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THE GLOBAL FINANCIAL GOVERNANCE ARCHITECTURE, DEVELOPMENTAL FINANCE, AND THE HIRSCHMANIAN MINDSET

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Abstract
I advance three claims in the paper. The first claim is positive. The Asian and especially the global financial crisis occasioned meaningful though ad hoc, partial, and uneven discontinuities in developmental finance and financial governance architecture. The conjunction of discontinuities and continuities is imparting incoherence to the financial governance architecture and developmental finance. The second claim is normative. I hold, contrary to the common narrative, that the emergent incoherence is *productive* rather than debilitating. In the absence of an over-arching, coherent model of financial governance EMDEs today are experiencing a dramatic expansion in policy space and room for institutional experimentation. Especially in comparison with the stultifying coherence of the neoliberal era, EMDEs enjoy a degree of autonomy to pursue economic and human development and to introduce reforms that promote financial stability, resilience in the face of disturbances, and financial inclusion. Emergent redundancy and networks of institutional cooperation are increasing resilience. The third claim is that productive incoherence can be understood most fully within a "Hirschmanian mindset," i.e., an understanding of social and regime change informed by Albert O. Hirschman's key theoretical and epistemic commitments. The Hirschmanian vision that underpins the paper's central theses recognizes that meaningful change can and should come about through the proliferation of small scale, disconnected, experimental, and incremental adjustments in institutions and practices that take root in the concrete demands facing policymakers with the capacity to adjust pragmatically to the changing circumstances and challenges they face.

JEL Codes: F33, F55, O10

Keywords: Developmental finance; Global financial governance architecture; Albert O. Hirschman; Global

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INTRODUCTION

The crises of the 1970s and 1980s generated demands for "South-South" development institutions that would be largely autonomous from the Bretton Woods institutions (BWIs). In contrast, the Asian and especially the global crises spawned a new pragmatism reflected in the view that emerging market and developing economy (EMDE) institutions could complement and even substitute to some extent for the BWIs. The recent crisis motivated policymakers to establish entirely new sub-regional, regional, and trans-regional institutions; build out existing institutions, substantially increasing their funding and capacity; expand their mandates into new activities; and, in some cases (and with the support of the IMF) explore ways in which these institutions might link to and coordinate with one another. To date, these developments do not threaten the BWIs and, indeed, they do not seek to do so. Nor do they pose a potent challenge to the financial hegemony of the USA and other leading advanced economies (AEs). But, and as I will argue throughout, displacement is the wrong standard against which to measure their significance.

One of the most important features of the current period is the extent to which EMDE policy makers now enjoy and are taking advantage of increasing freedom to act autonomously to establish new institutions and practices of financial governance and developmental finance. The willingness and ability of EMDEs to undertake ad hoc and uncoordinated innovation in institutions that provide long-term project finance and liquidity support--which together constitute what I refer to as developmental finance--is a crucial legacy of the recent crises. Innovations in this domain are best understood as uneven, partial, experimental, contested, and incomplete. And yet, EMDE institutions are evolving in ways that allow them to fill persistent gaps in the global financial architecture. In short, we find institutional proliferation and expanding mandates that place the EMDEs at the center of an evolving institutional landscape marked by complexity, density, fragmentation, pluripolarity, and what I term productive incoherence and redundancy (on the latter concepts, see Grabel (2011, 2013a, b, 2015, 2017a, b).[1]

I advance three claims in the paper.[2] The first claim is positive. The Asian and especially the global financial crisis occasioned meaningful though ad hoc, partial, and uneven discontinuities in developmental finance and financial governance architecture.[3] The conjunction of discontinuities and continuities is imparting incoherence to the financial governance architecture and developmental finance. The second claim is normative. I hold, contrary to the common narrative, that the emergent incoherence is *productive* rather than debilitating. Especially in comparison with the stultifying coherence of the neoliberal era, EMDEs today are

[1] For other treatments along these lines, see Armijo and Roberts (2014), Chin (2015), Fritz and Mühlich (2014), Helleiner (2010), Helleiner (2016), Huotari and Hanemann (2014), Mittelman (2013), Rana (2013), Riggirozzi and Tussie(2012), Sohn (2012), Stuenkel (2016), Tussie (2010), and Woods (2010).

[2] The arguments advanced in this paper draw on chapters 2 and 6 of Grabel (2017b).

[3] I use the term global financial governance to refer to institutions, arrangements, and policy practices, while financial governance architecture refers more narrowly to institutions and networks.

experiencing a dramatic expansion in the room for institutional experimentation. Emergent redundancy and new networks of institutional cooperation are increasing resilience.[4] The third claim is that productive incoherence can be understood most fully within a "Hirschmanian mindset," i.e., an understanding of social and regime change informed by Albert Hirschman's key theoretical and epistemic commitments.

THE HIRSCHMANIAN MINDSET

Hirschman's seminal insights offer a fresh and extraordinarily useful lens through which to make sense of the emerging discontinuities and productive incoherence in financial governance architecture and developmental finance.[5] The Hirschmanian vision that underpins the paper's central theses recognizes that meaningful change can and should come about through the proliferation of small scale, disconnected, experimental, and incremental adjustments in institutions and practices that take root in the concrete demands facing policymakers with the capacity to adjust pragmatically to the changing circumstances and challenges they face. For ease of exposition I corral the central Hirschmanian themes under the categories of agent reactions to organizational failure; linkages and side effects; epistemic issues; the centrality of the diminutive, complex, and experimental; and possibilism and futilism.

Agent Reactions to Organizational Failure

Hirschman's work on exit, voice, and loyalty is his best known and needs little in the way of exposition. Gerald Helleiner (2010) employs Hirschman's exit, voice, and loyalty framework to explain why the Asian and especially the global crisis renewed interest among EMDE policymakers in ways to escape IMF control through the creation of alternative institutions. The creation of new institutions also creates opportunities for forum shopping and the development of relationships that may enhance bargaining power within the BWIs.

Linkages and Side Effects

The basic idea of "backwards and forwards linkages" is straightforward: certain economic activities can create the propitious conditions for new upstream or downstream economic, political, or social capabilities (Hirschman 2013[1981]). Hirschman also highlighted the essential role of "side effects" (Hirschman 1967, 149). For example, a project might establish as an unintended consequence new networks that turn out to be vital to the project's success even though the centrality of the networks was not envisioned at its outset.

Epistemic Issues: Uncertainty and the Power of the "Hiding Hand"

An important theme in Hirschman's work is the idea that knowledge is incomplete, tacit, partial, and dispersed. Like Keynes and Hayek, Hirschman took knowledge of the future to be

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[4] We might also understand these institutions, however small in scale, in terms of their potential to increase robustness and even what Nassim Taleb (2012) terms "anti-fragility" of the global financial governance architecture.

[5] Grabel (2017b, chap. 2) treats Hirschman's work extensively.

fundamentally uncertain (Hirschman 2013[1970]). Following Knight (1971[1921]) and Keynes, he distinguished between probabilistic risk and (inherently) immeasurable uncertainty (Alacevich 2014).

The Hiding Hand concept (the capitalization is Hirschman's) was of course a rhetorical play on Adam Smith's invisible hand, and it reflected Hirschman's recognition that actors always operate in a state of uncertainty and ignorance (Hirschman 1967). But rather than inhibiting or distorting action, Hirschman saw uncertainty, ignorance, and error as potential drivers of productive action by policy entrepreneurs. Underestimating problems propelled projects forward that would not be initiated in the presence of full information. Once a project is initiated, project participants are challenged to develop creative solutions to unforeseen problems. The strategies they devise out of necessity can have positive, lasting spillover effects.

The Centrality of the Diminutive, the Complex, and the Experimental

Hirschman's epistemic commitments underlay his rejection of social engineering and his embrace of improvisation in pursuit of multiple development paths. [6] He favored complexity, messiness, specificity, and contingency in contrast to what he saw as theoretically sanctioned, paradigm-based uniform solutions.

Hirschman's epistemic and normative views informed his complex understanding of social change. He rejected the common tendency to assess ex ante the significance of particular changes or innovations, a tendency that reflected both a deep-seated skepticism and the epistemic certainty that dominated social science in his time (and indeed continues to infuse much work today). In this connection he made an observation that is central to a proper understanding of the developments considered below.

