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Space/Place and Scale in Development Finance

A Case Study of Islamic Development Bank

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Abstract:

The study seeks to examine the conceptualizations of space and scale in development thinking. One of the important dimensions of the development is the conceptualization of space and scale. The mainstream development theory, which is modernization, theorizes space as a physical geographical style that is technical and measurable. Scale on the other hand conceptualized on the nation state scale. Critical development geographies approach, on the other side of the discussion, criticizes modernization and advocates defining space as a relational concept and scale as a fluid concept. Those conceptualizations were extended towards the field of development finance. In the empirical part of the study, Islamic Development Bank was investigated as a representative the critical development geographies approach since the Banks area of operation was defined according to relational spaces of development. Besides, all major Regional Development Banks and World Bank have been taken as the representatives of mainstream development thinking; yet they still conceptualize space in a physical and political geographical style. Qualitative research methods were employed in order to analyze the topic.

Keywords: space, scale, modernization theory, critical development geographies, Islamic Development Banks, multilateral development banks, development finance.

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List of Abbreviations:

ADB	Asian Development Bank
AfDB	African Development Bank
EBRD	European Bank of Reconstruction and Development
EU	European Union
IADB	Inter-American Development Bank
IBRD	International Bank of Reconstruction and Development
ICD	Islamic Corporation for Development of the Private Sector
ICIEC	Islamic Corporation for the Insurance of Investment and Export Credit
IDA	International Development Association
IFIs	International Financing Institutions
IMF	International Monetary Fund
IRTI	Islamic Research and Training Institute
IsDB	Islamic Development Bank
ITCF	International Islamic Trade and Finance Corporation
MDBs	Multilateral Development Banks
NAFTA	North American Free Trade Agreement
OAS	Organization of American States
OIC	Organization of Islamic Conference
RDBs	Regional Development Banks
SAPs	Structural Adjustment Programs
WB	World Bank

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What does it mean to say that development started to function as a discourse, that is, that it created a space in which only certain things could be said and even imagined? (Escobar,1995;39)

CHAPTER I – INTRODUCTION

The debate over the concept of development starts with the definition of it. It defies any definition (Cowen & Shenton,1996;2); yet it is one of the most complex words that the dictionaries include. Despite the fact that it is hard to define the concept; for methodological concerns definitions are crucial in terms of the academic research. According to Hettne; to a large extent development is contextually defined and should be open ended concept to be constantly redefined as our understanding of the process deepens (Hettne, 1995;15). In other words, he is opposing the idea of fixed definitions for development which makes the concept more contested. Because of this reason there are varieties of definitions of the concept of development. Each of them has a different framework and a different perspective. Therefore in order not to contribute the bulk of definitions; rather than defining the term development I will start with describing it. Making a description of development in that respect will provide a mental map, which will help to make the research on a more concrete ground.

According to Lawson, development itself is a complex, contradictory and powerful term that takes particular meanings in the context of specific intellectual, institutional and political moments and the knowledge of development is always produced in the restless interplay between analysis and action between academics, activists, policy makers and power brokers (Lawson; 2007; 5). By considering that she identifies two connected threads of meaning in the development theory: development as concrete material actions and processes and development as a discourse (Ibid;5). In regards to that explanation there is a distinction on the ‘material processes and actions’ side of the description between ‘big D’ Development which can be understood as post-second world war project of intervention in the third world that emerged in the context of decolonization and the cold war; and ‘little d’ development which refers to the development of capitalism as a geographically uneven, profoundly contradictory set of historical processes (Hart, 2001; 650). The distinction of ‘big D’ and ‘little d’ development implicates to the discussion made by Cowen & Shenton (1996) who made a

distinction of development as an ‘intentional intervention’ and ‘immanent process’ (Ibid;650). In other words ‘big D’ Development represents the concept of ‘intentional intervention’ with reference to the institutional bodies, which are established with the aim of bringing development as positive change, such as World Bank or NGOs. In a similar vein the ‘little d’ development depicts the unfolding of social and economic processes within capitalist societies; such as unscripted shifts in economies and societies of landscape of investment, production - consumption patterns or global flows of debt payments (Lawson,2007;6). In that respect, ‘little d’ development represents a natural evolution of capitalist processes over time and space; in contrast to the ‘big D’ Development which is more intentional and planned.

