the South as well as internally financing them.

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[9] ET 2013.

[10] This was mentioned in her address by Ms Lise Grande, the UN Resident Coordinator and UNDP Resident Representative in India at National Consultation (Industry) on Post-2015 Development Agenda, New Delhi, February 22, 2013.

[11] For an overview of the failings of the developed world on the only MDG that is related to their obligations, visit www.un.org/millenniumgoals/global.shtml (14/11/2013).

However, a section of civil society sees the proposed bank as a potential instrument for maintaining the 'multilateral financial *status quo*' needed to ensure the continued exploitation of Africa's natural resources via the 'S' in BRICS (Bond 2013). China is already heavily invested in the continent and is eager to push the proposed bank and its agenda. It would also probably be its biggest beneficiary, both politically and economically. Against this background it is important to emphasise that the BDB is not being envisaged by the BRICS as an alternative to the existing MDBs/ IFIs, but rather as an institution that complements their efforts. It is neither meant to nor can it afford to subvert the existing system, because BRICS and other emerging and developing countries are, and would have to be, deeply engaged with the existing system. It is significant to note that despite talking about the rise of the South and South-South co-operation, UN's Human Development Report 2013 has called for more 'coherent pluralism', with different international institutions co-operating towards common goals. It argues that 'new institutions will be more effective if they work in concert with existing regional and global institutions, filling gaps in funding and investment'. It does not talk about setting up rival or competing institutions that have divergent visions and goals. The BDB is being visualised and positioned so that it creates complementarities rather than competes with the World Bank or the IMF. Hence, it is not surprising that the former President of the World Bank, Robert Zoellick, came out in support of the BDB as soon as the idea was mooted in 2012[12], although there are deep anxieties among major MDBs/ RDBs/ IFIs that the BDB might, at the very least, reduce their influence and 'foster reform in the existing multilateral financial institutions' (Stern et al., 2013); this would happen anyway and is in the long-term interests of developed countries too (O'Neill 2013).

[12] Lamont 2012.

Priority Areas

Having outlined some reasons to justify the establishment of a new development bank of BRICS and emerging economies,[13] it is important to discuss what would make it 'progressive', since that would determine the choice of priority areas for the new bank.

There are, at least, two contrasting views on the priority areas for the new bank. One view that is widely supported, even by the existing international development agencies, is that the BDB's should focus primarily—and some say solely—on infrastructure because this is a huge bottleneck that keeps developing countries from growing to their potential and prevents growth from being inclusive. The other view, which is supported by certain civil society groups, is that since poverty and inequality are two overwhelming concerns in the developing world, even if in varying degrees, the BDB should primarily or even exclusively focus on these rather than on infrastructure, which is developing slowly, and there is no reason to doubt that this process will not continue or accelerate in the days to come. Poverty and inequality have proven to be historically persistent and they need to be addressed now. The 'wretched of the earth' cannot wait for growth to happen and then trickle down to them —the trickle-down does not work the way it was predicted by a section of economists, and there is a fair degree of consensus on this. This is a very basic and broad characterisation of the two points of view and there is a lot of supporting literature that is beyond the scope of discussion here.

What is noteworthy, however, is the distinction made between physical and social infrastructure. Developing countries seriously lack in both, and if BDB adopts this more comprehensive vision of infrastructure, it would not be as difficult as it may appear to accommodate the two points of view. At the same time, it is important to note that both forms of infrastructure lead to reduction of poverty and inequality. Consider this news item:

> Sukhna Nagesia, a 55-year-old member of a primitive tribe, died near Barpani village in 2004. Critically ill Sukhna was carried on a cot and died on the way to the hospital in Kisko block headquarters. ... Sukhna died not because he was not able to reach the hospital on time but due to poor road conditions.[14]

The same newspaper recently carried a news item about a road cave-in near the elite Khan Market area in New Delhi, which was repaired and opened for traffic within hours.[15] This is the kind of inequality in physical infrastructure provision that should worry those who care about poverty and inequality. Good rural roads, for instance, will not only have a human development impact by ensuring access to quality healthcare and education that are concentrated in urban areas (and there is little evidence of a major reversal in this trend), but would also connect the rural hinterland with urban growth centres and markets, thereby enhancing prospects for employment and agricultural produce without subjecting migrants to a stressful life in the urban slums. This does not mean that we should not focus on social infrastructure as well as direct measures to address poverty and inequalities. But it needs to

[13] Whether the new bank address these issues will be seen when it is established and operational.
[14] TOI 2009.
[15] TOI 2013.

be realised that even physical infrastructure plays a fundamental role in reducing poverty and inequalities (for international evidence, see ADB and ADBI, 2009 #4, among others).

Physical infrastructure

Given the criticality of infrastructure in promoting/ sustaining faster and more inclusive growth and the large gaps in the availability of quality physical infrastructure in the developing world, the BDB should accord it the top priority. This would complement the infrastructure agenda of RDBs such as the ADB, and like them should include social and environmental concerns in the planning, implementation, and assessment phases. For instance, health is not merely influenced by health infrastructure or medical care, but also by the way public infrastructure is set up. Are there parks for people to jog in or walk around? Is there a dedicated pedestrian/ bicycle lane? Is water treated and delivered to users in a hygienic manner? Are electricity wires properly covered to avoid casualties? These are a few questions that need to be addressed in infrastructure projects. Public infrastructure should also be set up in a more inclusive way. For instance, villages should be connected to towns, towns to cities, and cities should connect states or provinces within national borders. Likewise, one could plan for regional as well as international corridors.

Given that several BRICS countries and other developing countries severely lack both physical infrastructure and social variables, there has to be a concerted and co-ordinated effort to meet the gaps in both, simultaneously as far as possible. According to one estimate, investment of US$ 57 trillion is required to cater to infrastructure demands until 2030 (McKinsey 2013). By the end of this decade, Asian countries alone would need almost US$ 8 trillion for their national infrastructure (ADB and ADBI 2009). This clearly points to the large unmet need in infrastructure development and presents the BDB with an opportunity to mobilise resources and finance infrastructure projects within the developing world, with a focus on social outcomes. Part of the demand for infrastructure arises from structural changes such as rapid urbanisation across developing countries. To manage urbanisation and make it inclusive and favourable for those in the rural hinterland, it is critical to bridge the rural-urban divide symbolically as well as literally - symbolically by not letting investments in rural and urban infrastructure perpetuate / accentuate gaps between the two, and literally by connecting them so that unmet infrastructure demands in one could be met in the other. This is one way through which infrastructure development can be more inclusive, urbanisation more manageable, and growth more sectorally balanced.

Specifically in Asian economies, there is strong empirical evidence that infrastructure investment in poorer and rural areas as well as feeder roads and improved water and sanitation services have the greatest direct impact on improving the incomes of the poor (Fan, Zhang 2004). Infrastructure falls within the ABD's five core operational areas, and its infrastructure operations are not limited to building physical infrastructure, but also entail improving the delivery of infrastructure services by developing technical capacity for better infrastructure management, encouraging institutional and policy reforms that enhance the efficiency and sustainability of infrastructure projects, and supporting logistical systems to increase trade and investment, something that the BDB should try to replicate. CAF, on the other hand, is the main source of infrastructure financing in Latin America today. There has been a noticeable focus on large-scale public and private investments through programmes of infrastructure and economic development (IIRSA), sponsored by CAF in Latin American countries. CAF approved US$ 2 billion for the infrastructure sector—especially in the energy and road areas—in line with the priorities established by shareholder countries in their agendas for development. These approvals represented 21.3 percent of the total, of which 70 percent was directed to support economic infrastructure projects and the remaining 30 percent at financing infrastructure projects for regional integration (CAF 2012a). Following CAF, the BDB should promote infrastructure development aimed at improving access and regional integration. What it could learn from the World Bank is a core focus on ending extreme poverty and on boosting shared prosperity by means of infrastructure development and other initiatives.

Social infrastructure

We have highlighted the distinction between physical and social infrastructure so that the latter is not lost or diluted under a general focus on infrastructure. Physical infrastructure has implications for our social concerns, but direct investment in social infrastructure related to health, education, etc. has to be made on a war footing to meet social targets. There is a limit to which connecting villages to towns and towns to cities can help address social development deficits in rural areas. Beyond that, quality social infrastructure also has to be created in rural areas and small towns to minimise dependence on urban centres of excellence in education and healthcare, for instance. We often see statistics produced by industry associations on the shortage of health infrastructure and manpower in urban areas. The condition of rural areas is much worse on both counts, and here the BDB can make a difference by proactively investing in both physical and social infrastructures with the aim of eliminating poverty and enhancing equity and productivity in the region.

The ADB’s diminished focus on social infrastructure vis-à-vis physical infrastructure calls into question the bank’s commitment to the social sector. CAF, on the other hand, has a comprehensive development agenda that it tries to realise by contributing to social activities such as enhancing human capital, skill development, higher education, provision of quality health services, water resource management and sanitation, protection of cultural and community development in Latin American regions, and the promotion of employment opportunities for vulnerable groups. These activities are targeted through specific programmes run by CAF. So, there is a lot to learn from CAF in the provision of social infrastructure and services. The World Bank also has lessons to offer here; its comprehensive framework stresses longer-term structural and social considerations, such as expanding and improving education and health facilities and skill development. However, there has been a tension within the World Bank between its free market and socio-environmental agendas that has led to problems in the proper operationalisation of the latter. As a consortium of developing nations, the BDB should clearly place social concerns at the heart of its efforts in various spheres, from expanding infrastructure development to economic growth. This implies that social accountability is made a critical part of its physical as well as social infrastructure programmes. At the same time, if people are at the heart of development, we need to see how well they are doing in the ultimate analysis. It not enough to merely provide quality physical and social infrastructures and services; the BDB should monitor the social outcomes of its investments in both infrastructure and services.

Technology transfer

Technology transfer can connect peoples, markets, services, etc. without waiting for indigenous technology development to happen. Given the importance of technology in today's interconnected world, lack of access to technology can sometimes mean the denial of basic services such as healthcare, which is accessible to others; telemedicine makes this access possible in some ways. We now also have 'smart classes', with teachers/ trainers and students located in different geographical zones. The BDB should facilitate technology transfer between its member countries, with a special focus on critically needed social and climate-friendly technologies that require massive investments, both at the development and deployment stages. It should also identify barriers to technology transfer, and address them through mechanisms such as knowledge-sharing, public-private partnerships, and the development of institutional capacity and technology policies.

Both the ADB and CAF have taken steps to ensure technology transfer in different sectors. The ADB uses technology transfer to address the challenge of climate change. In 2012, it established the Pilot Asia-Pacific Climate Technology Finance Center (CTFC) to address the key barriers to climate-friendly technology transfer and deployment. It plans to evolve CTFC into a permanent knowledge facility that mobilises finance, while encouraging the development of climate-friendly technologies in the Asia-Pacific. On the other hand, CAF runs the Information and Technology Programme (TICAF) that accelerates the positive effects of information and communication technologies in its shareholder countries. The BDB can learn from both initiatives, and go beyond them to prioritise and incentivise the transfer of socially beneficial technologies, especially in the areas of health and education.

Environment and climate change

Natural resource depletion has become a major threat to the overall environment as well as to the economies of several developing countries. Several MDBs have begun to consider the potential environmental impacts of their loans and have taken initiatives towards environment protection. They are asking borrowing countries to take national, regional as well as global responsibility for economic activities that affect common international environment resources, such as the production of chemicals that destroy the ozone layer, pollution of international waters, reduction of biodiversity, and the emission of gases that cause global warming. Thus, the BDB should strive to support investment to mitigate climate change in addition to encouraging or financing investment in low-carbon technologies.

The BDB can learn from existing MDBs in widening the horizon of its operations. For instance, the World Bank has created climate investment funds to provide immediate financial resources to counter global climate challenges. It has played a significant role in developing the carbon market through the creation of the prototype carbon fund and its extensive involvement in the carbon emission trade. It began providing huge financial resources for low-carbon technology projects in developing countries from early 2009, while its clean technology fund is one of the more advanced climate investment funds. The ADB has prioritised the integration of environmental considerations into its operations from the earliest stages, moving upstream towards a more strategic approach that targets the environmental assessment of individual projects. Likewise, CAF has been incorporating measures such as environmental mitigation, vulnerability and adaptation to climate change to achieve environment sustainability. CAF has designed programmes to support initiatives for the conservation of natural resources. During 2010, its Latin American Carbon, Clean and Alternative Energies Program (PLAC+e) contributed to mitigation and adaptation to climate change, and promoted the efficient use of clean and alternative energies (CAF 2010). In June 2012, the Latin American Climate Change Program (PLACC) was created to help Latin American countries implement mitigation and adaptation policies, plans and programmes concerning climate change (CAF 2012a).

