

# **Lecture 3**

# **Global and Regional**

# **International Organizations**

## **Part 2**

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# **Regional International organizations**

Part 2

# Regionalization and Regionalism

- **Regionalization** is defined as an increase in the cross-border flow of capital, goods, and people within a specific geographical area.
- It develops **from the bottom up** through societally driven processes coming from markets, private trade, and investment flows, none of which is strictly controlled by governments.
- The core players are **non-governmental actors**—firms or individuals.
- Regionalization can be called a **spontaneous, bottom-up process.**
- The “development of regionalization” means an increase in the number of regional economic transactions such as money, trade, and foreign direct investment (FDI).
- Regionalism is defined as a political will (hence “ism” is attached as a suffix) to create a **formal arrangement among states** on a geographically restricted basis.
- Its main participants are **governments.**
- Regionalism can be expressed as an **artificial, top-down process.**
- “Regionalism in progress” refers to the agreement of regionally close governments to establish kinds of formal institutions such as the Asia Pacific Economic Cooperation (APEC) Forum, the East Asia Summit, or bilateral preferential trade agreements (PTAs) in order to cooperate with each other on various issues.

# Globalization and Regionalization

Can these processes develop in parallel or are they at odds?

The European Union, as the most successful regional grouping in the world today, illustrates both **the potential** and **the limitations** of such organizations.

- In one sense, Europe has been in the vanguard of globalization, **eliminating traditional barriers** to the movement of labor, goods, and capital;
- but in another sense, the EU can be seen as **a protective response to global demands**, and an attempt to safeguard Europe's cultural identity.

Regionalism and Globalization: The Case of the European Union

Article in Perspectives on Global Development and Technology · September 2005

Mikhail Molchanov, American University of Sharjah

# From Globalization to Regionalization

<https://yaleglobal.yale.edu/content/globalization-regionalization>

Joergen Oerstroem Moeller, October 30, 2018

- As globalization loses its allure and the US global power declines, nation-states may turn to regionalization **to safeguard interests;**
- For decades, the United States had been the global financial center even if paradoxically it ran a savings deficit up to 4 percent of GDP. Countries with savings surpluses trusted US financial institutions, and this lucrative business amplified American financial power.
- The USA benefited from economic globalization, but the country's share of global GDP is in decline – from 38 percent in 1970 to 32 percent in 2000, 28 percent in 2008 and today at 22 percent.
- **The global supply chain is gradually giving way to regional chains, particularly in Asia.**
- Recently the Asian Development bank published figures suggesting that Asia's **intraregional trade** rose in 2016 to 57.3 percent of all trade – up from 55.9 percent as an average in the preceding five-year period.
- **Foreign direct investment** within Asia rose to \$272 billion with **intraregional FDI** increasing its share from 48 percent in 2015 to 55 percent in 2016.

# Inter-regionalism

Inter-regionalism is a phenomenon linked to regionalism.

Once a regional state-led agenda and architecture is constructed (e.g., the EU, ASEAN), regions reach out to other regions to facilitate building of linkages.

An example of inter-regionalism - the **Asia-Europe Meeting (ASEM)**, which was established in 1996 by 25 countries from Asia and Europe, along with the European Commission. Currently embraces 50 countries.

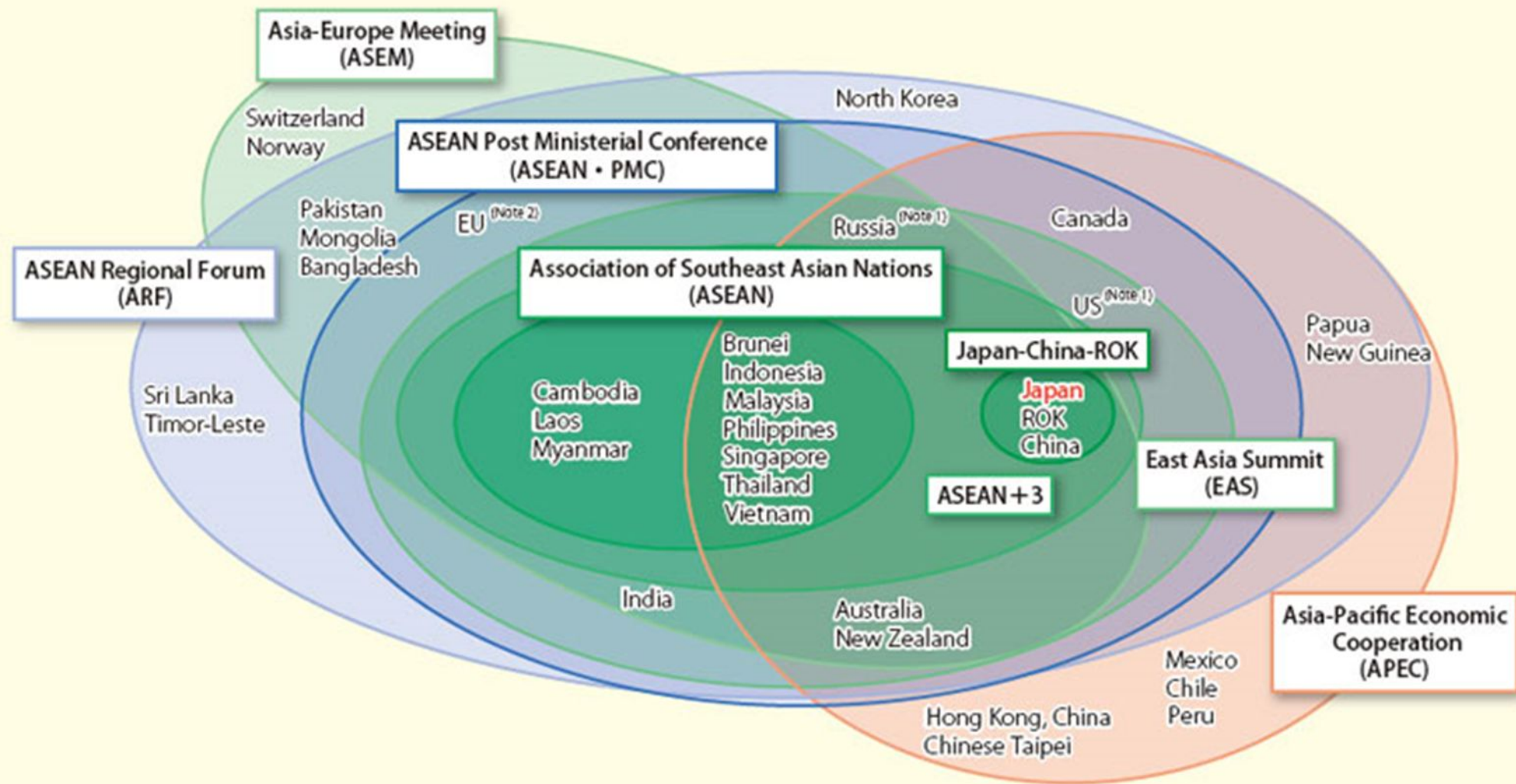
The logic behind ASEM is to build society-to-society ties between Asia and Europe, **sharing best practices of regional integration**.