Besides that; discourse refers to ways of knowing, made up of ideas, ideologies, texts narratives, institutions and individual and collective practices (Ibid;7). Regarding development as a discourse, it mainly refers to the ways of construction of the particular meanings of development, influenced from histories and power relations (Ibid;7). In other words mainly discourses have a role of defining what development is and how it should be, and in relation to those powerful discourses, which are reinforced through academic work, scientific research and popular cultural productions may become so influential so there may not be any alternatives seen, considered or even imagined (Ibid). The mainstream development discourse reinforced by political power of national development agencies and international institutions, determines who has the knowledge and authority to define both development problems and solutions (Ibid;41). Concerning the material actions and processes of the term development, the institutions which are considered as a part of ‘big D’ Development, can produce powerful discourses and use them as justifications and terrains of intervention in the global South (Escobar,1995;9). In other words discourses can be fabricated and used as justification for intervention of the institutions, which are the products of ‘big D’ Development, to the countries which are considered in the South. The development discourse is created as an extremely efficient apparatus for producing knowledge about and exercise the power over the Third World and by

doing this it has successfully deployed a regime of government over the Third World, a space for 'subject peoples' that ensures certain control over it (Ibid;9). In that respect, discourses gain an instrumental value, which can legitimize some policies and applications that cannot be acceptable otherwise.

According to Escobar, the development discourse inevitably contained a geopolitical imagination that has shaped the meaning of development and its implicit in expressions such as First and Third World, North and South, center and periphery (Ibid;9). In that respect, the concept of 'space' is one of the issues which are being influenced by those discourses. In other words, every dominant discourse has its own spatial definition and imagination. Although the spatial concepts are indivisible parts of the concept of development; development processes are only being analyzed temporally; as an example, studies focus on the concept of poverty, mainly focus on the question of what happens to poverty over time (Lawson;2007;14). Therefore, studies of development must include some serious spatial analysis which is lacking. It is crucial for creating healthier analysis on discourses, policies and actions with a spatial analysis. In that sense; according to Lawson rethinking development processes through space will reveal crucial processes such as:

- *The globalization of late capitalism;*
- *Systems of gender, race/ethnicity and nationality differences putting people in competition for work across globe;*
- *Place specific political struggles that rework livelihoods, civil society and rights to control property.*

(Ibid;14)

A geographical examination of development will create an opportunity to evaluate and think about the social, discursive, political and historical processes that produce particular meanings of the term development; in connection to that, this analysis of spatial imagery can also invoke the ways in which development vocabulary constructs grounds for intervention and erasure of other places and subjects (Ibid;27). The importance of the spatial analysis can be better understood if there is a comparison with other analysis of the concept of development with an

aspatial focus. In other words, according to Lawson aspatial¹ theories of development create important limitations for a comprehensive analysis, such as Marxist claims for centrality of class relations are numbed by the complexities of households, nationalisms and ethnic identifications (Ibid;18). In addition, geographical analysis describes the concept of development as a series of historically specific relations between places, social groups, cultures, spheres of production and consumption (Ibid;27). Thus, in order to make a comprehensive analysis of poverty for instance, researchers need a geographical and spatial perspective, this will enable them to make the analysis with a focus on the interplay of economic, political and cultural processes in places (Ibid;18).