The BDB can lead the transition towards climate-friendly and low-carbon economies in developing countries by providing members with wide-ranging financial and technical assistance. It can play an important part in working towards a global solution to climate change by developing cost-effective adaptation solutions and mitigation measures as well as benchmarking clean energy practices in the region.

Governance Structure and Operational Issues

Governance Structure

Calls for reform of the current multilateral financial institutions are largely centred on calls for reform in their governance structures, particularly in development banks such as the World Bank. MFIs have been criticised for their inequitable voting structures and policies that do not reflect the altered economic world order. Even though the ADB consists of 48 regional and 19 non-regional member countries, non-regional and non-borrowing members, such as the US and Japan, hold clear majorities in terms of number, voting power, and representation on both the Board of Governors and Directors. Since voting rules at the ADB require the majority of the voting power to be present for decision-making, it directly weakens the impact that regional member countries have on the Board. For example, the majority requirement for the bank's presidential election does not allow regional member countries to vote as a majority bloc. The ADB president has always been from Japan, although the bank's charter allows the president to be a national from any regional member country (Carrasco et al. 2009). Thus, the US and Japan greatly influence lending, policy and staffing decisions at the ADB, which suggests a greater influence of donor interests vis-à-vis recipient needs in allocation of resources at the ADB (Fleck, Kilby 2006). CAF, in contrast, allows a far greater voice to its regional borrowers, because the bank is almost exclusively owned by developing countries, which are its clients as well as its shareholders. Clearly, there are some lessons to be learnt from CAF here. It also needs to be examined whether an exclusive club of developing nations that is potentially dominated by China will be more benign to borrowing countries than the current international financial system, which is dominated by the erstwhile world powers.

Operational Issues

<u>*Location*</u>

The location of the BDB presents a political challenge. China would like the bank to be located in Shanghai. However, during the 2013 World Economic Forum on Africa, South African President Jacob Zuma declared that Africa is the most appropriate location for the bank because 'Africa had the greatest need for a bank that would respond to the challenges of the developing world'. The decision on the location of the BDB should be based on the conditions at the proposed site(s) that are most conducive to the smooth and successful operation of the bank and the attainment of its objectives. That is how Manila was chosen over Tokyo as the permanent site for the ADB headquarters; However, Manila faces a staff retention problem, so the BDB should not only treat staff retention as a priority in choosing the location, but also take into account the professional opportunities for spouses and educational facilities for children, as well as the ease of getting the necessary visas. Since it is difficult to arrive at a consensus on a location within the BRICS nations, an alternative is a non-BRICS country such as Singapore or Hong Kong, which have high degrees of economic freedom, a stable political and legal environment, and openness to global trade and investment. Another suggestion is an established financial hub such as Shanghai or Mumbai.

A third suggestion is that the BDB should rotate its office in each of the BRICS countries with a central office that has thousands of staff, such as the World Bank in Washington, D.C.

Leadership

The leadership of the BDB will be a thorny issue because of the lack of consensus. Not long ago, the BRICS could not even agree on a joint candidate to head the IMF when the position fell vacant in May 2011 (O'Neill 2013). Chinese leadership of the BDB seems to be inevitable, given its rising economic weight vis-à-vis not only the BRICS but also the present world economic powers, not least due to its aggressive ambition and posturing on the international stage vis-à-vis Japan and the US very recently.

Members of the BDB can address the leadership issue to some degree by deciding whether they want a fixed or a rotating presidency. China would want a fixed presidency for itself, while India is in favour of a rotating system.[16] Then, there is the emerging international consensus favouring competition in electing the heads of multilateral banks, which the ADB's Board seems to have ignored; its presidential elections have been reduced to ritual confirmatory votes, a Japanese coronation.[17] The BDB should take the opportunity to create an inclusive leadership by adopting an open election process for the bank's presidency. Nevertheless, the top donors might want to assert their supremacy in the system through other ways, and institutional mechanisms need to be designed to regulate such propensities.

Human resources

The BDB could learn from the ADB and CAF in framing its HR policy. Like CAF, it should not use the country quota criteria to appoint staff, but should go by professional merit (Griffith-Jones et al. 2008). Given its exclusive focus on developing countries, each professional staff member should have at least five years of professional experience in more than one developing country to ensure that they have some understanding of and empathy for developing country contexts. Like the ADB, recruitment rules should be flexible, so that rigid rules do not become a hindrance in hiring suitable staff, but there have to be institutional mechanisms to ensure that the flexibility is not misused by vested interests. Also, like the ADB, it could have periodic staff surveys that would help it take actions to foster continued commitment among its staff towards its mission (ADB 2008).

Capital contribution

The BRICS have agreed to an initial corpus of US$ 50 billion to the bank's equity base, with equal contributions by all five countries to ensure equal representation. While US$ 10 billion may not be a lot of money for China, for South Africa it would translate into 2.5 percent of its total GDP. At the same time, critics argue that US$ 50 billion is too meagre to have a systemic impact and can limit the BDB's potential to lend. Nevertheless, banks such as CAF have managed to expand and create loans with a smaller amount. Thus, the size of capital should not be an issue; when the bank grows, it will have its retained earnings along with the paid-in capital, which would increase its future lending capacity. At the same time, it should be

[16] Stuenkel 2013.
[17] Guardian 2013.

noted that the ADB is struggling to maintain, let alone augment, its level of lending at US$10 billion due to lack of adequate capital.

The BDB should set a sustainable level of lending and continuously mobilise further resources so that it is not constrained in its ability to maintain at least the agreed levels of lending at any time. It could follow the World Bank model of lending out own capital or it could bring in non-BRICS countries to contribute to the capital. Members also need to decide whether the contribution will be in a lump sum or in phases, particularly for members who cannot spare the requisite amount at the beginning. The BDB should also strive to keep the capital structure flexible to allow for future adjustments.

Diversity of financial instruments

Long-term finance plays a key role in supporting growth in developing economies by channelising loans to low-income countries that do not have sufficient access to private flows and by providing non-concessional loans in a counter-cyclical way to developing countries that have access to private flows. The BDB should aim to deploy a wide range of financial instruments that will enable it to meet a diverse range of project needs while ensuring adequate risk protection. Further, the bank should develop loan products that allow efficient intermediation by the bank on the finest possible terms in addition to providing a high degree of flexibility to borrowers in terms of choice of currency, interest rate bases, wide selection of repayment terms, etc.

AF provides multiple, timely financial services to both the public and private sector in the form of loans, guarantees, collateral financial advisory services, investment banking, treasury services, and shareholdings. There has been exponential growth in the amount of loans disbursed by CAF. However, its loans are volatile, since the maturity of loans is even shorter than that of the World Bank. Moreover, unlike the World Bank, loans at CAF are approved by senior management, which increases the agility of the approval process. Hence, the BDB could look into CAF's financial instruments. Another area where the BDB could have an advantage is in international diversification in lieu of exposure to several developing countries.

Model of financing and policy conditionality

IFIs, particularly the World Bank, the IMF, and the ADB, are criticised for the conditionalities that they impose on weak borrowing nations. These conditions are often imposed without regard to the borrowing country's individual circumstances, are highly prescriptive, and often fail to resolve the economic problems of the borrowing countries. The World Bank's shift from project-based lending to policy-based lending under its Structural Adjustment Programmes (SAPs) created a new type of lending with new conditions that required borrowing countries to undertake reforms that are seen as expensive and time-consuming. In contrast, CAF does not have formal conditions. Instead, it undertakes a rigorous economic evaluation of projects to be financed and approves the loans quickly. This enhances ownership of the development policy within borrowing countries, reflecting the priorities of developing country governments.

The BDB's engagement in development financing should be founded on a model of mutual benefits and development, and guided by principles of equality and solidarity, with policy conditionalities to the extent that they are fair and needed to attain desirable outcomes without weakening the borrowing country's ownership of reforms (Mwase, Yang 2012). It should not just support individual projects, but also be concerned with the long-term development of the borrowing country.

Technical Assistance (TA)

Technical assistance (TA) is a form of aid that provides countries with the expertise needed to promote overall development or support successful implementation of a project. Although the ADB formulates and provides TA to developing member countries (DMCs) on building, strengthening and improving their statistical systems and services, the key objective is to help clients service loans rather than to develop technical expertise. In addition, since ADB staff does not have the necessary expertise, it is outsourced to consultants in developed countries. TA should not merely include consultancy services and technical support for the execution of projects, but should also consist of activities that augment the level of knowledge, technical skills, and productive capacities of people in developing countries. This presents a unique challenge for the BDB to equip itself with necessary funds and technical expertise required to provide broad-based, high-quality, in-house TA to its clients.

Private sector engagement

The World Bank's private sector lending arm, the International Finance Corporation (IFC), has been expanding the size and reach of its portfolio, with considerable focus on the development impact of its clients through its policy and performance standards on social and environmental sustainability, which have become a global benchmark (Nelson 2010). The ADB's engagement with the private sector has focused on catalysing private investment to power economic growth. The ADB argues that the key obstacle to investment in most of its DMCs is not availability of money, but the absence of investor confidence. Therefore, under the new mode of engagement with the private sector, it assumes greater risks in order to spur investments that the private sector may not otherwise be willing to make. It also partners with investors in co-financing development projects. It uses tools such as direct financing, credit enhancements, risk mitigation guarantees, and innovative new financial modalities to promote public-private partnerships in all its core operational areas (Weiser, Beswick 2008).

Assisting the private sector has also been important for CAF. It has helped Latin American economies broaden the range of production and export products and services, while adding greater value to the comparative advantages the region offers, especially in natural resources. CAF has established programmes for segments of the private sector that are most strategically important for economic development; among them are the energy, infrastructure, and financing sectors and those with a focus on aiding micro, small and medium enterprises.

Although the relationship between the private sector and development finance institutions has evolved, their effectiveness has been undermined by governance gaps, market failures, and bad business practices, which have precipitated the need for regulatory oversight. The BDB should try to leverage the private sector as a partner to achieve the desired development outcomes by encouraging innovation that promotes inclusive and green growth, etc. (Nelson 2010).

Social and Environmental Safeguards

Safeguards policies

Safeguards policies are tools to minimise and mitigate the adverse impact of projects on people and the environment. Such tools affect the design, monitoring, and assessment of development projects, and by extension that of international institutions that sponsor or support them. The World Bank has 10 safeguard policies on environmental assessment, cultural property, disputed areas, forestry, indigenous peoples, international waterways, involuntary resettlement, natural habitats, pest management, and the safety of dams. The ADB's safeguard policies relate to three areas: environment, involuntary resettlement, and indigenous peoples. However, it has been criticised for its vague language on compliance, its failure to mainstream environmental and social considerations in its operations, and its failure to meet the requirements of the IFC's policy and performance standards, which are regarded as key benchmarks for the harmonisation of safeguard policies across lending institutions. The BDB should not only avoid such pitfalls, but design and implement strong safeguards systems that reflect international best practices as well as introduce binding standards on issues such as human rights, community development, land acquisition, and free/ informed and prior consent. To uphold the principles of justice, projects sponsored by the BDB should be structured such that they are 'to the greatest benefit of the least advantaged' (Rawls 1971).

Country safeguards systems

Country safeguards systems (CSS) are laws, regulations, rules, and procedures on environmental and social issues. The BDB should help member countries strengthen their CSS and develop their capacity to address these issues in development projects that it sponsors/ supports. As long as the objective is to increase the capacity and autonomy of borrowing member countries, it is consistent with the commitments made by the development community in the Paris Declaration on Aid Effectiveness. However, the bank should be careful about Board oversight of how the CSS approach is applied to each project, which is a shortcoming in the ADB.

