

Regional Development Banks in Comparison

In a study that contributes to IR and IPE theory, Ruth Ben-Artzi raises substantive issues relating to aid, development, international relations and globalization. Regional development banks (RDBs), designed by politicians and economists to maneuver through labyrinths of economic, social, and political development, possess the potential to be central players in the long-term planning involved in healing and advancing poverty-plagued regions. However, RDBs in particular have received little attention. With a systematic analysis comparing four central regional development banks, this book explores why there's a variation in strategy despite similar institutional design. The formal arrangements and *raison d'être* of RDBs are to assist developing countries in the process of poverty alleviation – a task that is often a risky investment. Focusing on the dichotomy between their banking and development roles, Ben-Artzi demonstrates that RDBs are potentially critical catalysts in the fight against poverty, even with their institutional limitations.

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Banking Strategies versus Development Goals

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Preface

My interest in international organizations, development, and aid began long before graduate school. While an undergraduate student at the University of Haifa in Israel, I joined the Society for International Development (SID), an international NGO (nongovernmental organization). I quickly became very involved in the Israeli chapter of the organization, founded its local Youth Chapter, attended international conferences on its behalf, and, with the organization's support, helped draft Israel's report on the status of women for the UN's Fourth World Conference on Women.

At the time, I found the subfield of international political economy a refreshing revelation: growing up in Israel, where conflict is a constant presence, and having served in the Israeli Defense Forces (IDF) during the first Intifada and the first Gulf War, I was enamored with approaching the study of international relations from an angle of cooperation. I became interested in interactions between states and nonstate global actors that did not constitute war or conflict. It struck me that in the post-Cold War world that was just emerging, understanding global relations between countries and societies through the lens of inequality and cooperation could provide more enduring policy solutions for conflict.

I further developed this interest after graduation, when I took a research assistantship at the Development Centre of the Organization for Economic Cooperation and Development (OECD) in Paris. In that capacity, I helped create a directory of European NGOs that work in the field of development, attended Inter-American Development Bank and Asian Development Bank conventions, Development Assistance Committee (DAC) deliberations, and many lectures on sustainable

development. Although I did not know then that my dissertation research and subsequent book would focus on the Regional Development Banks, I was certain that in my graduate work I would explore the role of international institutions in remedying global inequalities.

During the same period, the Oslo Accords between Israel, the Palestinian Authority, and the US were signed and their implementation begun. With the cautious optimism that followed this agreement, many thought the Israeli-Palestinian conflict might be heading for a resolution, and I learned that a “blue print” was being developed for a Middle East Development Bank. As the only developing region without a dedicated development bank, I questioned whether a development bank could help foster cooperation among Middle Eastern countries, and who would benefit from such a bank.

By the time I had to articulate a dissertation topic in graduate school, it was clear to me that RDBs warranted further examination: A detailed comparative analysis of these banks would provide necessary insight into the expectations we should have from development banks in general, and a potential Middle Eastern Development Bank, more specifically. At this writing, a Middle East Development Bank seems more unlikely than ever, but other development banks – such as the New Development Bank (NDB) and the Asian Infrastructure Investment Bank (AIIB) – have emerged, or are in the process of being created. In fact, the model of “development banking” has expanded rather than contracted, despite widespread anti-IFI (international financial institution) protests in the early 1990s (e.g., the “Fifty Years Is Enough” campaign). In this respect, I hope that a deeper understanding of these institutions would facilitate more careful planning and realistic objectives when new development banks emerge.

Acknowledgments

As a SID member-activist, during my year at the OECD Development Centre, and later in graduate school, while I was conducting research for my dissertation, I met many individuals who work in international and development institutions and affiliated agencies. Most of them are passionate about the work they do. Some are truly idealistic, while others are “recovering idealists” – those who had high hopes but have come to terms with the limitations of international institutions. All were extremely knowledgeable about their respective organizations, development and aid, and the policy preferences of their home states. They generously shared their experiences and insights. My deepest gratitude goes to these practitioners from whom I have learned a great deal and without whom I would not understand how development institutions work. I am especially indebted to Henny Helmich whom I first met during my SID days, and who was later my supervisor at the OECD Development Centre. Henny’s mentorship during my year at the OECD and beyond helped shape my grasp and views on development aid. He facilitated my attendance at special meetings for the IDB and AsDB, peer reviews of the Development Assistance Committee, and made possible my appointment as a Development Centre UN observer while I was in graduate school, which exposed me to UN meetings and briefings.