> A distinction is often made between 'real' and 'apparent' or between 'fundamental' and 'superficial' changes: This device permits one to categorize as superficial a great number of changes that have, in effect, taken place and to assert in consequence that there has not yet been any real change. The decision to assert that *real* change has occurred is made to hinge on one or several tests….But to set up such demanding tests is…an indication of a …reluctance to concede change except when it simply can no longer be denied (Hirschman 2013[1968], 37).

Hirschman's commitments led him to embrace the diminutive, which he argued could be the building block of meaningful, path-dependent reform and widespread change (Adelman 2013, vii-viii, Hirschman 2013[1968], 2013[1970], 2013[1971]). This view of change implied the need to be open to and welcome the unexpected (Hirschman 2013[1970]) and the related need for small-scale experimentation, or what Lindblom (1959) termed "muddling through."

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[6] Hirschman's rejection of top-down social engineering resonates with the work of other critics, including Hayek (1974), Popper (1971), and Smith (1976[1759], 233-4), and contemporary critics such as DeMartino (2011, 9-11,17,fns1,5,141-50), Easterly (2008), Ellerman (2005, 2014), McCloskey (1990), and Rodrik (2007).

By now it should be clear that Hirschman was deeply suspicious of what I have termed coherence, which is predicated on the notion of the social world as a simple social system where everything fits and where the structure determines what can and cannot work, what is and is not possible.[7] He believed that it was imperative to learn from small-scale, gradual initiatives and from multiple examples, to recognize uniqueness and the specificity of experiences, and to appreciate the possibility of a great many sequences rather than to seek universal dictates in a reductive theory (Hirschman 1965, 1969[1958], 2013[1970], 2013[1971]).[8]

Possibilism and Futilism

What Hirschman termed "possibilism" entails the idea that small-scale, messy, disparate innovations reveal what could be, and what reforms might be available. As exemplified in the concept of the Hiding Hand, possibilism is grounded in faith in the demonstrated capacities of individuals, institutions, and societies to develop diverse, creative solutions to unforeseen challenges and development problems. Central to Hirschman's possibilism is his humility and his related emphasis on uncertainty—on imperfect, deficient knowledge of what is and what could be. He counterposed possibilism with the predominant "futilism" in the social sciences—the view that any initiatives that were not entirely consistent with the precepts of received theory were bound to fail (Hirschman 2013[1971]).

Hirschman famously said of possibilism that "social scientists often consider it beneath their scientific dignity to deal with possibility until *after* it has become actual and can then at least be redefined as a probability" (Hirschman 1980[1945], xii, emphasis in original). In reflecting on his own work Hirschman said that "the fundamental bent of my writings has been to widen the limits of what is or is perceived to be possible, be it at the cost of lowering our ability, real or imaginary, to discern the probable" (Hirschman 2013[1971], 22).

Lamentable Evaluative Criteria

This selective Hirschmanian tour provides useful guidance when making sense of contemporary developments in financial governance architectures and developmental finance. This guidance takes the form of *pro*scriptions that require us to reject evaluative criteria that purport to determine ex ante or even ex post whether particular policy or institutional innovations are coherent, viable, sufficient, scalable, and significant.

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[7] It is striking how much Hirschman anticipates the contemporary emphasis on adaptative, complex systems.

[8] Taking a page directly from Hirschman, Ellerman (2005, 163-65,234-39, 2014) asserts the importance of fostering parallel experiments (which he sees as necessary for learning under uncertainty), pooling the experience of actual projects, seeing what works and comparing results, and promoting cross learning to ratchet up performance of the whole group. Rodrik's work is likewise characterized by an embrace of targeted and gradualist policies, practical innovation over fidelity to a scripted plan, and monitoring and evaluation as strategies to discover what does and does not work (Rodrik 2007, especially chap. 2, 2011).

Coherence

We should not vet new initiatives by reference to coherence criteria, adjudicating their viability based on the degree to which they "fit" into an overarching system. We should instead presume that any observed institutional innovations within and across countries will conflict to some degree or other with established institutions, just as existing institutions conflict with each other. Similarly, we should not be concerned with whether innovations are redundant or duplicative in some way. Tensions between seemingly inconsistent endeavors might be more apparent than real, and even real tensions might yield unforeseeable adaptations and innovations that serve to solve important problems.

Viability

We should not presume to know whether proposed or existing innovations can exist and survive over the long term, or whether some or all of them are unviable in the context of pressures emanating from the global economy, the power of global financial actors, or fragilities in EMDEs. Even those that fail may impart useful lessons that benefit other initiatives. Moreover, new capacities, knowledge, networks, and coalitions may be built in the context of institutional innovations even when particular institutional arrangements fail to survive. These Hirschmanian linkages or side effects may bear fruit in unexpected and unpredictable ways over the medium and long term.

Sufficiency

We should not be concerned with whether the observed innovations are adequate in the sense of addressing the full range of needs for developmental finance. They can't. But then, what can? It bears emphasis that finding any innovation (or web of interconnected innovations) sufficient requires utopian thinking where all unintended consequences, contradictions, and perversions are eliminated by theoretical fiat. That is not Hirschman's way, and with good reason.

Scalability

We should not judge innovations against the standard of whether they are scalable and even universalizable (rather than contingent or context dependent) or speculate as to whether they are doomed to remain small, barely surviving, and even then only in the specific environments where they have arisen. We should presume instead that scalability is always in part illusory and aspirational—it is a standard that is often imposed by grand narratives that require homogeneity and universality on reiterated yet context-specific, diverse constructions. Replicability but with significant variation is a less ambitious but more achievable goal than scalability—but it may be a valid objective only if we recognize that replication is a story we employ to make sense of what may be internally heterogeneous developments.

Significance of Change

Finally, we should not attempt to discern whether innovations represent fundamental or superficial changes. We must not impose a "test" of fundamental change, such as whether any particular institutional endeavor disrupts the structural power of the IMF or the US. In addition, we should not dismiss change on the grounds that what appears to be a new development is simply a repeat of past practices in a new guise. We should presume instead that significance is always context dependent—that a reiterated construction always represents novelty owing to the unique circumstances in which it occurs. In addition, we should presume evolution rather than fixed identities and realize then that significance is revealed only over time in the process of institutional adaptation. Moreover, we should recognize the need to parse reforms as significant or insignificant as an urge driven in part by our professional training and the long tradition of futilism and epistemic certainty that marks it—one we would do well to suppress as we engage a world that is so much more complex and richer than we can capture adequately through our various paradigms and predictive models.

Along with Hirschman, we might recognize that each of these criteria constrains our appreciation of the possible, the ad hoc and the unscripted, and blinds us to the significance and potential of piecemeal, small-scale initiatives that are now proliferating in EMDEs. It would be far better to intervene in ways that acknowledge the possibility that each might evolve with the effect of addressing pressing development problems and deepening capacities, provided they are not strangled by scientific closed-mindedness that deprives them of recognition, legitimacy, and support.

A SELECTIVE SURVEY OF ARCHITECTURAL INNOVATIONS IN EMDES

I turn now to the concrete matter of architectural innovations in the financial landscape of EMDEs as seen through a Hirschmanian mindset. I make no claim for comprehensiveness or even exploratory depth. Instead, I provide a view from 30,000 feet of a sample of institutions--the evolution of which is emblematic of developments and aspirations elsewhere. (For additional discussion of these and other institutions, see Grabel (2013a, 2017b, chap. 6) and papers submitted for consideration in this *Development and Change* Special Issue.)) The diverse institutions that I survey below can be corralled under the following framework: capacity expansion; hybridization; and institutional creation.

Capacity expansion refers to enhancements in the scale of activity of existing institutions. It is most simply achieved through increased funding by participating governments but also through new revenue streams, expanded geographical reach, or the introduction of novel mechanisms or programs toward achievement of traditional or newly identified objectives. *Hybridization* can occur purposely, when an institution decides to reach beyond its existing mission, but also unintentionally, when an institution seeks to maintain its traditional focus but its actions ultimately blur aspects of the institution's identity. For instance, a development bank that traditionally provides project financing might begin to provide counter-cyclical financial support during a crisis, or its project support might come to play an important counter-cyclical role during the crisis. Finally, *institutional creation* involves transformation of proposals or aspirations into concrete institutions by existing or new parties.