Gender mainstreaming

Gender mainstreaming is a globally accepted strategy for promoting gender equality. It ensures that gender perspectives and equality are central to all activities: policy development, resource allocation, research advocacy, planning, implementation, and monitoring of programmes and projects. One progressive aspect of the ADB safeguard policy is mainstreaming of gender considerations. In this regard, its policy is much better than the safeguard policy of any other IFI – it requires gender sensitive and responsive application of all safeguard policy provisions. Given that gender equity is one of the five drivers of change in the ADB Strategy 2020, its efforts are commendable and its policies worth replicating. CAF, too, ensures gender equality in financing projects and other operations. It uses a green entrepreneurial model—*Green Bodegas: A Model Focusing on Gender*—that encourages women's participation, minimisation of poverty, and gender inequality. There is a need for a strong and continued commitment to gender mainstreaming, as it is one of the most effective means of promoting gender equity at various levels. The BDB should formulate gender safeguard policies that complement its gender mainstreaming strategy with targeted interventions to promote gender equality and women's empowerment, particularly where there are instances of persistent discrimination against women and of gender inequality.

Environmental impact assessments

An environmental impact assessment (EIA) is a process of evaluating the potential impacts that sponsored projects may have on the environment, taking account of related socioeconomic, cultural as well as health impacts, both beneficial and adverse. It is an important management tool for ensuring optimal use of natural resources for sustainable development.

The ADB's safeguard policy covers three types of environment-related impacts – physical, biological and socioeconomic – and takes into consideration potential trans-boundary effects, such as air pollution and increased use or contamination of international waterways. However, the policy has the following shortcomings that the BDB should address in formulating its safeguard policies:

- It falls short of prohibiting project components in high-risk locations that may threaten the safety of communities in the event of their failure/ malfunction.
- It fails to acknowledge that, if not avoided, environmental costs can undermine the ADB's long-term goal of sustainable development and poverty reduction.
- It fails to mainstream environmental considerations in project planning, which is a major shortcoming in terms of international best practice.

CAF has its own set of initiatives on environment protection. It has prepared some indicators on green growth for Latin American countries to create an understanding about environmental sustainability. These indicators are supported by the Organisation for Economic Cooperation and Development (OECD) and the United Nations Industrial Development Organisation (UNIDO) at the highest levels. They have also contributed to the initiative of Rio + 20 ('Keeping Track of our Changing Environment') and the Global Environmental Outlook (Geo-5) of the United Nations Environment Program. These initiatives and policies of CAF towards sustainable environment are worth noting. The BDB should aim to predict environmental impacts at an early stage in project planning and design, find ways to reduce potential adverse impacts and maximise the positive impacts, shape projects to suit the local environment, and present the predictions and options to decision-makers. By using EIA, both environmental and economic benefits can be achieved while avoiding or minimising future redressal costs.

Indigenous people and local communities

Enabling local communities that are affected by displacement, to participate and benefit from the growth process is ethically imperative and economically inclusive. The BDB should ensure that projects that lead to displacement strictly involve free and informed consent of the affected communities, socially responsible resettlement, and their economic inclusion or rehabilitation given their skill sets. Projects should generate benefits for both the national and local economies and prevent or mitigate risks of impoverishment (see Cernea 2007 and his writings on benefit-sharing mechanisms in population resettlements).

The ADB claims that it does not finance projects in the absence of broad-based local community support. However, it has been criticised for selectively applying the principle of free, prior and informed consent to projects that do not involve health and education activities for indigenous peoples. Its resettlement safeguard policy is restricted because it links compensation and protection to physical and economic displacement caused by land acquisition or land use restrictions (other displacements fall under provisions of environmental safeguard requirements). Further, the policy encourages borrowers to reach negotiated agreements with affected people; however, once negotiated agreement is reached, the provisions of the policy do not apply. Finally, it provides fewer entitlements to affected people who lack legally recognised land titles (Rosien 2010).

The BDB has to be very careful that development projects it sponsors or supports do not end up compromising the rights, privileges or development status of indigenous and local communities, particularly because the track record of developed countries as well as of developing countries such as India has been extremely hostile to the interests and development of such communities (refer to the work of Stuart Corbridge, for instance). This is also important if we are to prevent the rise and spread of ideologies such as Naxalism that hinder the process of development and lead to further underdevelopment. As the development bank of developing countries, the BDB has to ensure comprehensive safeguards that protect the interests of such communities, who, given their development status, should have the first right to development.

Conflict sensitivity

Countries in fragile and conflict-affected situations require focused assistance strategies. Around a billion and a half of the world's population lives in fragile, conflict-affected states, which receive 30 percent of ODA and are farthest from the MDGs (The New Deal). Improving project effectiveness in such states requires knowledge of the local context and political economy, and a comprehensive assessment of the risks to which communities in these countries are exposed. The experiences of the ADB, World Bank, OECD Development Assistance Committee members, and G7+[18] partners could help identify ways of working effectively in such settings. The key is to engage in these situations in a sensitive and innovative manner, because failure to do so has human, social, economic and security costs (ADB 2012b). The BDB should have sufficient safeguards to ensure that existing local conflicts, at the least, do not continue or escalate and new ones are not generated as a result of its projects or interventions. To maintain its credibility, it should engage with the widest possible set of local actors and be seen as neutral rather than driving the vested interests of external powers. This is the first condition if it wants to succeed in such contexts.

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[18] Voluntary association of countries that are or have been affected by conflict and are now in transition to the next stage of development. Visit www.g7plus.org for information on this grouping.

Accountability and Transparency

Performance monitoring and resulting

Monitoring and evaluation of bank-financed projects should focus adequately on the factors that are critical to achieving a positive impact on development. Monitoring and evaluation of development activities help government officials and development managers to deliver better, help civil society and the media to hold them accountable to key stakeholders, and provide lessons for future projects. The ADB has made great progress towards result-based project management. Its project performance management system (PPMS) generates information on project performance, and this information is used to improve the success of the projects. However, it faces certain challenges that need to be addressed, for example, the need for independent assessments of projects, a significant increase in PPMS training, the creation of a permanent group responsible for PPMS, and its extension to private sector operations. The monitoring and evaluation activities at the World Bank are overseen by the Independent Evaluation Group (IEG), an independent entity that does not fall into its line management structure, reports directly to the Board of Directors, and has unrestricted access to all bank records and staff in conducting its evaluations. As a result, its evaluation and monitoring is highly rated and is said to be the core strength of the World Bank, and its 'management is required to respond to and follow up review recommendations' (DFID 2011).

The BDB should realise the criticality of performance monitoring and include relevant indicators in project documents during the project formulation stage, followed by regular performance audit reports by the project team at the BDB and on the ground, and surprise assessments by an autonomous body, as in the World Bank. It should also learn from the shortcomings of the ADB and provide PPMS training not only to its staff and teams on the ground, but also to local communities to assess projects that are being implemented in their regions or that are affecting their livelihoods. In this, civil society and the media should not only be regularly updated but also actively involved in conducting independent assessments.

Access to civil society

Perceptions of civil society engagement and developing country ownership rely on appropriate governance arrangements and on how the project cycle is managed; if either one is not in place, there is a risk that key stakeholders will perceive themselves to be marginalised. Engagement with civil society should not be limited to strategy consultations, but should entail operational collaboration as well as institutional partnerships. This can be achieved by providing opportunities for civil society organisations (CSOs) to engage with the bank's Board of Directors, senior management and staff at its annual board meetings, open forums (as in the ADB), CSO town halls (as in the World Bank), etc.

An important challenge for the BDB is to identify areas or programmes in which CSOs can serve as partners. The World Bank has entered into programme partnerships with CSOs, and has made efforts to provide them with a seat at the decision-making table on grant-making mechanisms in areas of food security and social accountability. Its engagement with civil society has significantly evolved over the past 30 years; CSOs participated in 82 percent of the 1,018 new projects and programmes financed by the bank between 2010 and 2012 (World Bank 2013).

The ADB also seeks to build a strong relationship with civil society by co-operating with them at three levels, viz., policy, country strategy and project. It has operated its NGO and Civil Society Centre (NGOC) since 2001 and has established a CSO co-operation network to ensure the presence of civil society specialists throughout the organisational structure of the bank. However, it has been criticised for limiting itself to superficial measures when trying to reach out to NGOs. The NGO Forum at the ADB warned that the overarching framework for ADB interaction with NGOs is nothing more than an effort by the ADB to weaken complaints from outside stakeholders. In addition, it has demanded that the NGO Centre facilitate communication between CSOs and the ADB, instead of serving as the only contact civil society may have with the bank. The group has also demanded quality in the staff and services provided by the NGO Centre. Most importantly, it has demanded that the NGO Centre make ADB's independent review mechanism central to its operations (Carrasco et al. 2009).

With the growing influence of civil society over global and national public policy, the BDB should treat civil society engagement as a central component of an effective strategy towards progressive development. Governance structures and mechanisms should be designed to ensure the adequate representation and influencing power of civil society throughout the project cycle. This will enhance the effectiveness, quality, and sustainability of the BDB's operations.

Access to information

As pointed out by the past president of the World Bank, Robert Zoellick, development banks should strive to be more open about what they know (data, tools, development knowledge), what they do (operations, projects, finances, commitments), and the way they work (their partnerships, knowledge platforms). Open access to information enhances transparency and accountability, as well as strengthens civic engagement.

The World Bank's information and transparency reforms are more liberal than those of other MDBs. Its new Open Access Policy and Open Knowledge Repository allow public access to information about the bank's projects (under preparation and implementation), analytical and advisory activities, and even its board proceedings. As part of its Open Data Initiative, it released over 8,000 development indicators, 60 other datasets and 17,000 historical archives. The BDB should also realise the social and economic value of open data and its application to development priorities and challenges, and, hence, follow an open development paradigm.

The ADB promotes information disclosure through its Public Communications Policy (PCP) 2011, which is an updated version of PCP 2005. The current version of the policy reflects the views of its staff on their experiences with the policy and suggestions made by NGOs during consultations. The ADB also recognises the need to communicate more widely and effectively by translating its documents into the languages used in its DMCs. The ADB's translation framework fully complements the PCP, and should be replicated by the BDB to expand the extent of information dissemination by the bank.

Despite acknowledging the ADB's relatively liberal disclosure policy, civil society has pressed for a greater volume of and wider scope for, disclosures from the ADB. Critics have demanded that it disclose all board documents and information pertaining to private sector development, much of which, according to the bank, falls outside the presumption of disclosure. The ADB's list of protected information is quite sizeable, despite its claim of greater transparency and access to information (Carrasco et al. 2009). This presents a challenge for the BDB to strike a balance between access to information and potential harm that disclosure may cause. It should, therefore, strive to develop a disclosure policy that ensures maximum access to information with a clear list of exceptions, and lay down clear procedures for processing requests and an efficient appeals mechanism.

Accountability mechanisms

Transparency is an important theme in disclosures of development donors. It is key to reducing corruption, promoting good governance, facilitating civil society participation, and making donor institutions accountable to those affected by their programmes. Following the World Bank's failure to implement its resettlement and energy policies during the Narmada Dam project in India and unrelenting pressure from CSOs, it established an Inspection Panel in 1993 to bring transparency in its project lending. The ADB established its accountability mechanism in May 2003 to enhance its development effectiveness and project quality. Despite being considered a pioneer among MDBs in institutionalising problem-solving and consultation, the ADB's accountability mechanism has a number of problems – it does not deal effectively with oppression and violations of rights, long-term impacts of projects, resettlement of affected people, etc.(Soentoro 2009).

The BDB should carefully address such gaps and limitations while formulating its accountability mechanism policy and make it transparent, participatory, credible, and effective. Nevertheless, it should try to follow the ADB's philosophy of maximising problem prevention and compliance in its operations, given that the accountability mechanism is the last resort for dealing with problems and non-compliance that were not prevented or solved at the project and operational levels. CAF also has rules and regulations for transparency in public administration and accountability in the use of resources by individuals in positions of authority and the BDB should consider these. A citizen-driven process is more likely to be successful in holding the BDB accountable to the peoples affected by its lending decisions. Thus, the BDB should design a strong accountability mechanism that enables ordinary citizens to defend their rights and interests.