Later, when I was doing research for my dissertation, Leo Harrari, at the IDB Special Office in Paris, provided access to data not publicly available, as well as many great stories. A few years later, Carlos Jarque filled in some of the missing pieces and also recounted some important examples from his days in the Mexican government. Many other IDB staff in the Washington, DC, headquarters and the Paris office patiently

answered my questions with important insights. At the EBRD, I received a similar warm welcome during my research visits, including a peek into the Penthouse designed by Jacques Attali. Scholars at the OECD Development Center helped me understand the AsDB and AfDB, especially Jean Claude Berthelemy; AsDB and AfDB staff members visiting the OECD were generous with their time, and officials at both development banks provided detailed answers to my written questions.

But I would not have considered pursuing a PhD and going into academia without the guidance of Zeev Maoz, who was an exceptional mentor when I was an undergraduate student. He is responsible for my introduction to the study of international relations and with his encouragement and steadfast support I went to graduate school. As his research assistant, first at the University of Haifa and then at the Jaffe Center for Strategic Studies in Tel Aviv University, I learned more about how to conduct research and how to work diligently, than from any instructor in any class I have ever taken. Zeev's dedication to high quality scholarship and to mentoring students is inspiring. Naomi Chazan was also an early mentor, setting an example – and a high bar – as a scholar and teacher, an activist, a politician, and, above all, a strong woman.

In graduate school at Columbia, I was fortunate to have fantastic dissertation advisers. Helen Milner, especially, pushed me to ask tougher questions and skillfully guided me through the dissertation research and writing process to its completion. Her professionalism and prompt responses to inquiries as well as extremely quick turnaround of drafts of chapters I gave her kept me on my toes. Charlie Calomiris, challenged me to examine some of the questions I was asking in a more complex, refreshing way, and even when we didn't agree, our conversations challenged my thinking and improved my clarity. David Epstein helped identify data and guided me through its analysis. David Baldwin gave me some of the soundest advice, early on, which remains relevant: he said that at certain junctures, time spent stepping back and assessing the “big picture” – what I am actually trying to say – is more productive than racing with data collection, analysis, and writing.

I was also lucky to have a wonderful cohort of friends in graduate school. Never having lived in NYC and arriving alone from Israel only two weeks before the start of classes, not knowing anyone in the city, I would have been completely lost without these friendships. Not all were in my field of IPE and some were ready to graduate when I arrived, while others started their doctorate with me or after me. Our group at Columbia

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was smart, fun, and supportive. Many of these friends have published books that I proudly display; they remind me of the intellectual impact of my peers on my own thinking. These friends are many more than I can mention, but most notably, Shylashry Shankar, Shanker Satyanath, Samir Awad, Amitabh Dubey, Tim Buthe, Stacie Goddard, Ron Krebs, Allison Kingsley, Evan Reznick, Eleonora Passoti, Megumi Naoi, Roger Schoenman, and Dawn Brancati.

This work has received institutional support, without which I would not have been able to carry out the research. Columbia University's Presidential Fellowship and the Political Science Department, The Chazen Center for Business Education at Columbia, and Sciences Po in Paris, all provided funding during the dissertation-research phase of this project. The University of North Carolina (Wilmington) graciously hosted me as I was completing the writing of the dissertation, and the Browne Center for International Relations at the University of Pennsylvania generously supported me while I prepared my dissertation for deposit and transitioned to a post-Doctoral life. At the Browne Center, Ed Mansfield was a guide, a friend, and studious critic of my work – at a time I needed it most.