1.1. The Subject of the Study

This study will focus on the spatial aspects of development. In other words, it will focus on the representations of space in different understandings of development, even though they are implicit. However, spatial theories of development have different perspectives. In that respect, the main discussion will be about the perspectives of the geographical spaces of development versus the relational spaces of development. According to that, geographical spaces of development refers to the theorization of space by mainstream development theories, that are universalist; claims value-free, objective scientific practice produces development policies which will yield similar results regardless of where they are implemented (Ibid;38). The relational spaces of development is rather defined relationally, which reveals how globalised processes operate through culturally constituted relations of gender, race, class as well as localized forms of organizing, resisting or accommodating broader forces (Ibid; 56). In other words, geographical spaces represents either physical or political (national and regional) representation of space in the development theory which are fixed, and relational spaces of development represents more fluid theorizations of space.

In addition to that there will also be a discussion on the concept of geographical scale. Scale here roughly corresponds to the unit of analysis. Scales provide a

¹ The word aspatial here refers to the analysis which has 'aspatial focus'.

specific view and level of data in the understanding of relationships. In terms of this perspective each discourse has a scalar imagery which goes in tandem with the spatial representation. In other words, any discourse in development project has a scale, which enables policy makers and practitioners, define their focus. Generally, nation states are being taken as a default scale in mainstream development thought. However, in a highly globalized world it is hard to say that the state is the sole actor of the processes. There are other scales which also affect or are affected from nation states. There are global and international organizations which define the capacity of action of states. That means, states may be limited in their actions. Furthermore, there are some local movements, institutions, beliefs or identities which also can be a challenge for nation state based scales. Last but not the least the existence of individuals is important for defining scales. Although they are not being taken into consideration by the existing dominant development discourse; as the world becomes more interconnected, they are becoming more effective in defining or executing some processes. Therefore this study will also focus on the discussion on the concept of scale. Mainstream development thinking situates the concept of scale on the concept of nation state; and accepts it fixed for all times. For critical development geography scales are socially produced and reproduced and they are interconnected to each other. Therefore, speaking about the supremacy of one scale to another is making development research hegemonic and oppressive. Consequently, critical development geography approach advocates the constant reworking of the scales in the development project. According to them, it is also connected with the concept of space. Since the concept of space is defined relationally; so should the concept of scale.

1.2. Statement of the Research Problem:

In order to carry this discussion further and make some empirical analysis I will specifically focus on the theorization of space in development financing institutions especially multilateral development banks (MDBs). How different perspectives of space have been adopted by those institutions and how it influenced their structure and policy priorities.

All major MDBs are formed in terms of the member states' geographical position. They have identified themselves with the regions' name that they are situated in. Their operations are region – wide and although there are some exceptions, the criterion for membership is more or less dependent on the geographical situation of the applicant state. Their policies, which aim to address some particular problems, are technical and universal. Their scales are fixed for all times, and they accept nation state as the main unit of analysis. Their operating style, membership, structure or responds to the understanding of space and scale of the mainstream development theory and thinking. In that respect, it won't be wrong to argue that space and scale for MDBs are conceptualized in a geographical manner. In other words, the theory of modernization and the understanding of geographical spaces of development seem to legitimize the understanding of space and scale in MDBs. However; Islamic Development Bank (IsDB) represents an exception to that geographical situatedness. Instead of identifying itself with geographical space; IsDB has framed its area of influence in accordance with the religious values. This will definitely create some differences in the perspective and policies in between IsDB and other MDBs. First of all, IsDB claims that they are representing the entire 'ummah'. The term 'ummah' here refers to the whole community of Muslims who are bound together by the religious ties² of Islam. Since the boundaries of Islam do not correspond to national or regional boundaries, ummah represents a transnational concept. Therefore, their operations spread to different geographical continents. Besides, since there is a considerable Muslim minority population in different states; IsDB also commence operations with Muslim communities which are living in non member states. This also challenges the classical understanding of scales. In short, since the understanding of space and scale of IsDB has been defined in a different manner; in this study I will try to analyze the IsDB within the theoretical framework of conceptual spaces of development.