Conclusions

The present report highlights what the proposed bank can learn from the ADB, CAF and the World Bank, given the stated intention of the BRICS to complement the efforts of, rather than compete with, the existing banks, especially the World Bank. It proposes physical infrastructure, social infrastructure, technology transfer, and the environment as priority areas for the proposed bank, and emphasises the importance of quality human resources in its successful operations. Decisions regarding its capital structure and individual member contributions should be carefully taken, since they will determine its lending capacity and systemic impact. The bank should be able to deploy a wide variety of modern and innovative financial instruments that will enable it to meet the diverse project needs, while ensuring adequate risk management. To ensure desirable outcomes, it should follow the model of financing based on South-South co-operation, with little policy conditionality, along with strong project evaluations. It should also be able to function as a knowledge bank that provides specialised in-house technical advice and solutions to its clients. The report stresses that the bank should work out modalities of engagement with the private sector, which is essential to power economic growth and income generation in client countries. It also highlights the strengths and shortcomings of safeguard policies of other MDBs that the proposed bank should take into account while formulating its own safeguard policies.

The creation of this new development bank first requires a firm political commitment by the BRICS. After all, it is first and foremost a political statement, rather than an economic proposition, that they have arrived on the international stage and wish to be treated that way. This should be clear, especially to those who have raised objections about its economic viability or value-addition to the development needs of developing countries. The question is: Will the BRICS be able to harmonise their international aspirations to get this bank up and running? There are a series of contentious issues in the domain of governance and operations, and we have to wait for the 6th BRICS Summit in Brazil this year to see how they are addressed. In addition, there are major challenges facing the BRICS in establishing this bank. Vast political, economic and continental diversity among the BRICS could pose serious challenges – they encompass various political systems and their economies are little integrated, inherently competitive, and differ in size. With a GDP of US$ 8.2 trillion, the Chinese economy is larger than all remaining BRICS countries put together, while the economy of South Africa is roughly equivalent to that of China's sixth largest province.

Prominent voices in support of the BDB are gaining momentum. As Jaimini Bhagwati, RBI Chair Professor, ICRIER has argued, 'the opportunity cost of not having a BRICS development bank up and running within the next few years would be substantial.'[19] The BDB could turn out to be the first institutional glue that may help the BRICS realise their objectives of coming together, cementing mutual trust and promoting intra-BRICS trade (Caijing 2013), which is largely China-centric at the moment. China is one country that can make the BDB happen; but it could also undo the idea of a BDB if it approaches the bank as an instrument to establish its predominance within the BRICS and the larger world. As one World Bank veteran argued, China's dominance compared to the existing world powers is not going to be more benign,

[19] Bhagwati 2012.

and, most likely, much worse. If there is greater buy-in and engagement from other BRICS members as well as other non-BRICS developing countries, this may not have to happen.

Annexure A – Case Study of Asian Development Bank[20]

1. Overview

Conceived during the post-World War II rehabilitation and reconstruction efforts, and modelled closely on the World Bank, the Asian Development Bank (ADB) has been a major source of development finance for the Asia-Pacific region since its inception in 1966. It is the third largest donor for the region after the Japanese government and the World Bank, focusing its support on three strategic agendas: inclusive economic growth, environmentally sustainable growth, and regional integration.

The ADB has 67 members, of which 48 are drawn from the Asia and Pacific region, while 19 are non-regional including the United States (US), Canada and several European countries. Twenty-three ADB members are also members of the Organization for Economic Co-operation and Development (OECD). The ADB is headquartered in Manila, Philippines, and has offices worldwide, including representative offices in North America (Washington, D.C.), Europe (Frankfurt), Japan (Tokyo) and India (New Delhi).

The ADB aims for an Asia-Pacific region free from poverty. To fulfil this aim, the ADB promotes the economic growth and social progress of its developing member countries (DMCs) by offering assistance in the form of loans, grants, guarantees, technical assistance, equity investments, other advisory services, and policy dialogues that maximise the impact of its assistance.

Box 1. Why was Manila chosen as the permanent site for ADB headquarters?

Voting was conducted for the site of the ADB, and Manila won by one vote over Tokyo as the permanent site of the Bank. Because the primary objective of the Bank is to help accelerate the economic development of developing countries in Asia, it was felt that 'the Bank must not only know the hardships, problems and dreams of these countries, but must also look at these hardships, problems and dreams through the eyes of these countries'. Hence, Manila was chosen over Tokyo as the permanent site for the ADB.

2. Governance

Article 28 of the ADB Charter bestows power on the Board of Governors, making it the highest decision-making authority, with representation from each member country of the ADB. The Board of Governors meets once a year at the ADB's Annual General Meeting. Its main duties are passing resolutions that approve country memberships and issuing statements that highlight areas where the ADB has excelled and areas where it needs to improve. The Governors delegate most of their authority to the 12-member Board of Directors who are nominated by their governments. Representation on this Board is determined by the level of financial contribution to the ADB, which translates into richer countries having greater influence on its decisions.

[20] Both the ADB and CAF case studies are largely based on material available from these banks (documents and websites).

The ADB follows a voting system based on the 'one dollar, one vote' principle that is unlike the United Nations system of 'one country, one vote'. The size of the financial contribution made by a country (its shareholding) determines its share of the vote. Almost one-third of the voting power vests with Japan and the United States, followed by China, India, and Australia in that order.

3. Financial Profile

According to ADB Financial Profile 2013, the ADB's capital structure provides the highest level of security for fixed-income investors. Subscribed capital consists of paid-in capital and callable capital. Paid-in capital constitutes the equity portion that is supplemented by retained earnings and leverages the proceeds of the ADB's borrowings. Callable capital is available to protect ADB creditors in the unlikely event of large-scale default by ADB borrowers. The ADB has never made a call on its callable capital.

As of December 31, 2012, ADB shareholders consisted of 67 members with the following five being the largest shareholders:

1. Japan (15.6 percent of total shares)
2. United States (15.6 percent of total shares)
3. China (6.4 percent of total shares)
4. India (6.3 percent of total shares)
5. Australia (5.8 percent of total shares)

ADB members who are also members of the OECD hold 64.4 percent of the total subscribed capital and 58.4 percent of the total voting power.

ADB operations are financed from two sources: ordinary capital resources (OCRs) and special funds, of which the Asian Development Fund (ADF) is the largest fund. OCRs are offered at near-market terms to lower- and middle-income countries. The ADF offers grants and loans at very low interest rates to help reduce poverty in the ADB's poorest borrowing countries. In addition, the ADB mobilises financial resources through co-financing; this is an arrangement under which the ADB and one or more donor governments finance a project or programme in partnership with a developing member country (DMC).

In 2012, the ADB's operations totalled US$ 21.57 billion, of which US$ 13.30 billion was financed by the ADB (through the OCR and Special Funds) and US$ 8.27 billion was financed by co-financing partners (Table 1).

To finance its lending operations, the ADB issues debt securities in international and domestic capital markets. ADB debt securities carry triple-A investment ratings from international credit rating agencies such as Moody's, Standard & Poor's and Fitch. It also relies on member contributions, retained earnings from its lending operations, and repayment of loans. The ADB's annual borrowing programme is carefully planned to meet the requirements of its lending operations, debt redemptions, and liquidity policy within the context of a dynamic market environment. The ADB also seeks to develop domestic capital markets in its DMCs through local currency borrowings and derivative activities. The ADB borrows in a broad range of currencies, instruments, markets, and maturities, reflecting its policy to diversify its borrowings and broaden its investor base (ADB 2013b).

In 2012, the top five recipients of ADB assistance (including co-financing) were Uzbekistan (US$ 3.31 billion), Viet Nam (US$ 3.11 billion), India (US$ 2.71 billion), People's Republic of China (US$ 2.10 billion), and Bangladesh (US$ 1.63 billion). ADB assistance by sector and region are given in Table 2 and Figure 1, respectively.

Table 1: ADB's approvals by financing source, 2011 and 2012 (in USD million)

Approval Category	2011	2012
1. Ordinary Capital Resources	***11306***	***10136***
1.1. Loans	10651	9402
1.2. Guarantees	417	403
1.3. Equity Investments	239	131
1.4. Supply Chain Finance	Nil	200
2. Special Fund Resources	***2716***	***3164***
2.1. ADF	2552	3009
2.1.1. Loans	1955	2316
2.1.2. Grants	597	693
2.2. TA Special Fund	139	142
2.3. Other Special Funds	25	13
2.3.1. Grants	17	4
2.3.2. TA Grants	8	9
Sub-total	**14022**	**13299**
3. Co-financing	***7694***	***8272***
3.1. Project co-financing	7483	8125
3.2. TA co-financing	210	147
Total	**21716**	**21571**

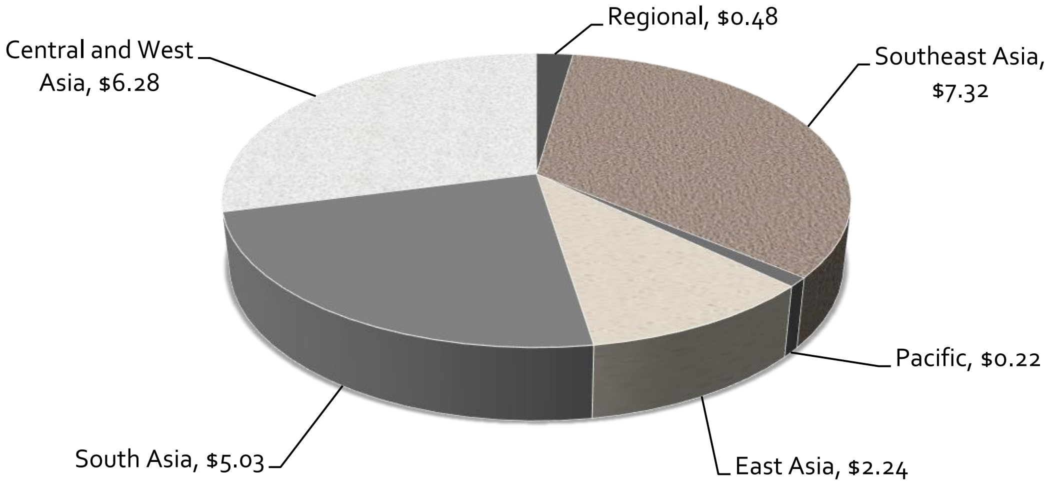
Source: ADB 2013c.

Table 2: ADB's assistance by sector (as percent of total assistance), 2009-12 approvals

Sector	Percent
1. Infrastructure	69
1.1. Transport	*30*
1.2. Water	*19*
1.3. Energy	*13*
1.4. General infrastructure	*8*
2. Education	9
3. Finance	5
4. Health	4
5. Agriculture	3
6. Others (including public sector management, industry and trade)	9

Source: ADB website.

Figure 1: ADB's assistance by region (in US$ billion)



Source: ADB 2012.

4. Financial Instruments

The ADB promotes the economic and social progress of its DMCs through various financial products (Figure 2).

Figure 2: ADB's financial products

LIBOR-based Loan (LBL)	• LBL is a market-based loan product that allows the ADB's efficient intermediation on the finest possible terms, provides transparent and market-based pricing and meets borrowers' needs to tailor currencies and interest rates that suit project needs and external risk management strategies. • LBL provides a high degree of flexibility for borrowers.
Local Currency Loan Product (LCL)	• LCL is based on transparent market-based parameters, offers significant flexibility to tailor the product to the requirements of a specific project, and allows for ADB's efficient intermediation. • ADB aims to reduce currency mismatches in DMCs by extending LCLs in close co-operation with the local financial sector.
Debt Management Products	• ADB offers its soveriegn clients debt management products for their third-party liabilities. • These include Interest Rate Swaps, Cross-Currency Swaps and Local Currency Swaps. • Acting as a financial market intermediary, ADB stands between market financial institutions and the DMC client, having separate financial contracts with them.

Source: ADB 2013a.

These financial products are financed from the OCR as well as special and trust funds, but most of ADB's lending comes from OCR.