I first consider developments in the realm of reserve pooling across EMDEs. I then highlight very briefly changes that have transpired in development banking (see Grabel 2017b, chap. 6). Tables 1 and 2 summarize the results of this survey and anticipate the discussion that follows. Table 1 highlights the chief goals and practices of the institutions and arrangements that I survey. Table 2 maps their evolution during the global crisis.

[Table 1 here]
[Table 2 here]

Reserve Pooling Institutions and Arrangements

Reserve (also known as liquidity) pooling is initiated for the purpose of providing precautionary liquidity and/or countercyclical forms of support to members of a pooling arrangement in the event of currency, liquidity, balance of payments, or contagion pressures.

Chiang Mai Initiative Multilateralisation

In 2000, the Chiang Mai Initiative (CMI) built on the failed Asian Monetary Fund proposal (advanced during the East Asian financial crisis) and a 1977 bilateral currency swap agreement among five Association of Southeast Asian Nations (ASEAN) central banks. The value of these commitments increased several times and the arrangement came to include the ten central banks of ASEAN and the "+3" countries.

The global crisis induced the deepening and expansion of the CMI on two occasions. In 2009, ASEAN+3 finance ministers agreed to "multilateralize" the arrangement, which was accordingly renamed the Chiang Mai Initiative Multilateralisation (CMIM). Multilateralization entailed several things. Decisions on disbursing funds from a US$120 billion virtual currency pool would be made collectively. Multilateralization was reflected in the politically fraught decision to establish an independent secretariat cum regional surveillance unit, the ASEAN+3 Macroeconomic Research Office (AMRO), which began to operate in January 2012. Multilateralization also involves an agreement on voting weights, a matter that was contentious. Reflecting the power and wealth dynamics of the region, China and Japan have the same voting weight (and neither alone can veto disbursals), Korea half that weight, and ASEAN countries the residual.

The link between CMIM support and IMF surveillance has been a matter of controversy among members from the start (Sohn 2012). For committed futilists the link undermines the significance of CMIM. But to the extent that the threshold for IMF involvement has been raised several times (beginning in 2005), and that CMIM and AMRO continue to evolve and deepen their relationships with regional and transregional bodies, the significance of the IMF link can be expected to diminish over time.

As the global crisis worsened, CMIM members wrestled with and deepened the arrangement a second time. In May 2012, the size of the swap pool was doubled to US$240 billion, the maturity of the IMF-linked and delinked swaps was lengthened, and the arrangement's original crisis resolution facility renamed. Moreover, the threshold for IMF involvement (including for the new precautionary line) was raised to 30% in 2012 with a plan to increase it to 40% (Grimes 2015, 150,fn8). The move to 40% was deferred, and though the matter was raised during a May 2017 ASEAN meeting. A new Precautionary Line was also introduced in May 2012. It provides support without strict ex ante conditionality to members at risk of a funding crisis despite what is termed "responsible" macroeconomic and financial management. Preliminary discussion of disbursal criteria indicates that it would be linked not just to criteria under the ASEAN+3 "Economic Review and Policy Dialogue Matrix" but also to reviews of country reports and analyses by AMRO, Asian Development Bank (AsDB), and the IMF (ASEAN 2016). These measures indicate the institutional cooperation and complementarity that is an explicit part of the CMIM/AMRO vision.

AMRO is developing in notable ways. AMRO completes a surveillance paper on each member every year. To date, the IMF has participated in all key AMRO meetings; AMRO has reached an agreement with the Fund to observe all of its meetings with individual countries; Fund staff have engaged in "outreach and dialogue" with AMRO (Miyoshi 2013, fn25); and central bank governors and finance ministers now meet at AMRO. These processes are likely to enhance the capabilities of AMRO staff to conduct surveillance independent of the Fund. In the interim this contact could render the IMF-CMIM link more palatable to CMIM members should AMRO represent member country interests with the Fund in an effective and vigorous manner. Finally, as an indication of the evolving character of CMIM, members agreed in November 2014 to upgrade AMRO to an international organization.

It would be naïve to imagine that the CMIM will take the place of the IMF in the region. It is not intended to do so. But this hardly suggests that the CMIM is fated to remain a marginal player. The key is to recognize complementarities that can enhance the CMIM's influence and relative autonomy over time in ways that promote regional financial stability. From this perspective, for instance, the large national reserves in CMIM countries, alongside CMIM's financial resources, increases the capacity and creates productive redundancy in the global and regional safety nets, with vast potential benefits to global financial resilience. Smaller members may also benefit from the opportunity for forum shopping during crises that CMIM affords. Moreover, IMF-linked swaps through CMIM might be associated with adjustment programs that look substantially different from those negotiated when AMRO officials do not have a seat at the table with the IMF. If AMRO is ultimately unable to acquire influence over the IMF, CMIM and AMRO officials might continue to weaken the IMF link.

If the global crisis reveals anything, it is that unexpected developments happen when the need arises.[9] The decisions made in 2009 and 2012 and on-going discussions in CMIM and AMRO underscore the dynamism of the arrangement and policymakers' commitment to push its institutional boundaries gradually. What some have described as a disappointingly slow process should be recognized as productive when one considers the historical and geopolitical factors that would seem to doom the enterprise from the start. CMIM is part of an evolving liquidity-support architecture within which its contributions could be consequential. It is not (yet) intended to substitute for other institutions, but the learning, trust, bargaining, and socialization by officials that takes place through CMIM may very well create the conditions for more significant cooperation and further institutional development in this and other regions during future crises. The identities and practices of fledgling institutions often evolve in ways that were not

[9] Even skeptics note that another crisis may propel further development (Cohen 2012, Grimes 2015).

anticipated by their founders, especially when they start at a manageable scale and develop in line with their expanding internal resources and the challenges they confront. There is no reason to think that CMIM and AMRO are incapable of that kind of development. In fact, they seem to be evolving along these lines.

The costs of the EU's failure to address regional surveillance and the Troika's heavy-handedness were not lost on CMIM members as they deepened the arrangement in 2012. Indeed, in 2016 a study of "Troika Financial Assistance Programs in the Euro Area for CMIM's Future Reference" (ASEAN 2016) was completed under CMIM's auspices. In addition, in 2016, CMIM and AMRO conducted "test runs" under various scenarios of the IMF delinked and linked portions of CMIM funds. The test revealed important inadequacies, which are now being addressed.[10] These initiatives indicate that CMIM and AMRO continue to deepen their capacities in the post-crisis context. Moreover, CMIM's structure and procedures have been watched closely by Latin American policymakers (AsDB/IADB 2012) and inspired the 2014 decision by the BRICS to launch a similar initiative. Moreover, representatives from AMRO, European Stability Mechanism, the Latin American Reserve Fund, the Arab Monetary Fund, the BRICS, the Eurasian Development Bank, the G-20, and the IMF met for the first time on the sidelines of the fall 2016 meetings of the IMF-World Bank to discuss cooperation (AMRO 2016). These now annual meetings suggest increased cooperation, the deepening of networks, and the gradual emergence of an increasingly complex financial architecture across the globe.

Latin American Reserve Fund

The Andean Reserve Fund was founded in 1978. In 1988 the organization changed its name to the Latin American Reserve Fund (Spanish acronym FLAR) when it decided to admit non-Andean nations. It is designed to respond to transitory liquidity issues in member states. In the event of more enduring structural problems, the FLAR may provide "bridge finance" while a member seeks support from another institution.

The FLAR maintains five credit facilities, including a contingency loan facility. Contingency loans provide precautionary access to funds to address internal or external shocks and do not involve prequalification. The FLAR has eight members.[11] FLAR capital comes primarily from capital subscriptions by member central banks, though it issued bonds in 2003 and 2006. As of April 2017, the FLAR had subscribed capital of US$3.9 billion, of which US$2.8 billion is paid-in.

