

Development Banks: Features and Activities

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Abstract—The article deals with the evolution of development banks and their activities in the modern era. When collecting and processing materials for the article, the authors use general scientific methods of research (generalization, aggregation, classification, comparison), and methods of economic processes forecasting. The authors conclude that development banks are historically established investment financial institutions. The process of the development banks evolution includes four main stages, each of which reflects the socio-economic features. Development banks in the XXI century are established on a regional and parity basis by economically developed countries. The authors indicate strategic areas of the development banks activity at present stage, in particular, financing innovative and infrastructure projects in the transport, telecommunications and energy sectors, financing small and medium-sized business development projects, and providing social protection to the population.

Keywords—Development banks; Loan capital; Financial resources; Regional economy; Socio-economic projects; Integration and cooperation activities

I. INTRODUCTION

In the evolution of the formation and development of international development banks as a financial institution, the 60s of the XX century played a special role. It is no coincidence that many financiers consider this period the period of formation of the concept of development banks.

Historically, this period marked the end of the colonial system. The collapse of colonialism, in fact, deprived of all rights in the parent state. Metropolitan areas, which for centuries enjoyed the wealth and assets of colonial countries, could not immediately abandon the idea of losing such sources of wealth. Therefore, it was during this period that the international development banks – the inter-American Bank, the African development Bank – were actively established on the initiative of the Metropolitan countries.

For a long time – more than half a century, this approach and the concept of losing political power in management, but maintaining a tougher and more effective economic power, remained in the methodology of international development banks. It is enough to analyze the composition of the countries of the founders of the international development banks and it becomes obvious that the loan in the XX century acquired the properties of economic weapons of oppression and management of borrowers. Despite the fact that the state borrowers several centuries before remained the property of

these countries. The loan made it possible not only to manage the economies of these countries, deciding which industries and regions of the country will develop, but also formed the conditions of debt slavery, a credit loop that could never be paid by countries impoverished during the period of colonial dependence.

Development banks, in fact, until the end of the XX are perceived as a financial institution continuing slavery and colonial dependence, only at a more modern level.

However, the radical ideological evolution of development banks have undergone only in the XXI century. It is during this period that special prerequisites for the formation of new international development banks as financial institutions of a new formation are noted.

First, the newly created financial institutions are not formed on a continental basis, but on a regional basis. Secondly, new development banks are not being established in the regions of former colonies, in the regions of economically backward and poor States. And in the regions of countries with a highly developed financial and economic system, on a parity basis. The purpose of such development banks is no longer economic domination, but mutually beneficial socio-economic development of the countries of the region. Examples of such international development banks are the European Bank for reconstruction and development (EBRD), the Eurasian development Bank (EDB).

This stage of evolution of international development banks is not the last stage. A new format of international development banks is already being created. The principle of which is the unification of countries on the unity of economic principles and objectives. An example of such an international financial institution is the international Bank of the BRICS countries.

In this regard, it is important to conduct research in the field of financial, conceptual and strategic activities of international development banks.

II. METHODOLOGY

When collecting and processing materials for the article, we used general scientific methods of research (generalization, aggregation, classification, comparison), and methods of economic processes forecasting.

III. EVOLUTION OF DEVELOPMENT BANKS

Today, the United Nations (the UN) expert Commission gives the following interpretation to development banks: "...a development Bank or financial institution is a Bank or organization that performs the function of long-term financing of projects that cannot be financed by private business and are aimed at socio-economic development".

The UN Committee distinguishes development banks in their investment role: "a Bank or organization that performs the function of long-term financing of projects that cannot be fully financed by private business and aimed at socio-economic development".

The Organization for economic cooperation and development (organization for Economic cooperation and Development, OECD) also characterizes the development banks like financial institution of a special kind: "Bank of development of national or regional financial institution providing medium to long term capital for productive investment, often with the purpose of support of technical assistance to poor countries".

The prototype and methodological basis of development banks group of historians in the field of Finance determines the State savings Fund of France, established in France in 1816.

In contrast, it is believed that the cooperative banks of Friedrich Raiffeisen, which grew out of credit cooperatives, became the prototype of modern development banks (1845).

The second stage of evolution of development banks marked the end of the Second World War and the creation of the global international development Bank – the World Bank (1947).

After the creation of the World Bank, national development banks were created one by one: the development Bank of Germany (1948), the development Bank of Japan (1951), in 1951 and 1954 respectively, the development banks of Brazil and South Korea.

The third stage in the formation and evolution of development banks is the formation of development banks in the regions of countries freed from colonial dependence: the African development Bank, the inter-American development Bank.

In historical evolution, just over 12% of development banks were formed before 1946, the majority of development banks – about 50% were established between 1946 and 1990, about 40% of development banks were established from 1990 to the present.

Thus, more than 750 development banks, including more than 50 regional banks and more than 700 national development banks, have been created in the world.