The ADB also formulates and provides technical assistance (TA) to DMCs on building, strengthening, and improving their statistical systems and services. Through its TA operations, the ADB assists its DMCs in:

- Identifying, formulating, and implementing projects
- Improving the institutional capabilities of governments and executing agencies
- Formulating development strategies
- Promoting the transfer of technology
- Fostering regional co-operation

5. Priority Areas

ADB's Strategy 2020 is the ADB's main strategy and planning document that provides a clear mandate and direction to ADB in its vision of an Asia-Pacific region free of poverty. It focuses on areas of the ADB's comparative advantages in meeting existing and emerging challenges. Strategy 2020 identifies the following five drivers of change that are embedded in all its operations:

- Private sector development and private sector operations
- Good governance and capacity development
- Gender equity
- Knowledge solutions
- Partnerships

The ADB focuses on five core areas of operations:

- Infrastructure (transportation and communications, energy, water, urban areas)
- Environment
- Regional co-operation and integration
- Financial sector development
- Education

These areas have been identified as its comparative strengths and reflected 80 percent of ADB's lending in 2012. They are closely linked to the ADB's three strategic agendas of inclusive growth, environmentally sustainable growth, and regional integration. The impact of ADB lending in these core sectors over the past six years is given in Box 2 below.

Box 2: Impact of ADB lending

Over the past six years, the ADB, through its special funds, has:

- Expanded the access of more than 19 million students to quality education by building or upgrading more than 60,000 classrooms and training 720,000 teachers;
- Helped more than 252 million people gain better access to wider economic opportunities and social services by building or upgrading more than 56,000 kilometers of roads;
- Provided more than 2.1 million households with access to clean water by installing or rehabilitating about 14,000 km of water supply pipes;
- Connected more than 1.8 million households to electricity by building or upgrading more than 35,000 km of power transmission and distribution lines;
- Reduced greenhouse gas emissions by 2 million tons of carbon dioxide equivalent per year by promoting more efficient and cleaner energy operations.

Source: ADB website.

The second tier of priority lending sectors includes social sectors such as health, agriculture, and disaster and emergency assistance. Support for these areas is selectively provided to reduce poverty and asymmetries in the Asia-Pacific region.

5.1 Private sector beneficiaries

ADB has long focused on the role of the private sector in promoting economic growth, improving standards of living and tackling poverty. It works with DMCs to promote private sector activity and build economies that meet the primary requirements of private sector investors. The ADB's Private Sector Operations Department (PSOD) plays a key role in meeting the ADB's strategic objective of working closely with private sponsors, investors, and financiers to promote investment opportunities that contribute to poverty reduction throughout the region. ADB intends to function as a catalyst for investment because it believes that the key obstacle is not the availability of money, but the absence of investor confidence in most DMCs. In line with these objectives, ADB's lending portfolio is set to change in favour of the private sector. By 2020, 50 percent of lending will be for private sector development and operations.

The revamped ADB priorities under Strategy 2020, particularly the diminished focus on health and agriculture, have come under significant criticism, calling into question ADB's commitment to poverty alleviation in the face of potential economic growth. With the shift in sector focus, the ADB lending portfolio differs from past portfolios in the following respects:

- Radical scaling up of private sector development and private sector operations in all operational areas
- Increased support for development of the region's private sector in terms of the number of ADB-financed projects and share of annual operations with a target of 50 percent by 2020
- Escalated assistance to support environmentally sustainable development

Thus, the ADB lending portfolio will be more heavily tilted towards its new strategic and core operational areas (Weiser, Beswick 2008).

6. Community Rights and Livelihood

6.1 Safeguard policies

Safeguard policies are the key to protecting communities from the unintended harmful impacts of projects (Rosien 2010). Since the ADB is not legally bound by national laws, safeguard policies are the only tools that civil society can use to hold the Bank to account.

In July 2009, the ADB approved its new Safeguard Policy Statement (SPS) that sets out the policy objectives, scope and triggers, and the principles for three key safeguard areas:

- Environmental safeguards
- Involuntary resettlement safeguards
- Indigenous peoples safeguards

The new SPS is the result of a four-year review of its three safeguard policies. The overarching statement of the ADB's Commitment and Policy Principles (Chapter V) says that the ADB safeguards have the following objectives (SPS, p. 15):

- Avoid adverse impacts of projects on the environment and affected people.
- Minimise, mitigate, and/or compensate for adverse project impacts on the environment and affected people when avoidance is not possible.
- Help borrowers to strengthen their safeguard systems and develop the capacity to manage environmental and social risks.

The SPS requires borrowers/clients to engage with communities, groups, or people affected by proposed projects, and with civil society through information disclosure, consultation, and informed participation, commensurate with the risks to and impacts on affected communities. The goal of the SPS is to promote the sustainability of project outcomes by protecting the environment and people from a project's potential adverse impacts.

Finally, the ADB adheres to the objectives of the safeguards and their delivery and assumes responsibility for undertaking project screening and classification, information disclosure, consultation and participation, due diligence, monitoring and reporting, local grievance redressal mechanisms and the Bank's accountability mechanism.

6.2 Country safeguard systems (CSS)

The ADB is committed to strengthening and using country safeguard systems (CSS). The ADB's approach to using CSS entails two components:

a) Equivalency assessment, which evaluates the country's provisions against ADB safeguards requirements. CSS can only be applied if the country fulfils the equivalency assessment criteria.

b) Acceptability assessment under which the borrowing country must be found to have the implementation practice, track record, capacity, and commitment to implement the applicable regulations (Rosien 2010).

The SPS states that initially CSS will be applied in a limited number of borrowing countries, with a focus on the sub-national, sector or agency level. This will be followed by an operations review of the use of country systems by the ADB.

6.3 Gender mainstreaming

Gender equity is one of the five drivers of change in ADB's Strategy 2020. The ADB recognises that it is impossible to achieve its goal of a region free of poverty without harnessing the talents, human capital, and economic potential of half the region's population—women and girls. Gender equality is critical in its own right and essential for better development outcomes in terms of inclusive growth, faster poverty reduction, and achieving the MDGs.

The ADB's Gender and Development Plan of Action, 2008–2010 supports a participatory approach to policy implementation. The ADB uses gender action plans (GAPs) to ensure that women participate effectively in projects. GAP is an overarching tool for mainstreaming gender and has resulted in increased female participation in loan activities.

The ADB has been exceeding its gender mainstreaming targets. Gender was mainstreamed in 49 percent of ADB operations and 59 percent of ADF operations in 2012. Major strides were made in finance (from 0 percent in 2011 to 43 percent in 2012) and in industry and trade (from 0 percent in 2011 to 40 percent in 2012). The ADB also supported gender capacity development in sectors where gender mainstreaming is considered harder to achieve. All this has been achieved by:

- Strengthening regional department staff resources and skills to better identify gender mainstreaming opportunities in operations
- Articulating gender outcomes better in project design
- Managing project activities better to deliver the desired gender outcomes
- Conducting learning events for DMC partners and staff

The ADB appoints at least one gender specialist in each regional department to increase its internal capacity to design and implement gender mainstreaming efforts. In 2009, the ADB management established a working group on gender that called for early identification of gender mainstreaming opportunities, as well as regular monitoring, clearer gender categorisation of projects, and more staff training and knowledge in this area. In 2010, the ADB introduced a pilot results delivery scheme that links OCR allocations to performance in gender mainstreaming (as well as co-financing and support for education). Under this scheme, an additional OCR allocation of at least 2 percent of the original amount is awarded to regional departments that achieve the targets for use in the following two years. Further, additional gender specialists were recruited and staff training continued with support from the Gender Equity Community of Practice. On April 29, 2013 the ADB unveiled a new operational plan called 'Gender Equality and Women's Empowerment Operational Plan, 2013–2020' that sets out the strategic directions and the guiding framework for delivering better gender equality outcomes in Asia and the Pacific region. Under this plan, the ADB will intensify its efforts to ensure gender equality and close any remaining gender gaps.

6.4 Environmental impact assessments

The Asia-Pacific region, the most populated and fastest-growing region of the global economy, is undergoing dramatic social and environmental changes. The ADB has been responding to these emerging social and environmental challenges by helping its DMCs pursue environmentally sustainable and inclusive economic growth. The ADB affirms that environmental and social sustainability is the cornerstone of economic growth and poverty reduction. It is, therefore, committed to ensuring the social and environmental sustainability of the projects it supports (SPS, para. 42). The objective of the SPS with regard to the environment is to 'ensure environmental soundness and sustainability of projects and to support the integration of environmental considerations into the project decision-making process' (SPS, p. 17).

The SPS uses a categorisation system to measure the significance of a project's potential environmental impact. 'A project's category is determined by the category of its most environmentally sensitive component, including direct, indirect, cumulative, and induced impacts in the projects area of influence' (SPS, para.50). The environmental assessment process also accounts for potential trans-boundary effects, such as air pollution or contamination of waterways, and identifies the impact of greenhouse gases and the impact on endangered species and habitats.

6.5 Indigenous peoples and local communities

The SPS defines indigenous peoples and contains safeguard requirements that help to design and implement projects in a way that fosters full respect for their identity, dignity, human rights, livelihood systems, and cultural uniqueness. The SPS calls for the participation of indigenous peoples in an informed way in project design, implementation, and monitoring to avoid an adverse impact. Moreover, the consultation process is documented and reflected in the Indigenous Peoples Plan. The ADB carries out a comprehensive social impact assessment in this regard (SPS, Appendix 3). The SPS references the United Nations Declaration on the Rights of Indigenous People (UNDRIP) and it is the only current multilateral safeguard policy that recognises the significance of the international declaration and its recent ratification (SPS, para. 55).

The SPS also stresses the need to improve the living standards of poor and vulnerable groups who are subject to involuntary resettlement as a result of the project, besides requiring borrowers to provide them with opportunities for benefit-sharing.

6.6 Conflict sensitivity

Many of the poor and vulnerable people in the Asia-Pacific region live in DMCs that face fragility and conflict. These present unique political, social, economic, and environmental challenges and conditions that require the ADB to adopt a differentiated approach that is tailored to their particular problems and circumstances. The Operational Plan for Enhancing

ADB’s Effectiveness in Fragile and Conflict Affected Situations, 2013 aims to improve the development impact of the ADB’s support to such DMCs. It entails a comprehensive set of actions to mainstream fragility- and conflict-sensitive approaches in the ADB’s country strategies and operations.

7. Accountability and Transparency

7.1 Performance monitoring and reporting

Evaluation is an integral part of the ADB’s project cycle. ADB’s project performance management system (PPMS) is a project management process that emphasises the achievement of development results. It was conceptualised in the late 1990s and comprises five elements:

- Project design and monitoring framework
- Project performance report (PPR)
- Project completion report
- Project performance evaluation report
- Borrower monitoring and evaluation

The PPMS generates information on project performance that is used to improve the success of the projects.

The ADB realises that borrowers’ and beneficiaries’ sense of ownership is a necessary ingredient to ensure high project quality; therefore, the ADB has been involving borrowers and executing agencies (EAs) in evaluation. Most loan documents require that the borrower and EA prepare a completion report and submit it to the ADB. The ADB also provides technical assistance to DMCs to build evaluation capacity and constantly seeks the views of beneficiaries in assessing the impact of projects.

7.2 Access to information

7.2.1 Public Communications Policy (PCP) 2011

Transparency and accountability are the foundations of development effectiveness. The ADB, therefore, promotes information disclosure through its Public Communications Policy (PCP) 2011. The PCP has been designed to keep stakeholders abreast of ADB activities. The policy promotes greater transparency and accountability by enabling ADB's stakeholders to better participate in decision-making that affects them. Participation enables support and ownership by a range of stakeholders, improves project processing and quality of entry, improves quality during implementation, and strengthens the sustainability of development results.

7.2.2 Stakeholders

Figure 3 shows the three categories of stakeholders.