Each FLAR member is assigned one vote. A supermajority (and variants on it) is required for certain types of key decisions. FLAR lending is not linked to the IMF. This fact and the FLAR's equitable voting system contribute to its legitimacy among members. There has never been a default on a FLAR loan.

The FLAR has deepened its surveillance capabilities over time. Since 2011, the FLAR has had a macroeconomic monitoring unit, the Division of Economic Studies, which reviews and

[10] Personal communication with official.
[11] Members are Bolivia, Colombia, Costa Rica, Ecuador, Paraguay, Perú, Uruguay, and Venezuela.

monitors member performance and economic prospects. A central bank seeking balance of payments support or external debt restructuring is required to present to the FLAR executive president a written report on how it will mitigate the problem that motivates the support request. A decision on whether to grant support is then made by the non-resident Board of Directors following consideration of the remediation program by the Division of Economic Studies. To this point, the FLAR has not denied support on the basis of the plans presented, and has generally not required additional adjustment measures beyond those proposed by a central bank requesting support (Velarde 2015, 150).[12] Hence, there is no conditionality in the traditional (IMF) sense.[13] But as part of its loan contract, the borrowing country agrees not to impose measures that affect the imports from another FLAR member as part of its balance of payments restructuring process (Rosero 2014, 46). Division of Economic Studies staff assess the balance of payments situation and repayment capacity of countries receiving support (Titelman et al. 2014, fn28). Staff may also make technical visits to the country's institutions and require reports to the FLAR's executive president and board (ibid.). The review is expedited in the case of short-term support since the executive president approves these requests without involvement of the Board of Directors (Rosero 2014, 65).

Over its lifetime (and through September 2016), the FLAR has made 47 disbursements, amounting to roughly US$6.4 billion (Mühlich and Fritz 2016). The FLAR has lent to all of its members except Uruguay and Paraguay. In some cases the FLAR contributed stabilizing resources when the IMF did not, or when members declined to engage the Fund (Ocampo and Titelman 2012). Though FLAR resources are relatively small in the aggregate, they are significant relative to the needs of smaller member states, and lending has been redistributive subregionally (Ocampo and Titelman 2009-2010, 262). Mitigation of balance of payments-induced crises in smaller members has benefited the region's other economies by stabilizing trade flows (Kawai and Lombardi 2012), as has the requirement that borrowing countries not interfere with intra-FLAR trade. The FLAR's presence reduces the pressure on smaller countries to accumulate reserves and hence the opportunity cost of doing so (Eichengreen 2010). The FLAR has provided important savings to members by making funds available at better terms than are available on international markets to countries under stress (Rosero 2014). In some instances, FLAR resources have been leveraged as part of broader support programs. FLAR membership has also been beneficial to members since reserves committed to it have yielded greater returns than those maintained in national reserve portfolios (Perry 2015, 27).

In terms of lending, the FLAR largely maintained rather than expanded its role during the global crisis. This reflects Latin America's relative vitality during the crisis rather than any failure on the part of the FLAR. During the global crisis the FLAR received and acted on requests for assistance from only two members (Ecuador and Venezuela).

Looking beyond lending as a metric of change, we find evidence of gradual FLAR evolution during the global crisis and up to the present. Membership broadened, with Uruguay joining in 2009 and Paraguay in 2015. In 2015 Guatemala and the Dominican Republic were formally invited to begin the process of accession (FLAR website, annual report 2015,25). FLAR members approved a 40% increase in subscribed capital in 2012 (Titelman et al. 2014, fn9).

[12] See Ocampo (2012, 26) on a delay in lending to Peru in the late 1980s.
[13] The only exception involved loans to Ecuador (2005, 2009) (Rosero 2014, 75).

Uruguay and Costa Rica pre-paid their entire subscribed capital in 2011 and 2015, respectively; Paraguay increased its paid-in capital in 2015, and in the same year, Costa Rica doubled its subscribed capital (Ocampo 2015, 160). In recent years, the FLAR has begun to play a more important role in improving the investment conditions of members' reserves, giving it a role as a regional financial intermediary (Ocampo 2015, 160). In addition, after more than a decade of dialogue, the FLAR and the IMF agreed to allow a portion of the capital paid-in to the FLAR to count towards their international reserves with the IMF (FLAR website, annual report 2015,27). This double counting reduces the cost of FLAR membership for new (especially small) economies.

The FLAR is insufficiently capitalized to respond on its own to the needs of larger economies, especially during crises that affect several members simultaneously. The recent inclusion of and invitations to smaller economies is indicative of an interest in membership expansion. But the absence of some of the region's largest economies necessarily limits the capacity of the institution. Observers have consequently argued for broadening its membership and deepening its resources, not least through establishing contingent credit lines with member central banks and private banks, intermediating funding from or cooperating with the IMF (Rosero 2011, 2014), and connecting it with other sub-regional, regional, and multilateral institutions (Ocampo and Titelman 2012). Even if expanded, institutions like the FLAR should be viewed as complementary insurance mechanisms that are part of a global patchwork of financial cooperation. In extreme cases, the IMF could leverage FLAR capital to mobilize a larger pool of resources, or the FLAR could take action in conjunction with other regional institutions (Titelman et al. 2014, 17). We might envision a capacity-based division of labor in which regional mechanisms like the FLAR provide support to small- and medium-sized countries and act independently during localized economic disturbances—something it has already done—while the IMF provides support to large countries and partners with the FLAR during large-scale crises, though without IMF-driven conditionality (as per Ocampo 2006a, 2015, 170).

The FLAR has pursued "strategic alliances" with a range of other institutions, including AMRO, the Development Bank of Latin America, and the Bank for International Settlements (BIS). The result is an emerging cross-cutting network of cooperation that stands to enhance the capacity of these partners while generating cross-institutional learning.

Arab Monetary Fund

The Arab Monetary Fund (ArMF) was founded by central bankers from the Arab world and began operating in 1977. Today it has 22 members and a small amount of subscribed capital, approximately US$3.8 billion as of the end of 2016.[14] As with the FLAR, the ArMF takes deposits from member central banks and has a broad developmental and financial stability remit. The ArMF can borrow from members and from Arab and foreign institutions and markets, and can issue securities.

[14] Members include Jordan, United Arab Emirates, Bahrain, Tunisia, Algeria, Djibouti, Saudi Arabia, Sudan, Syria, Somalia, Iraq, Oman, Qatar, Kuwait, Lebanon, Libya, Egypt, Morocco, Mauritania, Yemen, Comoros, and the Palestinian Authority.

The ArMF has several lending facilities. Since 2009 a facility supports countries facing short-term liquidity problems caused by difficulties accessing international financial markets. ArMF loans have varying access limits and are disbursed with varying degrees of oversight. The institution appears from the one relevant study to be extraordinarily nimble. McKay, Volz, and Wölfinger (2011, 21) report that some types of loans, such as those available under the new short-term liquidity facility and what are termed automatic balance of payments loans, are disbursed very quickly and carry no requirement of a country mission or conditionality. Management makes a decision following rapid preparation of an internal report, with later notification to the Executive Board (see also Mühlich and Fritz 2016, 15). Other types of loans are generally approved in one to six weeks, require an adjustment program agreed to by the member state and the ArMF, and supplementary support from other regional and multilateral institutions, such as the IMF(Corm 2006, McKay, Volz, and Wölfinger 2011, 21). Conditions on ArMF loans tend to be less stringent than those associated with the IMF (Corm 2006, 309, UNCTAD, 2007,122, UNCTAD 2015, 74).

The ArMF has a technical staff that observers consider highly competent (McKay, Volz, and Wölfinger 2011, Miyoshi 2013). Staff members conduct reviews of member country economic conditions and financing needs (ibid.). However, some analysts question whether monitoring is sufficiently stringent (McKay, Volz, and Wölfinger 2011), though loan arrears remain small and concentrated in countries facing difficult political and social conditions (e.g., Somalia, Syria, and Sudan).

The ArMF's governance structure is not unlike that of the BWIs (and the main regional development banks, MRDBs). Decisions of the eight-member Executive Board are by absolute majority, with votes weighted by size of member contribution. Three countries (Saudi Arabia, Algeria, and Iraq) together hold 38.5% of the votes. That these countries are overrepresented underscores the point that governance of EMDE regional institutions is not inherently more egalitarian than that of the BWIs.