## ASEM Membership

|   |   |  |
|---|---|--|
|  Australia             |  Hungary           |  Pakistan         |
|  Austria               |  India             |  The Philippines  |
|  ASEAN Secretariat     |  Indonesia         |  Poland           |
|  Bangladesh            |  Ireland           |  Portugal         |
|  Belgium               |  Italy             |  Romania          |
|  Brunei Darussalam     |  Japan             |  Russia           |
|  Bulgaria              |  Republic of Korea |  Singapore        |
|  Cambodia              |  Laos              |  Slovakia         |
|  China                 |  Latvia            |  Slovenia         |
|  Cyprus                |  Lithuania         |  Spain            |
|  Czech Republic        |  Luxembourg        |  Sweden           |
|  Denmark               |  Malaysia          |  Switzerland      |
|  Estonia             |  Malta           |  Thailand       |
|  European Commission |  Mongolia        |  United Kingdom |
|  Finland             |  Myanmar         |  Vietnam        |
|  France              |  The Netherlands |  |
|  Germany             |  New Zealand     |  |
|  Greece              |  Norway          |  |

## List of Major International Frameworks in the Asia-Pacific Region

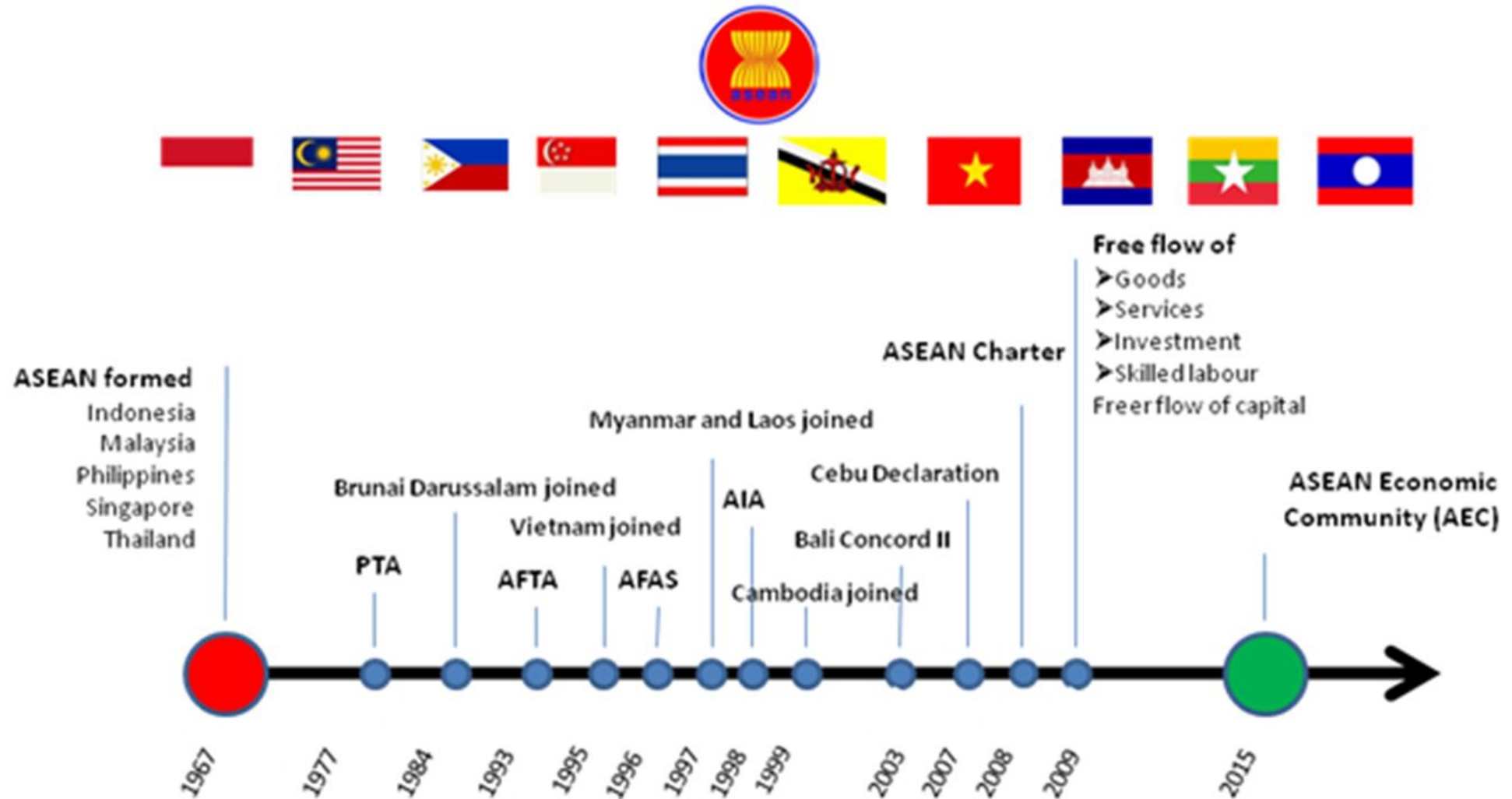


Note 1 : Officially joined EAS since 2011.

Note 2 : Both the European Union and the 27 EU member countries are the members of the ASEM.



