



Austria's Influence in International Financial Institutions

Günther Schönleitner

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Vienna University of Economics and Business (WU Wien)

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What are International Financial Institutions (IFIs)?

- ▶ = Multilateral Development Banks (MDBs)
 - ▶ Shareholder Base
 - ▶ Global (WBG)
 - ▶ Regional (e.g. AfDB, ADB, AIIB, IDB, EBRD)
 - ▶ Sub-regional (e.g. BSTDB, DBSA, BOAD)
 - ▶ Sector Focus
 - ▶ Public Sector (e.g. IBRD, AfDB, ADB, IDB)
 - ▶ Private Sector (e.g. IFC, EBRD)
 - ▶ Development Finance Institutions (DFIs)
 - ▶ Shareholder Base
 - ▶ Multilateral (e.g. IFC, EBRD)
 - ▶ Bilateral (e.g. EDFIs)
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Austrian Shareholdings in IFIs

- ▶ World Bank (IBRD) ▶ 0,668%
- ▶ European Bank for Reconstruction and Development (EBRD) ▶ 2,305%
- ▶ European Investment Bank (EIB) ▶ 2,217%
- ▶ African Development Bank (AfDB) ▶ 0,449%
- ▶ Asian Development Bank (ADB) ▶ 0,342%
- ▶ Asian Infrastructure Investment Bank (AIIB) ▶ 0,500%
- ▶ Inter-American Development Bank (IDB) ▶ 0,158

Wielding Influence in Multilateral Institutions: does size matter?

Of course, but there are ways to punch above one's weight:

- ▶ Aggregation of preferences: seeking majorities in voting decisions through constituencies, supra-national platforms, like-minded and ad-hoc alliances
- ▶ Transformation of preferences: the force of the better argument in consensual decision making (=expertise)
- ▶ Wielding 'soft power': partnering, generosity, excellence, networking

Formal Representation: Board of Governors, Board of Directors, Constituencies

- ▶ **BoG**: senior decision-making body; each share-holder has a governor; governors = ultimate policy-makers in IFIs; Governor for Austria is the Minister of Finance; BoG delegates operational powers to
- ▶ **BoD**: elected by BoG from candidates nominated by shareholders; discuss policies/strategies/operational matters, approve projects; supervise management; e.g. WB BoD consists of 25 chairs; large share-holders have own chair, smaller ones need to form
- ▶ **Constituencies**: sign agreements allocating/rotating functions: Executive Director, Alternate ED, Advisors; Austria holds permanent EDs at EIB & EBRD; temp. EDs at WBG & AIIB; others: Alternates or Advisors

Seeking alliances

- ▶ Constituencies cut across or run along traditional fault lines (borrowing/non-borrowing; regional/non-regional); some IFIs allow split-voting, others don't;
- ▶ Select your constituency strategically to i) maximize own representation (position, time) and ii) to find enough common ground to effectively project own/group interests; e.g. WBG: CEE/ECA advocacy
- ▶ Collaborate with like-minded chairs on a regular basis; e.g. ADB: beer bloc – wine bloc – ice bloc
- ▶ Coordinate positions among supra-national clubs or networks (EU, EU+, Nordics, CEE)

The role of supra-national platforms: EU, G7, G20, BRICS, G77

- ▶ Ideally, EU constitutes an effective platform for pursuing common interests in IFIs...
- ▶ Yet large countries often agree their positions in smaller groups (G7, G20, BRICS); ,pre-cook‘ important decisions, e.g. capital increases, voice reform, optimizing balance sheets etc.
- ▶ EU coordination at IFIs: convey EU positions to G7 or G20; or ,align‘ smaller EU MS to G7/G20 positions?
- ▶ However: effectiveness of EU coordination varies; works best in AIIB (Eurozone Constituency) and ADB.
- ▶ G77 and BRICS coordination getting ever more vocal and effective

Influence in IFI Concessional Finance Windows: Deputies in the driving seat

- ▶ Some IFIs have concessional finance funds for their poorest members (IDA, AfDF, AsDF, FSO)
- ▶ Ways of influence and decision-making differ: driven by capitals of donor countries and their ,deputies‘;
- ▶ Shape strategic directions & policies in periodic replenishment negotiations and in-between working groups; not just about money, expertise matters!
- ▶ Significant clout of donors; but also increasingly vocal participation by borrower representatives
- ▶ Controversial discussion on recognition of donor contributions in IFI voting power

Putting your money where your mouth is, and your mouth where your interests are

- ▶ Want influence? Be a partner, not a free-rider!
- ▶ Overall, Austria's ODA is not impressive. But our collaboration with IFIs is respectable and on a par with upper league of donors
- ▶ Complement multilateral contributions with bilateral cofinancing in areas of strategic interests (see MoF's IFI Strategy)
- ▶ Focus on priority regions (e.g. ECA, MENA) and themes/sectors, e.g. water, renewable energy, private sector development, financial stability etc.
- ▶ Be vocal about your interests in BoD, at IFI AGM, donor platforms etc.

Leveraging the strengths and expertise of your business, NGO and public sectors

- ▶ IFIs need and seek world class expertise in a broad range of fields; actively promoting own strengths generates business opportunities for Austrian firms, facilitates international networks, and disseminates Austrian know-how. **Examples:**
 - ▶ IFI procurement in hydropower and other RE technologies
 - ▶ IFIs partner with Austria on water management, urban development and management, energy efficiency solutions, dual vocational training, etc.
 - ▶ Build-up of Austrian networks in IFIs through JPOs and secondments

Conclusions: are we punching above our weight?

- ▶ Yes, but in some IFIs more than in others..
- ▶ Good representation on BoDs
- ▶ WBG: effective advocating for continued engagement in the ECA region
- ▶ Vienna Initiative: effective policy coordination for the banking sector in CEE post 2008 (with WB, EBRD, EIB, IMF, commercial banks etc.)
- ▶ WBG building up a regional hub in Vienna
- ▶ Austria as a well regarded IDA partner
- ▶ Pioneered various programs that were scaled-up, can be replicated elsewhere (FinSAC, Danube Water) or brought to the EU level (CFRR)



Thank you

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