From its establishment through the end of 2015, the ArMF has made 174 loans to 14 member nations totaling US$8.2 billion.[15] Average drawing volume tends to be very small, and smaller, oil-importing members have been the most frequent users of lending facilities (especially in the 1980s) (Mühlich and Fritz 2016). The ArMF was faced with growing demands on its resources stemming from the challenge of the global crisis, the Arab Spring, and rising food and falling oil prices. During 2009 the ArMF made five loans totaling US$470 million via its new short-term liquidity facility. Between 2009 and 2015, the institution approved a total of 33 loans to eight countries totaling US$3.5 billion. Moreover, the dollar value of loans extended during each year of the period 2009-2013 exceeded that for any other year (except 1988) since the institution began to operate. The US$800 million in loans extended in 2015 represents a new peak for the institution.

The ArMF has no formal relationship with the IMF. The IMF has provided technical assistance to the ArMF on domestic bond market development (Rhee, Sumulong, and Vallée

[15] Data in this paragraph are from ArMF annual reports, except where noted.

2013). The ArMF also coordinates with the IMF on technical workshops (ArMF website, annual reports, table B-2) and took part in regular meetings of the IMF and World Bank during 2015. The institution's Articles of Agreement charge it with providing "complementary" lender of last resort financing for some types of loans(Miyoshi 2013, 31-2). This explicitly complementary role is necessitated by the ArMF's small capitalization and is reflected in the frequent parallel use of the IMF and ArMF. Since its creation, parallel use has occurred on 22 occasions, mostly during the Arab Spring (Mühlich and Fritz 2016, 23). The ArMF's resources and lending could obviously be increased significantly to provide more support to its poorer members, given the vast assets possessed by some of its oil-exporting members.

Eurasian Fund for Stabilization and Development

The member countries of the Eurasian Economic Community created the Eurasian Fund for Stabilization and Development (EFSD) in June 2009. Since its founding the fund has operated as a hybrid that involves features of reserve pooling and development banking. The EFSD serves as a regional safety net that extends what it terms financial credits to governments to offset the effects of the global crisis; funds stabilization programs by supporting budgets, balance of payments, and currencies; and ensures the long-run economic stability of member nations. The EFSD also provides what it terms investment loans to governments and firms for large interstate projects that support regional integration or national investment and has a new program of grants aimed at supporting social programs.

The EFSD was established with subscribed contributions of US$8.5 billion by six countries.[16] As of December 2016 the EFSD has paid-in capital of US$3.05 billion, most of which comes from Russia, its largest member. Paid-in contributions to the EFSD come from pooled member resources via budget contributions. At present it has no capacity to issue bonds or to otherwise tap financial markets (Rhee, Sumulong, and Vallée 2013). Votes at the EFSD are weighted by capital contributions (as per the ArMF, the BWIs, and the MRDBs). Russia holds 85% of the votes and consequently holds veto power.

The Eurasian Development Bank manages EFSD resources and conducts surveillance of EFSD borrowers (Rhee, Sumulong, and Vallée 2013, 224). There are no automatic disbursals of financial credits from the EFSD, and all disbursements are tied to a heavily and regularly monitored adjustment program. Financial credits are followed by consultations intended to determine the likelihood of borrower success in implementing reforms or stabilization programs that are funded by the EFSD. Recipients are not required to work with the IMF, though the EFSD claims that it is "guided" by the IMF in matters relating to financial credits. It also uses IMF benchmarks when assessing various matters, such as corporate governance. Indeed, an EFSD annual report notes that the manager "consulted with the IMF on a regular basis regarding economic policy guidelines for Armenia, Belarus, Kyrgyz Republic, and Tajikistan," and that EFSD officials have been discussing coordination initiatives with the AsDB, World Bank, and IMF since 2014 (EFSD website, annual report 2014,12). The EFSD does not extend financial credits to countries that are in arrears to the IMF, other multilateral institutions, or EFSD

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[16] The countries include Armenia, Belarus, Kazakhstan, Kyrgyz Republic, Russian Federation, and Tajikistan.

members. However, in the case of Belarus, the EFSD extended a financial credit to the country when the IMF declined to do so. Decisions on financial credits by the EFSD are rapid—available evidence suggests that internal decisions on loan disbursements are made in two to eight weeks (Mühlich and Fritz 2016, 15).

To date, the EFSD has extended only four financial credits totaling almost US$3 billion (to Tajikistan in 2010 and 2016, Belarus in 2011, and Armenia in 2015). Its largest extension of financial credits to date was to Belarus—its support package of US$2.6 billion was equal to almost 6% of the country's GDP. The 2010 support package of US$70 million to Tajikistan was equal to about 1% of its GDP. The case of Belarus suggests that EFSD surveillance has teeth: disbursal of a sixth tranche of funding was postponed from 2013 to 2015 because the country missed stabilization targets established in its agreement with the EFSD. Support was reestablished in 2016.

The Contingent Reserve Arrangement of the BRICs

Since 2011, the BRICS has moved rapidly to develop plans and launch initiatives to create new financial institutions. The first BRICS-level financial initiative was launched in March 2012 when the five founding members of the BRICS Exchanges Alliance began cross-listing benchmark equity index derivatives. Plans for financial cooperation became more ambitious in 2012, when the group began to discuss formation of a development bank that would supplement existing institutions. In 2012, BRICS finance ministries also agreed to encourage trade between members, denominated in bilateral currencies.[17]

Intra-BRICS cooperation took a step forward at the July 2014 Leaders' Summit in Fortaleza, Brazil. In what became known as the Fortaleza Declaration, the group announced that it had reached agreement on two initiatives—the founding of a reserve pooling arrangement called the Contingent Reserve Arrangement (CRA) and the New Development Bank (NDB).[18] Long-standing frustration with the BWIs was explicit in the Fortaleza Declaration, which stated that "International governance structures designed within a different power configuration show increasingly evident signs of losing legitimacy and effectiveness" (BRICS 2014a). Notwithstanding these frustrations, the declaration also made clear that both the CRA and the NDB were to be complements to and not substitutes for the BWIs.

The CRA is a reserve pooling arrangement meant to provide liquidity protection (including precautionary support) through currency swaps to members during balance of payments crises.[19] China has pledged US$41 billion to the CRA's US$100 billion pool; Brazil, India, and Russia have each pledged US$18 billion; and South Africa has pledged US$5 billion.

[17] The BRICS have discussed launching a credit rating agency, perhaps in 2018.
[18] Intra-BRICS cooperation continues to evolve. In September 2017, five banks of the BRICS Bank Cooperation Mechanism (namely, Brazil's National Bank of Economic and Social Development, Export-Import Bank of India, China Development Bank, and the Development Bank of South Africa) signed an agreement to establish credit lines in national currencies and a memorandum of cooperation on credit ratings (Economic Times 2017).
[19] Details on the CRA drawn from BRICS (2014b) and Montes (2014).

Pledges by China, Brazil, India, and Russia to the CRA are nearly equal to each of their IMF quotas. No single member is to have effective veto power over fundamental changes in the CRA. As of this writing, the criteria to be used in decisions pertaining to qualification for support under both the liquidity and the precautionary facilities are still under development. Support decisions will be made by a "Standing Committee" comprising five directors appointed by each of the member country central banks. Countries applying for support from the CRA (including for precautionary support) in amounts above 30% of their eligibility must be in compliance with the surveillance and disclosure obligations of the IMF's Article IV (sections 1 and 3) and Article VIII (section 5), and they may not be in arrears to BRICS nations or to regional or multilateral institutions (Henning 2016, 125-6, BRICS 2014b, Article 14(b)(v)). The most controversial aspect of the CRA rests precisely in the decision to replicate the CMIM-IMF link.

It is unrealistic to treat the BRICS as a serious challenge to the roles of the US and the IMF in global financial governance. Instead, it should be seen as a group that occupies an "intermediate space" in global interstate power (Armijo, Katada, and Roberts 2015, Armijo and Roberts 2014), and as creating a "parallel order" rather than one that rivals the United States and the BWIs (Stuenkel 2016, Chin 2015). That said, the BRICS group has often had to overcome or, more accurately, work around important differences and persistent fissures to reach consensus.