In order to realize the research aim a research question and a sub-question will be used. The main research questions of the study is

² Concise Oxford English Dictionary (Eleventh Edition)

- ‘To what extent defining development on the basis of relational spaces offer alternatives about scalar considerations, administrative and organizational structures and operational policies in the context of Multilateral Development Financing?’.

The sub-question of the research will be;

- ‘What are the origins and characteristics of different understandings of development spaces?’

1.3. Significance of the Study:

This study will be significant in different aspects. First of all personally it will help me to identify my research interests and provide me a concrete ground for my future studies. In addition to that I will have the opportunity to learn and think about various aspects of methodology, academic language and academic concerns. Besides that, making readings in the area of development finance, international organizations, MDBs, theories of development, theories of geography and IsDB will provide me a more comprehensive understanding of different processes in the study and practice of development project. Therefore carrying out a study like this will supply me with various and valuable opportunities in personal development.

In addition to the personal significance, it will hopefully be academically significant as well. The study of space and scale in the area of MDBs is a ‘sui generis’ and a unique study. Therefore it will present a different perspective to the enthusiastic researchers who are interested to make some academic research in the area of development finance. In the academic field of development, ‘thinking the unthinkable³’ will make the difference. Therefore this study will provide a different interpretation to the academic field of development and in the field of development finance.

Despite the increasing relevance and importance; IsDB is a topic which has not gained the academic attention which it deserves to get. The scholarly articles, which are talking about the importance, structure or the position of IsDB in

³ In Richard Cockett’s words

academic literature, are limited. Especially in the era of post 9/11 a number of developmental and security problems faced in the countries which have Muslim populations either as, majority or minority, are extensive. Therefore IsDB has a different and valuable mission of ensuring security through the development projects. Within this context, as a study which aims to analyze the IsDB and developmental spaces and scales, it will hopefully contribute the academic literature in a more significant way.

Being a master student in the discipline of Development Studies; I have a background in International Relations. This study by this reason will try to reflect the perspectives and methods from both disciplines. That is the interdisciplinary nature of both disciplines will enable me to engage in different disciplines as well. The basic concept of the study, space and scale, has been borrowed from the discipline of Geography, in addition to that development financing institutions are elements of the topics of international political economics and international organizations and since they are dealing with the problems and projects of development they fall into the boundaries of the discipline of Development. Therefore this study will use the perspectives and concepts provided by different disciplines.

1.4. Structure of the Study:

In order to functionalize the study the structure of it will be guided by the proposed research question and subquestions. Accordingly the second chapter will be on the theoretical framework. It will start with making distinctions between the concepts of development theory, ideology, strategy and thinking in order not to confuse the reader. Following that conceptual definitions the study will continue to discuss certain aspects of modernization theory. The discussion on the theory of modernization will not include a detailed analysis of the different models proposed by the modernization theorists. It will rather include bold characteristics which have been stressed by the modernization theory and represented by the dominant understanding of development project. Following this part, there will be a historical analysis through the roots of the modernization theory which is going

to be traced in the Era of Enlightenment. With the help of the historical analysis of the Era of Enlightenment, the study aims to reveal the ideological foundations of the characteristics of the theory of modernization and mainstream development theories. After the historical foundations and characteristics; the following topic will be on the theorization of space and scale in the theory of modernization and dominant development project. After analyzing the conceptualization of space and scale in mainstream development thinking, this understanding of conceptualization will be criticized by the critical development geographies approach which of course will provide some alternative ways of conceptualizing or theorizing space and scale. The third chapter following the theoretical framework will be on the methodological framework of the study. This chapter will focus on justifications, biases and limitations of the methods and data collection techniques used in the study. Next chapter will be on the case of the study. It will start giving some necessary background information about the histories, structures and briefly operating principles of the MDBs, RDBs and IsDB. Since all major MDBs and RDBs have similar understanding and conceptualization of space and scale, they are going to be cumulated under the same title. IsDB, which has a unique position in conceptualizing space and scale among other MDBs, will be consigned to the consequent part. Finally the last chapter will be on the analysis, discussion about the empirical material, followed by the conclusions, research findings of the study and recommendations.