Others who read earlier versions of parts of this book, were generous with their time to discuss theory, methodology, findings, development banks, book-writing strategy, and facilitated my ability to complete the book, include Joseph Stieglitz, William Easterly, Mark Blyth, Mike Tierney, Christopher Kilby, Tanisha Fazal, Barbara Upton, Dan Miodownik, Lilach Nir, Shirli Kopleman, Pauline Luong-Jones, Rebecca Weitz-Shapiro, Tulia Falleti, Melani Cammett, Doug Blum, Susan McCarthy, Bill Hudson, and Carly Iafrate. Also, participants at the IGERT symposium at Columbia (2004), fellow panelists and discussants at the 2005 ISA and APSA annual meetings, and attendees at my talk at the University of Pennsylvania's Browne Center that same year, all provided important insights, critiques, and asked questions that helped shape this book. I am particularly indebted to Dawn Brancati and Lisa Minca for their expert instruction in statistical analysis. My research assistants at Providence College – Cara Bragg and Shannon Hulst – diligently examined annual reports of RDBs and helped me update some of the data for this book.

For support during the long process of transforming my dissertation to this book, including conducting substantial additional research, I am thankful to Providence College's institutional backing, and particularly to my colleagues at the political science department who patiently waited

for this book to come to fruition. Lewis Bateman at Cambridge University Press has been extremely supportive over these years and brought this book to the production phase. Robert Judkins and Claudia Bona-Cohen of CUP guided me through the book's production, and the two anonymous reviewers who read this manuscript provided immense guidance: their suggestions have notably improved this book and for that I am extremely grateful. I hope this final product lives up to their expectations and the expectations of colleagues who advised, read, and remarked over the years; all errors, of course, are my own.

Finally, institutional and peer support alone would not have been sufficient resources for completing this book. As a mother of three whose children were all born during the time I was working on this project while at Providence College, I would not have succeeded in combining family and work if it were not for a phenomenal network of parents, babysitters, and teachers who are my community. To all my friends and child-care providers who, on many occasions, took my kids to day care and school, picked them up, fed them, played with them, and have generally been my compass – pointing me to what is most valuable – I am enormously appreciative.

My family in Israel has always, lovingly, motivated me to push a little more. My grandparents, Moshe and Dvora Kestler, knew I was working on a book before they passed away, and were so proud and encouraging. They never questioned or doubted and were my safety net. My father, whose academic work ethic is inspirational, and my mother, who is not only sincerely interested in my research, but also spends time searching for news reports and clipping them for me, making sure I don't miss any commentary on development banks, have both been a source of encouragement throughout these years. They have also been dedicated grandparents, by far their most important role. My brothers and sister-in-law have all, at various times and in various cities, provided company, laughs, meals, and overall intelligence – and kept me grounded.

I could not have married into a more loving and supportive family. My father-in-law and his wife and my sister-in-law have always taken an interest in my work and knew when not to ask if the book was finished. My husband's extended family welcomed me into their homes for holidays, weekends, and many festive celebrations. They have supported our family in innumerable ways, have been the most awesome aunts, uncles, and cousins to our kids, and have made it easy for me to adopt America as my new home.

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My kids – Tomer, who is now old enough to flip through the pages of my manuscript and ask questions; Sivan, who is so excited that I have been working on a book that she decided to write one herself; and Oren, whose first birthday we are about to celebrate as I write these words – always come first. They have changed my life and showed me what is most precious. I love you and nothing is more important to me than your happiness. But it would not be possible for me to enjoy my family and complete this book without the unswerving love and support of my husband, Andrew, to whom this book is dedicated. He has made more sacrifices with his time and career than I can count, and he accompanied me in this journey from the beginning – from my early days in graduate school, when we first met, through the tribulations of writing a dissertation – and finishing it, multiple moves, job searches, pregnancies, infants, family deaths, happy and difficult times. Andrew read so many drafts of this book that he could probably recite it in his sleep. He’s been my biggest advocate and toughest critic. Not having written a paper in English until I arrived in graduate school, he taught me how to become a better writer and more precise thinker. And he did all that and sustained the home front while holding a full time job. Balancing family with an academic career would be impossible without this genuine partnership that we have. I owe Andrew my love and thanks – for making it all possible.