The launch of the CRA triggered an avalanche of commentary that broke down along the lines of Hirschman's possibilists and futilists. Futilists dismissed the "empty symbolism" of the CRA, emphasizing the decision to replicate the CMIM-IMF link, the small size of CRA resources relative to potential demands, and the dollar-based funding commitments to the CRA that reinforce the currency's dominant global role.[20] More broadly, skeptics emphasize what they see as fatal internal tensions that will continue to disrupt the group's cohesiveness and its potential to transform financial governance.[21] Others emphasize the "sub- or neo-imperial" tendencies of the BRICS while still others dismiss the significance of the BRICS, particularly as growth prospects have slowed.[22]

Possibilists are not persuaded. In the possibilist view, the CRA (warts and all) is part of an evolving, fragmenting global financial landscape in which institutional experimentation is becoming the "new normal." From this perspective, the CRA is understood to complement existing institutions and advance the growing disbursal of economic power while holding the potential to increase the voice of EMDEs in the global financial governance architecture either directly or through the leverage associated with forum shopping.[23] For possibilists, the CRA is one among many parallel experiments that provide opportunities for learning, problem solving, and deepening networks of influence. Surely the impact of the BRICS and their various initiatives will be uneven and even contradictory, reflecting enduring tensions within each of its member states, among its members, and between those members and other actors (states and institutions). But that is equally true of all complex institutions and their endeavors—they are not

[20] See, e.g., Bond (2016), Chandrasekhar (2014), and Eichengreen (2014).
[21] See, e.g. Fourcade (2013) and Huotari (2014).
[22] See, e.g., Bond (2015) and Palacio (2015).
[23] See, e.g., Armijo (2014), Desai (2013), Grabel (2013a, 2015), Griffith-Jones et al. (2014), and Stuenkel (2016).

adequately described by exclusive reference to their formal mission statements or just one aspect of their practice.

It is also true that critical issues (such as China's voice at the CRA and the relationship between the CRA and the IMF) must be addressed before the CRA begins to disburse funds.[24] But these obstacles are not insurmountable, and the motivation to overcome them is high. There is good reason to expect that the CRA will ultimately develop independent, well-resourced, and technically competent surveillance capacity over time, and as that occurs, the IMF link may lessen or be eliminated. For these reasons, the CRA carries significant potential to catalyze widespread change through its own internal performance, through competition or cooperation with other pooling arrangements, and through the example it sets for other institutions (Griffith-Jones, Fritz, and Cintra 2014).

Development Banks

Development banks in EMDEs (and the MRDBs) were created over fifty years ago to address the shortage of project and infrastructure finance. The inadequate provision of infrastructure financing remains a critical deficiency of the global financial architecture (Chin 2014). In the context of the global crisis, the World Bank, the MRDBs, and some national, subregional, and regional development banks based in EMDEs took on roles that we traditionally associated with institutions that focus on liquidity support. Development banks introduced and, where such facilities previously existed, significantly increased disbursements of shorter-term loans and other forms of financing (such as trade credits) that had counter-cyclical effects. Indeed, a World Bank survey of 90 development banks across the world highlights the important and often overlooked counter-cyclical impact of these institutions (de Luna-Martínez and Vicente 2012). The terrain of development banks is vast and far better known than that of reserve pooling arrangements. For this reason, and for reasons of space, the discussion of development banks is brief and highlights salient discontinuities.

Development Bank of Latin America

The Development Bank of Latin America (formerly, the Andean Development Corporation; Spanish acronym CAF) was launched in 1970 to support development and integration of the Andean Community countries.[25] Its membership and the focus of its loan programs have broadened considerably over time.

Almost half of CAF-approved disbursements from 2010 to 2015 were in the form of medium- and long-term loans. This lending was particularly important insofar as funds for longer-term project finance in EMDEs contracted severely as private lenders fled these markets during the global crisis. CAF finance has important counter-cyclical and developmental impacts since it provides stable funding to members. CAF financing dampened instability during the EMDE financial crises of the 1990s and the global crisis, when CAF loans remained high. In

[24] See Henning (2016, 126,134) for discussion of the relationship between reserve pooling arrangements and the IMF.
[25] The acronym CAF is still used for legal reasons, and so we use it in what follows.

2015, the CAF increased its countercyclical activity through what it called fast disbursing and contingent operations of US$2.4 billion. In 2015, the CAF approved a record volume of loans of US$12.3 billion (and disbursed US$5.9 billion).

Member nations' commitment to the CAF is apparent in the ease with which the institution raised capital from its members during the global crisis. One might have expected national policymakers to withdraw from multilateral commitments. Instead, shareholders quickly and unanimously approved a US$2.5 billion paid-in capital increase in August 2009 (Humphrey 2014). In 2015 CAF shareholder countries again approved an increase in paid-in capital (of US$4.5 billion) (CAF, annual report).

The CAF issues a large percentage of bonds in Latin American currencies, which are held by regional and international investors. During the global crisis, the CAF introduced and utilized two new financial products to support infrastructure finance, "Collateralized Infrastructure Debt Obligation," a securitized debt obligation for which infrastructure loans serve as collateral, and "Debt Funds for Infrastructure." The latter were used in Colombia in 2014 (issued in Colombian pesos and indexed to inflation) and Uruguay in 2016 (issued in Uruguayan pesos and dollars, and also indexed to inflation). Local currency bonds reduce locational mismatch and promote the development of local currency bond markets, something that has positive side effects in terms of financial resilience, stability, and access to long-term credit. The CAF has also signed cooperative agreements with the Green Climate Fund and the Global Environment Facility, reflecting an increasing emphasis on sustainable financing.

The New Development Bank

The NDB is designed to finance investment in infrastructure projects and more sustainable development (including sustainable infrastructure) in the BRICS, with an eye toward allowing other low- and middle-income EMDEs to buy in and apply for funding in the future.

The NDB approved its first loans in May 2016. By year-end 2016 it had approved a total of seven loans, collectively amounting to US$1.5 billion. Each of its member nations was approved for one of its first five loans, and an additional two loans were approved later for China and India. The loans were extended to public sector entities in each of the countries to support small-scale renewable energy and transportation-related projects, and were financed by "green" RMB-denominated bonds issued in the Chinese market. As of November 2016, the institution reported that it had received approval from member governments to develop local currency bond offerings in the Indian, Russian, and South African markets (NDB 2016a, b). In August 2017 the bank approved another tranche of loans, totaling US$1.4 billion.

Some analysts suggest that NDB loans could dwarf those of the World Bank in the next several decades, especially if membership is broadened and the institution co-finances loans with governments and private investors.[26] In terms of co-financing possibilities, the NDB signed memoranda of understanding with the CAF and the World Bank in September 2016, and with

[26] Discussion of the NDB's significance break down along familiar futilist and possibilist lines (see citations in Grabel (2017b, chap. 6)).

Brazil's National Bank of Economic and Social Development (BNDES) in April 2017. The NDB's loan portfolio capacity is projected to reach about US$45-65 billion by 2025(Humphrey 2015, figure 5).

Initiatives Led by China: The Asian Infrastructure Investment Bank and the Belt and Road Initiative/Silk Road Fund

Simultaneous with its involvement in BRICS initiatives, the Chinese government has created an ambitious new institution, the Asian Infrastructure Investment Bank (AIIB), the equally ambitious "Belt and Road" initiative, and at least 13 regional or bilateral funds that will radically increase Chinese development and infrastructure finance abroad (Gallagher, Kamal, and Wang 2016, 1). The Silk Road Fund is one of the 13 new funds. Taken together, the funds are projected to contribute up to US$116 billion in project financing (Gallagher, Kamal, and Wang 2016, table 1). It is clear that China is "poised to be the largest development [and infrastructure] lender in the world" (Gallagher, Kamal, and Wang 2016, 1).