# Association of South East Asian Nations (ASEAN)



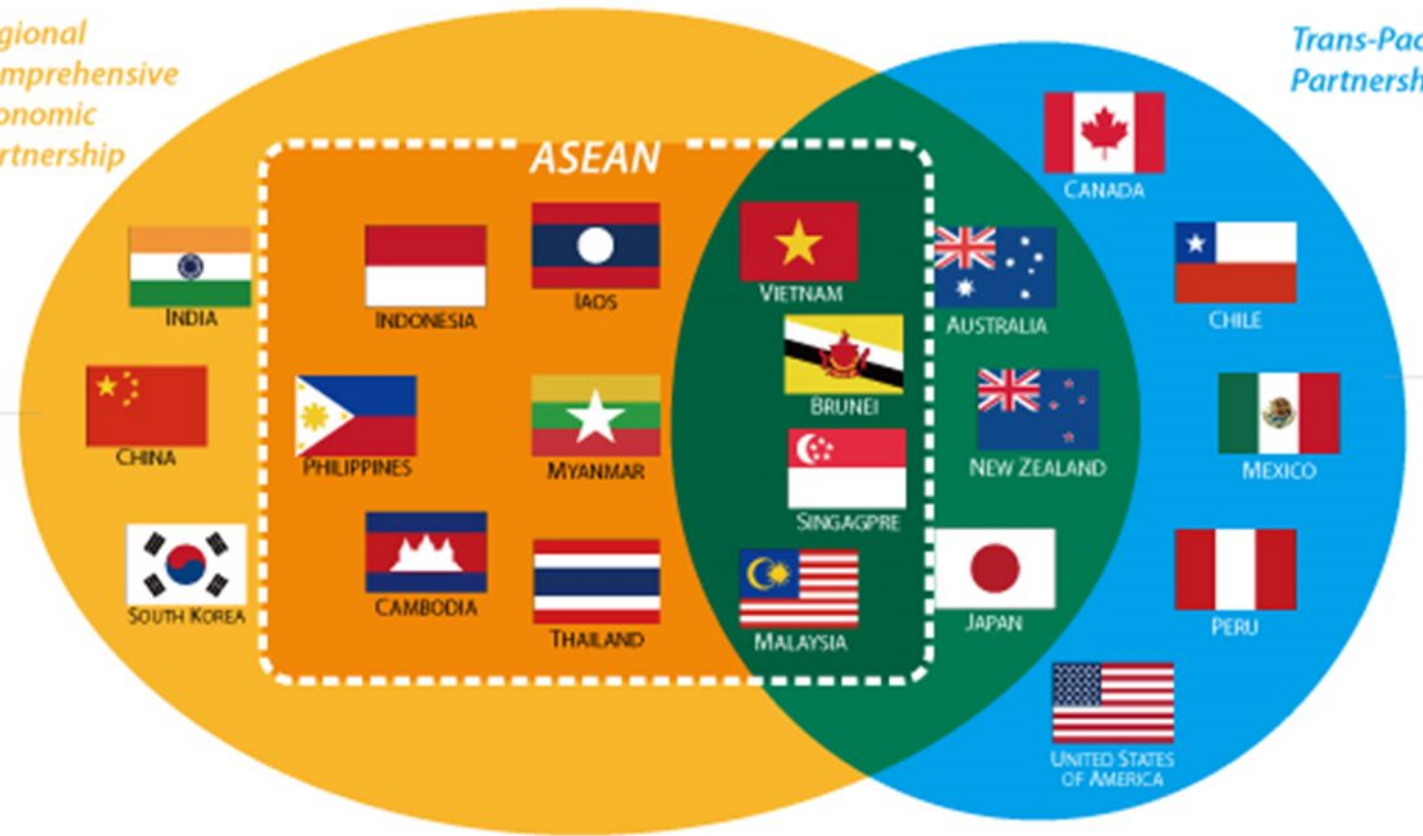
ASEAN, China, Japan, India, Australia, South Korea and New Zealand (**ASEAN+6**) plan for the largest trade deal that would cover about half the world's population

ASEAN's Regional Free Trade Agreements (Proposed)

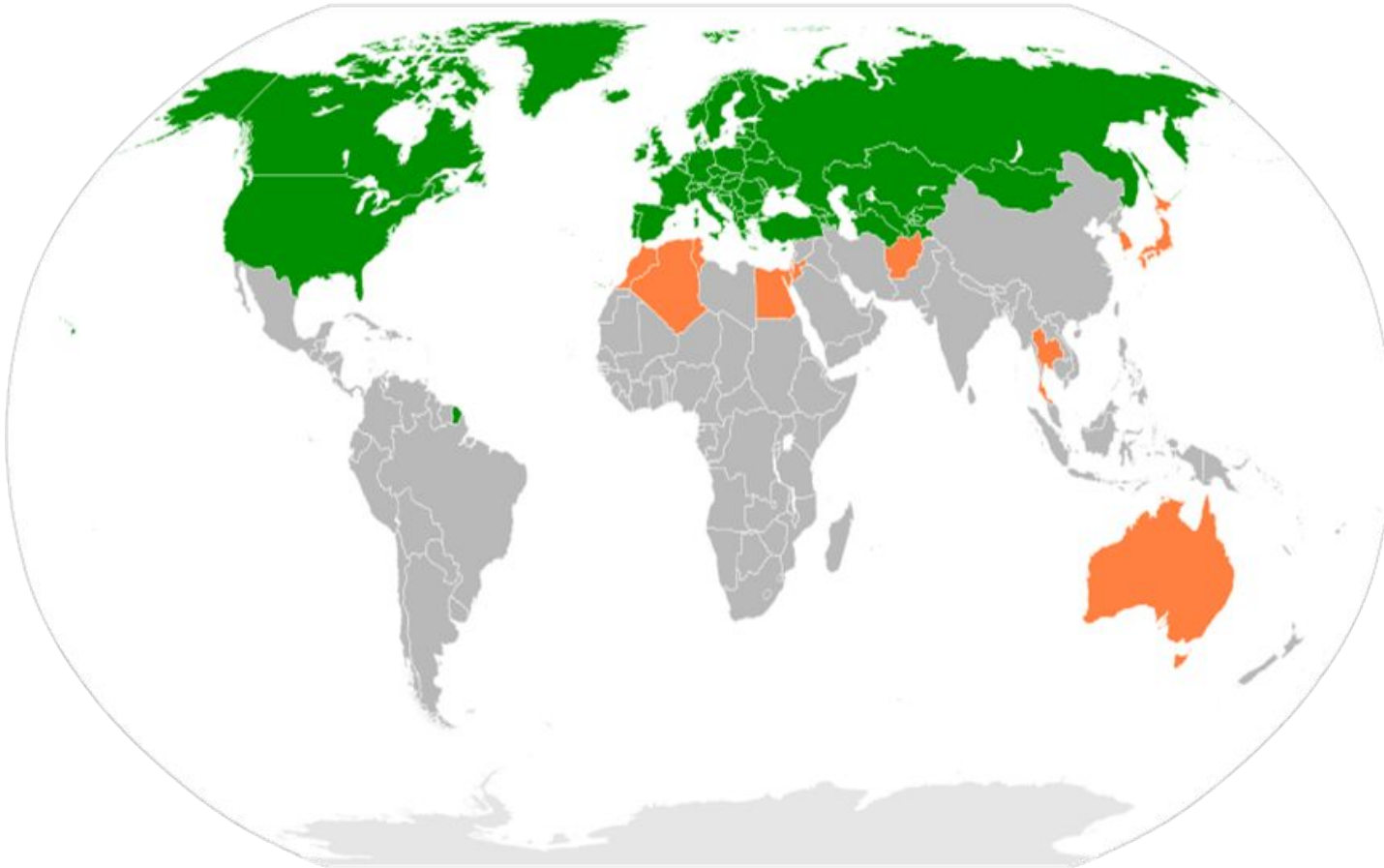


Regional Comprehensive Economic Partnership

Trans-Pacific Partnership



# Organization for Security and Cooperation in Europe (OSCE)



57 member countries  
11 partner countries

# Regional Development Banks

Regional development banks emerged mostly in 1960-s in Asia, Africa and Latin America to address specific development agenda and promote cooperation between countries in these regions.

Reasons for the occurrence:

- Disintegration of the colonial system, gaining of political independence, increased global development role of developing countries, and their struggle for the new economic order;
- The need to address regional challenges that are not always adequately taken into consideration;
- Enhanced regional cooperation and economic integration between developing countries to collectively address challenges of national economies, and stand up to foreign competition;
- Redistribution of the main flow of foreign private investment to developed countries causing their replacement in developing countries with public foreign investment, and the latter – with the international one

# Regional Development Banks



Европейский банк реконструкции и развития / European Bank for Reconstruction and Development (EBRD / EBRD)



Азиатский банк развития, АзБР (Asian Development Bank) Африканский банк развития (АфБР) / African Development Bank



Межамериканский банк развития (МаБР) / Inter-American Development Bank (IADB/)



Евразийский /банк развития (ЕАБР)

## Features in common:

- Shared objectives following from the needs of developing countries;
- About 1/3 members of development banks **are developed countries**;
- Similar procedures for asset holding, mobilization of resources to special-purpose funds, lending policy largely **similar to the World Bank Group**.