CHAPTER II – THE THEORATICAL FRAMEWORK

2.1. Development Ideology, Practice, Theory and Thinking

According to Hettne there are three elements of development thinking; development theory, development practice and development ideology. They are examples of blurring concepts which are needed to be clearly defined in order to make distinction among them. Development theory is representing the academic and scientific knowledge of the concept (Hettne, 1995; 16). In that respect they are logical propositions which purport to explain how development has occurred in the past and/or will occur in the future (Potter et.al.,2008;80). Development strategy refers to the measures undertaken in order to find consistent and enduring solutions to the developmental problems (Hettne, 1995;16).In other words basically they are the practical paths which states, development institutions or NGOs are using in order to realize their purposes. Development ideologies represent the policy rationalizations and legitimizations of practitioners in terms of a development theory (Ibid; 16). Although the early periods of the development is dominated by the economic growth; subsequently the development ideology in academic literature has shifted towards political, ethnic, cultural, ecological and other dimensions of wider process of development and change (Desai &Potter;2008; 68). By looking at those definitions, as it was already mentioned, development thinking may be used as a catch-all phrase indicating the sum total of ideas about development, that is including relevant aspects of theory, strategy and ideology (Ibid;68).

2.2. The Theory of Modernization:

The development project as an *intentional intervention* has been initiated with the dominance of the theory of modernization. One of the milestones in development thinking, President Truman's Inaugural Address, claims that;

We must embark a bold new program for making benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas. More than half of the people of the world are living in conditions approaching misery. Their food is inadequate. They are victims of disease. Their economic life is primitive and stagnant.

Their poverty is a handicap and a threat both to them and more prosperous areas. For the first time in history, humanity possesses knowledge and skill to relieve the suffering of these people... I believe that we should make available to peace-loving peoples the benefits of our store of technical knowledge in order to help them realize their aspirations for a better life...

(Quoted in Desai & Potter,2008;81)

In that speech the President of United States summarizes the framework of theory of modernization. According to that, the theory of modernization aims to create a wind of change from the backwardness to development. In order to achieve that they prescribe scientific advancement, industrial progress and economic rehabilitation; which will of course be provided by the developed nations of the West. The mainstream development was supported by the arguments which claims that modernization project can be engineered socially; supported by the massive infusions of capital originated from the West created World Bank, with a belief that large-scale investments in the Global South could jump-start capitalist economic growth (Lawson,2006; 73). The traditional approach to the study of development derives from classical and neo-classical economics and has generally dominated policy thinking at the global level (Potter et.al.;2008;83). Also it won't be wrong to claim that even today mainstream development theory is been dominated by the modernization theory as well. As Kothari and Minogue puts it;

While not wanting to deny that the history of development over the past 50 years has been complex, we assert that the modernization project continues to underlie any apparent change in the development project. That is to say, mainstream, dominant and powerful development ideology remains within the framework of neoclassical economics...

(Kothari & Minogue, 2002;7).

Although there are different schools of thought; the fundamental discourse that is created by the modernization theory is that the gaps in development exist between the developed and developing countries can gradually be overcome on an imitative basis (Potter et.al.,2008;84). In that respect the people living in the

underdeveloped parts of the world have to repeat what the Western states, which are already been industrialized, have undergone. In other words the path for development will be identical for every state which is trying to industrialize and get rid of poverty. Considering this method of approach, it can be understood that modernization theory first of all makes a dichotomy between the developed and developing states. Potter et. al. characterizes this dichotomous relationship with a dualistic structure. With regards to this perspective, there is a fundamental dualism exists between what is seen as a traditional, indigenous, underdeveloped sector on the one hand, and a modern, developed and Westernized one on the other (Ibid;83). Therefore, according to Hettne, in practice modernization was very much the same as Westernization (Hettne, 1995;52).