Figure 3: ADB's stakeholders

Government

- Civil servants in ministries, cabinets, etc.
- Elected government bodies (e.g., parliament, national and local assemblies, and elected community leaders)
- International financial institutions (e.g., World Bank) and bilateral government donors (e.g., USAID)

Private Sector

- Private companies and umbrella groups representing groups in the private sector
- Chambers of commerce

Civil Society

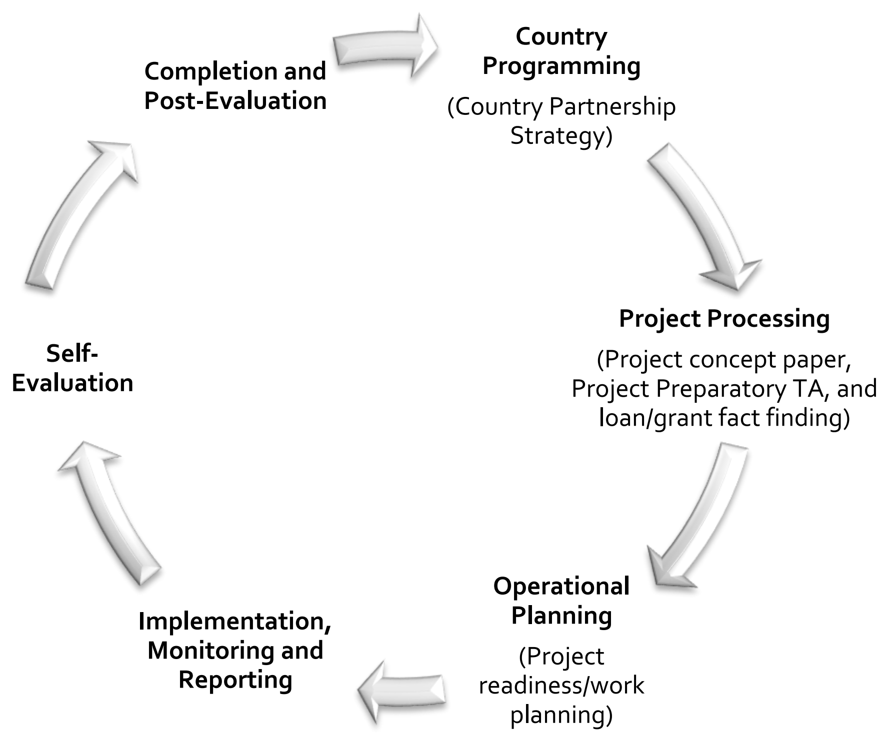
- Directly or indirectly affected population groups and sub-groups (e.g., youth, girls, and women's groups), and ethnic minority groups
- Civil society organisations (CSOs), national and international NGOs, community-based organisations, foundations, labour unions, and independent research institutes

Source: ADB 2012a.

7.2.3 Involvement in the Project Cycle

The ADB promotes engagement with stakeholders at all stages of its project cycle (Figure 4) with essential communications and information-sharing aspects integrated into ADB-supported projects. Project here refers to loans, grants, and technical assistance.

Figure 4: ADB's project cycle



Source: ADB website.

7.2.4 Disclosure requirements

The PCP establishes disclosure requirements for documents and information that the ADB produces or requires to be produced. It mandates project-related documents normally produced during the project cycle to be posted on the Web. Specific disclosure requirements are detailed in the Operations Manual (L3) on public communications.

7.2.5 Public communications approach

PCP 2011 underscores the need to intensify communication with stakeholders in response to evolving development challenges in the region. Public communications is tailored to the needs of specific audiences and engagement with stakeholders is maintained throughout the project cycle, with essential communications and information-sharing aspects integrated into ADB-supported projects and programmes. The ADB plans to increase the dissemination of its knowledge products—online and hard copy—to support the development of knowledge-based economies in the region. The ADB also uses platforms such as regional and national conferences and other events to share its knowledge products and exchange views with government officials and other key audiences.

7.2.6 Exceptions to disclosure

While the policy acknowledges the public's right to know about the ADB's work and recognises that transparency is critical for the ADB to be an effective and trustworthy organisation, it also strikes a balance between access to information and the potential harm that disclosure may cause to particular parties by clarifying and streamlining the exceptions to disclosure and identifying the potential harm if information is disclosed.

7.3 Access to civil society

ADB co-operates with a broad range of civil society organisations (CSOs) to strengthen its efforts to reduce poverty. It collaborates with CSOs in several areas, particularly agriculture, education and urban development. The ADB engages with civil society at three levels:

- At the policy level through policy dialogue, stakeholder consultations on the ADB's country strategies, and thematic and sector policy and strategy reviews. Under ADB Strategy 2020, its partnerships with CSOs have become even more central to the planning, financing, and implementation of ADB operations.
- At the country level through a consultative process for the development and review of Country Partnership Strategy (CPS). The CPS is the medium-term development strategy and operational programme that guides ADB operations in DMCs.
- At the project level where CSOs participate throughout the ADB project cycle in a variety of ways such as sharing information and participating in structured consultations to inform project design, or by collaborating directly with the ADB and its DMC counterparts to help implement projects by serving as project advisors, partners, co-financiers, or evaluators.

The extent of civil society participation can be gauged from the fact that over three-quarter of ADB projects include some kind of CSO participation—from planning and design consultations during the project cycle to project implementation and monitoring. Further, over two-third of ADB's sovereign loans, grants, and related project preparatory technical assistance (PPTA) include elements of civil society participation.

7.4 Accountability mechanisms

In 1995, the ADB established an Inspection Function to allow stakeholders harmed by bank projects to launch complaints against the bank on matters relating to compliance with its operational policies and procedures. In 2003, after an extensive review, the ADB introduced the Accountability Mechanism Policy to enhance its development effectiveness and project quality, be responsive to the concerns of project-affected people and fair to all stakeholders, to reflect the highest professional and technical standards in its staffing and operations, be as independent and transparent as possible, and be cost-effective efficient and complementary to the other supervision, audit control, quality control, and evaluation systems at the ADB. The processes in the 2003 Accountability Mechanism policy also conform to international good practices. The procedures for filing a complaint are clearly articulated in the policy, the Operations Manual, the ADB website, brochures, and other publications. At the 43rd Annual Meeting of the ADB Board of Governors held in Tashkent, Uzbekistan in May 2010, the President announced a joint Board and Management review of the Accountability Mechanism. The review identified several strengths and weaknesses of the ADB Accountability Mechanism, and the new Accountability Mechanism Policy was approved in February 2012 and took effect in May 2012. The new Accountability Mechanism makes significant changes to the 2003 Accountability Mechanism. It has two separate functions:

- The problem-solving function is vested in the special project facilitator (SPF) to respond to the concerns of the project-affected through consensus-based problem-solving methods.
- The compliance review function is done by a compliance review panel (CRP) and allows project-affected people to file requests for investigation and review of compliance with ADB's operational policies and procedures.

The Accountability Mechanism complements other problem-solving and compliance systems at the ADB. It reflects the ADB's philosophy that problem prevention and compliance should be maximised in its operations. Therefore, the accountability mechanism is considered as the last resort for dealing with problems and non-compliance issues that were not prevented or solved at the project and operational levels.

7.5 Measuring development effectiveness

The ADB has been committed to international aid effectiveness declarations and regularly monitors its own achievements against its targets and commitments. The ADB is committed to implementing the Paris Declaration and Accra Agenda for Action, since these provide the ADB with a framework to improve its impact on development and poverty reduction.
The Paris Declaration and the Accra Agenda for Action

The Paris Declaration on Aid Effectiveness was signed at the Second High-level Forum on Aid Effectiveness (HLF-2) in 2005 in Paris by partner countries (aid recipients) and multilateral and bilateral development agencies, including the ADB. The framework provided by the Paris Declaration has been a valuable tool in defining global parameters for effective aid.

The Accra Agenda for Action is the outcome of the 2008 Third High-Level Forum on Aid Effectiveness (HLF-3) in Accra that was endorsed by the ADB and a much larger development community including civil society organisations (CSOs). It was designed to strengthen and deepen the implementation of the Paris Declaration, and it heightened the focus on country ownership, partnership, and accountability for results.

The ADB's performance is measured on indicators defined by the Paris Declaration and the Accra Agenda for Action, as well as on additional measures of aid quality employed in several independent evaluations by donor countries and external researchers. In addition to its monitoring efforts, the ADB has mainstreamed the principles of the Paris Declaration and the Accra Agenda for Action in its policies and strategies and has included specific indicators in its corporate results framework. However, the applicability of the existing quantitative framework across a wide spectrum of partner countries and development partners needs closer scrutiny.

ADB has not just adopted a corporate results framework that incorporates key Paris Declaration indicators but has also conducted quantitative and qualitative surveys across its DMCs since 2008. It brings out a paper each year that analyses its progress on aid effectiveness for the information of its Board of Directors, management, and staff. According to the Aid Effectiveness Report 2011, ADB performed well relative to other multilateral development banks in the Paris Declaration monitoring surveys of the Development Assistance Committee of the OECD. It also ranked highly in several independent assessments of the quality and value for money offered by aid agencies worldwide.

Annexure B – Case Study of Corporación Andina de Fomento

1. Overview

Corporación Andina de Fomento (CAF), or the Development Bank of Latin America, is a multilateral financial institution that was created to promote sustainable development and regional integration in Latin America through credit operations, non-reimbursable resources, and technical support.

CAF offers financial structuring services to the public and private sectors, and provides a wide variety of products and services to a broad portfolio of clients that include governments of shareholder countries as well as public and private companies and financial institutions. Social and environmental variables are deemed key in the institution's management policies, including economic efficiency and sustainability criteria in all its operations. As a financial intermediary, CAF allocates resources from industrialised countries to Latin America, acting as a link between the region and international capital markets to promote business and investment opportunities.

CAF's membership includes 18 countries in Latin America, the Caribbean Islands and Europe, and 14 private banks in the Andean region. It is headquartered in Caracas, Venezuela and has offices in Buenos Aires (Argentina), La Paz (Bolivia), Brasilia (Brazil), Bogotá (Colombia), Quito (Ecuador), Madrid (Spain), Panama City (Republic of Panama), Lima (Peru) and Montevideo (Uruguay).

The United Nations General Assembly has approved CAF's observer status as a Latin American regional development bank.

2. Governance

The shareholders' assembly is CAF's supreme authority. It meets in regular sessions once a year, within 90 days of the end of the fiscal year and in special sessions, as needed. The assembly is composed of Series A, B and C shareholders. It approves the annual report of the Board of Directors, audited financial statements, and allocation of net income. In addition, it elects board members according to the provisions set forth in the Articles of Agreement, appoints external auditors, and examines other issues expressly submitted for its consideration.

CAF's organisational structure is more streamlined than that of other Multilateral Development Banks (MDBs), and this allows much more autonomy to CAF's administration vis-à-vis its shareholders (Humphrey 2012).

Figure 5: CAF's governance structure

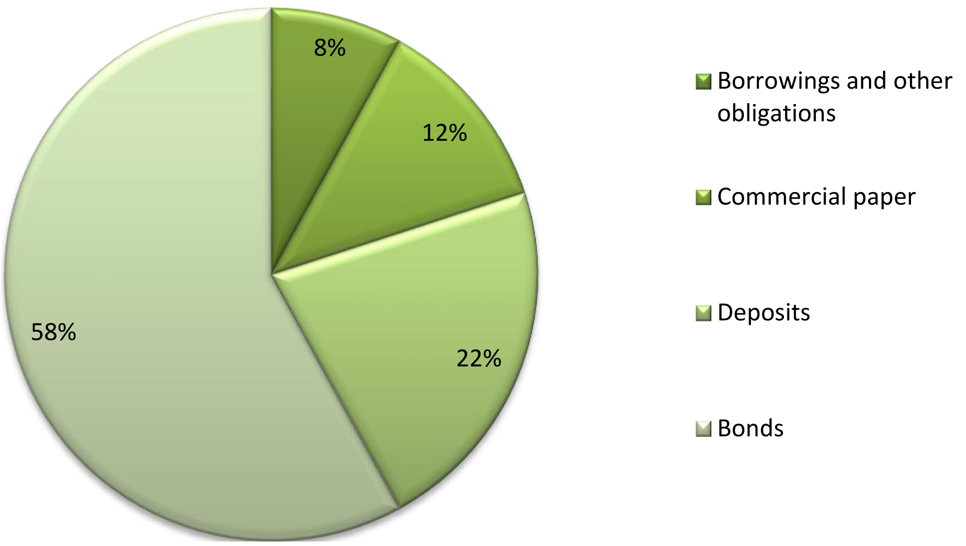
Board of Directors	• It is composed of representatives of Series A, B, and C shareholders. • It establishes CAF's policies, appoints the CEO, approves credit operations, and the annual expense budget. • It also approves guarantees, investments and other operations within CAF's mandate.
Executive Committee	• It is composed of directors appointed by the shareholders of Series A, B and C and is chaired by the Executive President. • It approves financial operations within the limits established by the Board.
Audit Committee	• The committee recommends the selection and hiring of external auditors and reviews their annual work plan. • It reviews the institution's annual report and financial statements, with the corresponding external auditors' opinion, before their submission to the Board and Shareholders' Assembly.
Executive President	• He is CAF's legal representative. • As CEO, he is in charge of the institution's overall direction and management. • He approves CAF's strategic plans for countries and sectors, institutional structures and procedures, and authorises financial operations within the limits delegated to him by the Board of Directors. • He is appointed for a five-year period and may be re-elected.
Vice-President of Social and Environmental Development	• The major objectives of this area are: a) To generate credit and other financial solutions to help with the conditions and needs of the sectors served by this office b) To support the strengthening of public policies and institutions in the social and environmental fields
Corporate Controller	• It works to strengthen CAF's comprehensive risk management strategy. • It is responsible for identifying and mitigating all types of risks that may affect CAF by developing the direct application of policies, standards, systems, and procedures.
Secretariat and External Affairs	• The department is responsible for co-ordinating and facilitating relations with the CAF governing bodies (Shareholders' Meeting, Board of Directors, Executive Committee and Audit Committee). • It co-ordinates the institution's external relations by organising strategic meetings with institutions and organisations.
The Legal Counsel	• Its main contribution is: • To exercise corporate mandates • To provide a timely response to requirements stemming from CAF's business development and activities
Strategic Communication	• It designs, co-ordinates and supervises the institution's image, communication and public exposure strategy. • It is organised into four units: Information Management, Brand Management, Editorial Management, and the Information and Documentation Center

Source: CAF 2010.