# Inter-American Development Bank (IADB)



- The oldest and largest regional multilateral development institution in Latin America, established in 1959 with Headquarters in Washington D.C. (USA).
- IADB goals:
  - Assist in the regional development in member countries
  - Facilitate the development of manufacturing and other enterprises in Latin American countries
  - Provide assistance to private foreign investment
  - Facilitate poverty and environmental pollution reduction
  - Implement social reforms
  - Foster modernization of public administration and economic integration
- IADB members include **48 countries**: (26 regional borrower countries – Latin American states, and 22 non-regional member countries).
- **The IADB supreme body** is the Board of Governors comprising representatives from member countries (usually ministers of finance or central bank governors)
- Unlike other international financial institutions such as the World Bank, member countries are the main IADB shareholders. Their joint share is above 50% while that of the USA makes up 30%.
- In addition to its own funds, the IADB also attracts financial resources from other international institutions, as well as private capital from domestic and global capital markets.



AFRICAN DEVELOPMENT BANK GROUP

Established **in 1964** as an international regional financial institution to provide lending to economic and social development programs in African countries.

**Bank goals:**

- Contribute to the economic and social development of regional members – African countries; Promote financing of investment programs and projects;
- Support public and private investment;
- Organize financing implemented by the Bank together with bilateral and multilateral development institutions;
- Provide technical assistance to countries – regional members in the preparation of development projects.

**Bank's shareholders:**

- **53** regional members (all African states except Libya)
- **25** non-regional members (USA, Japan, China, Canada, Brazil, India, West European countries, etc.)
- **AfDB funding sources include:**
  - AfDB equity capital formed through stock subscription by member states;
  - Funds generated from repayments on AfDB loans; Borrowings from international capital markets; Revenues generated from AfDB-extended loans

**Supreme body** – Board of Governors that elects the President, Vice-President, and Administrative Council. All financial operations are supervised by the Administrative Council.

**Loans are extended to governments of AfDB member countries, their public or private enterprises, and organizations from other African countries on condition of mandatory guarantees from the government of the given country.**

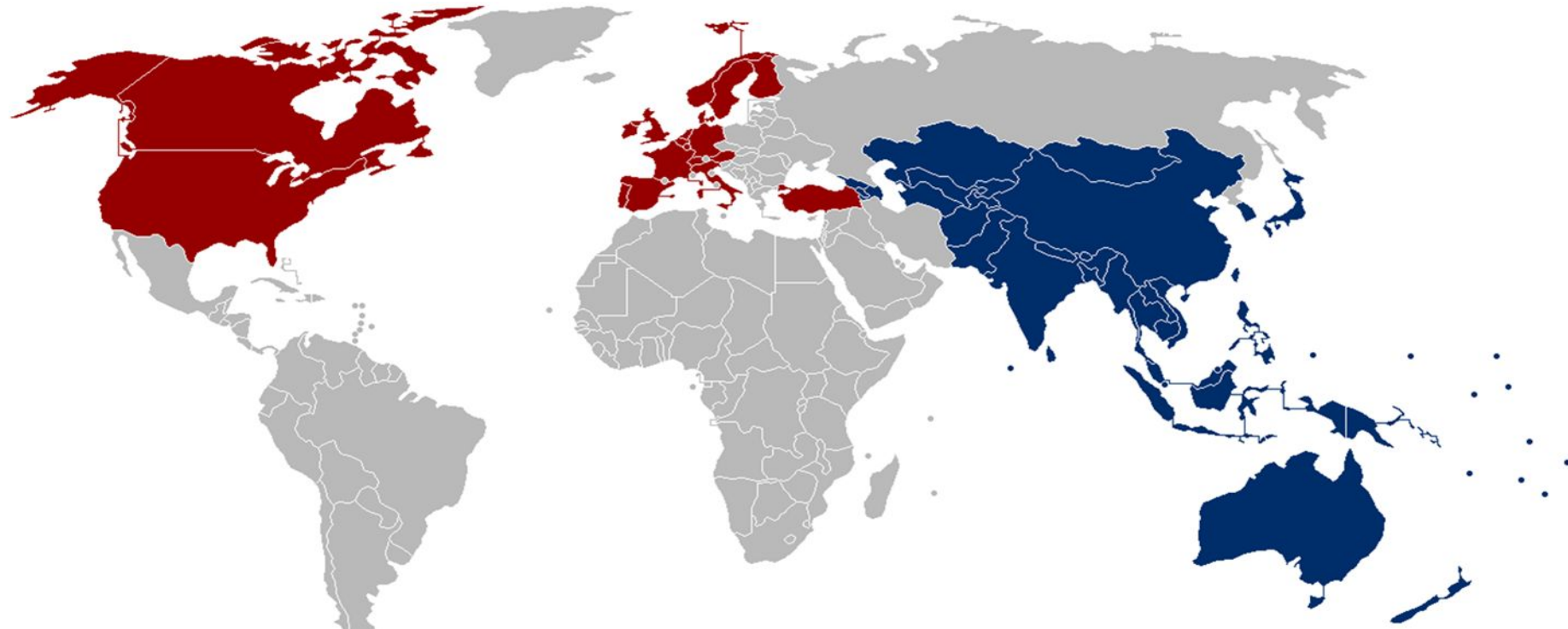
# Asian Development Bank (ADB)



International financial development institution established **in 1966** to facilitate economic growth in Asia and the Far East through providing direct lending and technical assistance to these regions. The Headquarters is based in Manila (Philippines)

Objectives:

- Facilitate economic development and regional cooperation, Contribute to poverty reduction,
  - Support human resource development, Foster women's empowerment, Contribute to environmental protection efforts, Assist in the development of economic infrastructure, Support restructuring of financial and corporate sectors, Facilitate social development in ADB member countries, Assist in the development of private sector, above all, medium and small businesses.
- **67 member countries: 48 regional and 19 non-regional members**





| Non-borrowing Shareholders | Shareholdings (2015)* |
|----------------------------|-----------------------|
| Japan                      | 15.6%                 |
| United States              | 15.5%                 |
| Australia                  | 5.8%                  |
| Canada                     | 5.2%                  |
| Republic of Korea          | 5.0%                  |
| Germany                    | 4.3%                  |
| France                     | 2.3%                  |
| United Kingdom             | 2.0%                  |
| Italy                      | 1.8%                  |
| Others                     | 9.0%                  |
| <b>27 Countries</b>        | <b>66.7%</b>          |

| Borrowing Shareholders     | Shareholdings (2015)* |
|----------------------------|-----------------------|
| People's Republic of China | 6.5%                  |
| India                      | 6.3%                  |
| Indonesia                  | 5.5%                  |
| Malaysia                   | 2.7%                  |
| Philippines                | 2.4%                  |
| Pakistan                   | 2.2%                  |
| Thailand                   | 1.4%                  |
| Bangladesh                 | 1.0%                  |
| Others                     | 5.4%                  |
| <b>40 Countries</b>        | <b>33.3%</b>          |

# ADB

## Instruments

Loans are offered from two sources: ordinary capital resources and a special fund:

□ **The ordinary capital fund provides loans on commercial terms**, i.e., at a market rate and for shorter term, usually 15-25 years.