In its first year of operation, 2016, the AIIB approved nine projects across seven countries, totaling US$1.7 billion. All but one of these loans is to be co-financed with legacy institutions. In terms of capitalization and number of members, the AIIB represents the largest of China's contributions to the changing institutional landscape. Chinese officials, along with those of the IMF, World Bank, and AsDB, have made it clear that they see the AIIB as complementary to legacy institutions (McGrath 2015). The decision by the US and Japan not to join suggests that they see it differently.

By 2025, the AIIB is conservatively projected to have a loan portfolio capacity of US$70-90 billion (Humphrey 2015, 15). Under less conservative scenarios its loan portfolio could reach US$100-120 billion or more, making it the second-largest development bank in the world (Griffith-Jones, Xiaoyun, and Spratt 2016, 26). The AIIB will largely co-finance projects with other multilateral lenders in its first years of operation. With cofinancing, the scale of the infrastructure projects to which the AIIB contributes could reach US$240 billion by 2025 (ibid.). Many legacy institutions have signed cooperative agreements with the AIIB.

The China-led initiatives express the foreign policy ambitions and economic objectives of China's leadership. The China-led initiatives and the creation of the NDB should be understood both as a response to the vast need for infrastructure spending and finance and as a reflection of long-standing frustrations about the governance of the BWIs.[27] Taken together, these initiatives are apt to have catalytic effects on the World Bank and the AsDB (and other MRDBs) (e.g., see Chin (2014)). As Kozul-Wright and Poon (2015) note, China's experience with experimental and incremental development strategies make it particularly suited to take on this leading role in transforming the institutional landscape of development banking. China's initiatives also increase the possibility for forum shopping, with attendant effects on voice in existing institutions. The Chinese initiatives have already placed and will likely continue to place

[27] See Grabel (2017b, chap. 6 and citations therein) on the challenges confronting the NDB and the China-led initiatives.

pressure on the private sector, the G-20, the World Bank, and the MRDBs to increase infrastructure spending.

The BNDES and the China Development Bank

Under Brazil's President Lula da Silva, BNDES began to provide countercyclical finance. During the global crisis BNDES increased disbursements, coordinated actions with private banks to support distressed firms, and took other measures to channel liquidity to small and medium-sized banks that were under stress (Armijo 2017, Torres Filho 2011). It played a critical role in providing financing when private domestic lenders in Brazil contracted their operations in 2008 and all but froze lending from September 2008 to January 2010 (Chandrasekhar 2016, Torres Filho 2011). The expansion of public credit was central to the country's ability to emerge from a recession after only a six-month downturn, and to the stability of manufacturing in the face of a 16% fall in exports from September 2008 to March 2009 (Hochstetler and Montero 2012).[28] In recent years BNDES has begun to cooperate with other multilateral and regional development banks, such as the World Bank and, as part of its continuing engagement with the BRICS, with the national development banks of China, India, Russia and South Africa and the NDB.

The CDB is the world's largest development bank in terms of assets, which remained high and grew steadily during the global crisis. The CDB undertook strongly countercyclical initiatives during the crisis by lending actively in the domestic market and providing important support for the country's export performance. Lending by the bank grew markedly: at year-end 2008, outstanding loans were valued at US$460 billion, and at year-end 2014, they stood at US$1.2 trillion. The loans extended in 2014 were valued at US$276 billion, which represented a 20% increase over 2013 lending (CDB website, annual report-2014,12). As signs of an economic slowdown and financial fragility became apparent during the summer and fall of 2015 the CDB responded with new counter-cyclical support that supplemented other government measures. During the crisis China launched a variety of bilateral financial initiatives in EMDEs through its policy banks, especially the CDB, but also through the Export-Import Bank. At year-end 2015, the CDB's foreign currency loans totaled US$276 billion, which represented 19% of its total loan portfolio and a ninefold increase in foreign-currency lending compared with 2007 (CDB website, annual report-2015,60). Many of these loans support infrastructure development in EMDEs and China's access to raw materials (UNCTAD 2015, 169-70).

Lending by China and other emerging powers is imparting complexity to the traditional Bretton Woods-era architecture of project finance, when the line between AE lending and EMDE borrowing was clearly drawn.

A Caveat Regarding Africa and a Venezuelan-led Initiative

Neither the Asian nor the global crisis has had a major catalytic effect on institutions of developmental finance on the African continent. The only meaningful outcomes in this regard

[28] It is uncertain whether BNDES will continue to play a central role in Brazil's economy, given the unsettled state of economic and political conditions, scandals that have damaged the institution, and the current government's decided tilt toward the market.

relate to South Africa's role in the CRA and the NDB, its membership in the AIIB, and the activism of the AfDB.[29] This stands in contrast to the effects of these crises elsewhere in the global south and east, as we have seen. This type of unevenness is to be expected—indeed, it is part and parcel of the overall inconsistency at the heart of the emerging financial architecture. Where we have seen more meaningful steps toward financial architectural innovations in Africa is in the realm of regional macroeconomic coordination and monetary integration, where several sub-regional initiatives are in the planning stages (see Fritz and Mühlich 2014, 29-40).

A (largely) Venezuelan-led initiative to create a development bank, the Bank of the South (Spanish acronym, BDS), is worth noting briefly because it illustrates the fragility of institutional experimentation. The initial BDS vision entailed the principles of equal voice among members and the rejection of conditionality. The BDS was founded in 2007 and became a legal entity in 2009 (with US$7 billion in subscribed capital, though recent reports suggest that the figure has grown to US$10 billion).[30] The BDS project moved forward in late November 2016 after a long period during which it failed to advance beyond its legal existence. At a meeting at the headquarters of the Union of South American Nations in Quito, an Executive Board was installed (with representatives of Venezuela, Uruguay, Ecuador, and Bolivia). The Board announced that the institution would begin its pre-operative phase, and that Uruguayan economist Pedro Buonomo would be the bank's first president (El Telégrafo 2016). The announcement in 2016 that the BDS would nonetheless begin functioning was unexpected. It has initial planned paid-in capital of US$90 million, and Bolivia, Ecuador, and Venezuela are reported to have paid in already.[31] Fundamental questions remain about where the institution's capital will come from, especially in light of the severe economic and political crisis in Venezuela and leadership changes in Argentina and Brazil.

Governance, Surveillance, Conditionalities, and Institutional Linkages

Many of the institutions surveyed above are characterized by governance structures that differentiate them from the BWIs, in which AEs (especially the US) have disproportionate weight. Many of the institutions are organized to promote greater inclusiveness, though there is quite considerable divergence in the degree to which this is achieved by design or in practice. Indeed, some of the institutions considered here hew rather closely to the BWIs in terms of governance (when it comes to the influence of countries that contribute a large portion of the institution's capital and the role of a resident board), whereas others have made a rather sharp break with these norms. The fact that the institutions surveyed have diverse and complicated decision-making structures reflects the necessary and real tensions between the demands of the larger countries that provide the bulk of financial support, recognition of the legitimacy of concerns about inclusiveness for smaller, poorer countries, and the complicated power politics that necessarily infuses regional and trans-regional initiatives.

[29] See Bradlow and Humphrey (2016) on development banks in Africa.
[30] Members of the BDS include Argentina, Bolivia, Brazil, Ecuador, Paraguay, Uruguay, and Venezuela.
[31] Personal communication with official.

Like governance, the matter of "getting conditionality right" continues to be a key challenge, which institutions are managing in diverse ways. Some institutions, such as the CMIM, CRA, ArMF, and FLAR, plan to or already do conduct surveillance (including country missions) and utilize conditionality or require some type of adjustment program, at least under certain circumstances. Others, such as the EFSD, require conditionality under all circumstances. Some, such as the FLAR and CAF, employ an approach to monitoring that works with borrowing governments in ways that are decidedly distinct from the top-down approach of the BWIs. Here, surveillance (and in the case of FLAR) adjustment programs are minimalist, highly country-specific, peer based, and exclude the BWIs. Some institutions are actively wrestling with these issues and involve the IMF explicitly under certain circumstances (e.g., the CMIM and CRA). In contrast, the EFSD involves the IMF implicitly through consultations and, like the CRA, abstains from lending to countries in arrears to it. The early design of the BDS renounced conditionality altogether. In the newest institutions, such as the AIIB and NDB, the matter of project selection and assessment is still evolving, as is the issue of how to handle non-performing loans.