Thus, we can draw the following conclusions:

- (1) Development banks are historically established investment financial institutions

- (2) In the process of evolution there are four main stages of transformation of development banks.
- (3) Evolving in historical retrospect, development banks changed their ideology, reflecting the socio-economic features of the development stage:
 - initially, these were socially oriented banks;
 - at the second stage, the ideology of financial subordination of borrowing countries was formed;
 - the third stage also marked the continuation of economic dependence on the Metropolitan countries freed from colonial dependence;
 - the fourth stage marked the transformation of the mission of development banks: development banks in the XXI century began to be created on a regional basis, on a parity basis, by economically developed countries for the implementation of global socio-economic projects.

IV. PECULIARITIES OF DEVELOPMENT BANKS ACTIVITIES AT THE PRESENT STAGE

The conducted research shows that the activity of development banks is transformed:

- in accordance with the needs of socio-economic development of the regions and of their functioning;
- in accordance with the goals and objectives of the founders of development banks;
- in accordance with the peculiarities of the geopolitical situation in the region (on the continent and in the world).

The dynamics of transformation of the functional spectrum of development banks correlates with the dynamics of socio-economic development, innovation and geopolitical challenges.

However, the modern "socialization" of development banks is due to the most important functions that they solve by financing the program of socio-economic development of the regions.

The main significant factors determining the dynamics of modern development banks are:

- (1) The ability of development banks to accumulate large-scale financial resources. High government guarantees, status, authorized capital, high credit ratings make it possible to attract financial resources of development banks from different sources. The main creditors and investors of international development banks include: intergovernmental and sovereign funds of the founding countries; loans from transnational banks (TNBs) and transnational corporations (TNCs); independent investment funds, as well as syndicated loans from commercial banks in different countries. The high cost of the implemented regional infrastructure projects,

projects related to the socio-economic development of the region, causes today the need for billions of dollars of investment and credit loans, and only the global financial and authoritarian capabilities of development banks make it possible to attract the necessary funds.

- (2) Currently, countries geographically close to each other can solve regional development problems only through the creation of such a financial institution as the international development Bank. The problems of economic development tend to be very similar in the countries bordering each other, the economies of such countries, whether in Asia, Africa or Latin America, have a similar structure and problems in financing and development. Therefore, development banks, especially regional ones, form strategic programs for attracting financial resources and investing them in global long-term programs and projects. Such a mechanism of management of the regional economy at the intergovernmental level creates an effective system of management and control over the process of investment and implementation of regional development programs.
- (3) One of the most important features of the modern development of the global and regional economy is to attract foreign investment, especially foreign direct investment in the economy of the regions. TNCs, as the main investors, along with foreign governments, intergovernmental associations, funds and private investors, when investing in investment projects, direct investment resources, take part in the construction of economic complexes, enterprises of regional importance, infrastructure and social facilities, such as medical and educational institutions, sports facilities, and other socio-economic facilities.

A variety of forms of direct investment, including leasing, franchising, turnkey construction contracts and profit sharing agreements, concessions, tolling, provide an opportunity to Finance and develop the real sector of the economy of the region.

Of course, in order to attract foreign investment in the region, a favorable or at least moderate investment climate should be formed. And it is the joint efforts of the governments of the member States of the regional development Bank that should be aimed at creating an attractive investment climate. The basis for the formation of a favorable investment climate in the region should be: socio-political stability; state guarantees on attracted investments, formation of state assets in concessions, civilized regulation of the tax, customs and business legal system, stability of the economic and social environment in the States of the region.

- (4) Ensuring innovative, effective economic development of the countries of the regions. At present, there is a tendency of formation of new development banks not even on a regional basis, but on the principle of similarity of strategic economic development, including innovative development, providing faster growth rates of national economies of the founding countries. An example of such a financial institution is

the Bank of the BRICS countries established on the basis of an intergovernmental agreement of countries with advanced rates of development.

The formation of not only financial resources, but also such assets as intangible assets, investments in joint digital and innovative developments can create prerequisites for increasing the pace of economic development of the countries participating in the agreement: Brazil, Russia, India, China, and South Africa.

V. STRATEGIC DIRECTIONS OF DEVELOPMENT BANKS

Development banks are currently undergoing a new stage of evolutionary development. Their indisputable importance in the world economy, redistribution of investment resources determine the relevance of their development and transformation of goals and ideology.

Today, development banks, like other socio-economic centres and systems, tend to operate in a regional format. The European Bank for reconstruction and development, the Eurasian development Bank accumulating investment resources in the regions of their operation, provide financial flows for the implementation of long-term socio-economic projects. The construction of roads, Railways, energy systems, gas pipelines in regional systems, uniting several States of the region, increases the role and importance of regional development banks not only as a financial center and institution, but also as a mechanism for integration and cooperation of the countries of the region.

The main areas of financing of development banks are currently:

- financing of infrastructure projects in the transport, telecommunications and energy sectors;
- financing of small and medium-sized business development projects;
- as elements of the innovation mechanism, development banks Finance innovative projects in order to ensure the accelerated development of the economies of the region;
- the priority task of regional development banks is to ensure social protection of the population of the region, including through the creation of jobs, employment and access to social guarantees for all members of society (medical and educational services, public services).
- in the system of sustainable economic development, the priority task of development banks is to Finance programs to protect the environment and ensure the functioning of the economy in the face of climate change.

VI. CONCLUSION

Development banks are an investment financial institution, the relevance of which does not decrease over time, but only evolves to a new level of quality.

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