□ **The special fund offers longer term loans – for 25-40 years, at a soft lending rate (1-3 %)**. The grace period for loans from the ordinary fund makes up 3-5 years, for those from the special fund – usually 10 years.

□ Other ADB instruments include **technical assistance, guarantees and subscription of stock**

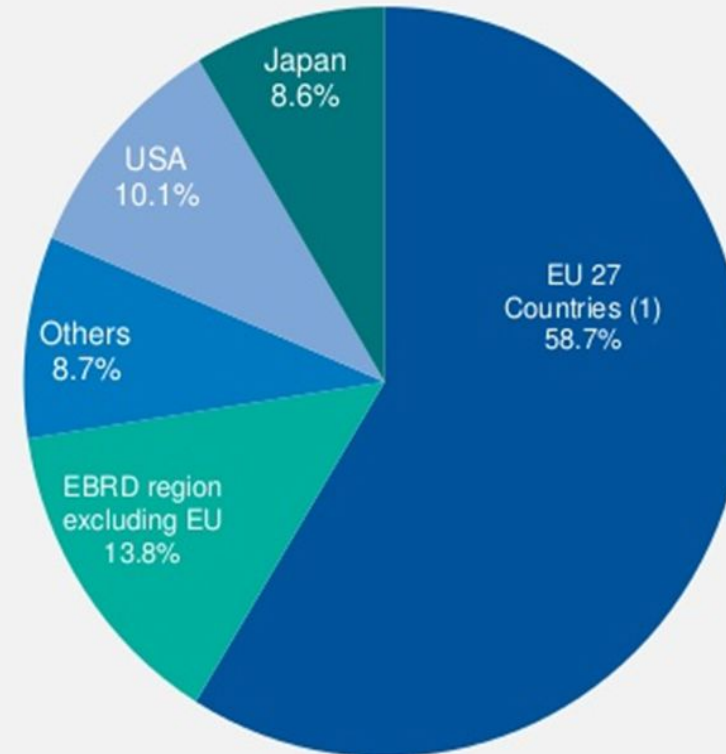
The ADB funds are generated from:

- contributions of member countries (7% of the authorized ADB capital making up about USD 55 billion),
- borrowings on the international bond market,
- lending revenues.

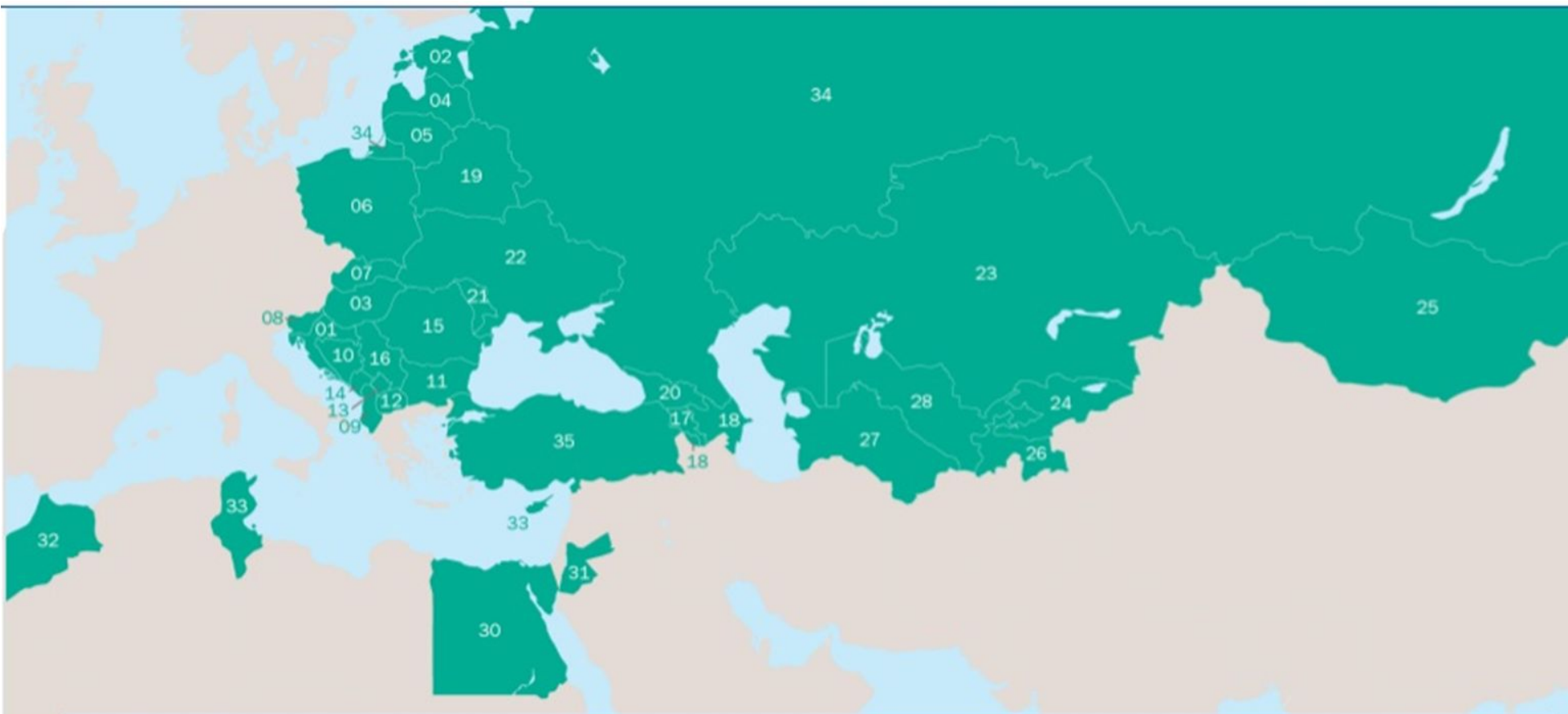
|                                       |   |                     |
|---------------------------------------|---|---------------------|
| Project Name                          | Tashkent Province Water Supply Development Project  |                     |
| Project Number                        | 46135-004   |                     |
| Country                               | Uzbekistan  |                     |
| Project Status                        | Approved  |                     |
| Project Type / Modality of Assistance | Loan  |                     |
| Source of Funding / Amount            | <b>Loan 3457-UZB: Tashkent Province Water Supply Development Project</b>  |                     |
|                                       | Asian Development Fund  | US\$ 120.90 million |
| Strategic Agendas                     | Inclusive economic growth   |                     |
| Drivers of Change                     | Governance and capacity development<br>Knowledge solutions<br>Partnerships<br>Private sector development  |                     |
| Sector / Subsector                    | <b>Water and other urban infrastructure and services</b> - Urban water supply   |                     |
| Gender Equity and Mainstreaming       | Effective gender mainstreaming  |                     |
| Description                           | The project will support the Government of Uzbekistan in the rehabilitation of a regional water supply system located in two districts of Tashkent Province. Responding directly to the needs of urban communities, it will upgrade existing water supply networks, provide potable water treatment services, build institutional capacity, and assist to strengthen the province's water supply and wastewater utility |                     |