Furthermore, one other discourse created by the modernization theory is the technology transfer. According to modernization theory, people can become 'developed' simply through acquiring scientific and technological knowledges about the 'normal' or correct series of developmental stages (Desai & Potter, 2008;71). However in practice scientific transfer never happened because of various reasons. Transfer of science and technology was reduced to the technology transfer only. For some the reason was because of high costs of scientific research and development; for some other, it is because the modernization project wants to eradicate the emancipatory character of knowledge (Docherty, 1993;6). In connection with the dualistic character, modernization theory sets some indices, which were held to reflect modernization, were mapped and/or subjected to multivariate analysis to reveal modernization surface (Potter et.al., 2008;84). According to this viewpoint technological knowledge became one of the indicators of the innovation and development. By doing this it was easier for them to dichotomize the dualistic nature of the development based on the modernization theory. Also it will create an opportunity to 'prove' or at least measure the validity and reliability of their strategies in a very positivistic manner. Therefore technology has a functional value for the theory of modernization as material indicator.

Last but not the least, the neoclassical economical school assumes that the goal of Development was achievement of Western modernity and that this would be an evolutionary progression from ‘traditional’ to urban/industrial capitalist states (Lawson,2007;81). Therefore the dominant economic paradigm which the modernization theory advocates is the Western capitalism. This is the point where the ‘big D’ Development intersects with the ‘little d’ development. Because with this aim, ‘little d’ development will be supported with the institutions which are for intentional intervention. Spread of capitalism in that respect will be institutionalized. Additionally, although President Truman’s speech about the development project addresses the problem of poverty, in modernization theory there wasn’t a direct measure, that can decrease the level of poverty. At the initial stage of development project economic growth was the dominant development ideology. Although there are different economic models in the modernization theory; they mainly aim to achieve economic growth rather than decreasing the level of the people or societies. Especially the model proposed by Rostow as an example, was concerned about economic progress and increasing industrial investment rather than human welfare or other economic indicators (Desai & Potter, 2008;85). Similarly the Keynesian understanding of development is not different than the Rostowian one. Therefore mainly the models prescribed by the theory of modernization are ‘unilinear’, implying that things get better over time (Ibid;85).

Although that wasn’t a detailed analysis on the theory of modernization; broadly speaking those are the main discourses created by the modernization theory which lay at the heart of the founding and operational principles of the WB and other RDBs. Despite the fact that, MDBs has experienced some shifts in their understandings of what development is and how it should be; they are still under the influence of modernization theory. As Boas & Neill Puts claims, critical analysis of the reforms undertaken by those institutions will make it evident that the reforms which have taken place have not substantially challenged the old technical and functional approach to development in those organizations (Boas & Neill,2003;12). Therefore understanding those principles of modernization will

still enable researchers to analyze and discuss more about the origins, spatial aspects and perspectives of MDBs.

2.2.1 Origins of Modernization Theory and the Era of Enlightenment:

Although the starting point of the development project is being accepted with the Bretton Woods Conference which created the institutions of development such as International Bank of Reconstruction and Development (IBRD); the origins of modernization theory, which backed up development as an intentional intervention, can be traced back to Enlightenment. Therefore much of contemporary development thinking has its roots in Enlightenment as ‘the age of reason’, which shaped concepts of progress, growth and social change (Desai & Potter, 2008; 73). The Era of Enlightenment refers the creation of a new framework of ideas and secure truths about relationships between humanity, society and nature; which sought to challenge traditional world views dominated by Christianity (Ibid; 71). The foundations of many disciplines were intimately bound up with the Enlightenment’s concept of progress and the idea that development could be created through the application of reasoned and empirically based knowledge; therefore through enlightenment state bureaucracies began to use social statistics to provide the evidence for ‘rational’ choices in the allocation of resources (Ibid;73). Similarly, Enlightenment thinkers argued that a single, stable Truth about the world is knowable, and that we can produce accurate and objective accounts of a world that can be ordered rationally; in connection to that rational and scientific thought has the potential to produce technical innovations and expert knowledge that can improve human life (Lawson, 2007;37). According to that scientific knowledge is constructed as placeless, free of cultural specificity, as abstract and apolitical which can also produce similar outcomes across places (Ibid;37). The main establishments which the Enlightenment thought opposes are the religious and traditional ones. In that respect, enlightenment brought an intellectual change, which opened a way for reason and independent thinking by taking the empirical knowledge as absolute truth. Therefore; the Enlightenment thinking claims to be a secular philosophy, opposing the dogmatic nature of