3. Financing Sources

CAF mobilises resources from international markets for Latin America in order to provide multiple financial and technical assistance services to public and private sector clients in shareholder countries. A noteworthy feature of CAF is the exponential growth of its loans. Since the year 2000, CAF has become the main source of multilateral financing for shareholder countries (over 55 percent), surpassing lending to those countries by other development banks.

Figure 6: CAF's financing sources



Source: CAF 2010.

CAF has a comparative advantage in structuring financing for large projects by catalysing funds from multiple private investors and investment funds due to its closeness to international capital markets.

3.1 Funding

CAF issued 12 bonds in capital markets in 6 countries for a total of US$ 2.7 billion, which is a new record for the institution. This is the largest amount raised in a single year.

CAF borrows efficiently and competitively in the international capital markets through a funding strategy that aims to diversify the sources of financing, mitigate interest rate and currency risks, and avoid asset-liability mismatches. Currently, most resources come from international capital markets. CAF also receives deposits from central and commercial banks in the region, and obtains loans and credit lines from international commercial banks, official institutions, and export credit agencies. In 2012, CAF was very active in the international bond markets. It issued 12 bonds in capital markets in 6 countries for a total of US$ 2.7 billion, which was the largest amount issued and the highest number of transactions by the institution in a single year (CAF 2012b).

3.2 Capital structure

Since CAF's founding in 1970, it has authorised more than US$ 102 billion to support projects and initiatives that drive sustainable development and regional integration. In 2012, its shareholder equity reached US$ 6.9 billion, with paid-in capital of US$ 3.6 billion, additional paid-in capital of US$ 782 million and US$ 2.5 billion of reserves and retained earnings. By the end of 2012, the total shareholder equity represented 27.9 percent of the total assets and 40.2 percent of risk-weighted assets, according to the methodology established in the Basel Agreement.

4. Financial Instruments

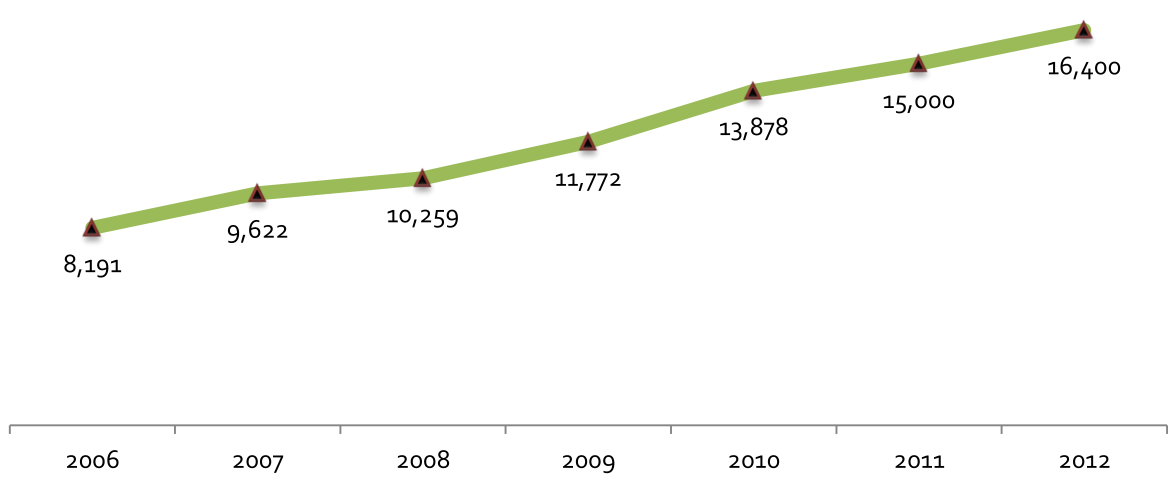
CAF provides multiple and timely financial services to public and private sectors in the form of loans, guarantees, financial advisory services, equity investments, treasury services, credit lines, and technical co-operation.

4.1 Loans

Loans represent CAF's main financial tool, and can be short term (1 year), medium term (1–5 years), and long term (over 5 years). There are different types of loans: commercial loans (pre-shipment and post-shipment), working capital loans for projects, and limited guarantee loans.

The loan portfolio reached US$ 16.4 billion by the end of 2012, representing a 9 percent increase over the US$ 15.0 billion of the previous year. Loan portfolio distribution continued to be largely concentrated in public sector projects, which represented 85 percent of the total portfolio. In terms of countries, Venezuela had the largest exposure with 17.2 percent of the total loan portfolio, followed by Peru (16.3 percent), Ecuador (16.2 percent), Argentina (12.9 percent), Colombia (11.2 percent), Bolivia (9.8 percent), Brazil (7.7 percent), Panama (2.9 percent) and Uruguay (2.0 percent).

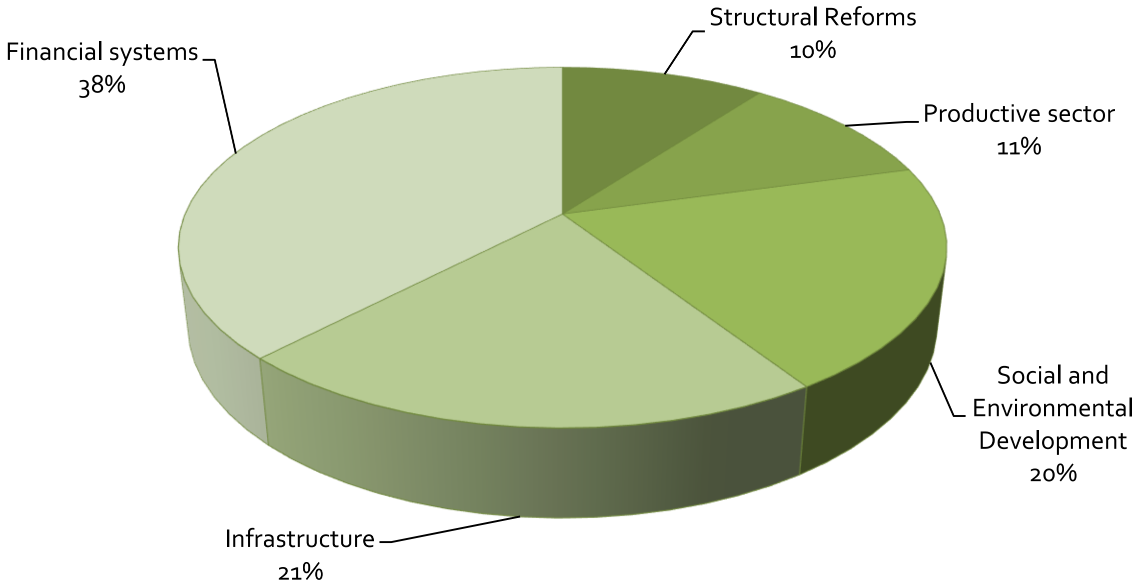
Figure 7: CAF's loan portfolio (in US$ billion), 2006 to 2012



Source: CAF 2012b.

A special feature of CAF is the speed at which its loans are approved—around 3 to 4 months. This is largely because no formal conditions are imposed; also, since CAF has no permanent board, loans are approved by the senior management.

Figure 8: CAF approvals by strategic area, 2012



Source: CAF 2012b.

Over the past 20 years, the institution has diversified its financing toward areas of strategic interest, such as infrastructure, social development, and the environment. At present, 81.1 percent of approvals are directed at infrastructure and social development projects. The range of projects that CAF funds are related to infrastructure for roads, transportation, telecommunications, power generation and transmission, water, and sanitation, as well as projects that encourage development and physical integration between shareholder countries.

Project finance

The term 'project finance' is used to identify a pattern of lending under a structure of limited warranties (limited recourse lending), where resources (debt and equity) provided to finance the project is paid only with the cash flow generated by it. CAF's project financing is aimed at entities seeking financing operations related to the infrastructure sector, and that generally come from concession contracts granted by governments.

Syndicated loans

A syndicated loan consists of a structure in which a financial institution exercises leadership in a credit operation and brings together a group of banks and other institutions (participants) to respond to the needs of a client under the umbrella of a single loan. Under this structure, creditors share the same rights and obligations (*pro rata*).

4.2 Guarantees and sureties

These are used to improve the debt issue credit risk ratings of CAF's clients in order to facilitate access to new markets or investors so that they can obtain financing on their own. Partial guarantees can be used to obtain financing in local and/or international capital markets. This product helps the client obtain the required funding and contributes to the development of capital markets in the region.

4.3 Financial advisory services

CAF provides a wide range of financial advisory services to clients in the private, public, or mixed sectors. The advisory services involve defining and structuring financing plans for projects or companies, assisting the public sector in the design and implementation of public bidding processes for construction, operation and management of infrastructure or public services (public-private partnerships, concessions), assisting the private sector in preparing bids to take part in public bidding processes, and assisting in mergers and acquisitions and company appraisals.

4.4 Equity investments

CAF's equity investments are made in the following forms:

- Through investment funds aimed at the acquisition, possession, management, and sale of fixed or variable income securities of companies or infrastructure projects represented in shares or participation certificates issued by those companies.
- Directly through corporate capital to support the production of goods or the delivery of services.
- Through quasi-capital investments, such as subordinate loans, preferred shares, and loans with an option to be converted into shares.

4.5 Treasury services

CAF offers the following treasury services in Latin America:

- Checking accounts
- Time deposits
- Funds management

The treasury also supports clients to acquire commercial papers or notes issued by CAF in international markets.

4.6 Credit lines

A credit line is a financial tool that limits its customers to request funding for various independent projects during the term of their projects. The amount of the credit line and the terms of each transaction are established by CAF during the evaluation process. Credit lines can be short term (1 year), medium term (1 to 5 years), and long term (more than 5 years). CAF may finance sovereign and non-sovereign operations.

CAF also acts as a second-tier bank, providing credit lines to development finance institutions, private commercial banks or qualified companies in productive sectors of the region, so that they can offer funding to specific groups, such as SMEs.

In 2010, CAF supported shareholder countries during the financial crisis. The institution increased disbursements to more than US$ 1,500 million, granting credit lines to finance several programmes. In addition, it increased financing for foreign trade and working capital as well as helped improve the debt profile and financial conditions of the governments of its shareholder countries. By the end of 2010, CAF's disbursements reached US$ 7,694 million. Forty percent of the year's disbursements were allocated to investment programmes, and the contribution to infrastructure and social development in shareholder countries was one of CAF's main strategic lines. Loans granted to the transportation, storage, communications, electricity, gas and water sectors reached US$ 8, 460 million, representing 61 percent of the year's portfolio. In addition, 11.5 percent of the social development portfolio was concentrated in education, the health sector, and social services.