- EBRD was established to help build a new, post-Cold War era in Central and Eastern Europe.
- Operations **started in 1991**, with headquarters in London, UK
- It has since played a historic role and gained unique expertise in fostering change in the region - and beyond -, investing more than **€130 billion in a total of over 5,200 projects.**
- The EBRD has expanded its original region of operations into new countries such as Mongolia (2006), Turkey (2009), Jordan, Tunisia, Morocco, Egypt and Kosovo (in 2012), Cyprus (2014), Greece (2015) and Lebanon (2017).
- It is currently **active in nearly 40 countries** from central Europe to central Asia and the southern and eastern Mediterranean, plus the West Bank and Gaza.
- The Czech Republic is the only member to have 'graduated' from the EBRD and no longer receives investment from the Bank.

Shareholding structure - EBRD has a AAA rating from all three main rating agencies (S&P, Moody's and Fitch)



(1) Includes European Community and European Investment Bank (EIB) each at 3%. Among other EU countries: France, Germany, Italy, and the UK each holds 8.6%



## WHERE WE INVEST

### Central Europe and the Baltic states

- 01 Croatia
- 02 Estonia
- 03 Hungary
- 04 Latvia
- 05 Lithuania
- 06 Poland
- 07 Slovak Republic
- 08 Slovenia

### South-eastern Europe

- 09 Albania
- 10 Bosnia and Herzegovina
- 11 Bulgaria
- 12 FYR Macedonia
- 13 Kosovo
- 14 Montenegro
- 15 Romania
- 16 Serbia

### Eastern Europe and the Caucasus

- 17 Armenia
- 18 Azerbaijan
- 19 Belarus
- 20 Georgia
- 21 Moldova
- 22 Ukraine

### Central Asia

- 23 Kazakhstan
- 24 Kyrgyz Republic
- 25 Mongolia
- 26 Tajikistan
- 27 Turkmenistan
- 28 Uzbekistan

### Southern and eastern Mediterranean

- 29 Egypt
- 30 Jordan
- 31 Morocco
- 32 Tunisia

### 33 Cyprus

- 34 Russia
- 35 Turkey

The Eurasian Development Bank (EDB) is an international financial institution **established in 2006** on the initiative of the Presidents of Russia and Kazakhstan.

Other members of the Bank are **Armenia, Belarus, Kyrgyzstan and Tajikistan.**

Other states and international organizations can become members by signing the Agreement Establishing the Bank. The EDB's charter capital exceeds **US \$7 billion**, including US \$1.5 billion of paid-in capital and US \$5.5 billion of callable capital.

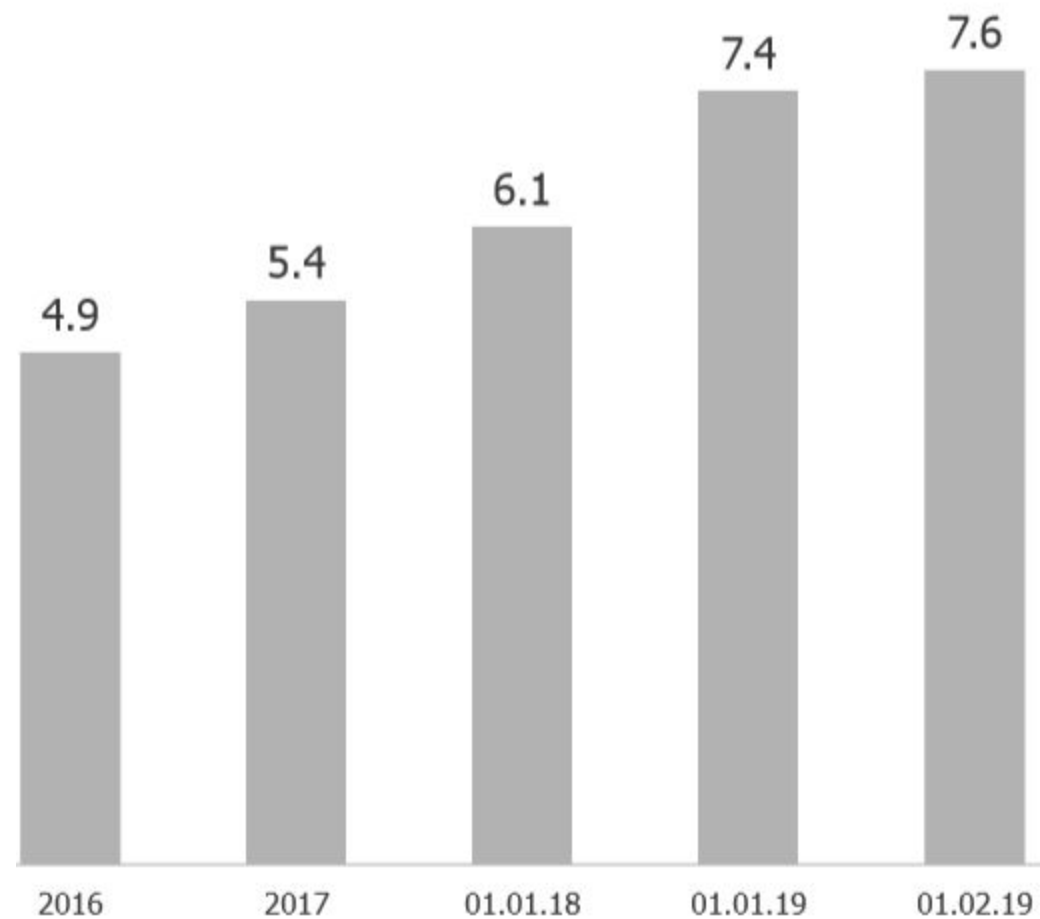
**The Bank's headquarters is located in Almaty.**

The EDB has a branch in St. Petersburg and representative offices in Astana, Bishkek, Dushanbe, Yerevan, Minsk and Moscow.