religious knowledge. In addition to that Enlightenment thought is Eurocentric, in other words it is Western originated. It is rooted in the Western philosophical history which is very much influenced from the political and cultural conditions of the time. In addition to that, although being culturally and historically specific to Europe, Enlightenment thought claims universal knowledge and linear progress. In short;

In Enlightenment discourse, the West was the model, the prototype and the measure of social progress. It was seen western progress, civilization, rationality and development that were celebrated. And yet, all this depended on the discursive figures of the 'noble vs. ignoble savage' and of 'rude and refined nations' which had been formulated in the discourse of 'the West and the Rest'.

(Hall,1992;313-314)

Modernist thought also envisaged a process of Enlightenment, of becoming more modern and less traditional and saw a group of enlightened Western scientists guiding the paths to progress of distant others (Ibid;74). Similarly modernization thought is also opposing the two institutions in the society, which are religion and tradition, with identifying them premodern. However, Rist argues that since there is no society without beliefs and traditions; modernization and Enlightenment are products of certain traditions and belief systems as well (Rist,2008;21). Accordingly, claims of Enlightenment and modernization are being challenged with their situatedness of Western traditions and belief systems.

2.2.2. Theorization of Space and Scale in the Theory of

Modernization:

The understanding of geography and space of the mainstream development theory, which is dominated by modernization, is a technical and universal one. Since modernization theory accepts the Enlightenment approach of 'one single truth' which can be achieved through reason and empirical knowledge, technical and universal understandings of modernization dominate the development agenda. In that respect, modernization theory accepts geography with physical meanings

of the concept. Physical account of geography is simply location climate and terrain, which are pretty much technical and measurable. According to that mainstream development thought focuses just on the effects (contributions or obstacles) of those physical conditions on development strategies (Lawson;2007;13). This perspective on the concept of geography mainly leads development analysis to the deterministic features of the nature. In case of failure in many cases, geography is there to blame. By just defining the concept of geography in physical terms will make the development research blindfolded. However, generally this physical understanding of geography gave ground to describe the concept of space for the theory of modernization.

According to Lawson, the place/space refers to the homogenous localized and bounded territories or places as fluid and constituted through diverse processes through scales (Ibid;51); which corresponds the distinction between definitions of geographical and relational spaces. Majority of mainstream development theory does not explicitly theorize place; but implicitly juxtaposes localized spaces of modernization which are unproblematically territorialized as nation states (Ibid;51-52). The theory of modernization, although explicitly does not mention about it; gave a theoretical justification for the 'geographical spaces of development'. In other words it legitimizes 'the geographical understanding of space'. In that respect development project can produce 'one size fits all' type of solutions to the problems of development. Therefore the proposed solution of the problem of poverty for instance will be same for a Catholic Latin American villager and a Muslim living in the suburbs in South East Asia, a gay person residing in Middle East or a woman living in Siberia. Since the answer to the question will be technical for modernization theory; it is not problematic to claim universal policies for developmental projects. Despite the infinite social, cultural and geo-historical variations across Africa, Latin America, and Asia, particular places were viewed in terms of abstract spaces over which the processes of modernization would play out, predictably, if not uniformly (Ibid;97). One other important element in the theorization of space in modernization theory is the dichotomous relationship between developed and underdeveloped places. In

relation to that classification some places are always being represented as failed places because of the constant failure of the developmental policies and strategies. According to Lawson, the concept of space is understood in terms of discrete all-encompassing categories such as 'failed place' or 'successful place' and complexities of place is being ignored for the sake of universal narrative of change(Ibid;52). As examples of these kinds of theorization of space, Lawson analysis how Africa and Asia is being represented in the World Development Reports of WB. In that respect her findings indicate a dichotomization of the representation of Africa and Asia as failed and successful places of development. Based on her perspective, these kind of representations of places, fix and naturalize various characteristics of enormous and complex regions (Ibid;53).

