

CIMA- Chartered Institute of Management Accounts

13th Annual Business Conference

Theme: Emerging World Order: Implications on business,
developing countries and global sustainability

Governance in Multi-Lateral and Regional Institutions :

Does Zambia have a say ?

By
Caleb M Fundanga
President
Institute for Finance and Economics

DEFINITION

Multilateral Development Banks (MDBs)

Are institutions created by a group of countries that provide financing and professional advise for the purpose of development, MDBs have large membership including both developed (donor) countries and developing (borrower countries).

International Financial Institutions (IFE)

Are financial institutions established by more than one country.

They are subject of international law.

Ownership is generally national governments.

The largest IFIs, today are ;

-European Investment Bank (balance sheet of € 573 b in 2016) .

-World Bank (IBRD) and International Development Association (IDA) [World Bank Assets in 2014- \$ 358 b, IDA] Assets in 2014 \$ 183 b.

Main MDBs

- World Bank (IBRD)
- European Investment Bank (EIB)
- Islamic Development Bank (IDB)
- Asian Development Bank (ADB)
- European Bank for Reconstruction and Development (EBRD)
- Development Bank of Latin America (CAF)
- Inter America Development Bank (IDB, IADB)
- Africa Development Bank (AFDB)
- New development Bank (NDB)
- Asian Infrastructure Investment Bank (AIIB)



Institute for
Finance and
Economics



World Bank



Institute for
Finance and
Economics



IMF



Institute for
Finance and
Economics

AfDB

There are also sub-regional development banks

e.g

- Caribbean Development Bank (CDB)
- Central American Bank for Economic Integration (CABEL)
- East African Development Bank (EADB)
- West African Development Bank (BOAD)
- Blacksea Trade and Development Bank (BSTDB)
- Economic Cooperation Organisation Trade and Development Bank (ETDB)
- Euroasia Development Bank (EDB)
- African Export and Import Bank (AFRIEXIM Bank)
- Trade and Development Bank (ADB) (formerly PTA Bank)

MDB common ownership structure

Government take ownership stakes based on some measure of size of the economy (usually GDP).

Afriexim Bank is an exception in the sense that apart from foreign governments, central banks, Africa commercial banks, foreign banks and individuals as well as African companies and individuals can take equity in the bank.

In all these organisations voting power is determined by the percentage of share holding which is in turn determined by the size of the economy (GDP). Due to this criteria the USA usually has the highest share holding in organisations it belongs to.

BRETTON WOODS INSTITUTIONS

These were established after World War II to assist in the reconstruction of Europe and provide mechanism for international cooperation in managing the global financial system. The institutions belonging to this group are:

- International Monetary fund IMF (1944)
- International Bank for Reconstruction and Development, World Bank (1944)
- International Development Association, IDA (1960)
- International Center for Settlements of Investment Disputes (1966)
- Multilateral Investment Guarantee Agency, MIGA (1988)

Bilateral Development Banks and Agencies

- The Netherlands Development Finance Company (FMO)
- The German Investment Corporation (Deutch Investitions Und
Entwicklungs Gessellschaft)
- The French Development Agency and Caisse des dépôts (est. 1816)
- CDC group

Other Financial Institutions

BIS- Bank for International Settlements- Basel, Switzerland.

EIB- European Investment Bank - Luxembourg

IIB- International Investment Bank- Moscow, Russia

NIB- Nordic Investment Bank- Helsinki, Finland

BSTDB- Blacksea Trade and Development Bank- Thessaloniki, Greece

Governance in MDBs

Three tier governance structure consists of:

- Board of Governors (mainly ministries of Finance + central bank governors)
- Board of Directors (composed of the CEO (chairman) and Executive Directors representing various constituencies)
- Management of each MDB led by the CEO and other senior officials

Boards of governors.

These meet twice per year for the World Bank and IMF- during spring meetings, April in Washington DC and during Annual General Meetings in October in Washington DC or the capital of a host country. Other MDBs have one annual general meeting.

Boards of Directors

- The CEO of each MDB is the chairman of the board.
- Member countries are represented by Executive Directors (EDs) representing different constituencies. The USA and other big economies control constituencies of their own because of large shareholdings . Small countries are clustered together.
- Big countries control the decision making process in these boards.

Management of MDBs

- World Bank president is normally a USA citizen
- IMF Managing Director is normally a European. The French have held their portfolio more than other countries.
- For other MDB, regionally significant countries determine CEOs but the global powers usually have a big say in the election of the CEOs.
- With emergence of china as a global power Chinese nationals are increasingly getting senior roles in both the IMF and world bank.
- In the Asia Development Bank, Japan has always provided the president .
- Zambia once had a president at the Africa Development Bank.

Power in MDBs

- This resides in the G20 who are the largest shareholders in both the IMF and World Bank.
- Influence of G20 countries is evident even in regional development banks.
- Various reform proposals in the past have failed to change this structure.
- Current reforms by eminent persons group of G20 has far reaching reforms.

Does Zambia benefit from these arrangements ?

- Zambia has over the years obtained financing facilities from all the MDBs she belongs to.
- Zambian nationals have held senior positions in some of these institutions:
 - Willi Mungomba was president of the AFDB
 - Justin Zulu was Director at the IMF for over 25 years
 - Other Zambians have held senior positions such as Executive Directors. Recently Zambia had EDs at the IMF, World Bank and AFDB.
- Larger benefits lie in Zambia meeting IMF reforms programs, currently this has been problematic.

END