**The EDB's mission is to promote the development of the market economy in its member states, their sustainable economic growth and the expansion of trade and other economic ties through investment.**

<https://eabr.org/en>

### Investment portfolio



As of 1 February 2019

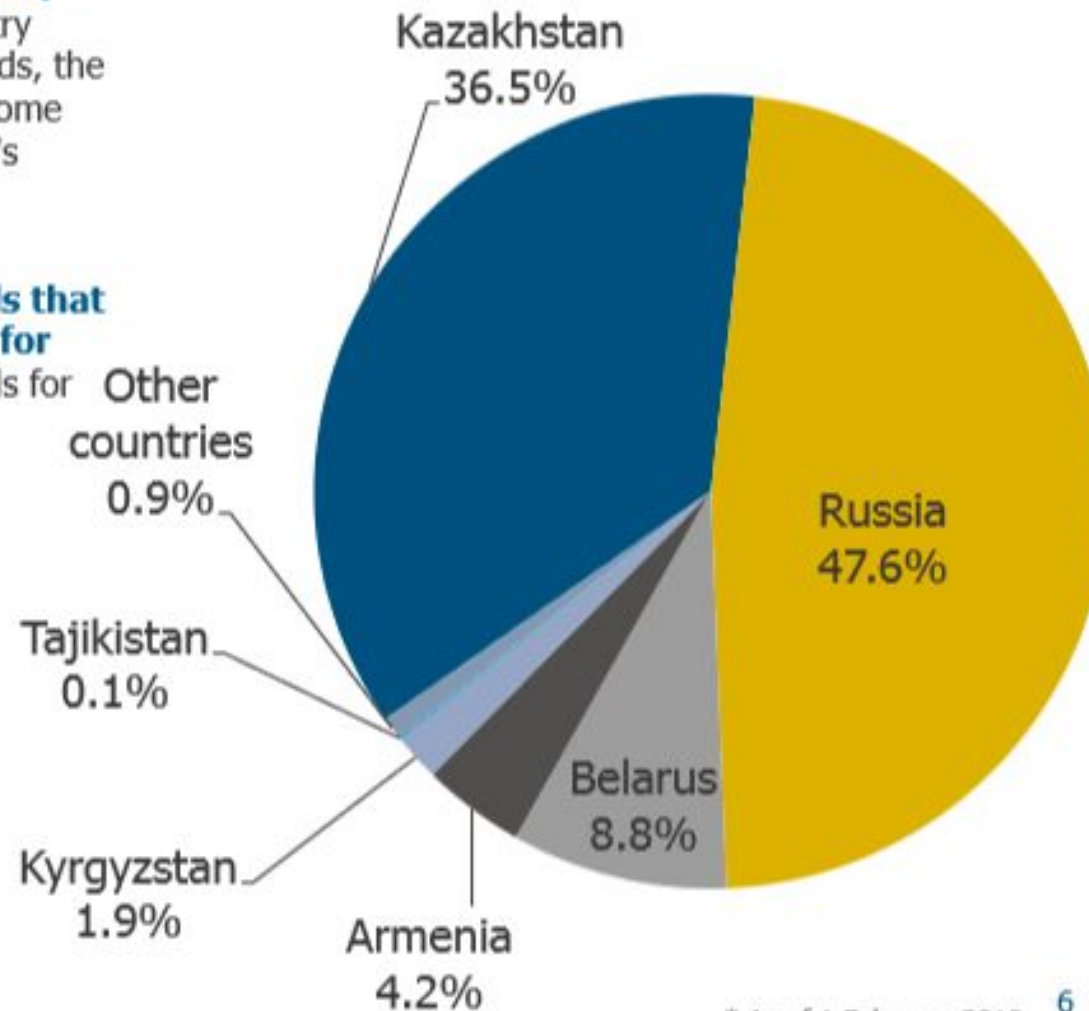
# EDB Investment Portfolio by Countries



The **EDB identifies the priority sectors** for each member country according to their economic needs, the areas in which they need to become more competitive, and the Bank's resources.

This approach helps to **set goals that are relevant and achievable for each country**, and provide tools for their achievement.

Investment portfolio by countries



# Examples of Key Active Projects

- Construction of the **Western High-Speed Diameter** road (PPP project, Russia) – US \$372 million
- Construction of a bar and wire rolling mill at **Belarusian Steel Works** (Belarus) – US \$161 million
- Financing of SSGPO's (Kazakhstan) supplies to **Magnitogorsk Iron and Steel Works** (Russia) – US \$95 million
- Construction of **Beloporozhskaya HPPs 1 and 2** in Karelia (Russia) – US \$61 million
- Construction of **Central Ring Road 3** (PPP project, Russia) – US \$184 million
- Construction and operation of the **Nurly Zhol automobile checkpoint** and the operation of a transport and logistics centre on a section of the Western Europe – Western China road (PPP project, Kazakhstan) - US \$84 million
- Constructing and operating a 90.09 MW **wind farm in Azov District**, Rostov Region (Russia) – US \$145 million
- Financing construction of two **solar power plants** with a total capacity of 30 MW in Astrakhan Region (Russia) – US \$49 million
- Financing preparations for the **development and modernisation of Bakyrchik gold deposit** (Kazakhstan) – US \$80 million

\* As of 1 February 2019

# **EFSD** Eurasian Fund for Stabilization and Development

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**The Eurasian Fund for Stabilization and Development (EFSD)** totalling **US \$8.513 billion** was established in **2009** by the governments of six countries: Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan.

**The main objectives of the EFSD** are to help its member countries mitigate the negative effects of the global financial crisis, to ensure their long-term economic stability, and to foster regional integration.

### **The EFSD has the following tools:**

- financial credits to support budgets, balances of payments, and national currencies
- investment credits for large interstate and national projects
- grants from the EFSD's net profit to finance social programmes

The **EFSD members** appointed the EDB as the EFSD Resources Manager and Secretariat. In this role the EDB prepares and implements EFSD projects.