For the most part, the institutions considered here are more agile than the BWIs (and the MRDBs) inasmuch as they respond quickly to economic challenges in their field of operations. In several instances, this agility—coupled, critically, with a sense of country ownership and the appropriateness of surveillance procedures—has induced countries receiving support to treat the lending institutions as if they held preferred creditor status.

An obstacle facing reserve pooling arrangements in particular concerns the challenges posed by pre-cautionary forms of support. Some institutions, such as the CMIM, plan to utilize pre-qualification criteria before support is disbursed. Others, such as the FLAR, have thus far successfully used their own forms of monitoring and dialogue to determine eligibility for pre-cautionary support without resorting to pre-qualification criteria. For the CRA the matter of qualification for both liquidity and precautionary support remains under consideration among member central banks, though at this point the CRA mirrors the link to the IMF that is a feature of the CMIM.[32] Precautionary support is always a complex matter, as we have seen in the case of the IMF's Flexible Credit Line (Grabel 2011). It often involves some sort of prequalification criteria, which may mean that the candidates that meet the criteria are those that are least likely to need support, and in the case of regional and transregional bodies, it may undermine the solidarity that is an intrinsic part of these arrangements.

CONCLUSION

As the foregoing makes clear, the institutions surveyed do not meld into any sort of new, coherent system of financial governance architecture or developmental finance. Not all are equally likely to thrive in the years ahead. Neither individually nor collectively do any of the reserve pooling institutions considered here promise or seek to challenge the IMF as the central institution of crisis response. In the realm of development banks, the institutions considered here should also not be considered against the standard of displacement of the World Bank or the

[32] Disbursal criteria for both forms of support available from the CMIM and CRA are currently under consideration.

MRDBs. They do not amount to a new pole of financial power that will necessarily demote AE hegemony in financial affairs. Instead, the initiatives are fragmentary and heterogeneous, some are internally fraught with rivalry and suspicion, and many are no doubt marked by the same kinds of ambiguity as the IMF, where gritty, muddled day-to-day practice conflicts with coherent, pristine mission statements. Finally, the institutions may work at cross-purposes, especially during crisis moments, undermining each other's efforts and/or imposing cross-border spillovers that disrupt each other's economies.[33]

I do not take these features as fatal flaws. Instead, guided by Hirschman, I recognize the present period of institutional experimentation, expansion, and hybridization as a moment of pragmatic innovation that just might yield institutions and practices that do better than their predecessors in promoting financial stability and resilience, and as a consequence of that, provide at least the possibility for development that is more stable, inclusive, sustainable, and protective of autonomy. With Hirschman, I place emphasis on the potential inherent in unscripted adjustments that are freed from the constraints imposed by hegemonic narratives that purport to demonstrate the single path to economic security and development.

At a minimum, the flourishing of heterogeneous EMDE institutions of financial governance and developmental finance generates new opportunities for exit from unresponsive institutions and for at least a degree of forum shopping among alternatives. As a consequence, it may increase EMDE resilience, bargaining power, and voice vis-à-vis the BWIs (Helleiner 2010). To the extent that opportunities for forum shopping are realized, the BWIs may face pressure to respond to long-held concerns by EMDEs. In any event, the leverage of larger EMDEs in global and regional financial governance is certainly increasing as several of the institutions surveyed here have come to play a more prominent role during the global crisis. Redundancy and the networks of cooperation that are already emerging may increase overall resilience. In this connection, I note that UNCTAD calls for "more diversified financial systems," by which is meant different institutions of different sizes and mandates (UNCTAD 2013, chap. 3), that Ocampo (2006b, chap. 1) has long called for a denser financial architecture, and that Culpepper (1997) argues for the benefits of competitive pluralism (among multilateral development banks) on the grounds that overlap and rivalry encourage innovation and productivity. Multiple layers and increased density have the potential to yield productive redundancy—which can reduce instability, contain and ameliorate crisis, and increase opportunities to finance development. The emerging productive redundancy threatens the apparent efficiency of the streamlined, top-down, centralized financial governance architecture that characterized the neoliberal era, which promised efficiency but in fact generated extraordinary risk and crisis contagion while starving most EMDEs of adequate developmental finance.

There are no guarantees, of course, that the new opportunities afforded by institutional innovation, exit, and voice will necessarily generate a more just economic landscape. The increased aperture in financial governance may not survive as emerging powers attempt to assert hegemony over other EMDEs. Would a financial governance architecture dominated by China,

[33] More broadly it must be acknowledged that incoherence, redundancy, and pluripolarity may entail risks of their own (see discussion in Grabel (2017b, chap. 8).

say, necessarily provide greater breathing room in the long run for smaller, lower income countries? But for now, at least, we should be attentive to the potential for progressive reform that has emerged as a consequence of the increased policy space that the evolving, incoherent system provides. Certainly in contrast to the neoliberal era, when financial governance structures, practices, and ideology represented a suffocating obstacle to innovation and experimentation, today's leaders look out on a more heterogeneous landscape that may very well prove to be much more congenial to unscripted, locally-appropriate initiatives.

The new initiatives provide Hirschmanian opportunities—for learning by doing and learning from others, parallel experimentation, and providential problem solving that only comes about as a consequence of the Hiding Hand. Progress happens often when obstacles are initially underestimated so that new initiatives appear to be viable and when practitioners are then forced to search for solutions that were previously unimaginable. The next crisis may very well propel new initiatives and a deepening of embryonic institutions and partnerships that speak to challenges that now appear irresolvable. Moreover, the proliferation of institutions, even if they are not as credible, efficient, and experienced as the Bretton Woods and related institutions, is vital to the creation of new networks within countries and across national borders that can enhance indigenous and widely dispersed capacity in areas that are fundamental to economic development. We should remember in this context that even experimental failures can and often do leave in their wake vital linkages and knowledge that may be available for and enable subsequent endeavors. In this vision, few successes and failures are final—they are more typically steps along branching historical paths as actors seek to confront the challenges they face. They are best able to do that, Hirschman also reminds us, when they are free to do so unencumbered by theoretical visions and institutional monopolies that attempt to pre-narrate the future. Ad hoc, pragmatic adjustments rather than a tightly constrained choreography—that is what Hirschman put his faith in, messy though it may be. And that is what is just what is emerging across the new financial governance architecture.

Table 1. Chief Institutional Goals or Practices

Institution or Arrangement	Reserve Pooling	Liquidity/ Counter cyclical Support	Precautionary Support	Development, Project, or Infrastructure Finance
CMIM	√	√*	√*	
FLAR	√	√	√	
ArMF	√	√		
EFSD	√	√		√
CRA	√	√*	√*	
CAF		√**		√
NDB				√
AIIB & Belt and Road Initiative/ Silk Road Fund				√
BNDES		√**		√
CDB		√**		√

Notes: CMIM=Chiang Mai Initiative Multilateralisation; FLAR=Latin American Reserve Fund; ArMF=Arab Monetary Fund; EFSD=Eurasian Fund for Stabilization and Development; CRA=Contingent Reserve Arrangement; CAF=Development Bank of Latin America (formerly Andean Development Corporation); NDB=New Development Bank; AIIB=Asian Infrastructure Investment Bank; Belt and Road Initiative=One Belt, One Road Initiative; BNDES=Brazil National Bank of Economic and Social Development; CDB=China Development Bank

[*] Arrangement established, but no drawings to date.
[**] Provision of counter-cyclical support is not an explicit function of the institution, but some resources disbursed during crises have counter-cyclical effects.

Source: Author analysis

Table 2. Types of Change during the Global Crisis

Institution or Arrangement	Capacity Expansion	Hybridization	Institutional Creation
CMIM	√		√
FLAR	√	√	
ArMF	√		
EFSD		Created as hybrid	√
CRA			√
CAF	√	Project loans and "fast disbursement and contingent operations" played a counter-cyclical role	
NDB			√
AIIB & Belt and Road Initiative/Silk Road Fund			√
BNDES	√	Support played a powerful counter-cyclical role	
CDB	√	Support played a powerful counter-cyclical role	

Source: Author analysis

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