According to Fitch Ratings, CAF has a high rating in investment grade because of the excellent repayment record on its loans, giving it *de facto* preferred creditor status. The high credit rating of the CAF compared to that of its member countries is due to its high paid-in to subscribe capital. This is an efficient use of countries' reserves, as it allows CAF to borrow at lower terms.

4.7 Technical co-operation

Technical co-operation is a financing tool for innovative operations that have significant impact. It enhances a country's technical capacity and contributes to sustainable development and regional integration. CAF finances specialised projects that improve technical capacity in shareholder countries to generate programmes that contribute to sustainable development and regional integration. In several countries, applications from public entities are prioritised through a single government agency, which co-ordinates external funding for technical assistance programmes within its national or regional development plans. Private sector projects are restricted to trade unions, small and medium-sized enterprises (SMEs) and financial institutions that specialise in supporting SMEs.

5. Priority Areas

CAF's Agenda for Comprehensive Development proposed aims at high, sustained, and quality growth in Latin America. These objectives are based on macroeconomic stability, microeconomic efficiency, and assigning the highest priority to promoting social equity, inclusion, and poverty reduction, while maintaining environmental sustainability. This comprehensive vision is the result of an important research programme on development issues and public policies supported both by the intellectual effort of CAF and by interacting with the public, private, and academic sectors of Latin America. This has evolved into a series of specialised activities that complement CAF's financial and business strategies.

5.1 Infrastructure agenda

CAF's activities in infrastructure aim to improve access conditions by linking the territories of the shareholder countries and of Latin America. In addition, it seeks to develop basic infrastructure in the cities of the region. To achieve these goals, the institution works to develop and disseminate knowledge about new financing mechanisms for public and private investment. The main strategic programmes in infrastructure are:

- Road infrastructure programme
- Sustainable energy programme
- Urban transportation programme
- Information Technology programme
- GeoSur programme
- Ports and airports logistics programme
- Cross-border integration and development programme

5.2 Social development agenda

CAF strategizes comprehensive sustainable development of the region through social and environmental sustainability. Thus, the institution finances projects, programmes and initiatives that have high social impact. It focuses on institutional strengthening, agreement among various actors and enhancing the understanding of social and environmental challenges to achieve these goals. The above practices are achieved by contributing to the development of human capital, incorporating social and environmental dimensions to promote the supply of basic social services, protecting and promoting community and cultural development in the region, and enhancing quality employment for vulnerable groups of the region.

a. **Comprehensive Water Programme.** CAF's strategy for the water and sanitation sectors focuses on supporting its shareholder countries in structuring and financing sustainable programmes aimed at achieving the following objectives:

    - To promote adequate management of water resources by expanding the coverage of drinking water, sanitary sewage, and wastewater treatment services.
    - To strengthen the institutional and regulatory framework to improve the governance, transparency, and performance of the companies or entities that operate these services.
    - CAF's comprehensive territorial development approach aims at improving the living conditions of villagers and small farmers by promoting irrigation and rural development.

b. **Comprehensive Urban Development Programme**. CAF supports its shareholder countries through a comprehensive programme of urban development that aims to improve the quality of life and the living conditions of the population located in marginal urban areas. The programme emphasises urban designs and contemplates investments related to housing, basic sanitation (water and sewers), distribution of rainwater, power and telephone services, paving of access roads, designing and building public areas such as parks or sports facilities, and the improvement and construction of health centres and schools.

c. **Quality of Education Programme**. Quality education is one of the most effective tools for developing human capital, increasing the competitiveness of workers, and advancing social equity. CAF focuses on technical education programmes and projects to meet the demands of the productive sector and improve social infrastructure.

d. **Health Programme.** The healthcare strategic programme is based on the principle of people's right to quality healthcare. The institution partners with shareholder countries in projects to expand and improve the supply of health services, by facilitating access to financing mechanisms and instruments and by implementing systems that exploit synergy between the public and private sectors.

e. **Social Investment Programme.** CAF finances the development plans of member countries by providing long-term loans to their governments to ensure the implementation of public investment projects in various economic and social areas. This effort contributes to the reduction of poverty and improves the populations' quality of life.

f. **Governance Programme.** During 2010, CAF continued to strengthen democratic governance through actions that reinforce efficient institutions and participative societies. The institution bases its strategy on four lines of action: i) to promote ethical behaviour and democratic culture among social actors, ii) to promote the development of institutions with efficient and transparent rules and procedures that are agile in their response to citizen demands, iii) to support decentralisation and citizens' participation processes, and iv) to identify and train natural leaders.

5.3 Social sustainability agenda

CAF supports efforts to strengthen productive capacities and social capital networks and to preserve and promote cultural development as a vehicle for social inclusion.

a. **Programme for Social Inclusion through Music**. This programme has been one of the most important initiatives of CAF and has achieved international recognition. It aims to enhance the skills of children and youth belonging to low-income families.

b. **Programme for Social Inclusion through Sports**. CAF supports various sports training programmes to develop skills. It includes physical development through sports and comprehensive training in skills for life and work. This leads to an improvement in the standard and quality of life of children and youth in Latin America.

c. **Comprehensive Community Development Programme**. This programme encourages projects that focus on sustainability to improve living standards, create opportunities for comprehensive development, and generate social capital for communities. These are achieved through three components. First, the productive component of the programme improves the capacity of low-income communities to generate sustainable income. Second, the social component supports social infrastructure and develops health facilities. Last, the cultural component supports and strengthens the cultural and physical heritage of the region.

5.4 Environment development agenda

CAF develops innovative financing schemes that contribute to increased investment in the environment in the countries of the region. It has developed an environmental management vision to support Latin American countries in building sustainable development that will enable them to migrate to low-carbon economies.

At the same time, CAF seeks to create synergy with the Millennium Development Goals, the United Nations Global Pact, the three conventions of the United Nations on desertification, biodiversity and climate change, and Agenda 21 of Sustainable Development of the United Nations (Río+20).

5.5 Agenda for competitiveness, international insertion and public policies

CAF promotes competitiveness of the economies of shareholder countries, micro-enterprises and other sectors with limited access to financial capital, supports the development of government institutions, contributes to public policy consensus, and supports economic integration and international insertion processes.

a. **Competitiveness Programme**. CAF's competitiveness programme (PAC) promotes competitiveness by enhancing entrepreneurial abilities, improving the business environment, and strengthening productivity. It identifies factors that limit competitiveness in each member country and supports them with necessary projects for welfare and development.

b. **Access to Financing for Micro, Small, and Medium-sized Enterprises**. CAF's strategic objective is to promote access to financing for SMEs through equitable economic development and to maintain equilibrium between the social, environmental, and economic dimensions.

c. **Corporate Governance Programme**: CAF focuses on the promotion of good corporate governance practices in sectors of strategic interest for economies in the region.

d. **Economic and Public Policy Research Programme**. This programme supports researchers in studies and projects related to the economic and social development of Latin America.

CAF has established programmes with specific aims for segments of the private sector that are most strategically important to economic development; among them are the productive, energy, infrastructure, and financing sectors and those with a special focus on aiding MSMEs.

5.6 Community rights and livelihoods

Environmental and social safeguards establish basic references for the development of sustainable and responsible management practices in all operations financed by CAF.

Sustainable development and regional integration are the pillars of CAF's mission. CAF recognises the environment as a link to integrate international, regional, national, and local stakeholders, where the interests, concerns, and attention of the public and private sectors as well as civil society come together.

CAF’s environment strategy places special emphasis on financing projects which are industrial, infrastructure, social, environmental and corporate in nature to the public and private sectors.

a. **National Legislation**. All projects financed by CAF adjust to the environmental legislation of the country where the project is being implemented, as well as to international agreements entered into and commitments made by shareholder countries. CAF requests the application of additional precautions or selects internationally accepted technical standards, where it is deemed necessary.

b. **Assessment of impact, risks, and environmental and social opportunities**. From the beginning of the operations cycle, CAF carries out a review process. It checks for compliance in the environment and social assessment for each project, and oversees the design, identification, and implementation of the management measures.

c. **Institutional strengthening, human resource training, and information**. CAF supports the strengthening of governance and skill development in the institutions, businesses, and social groups associated with its operations. The institution recognises the importance of information exchange and disseminates information pertinent for the environmental and social management of governmental entities, the private sector, and communities.

d. **Conservation of water resources**. CAF supports projects that are geared towards the conservation and sustainable use of water and other resources. It also promotes the integral management of water and river basins.

e. **Prevention of disaster risks**. CAF supports the strengthening of disaster risk management capabilities and vulnerability analysis.

f. **Pollution prevention**. CAF promotes various measures aimed at pollution prevention. It monitors the consumption of natural resources and the pollution caused during the production process.

g. **Cultural heritage**. In areas where there are archaeological or historical treasures, or the sacred grounds of indigenous people, CAF sets conditions when approving projects to competent scientific or cultural institutions and ensures enforcement of the legislation of the respective country.

h. **Ethnic groups and cultural diversity**. CAF oversees the preservation and strengthening of the cultural diversity of the region by ensuring compliance with the participation process required by the laws of each country.

i. **Involuntary relocation or resettlements**. In operations requiring the relocation or resettlement of people, CAF formulates plans that offer similar or better living conditions to the existing communities.

j. **Protection of children**. CAF does not finance projects involving the direct or indirect exploitation of minors.

k. **Gender equity**. CAF ensures gender equity in the operations it finances.

6. Accountability and transparency

CAF seeks to create certain rules and regulations for transparency in public administration and accountability in the use of resources by individuals in positions of authority. At the same time, it offers support to strengthen institutions and improve the quality of decision-making processes, emphasising decentralisation.

6.1 Accountability mechanisms

CAF is currently developing the following programmes in member countries aimed at strengthening democratic governance.

a) **Governance and Political Management Programme**. It aims to contribute to the development of skills and to accelerate the process of change with satisfactory levels of governance at the local government, national and regional levels, and to upgrade the skills of civil society representatives whose function is to concentrate on matters of decentralisation in order to contribute to municipal development.

b) **Leadership for Change Programme**. It identifies potential leaders in the region and prepares the groundwork for a new style of leadership, enriching their value system and helping them to ethically, civically, and democratically become the leaders of the future.

c) **Regional Updating and Improvement of Local Management Programme (PRAMEG)**. Its purpose is to have more efficient organisations with the capacity to plan, manage, and increase their revenues and to co-ordinate their activities. It obtains resources to ensure greater efficiency in rendering their services and in addressing the needs of its citizens.

d) **Communications Media Improvement Programme**. It contributes to the training of journalists by offering refresher courses and provides a forum where regional issues may be debated and analysed. In this way, CAF strengthens the region's governance and one of its main pillars—the communications media.

6.2 Performance monitoring

CAF's solvency is constantly demonstrated by its operating results, the prestige of its loan portfolio, and the constant increase of its total assets and shareholders' equity. CAF's successful performance is a function of its financial strength and strict adherence to conservative financial policies.

A new period of growth was seen after the amendment of CAF's Articles of Agreement on July 9, 2008, when new Latin American and Caribbean countries were admitted as full members of CAF.

Annexure C – Expert Interviewees

Dr Carlos Márcio Cozendey
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Brasília

Mr César Bonamigo
Deputy Chief of the Mission
Embassy of the Federative Republic of Brazil
New Delhi

Mr Mikhail Medvedev
Chief Expert
The Trade Representation of the Russian Federation in the Republic of India
New Delhi

Mr Stefanus Botes and **Mr Mark Reynhardt**
Minister Counsellor (Economic) and Counsellor (Political)
High Commission of the Republic of South Africa
New Delhi

Ms Lise Grande
UN Resident Coordinator and
UNDP Resident Representative in India
New Delhi

Mr Onno Rühl
Country Director
World Bank
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Dr Ian Shapiro
Country Head
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Dr Edgard Rodriguez
Senior Programme Specialist, Supporting Inclusive Growth (SIG)
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Dr Rana Hasan
Principal Economist (Programmes and Development Results)
ADB India Resident Mission
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Mr Arunish Chawla
PS to Deputy Chairman
Planning Commission, Government of India
New Delhi

Dr Sudipto Mundle
Member
Fourteenth Finance Commission, Government of India
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Mr Navin Agarwal
Director (Multilateral Relations Division)
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Mr Amitabh Behar
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2nd December 2013, ICRIER, New Delhi

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The Trade Representation of the Russian Federation in the Republic of India
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