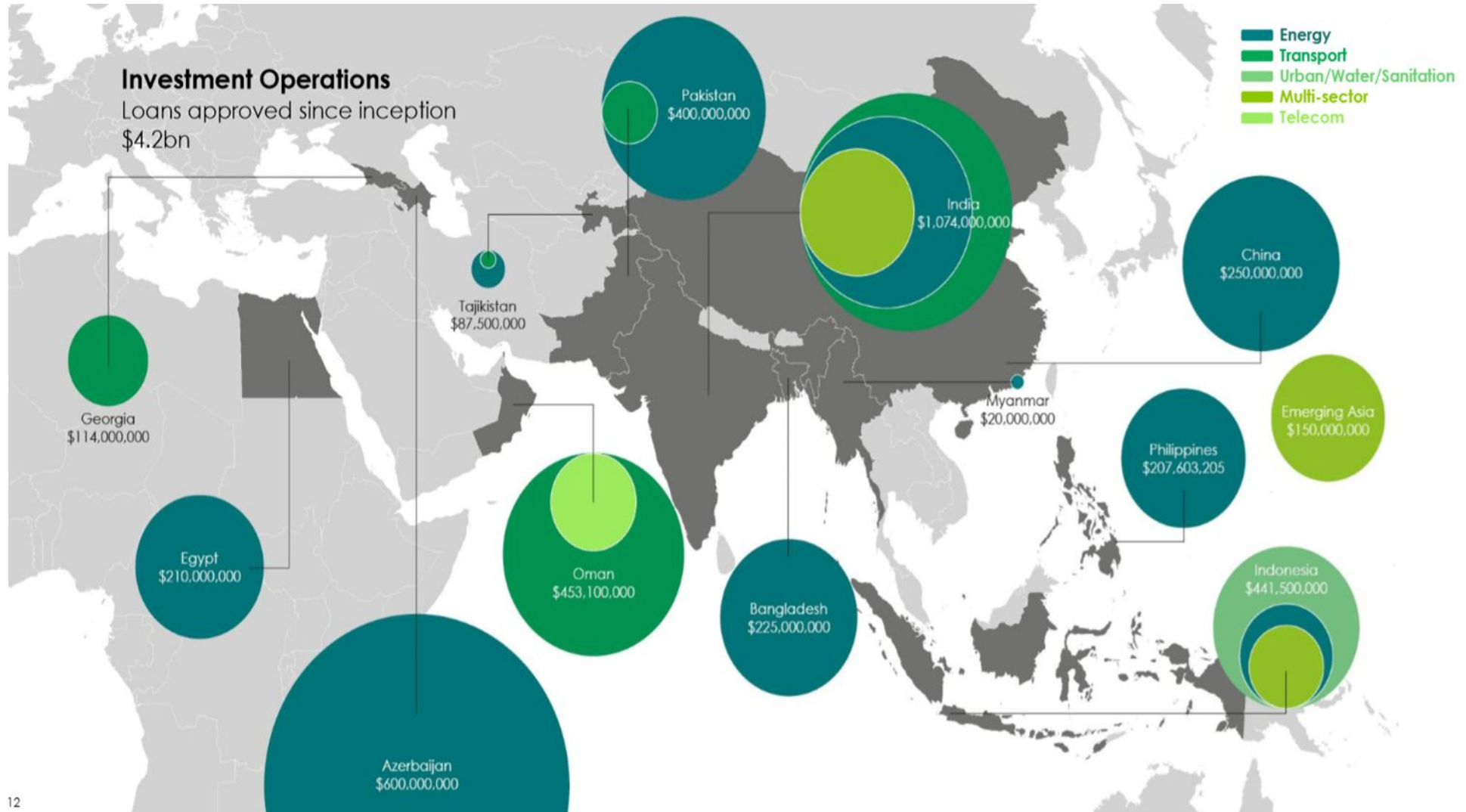
# New Sources of Infrastructure Finance



- Multilateral Financial Institution founded in 2014 on Chinese initiative to bring countries together to address **Asia's daunting infrastructure funding gap** estimated at USD **26 trillion** through 2030 (Source: "Meeting Asia's Infrastructure Needs", ADB 2017)
- Commenced operations **in January 2016**, Headquarters in **Beijing, China**
- Started with 22, and to date – 84 approved member countries
- Strong support from diversified global shareholder base. **USD 100 billion capital stock**, AAA/Aaa/AAA rating with stable outlook
- Operates in partnerships with other IFIs
- <https://www.aiib.org/en/about-aiib/index.html>

Countries with biggest say (% votes)





# New Sources of Infrastructure

F



- <https://www.ndb.int/>
- NDB was established in 2015, and **became operational in 2016**. Headquarters – in **Shanghai, China**
- Initial authorized capital of US\$ 100 billion with the initial subscribed capital of US\$ 50 billion, **equally shared among founding members**.
- In 2016-2017, NDB approved loans involving financial assistance of **over USD 3.4 bln** for projects in the areas of green and renewable energy, transportation, water sanitation, irrigation and other areas.
- To date - 27 projects in all member countries totaling approved lending amount 6,7 bln USD
- First Regional center opened in Johannesburg, South Africa

• **Partnerships established with key global and national institutions, including EBRD, EIB, AIIB, EDB, IIB, CAF, the World Bank Group, ADB, etc.**

|   | Loan Amount | Sov. /Non-<br>sov | Borrower                         | Guarantor | End-user/ On-<br>lender  | Lending Modality                           | Target Sector                                  | Development Impact  |
|---|-------------|-------------------|----------------------------------|-----------|--|--|--|---|
| <a href="#">MP Water (India)</a>          | USD 470 m   | Sovereign         | Government of India              | -         | Government of Madhya Pradesh   | Sovereign project loan                     | Water supply and sanitation, rural development | - Project covers more than 3,400 villages and will benefit over 3 million rural population  |
| <a href="#">Judicial Support (Russia)</a> | USD 460 m   | Sovereign         | Government of Russian Federation | -         | Beneficiaries – Supreme Court, Moscow City Court and District Courts, Federal Bailiffs Service | Sovereign project loan                     | Social infrastructure                          | - Increased judicial transparency and efficiency, and enhanced protection of judicial rights of citizens of the country   |
| <a href="#">Rajasthan Water (India)</a>   | USD 345 m   | Sovereign         | Government of India              | -         | Government of Rajasthan  | Sovereign Multi-tranche Financing Facility | Irrigation, Agriculture                        | - Additional 1.25 million acre feet of water available for land cultivation<br>- 33,312 hectares of water-logged area rehabilitated for cultivation<br>- Water use efficiency improved by 10%                   |
| <a href="#">Ufa Eastern Exit (Russia)</a> | USD 68.8 m  | Sovereign         | Government of Russian Federation | -         | Government of Bashkortostan  | Sovereign project loan                     | Transportation                                 | - Reducing congestion and aiding faster commute for residents<br>- Enhanced safety of traffic by diverting dangerous goods away from city center<br>- A balanced spatial residential and industrial development |

# Groups 1 and 2: Home task for Seminar 3

## Working in small groups (2-3 pers.)

Select countries from the following long list (**no duplications!!!**): Kyrgyz Republic, Kazakhstan, Brazil, Egypt, Bangladesh, Philippines, Kenya, Malawi, Tajikistan, Moldova, Nigeria, Vietnam, Nepal, India, Indonesia, Yemen, Mongolia, Morocco, Ethiopia, Colombia, Argentina, Ghana

1. Study and analyze the **WB's** Country Partnership Strategy (or Country Partnership Framework) for your country, and present the **main pillars and development tasks**;
2. Provide and present examples of **two or three active projects** financed through the World Bank loans that support implementation of the Country Partnership Strategy (Framework) and SDGs;
3. Study and analyze selected country's participation in and partnerships with **other development banks (regional and inter-regional)** and **present examples of joint projects**;
4. Study and briefly analyze **the IFC portfolio and projects** in your country;
5. Analyze the country case and **make your own recommendations** on what kind of development support and through which type of operations is needed

Make a small group ppt presentation on your findings (up to 15-20 minutes, during the seminar).

# Group FRS: Home task for Seminar 3

**Split into 5 small sub-groups;**

Study and analyze the WBG - China program and the **WB's Country Partnership Strategy (CPS) for China.**

**Make a small group presentation on your findings (up to 15 minutes, 5-6 slides) during the seminar.**

- 1) Present the CPS, its main pillars, development objectives, implementation modalities and management risks;
- 2) Present active portfolio, examples of active projects financed through the World Bank loans that support implementation of the Country Partnership Strategy **each** focus area;
- 3) Analyze and present the IFC portfolio and projects in China;
- 4) Analyze and present portfolio and examples of the WBG ASA activities in China;
- 5) Analyze China's participation in regional development banks and present examples of projects;
- 6) Provide your recommendations as regards future participation of China in the WBG