On the other hand in much of the development thought, scale left untheorized and implicit as with the space/place theorizations of scale differ in ways that matter across different bodies of development theory (Ibid;58). Mainstream development privileged nation states scale as the sole site of governance and development policy action (Ibid;98). In other words nation states are main units of analysis in the development theory and practice. Political boundaries of nation states, which are not corresponding with the ethnical, religious or cultural boundaries of a place generally, are being taken into consideration by the theory of modernization. This also includes idealization of nation states, since they are the main units of analysis; they are the ideal form of representation according to the dominant development thinking. Dominant theorizations of development have assumed that nation states are fixed, sovereign entities that hold political power over a clearly defined territory and contain bounded, homogeneous societies (Ibid;58). The nation-state focus has established the national scale as the legitimate site of development discourse and practice, and in doing so effectively marginalized the role of global and local dynamics for understanding paradoxes of development (Ibid;59).

Mainstream development institutions adopted geographical spaces and nation state scale in their studies and policies. All major MDBs define their areas of influence as universal or regional spaces which corresponds the understanding of

space in mainstream development theory of modernization. Although some of them acknowledged differences of diffusion and regional development, they nonetheless produced generalized models and designed policies that were assumed to be broadly applicable everywhere (Ibid;97). Besides that their entire members are nation states. So it means they primarily disburse loans and grants and define policy directions with agents and institutions of the nation state which reflects the East-West fixation of the pre-1989 globe when Cold War concerns dominated development agenda (Ibid;21).

2.3. Critical Development Geographies Approach:

Another perspective on the theorization of space in the development project is called as critical development geographies approach. As it can be understood by its name, it is critical to the existing geographical and spatial theorizations which are dominant in development thinking. According to Lawson critical development geography has emerged at intersection of Marxist, feminist and post-structural theory (Ibid;28). It attends to the social and geographical sense of location of subjects in power relations axes of identity and particular places (Ibid;12). Basically; they start criticizing the limits of mainstream development and its inability to address the processes producing economic growth, inequality and poverty; then they are posing new questions about the way resources, political influence and people circulating in our contemporary world (Ibid;21). As an example, they focus on the supranational regional coalitions, such as EU or NAFTA, in which existing groupings are redefining control over global flows of commodities and investments, and they are competing for regulatory and political power over corporations, migration flows and development dollars (Ibid;22). Therefore; they intellectually support emerging coalitions and realignments which reflect economic, environmental and social justice concerns of the peoples of the South.

Critical development geography situates mainstream development theory by arguing that, despite its universal claims; it is actually a situated and culturally specific (Western) discourse (Ibid;40). In other words mainstream development theory is situated in Western knowledge and perspective. Therefore in the process

of uneven development, ethnic conflict and persistent poverty were defined and solved in scientific terms, rather than being understood as consequences of centuries of political and economic exploitation (Ibid;43). In addition to that one point of criticism for critical development geographies is the conceptualization scale in the mainstream development thought. According to that particular bodies of development thought tend to privilege one scale; while excluding others from consideration or political saliency; also different approaches in development conceptualize scale as either essential and fixed for all time or fluid and politically constructed (Ibid;58). In that sense conceptualizations which are stable or politically defined are being accepted as exclusive according to critical development geographies approach. However much of the development theory universalizes a particular way of understanding the organization of political, economic and cultural life (Ibid;59) which is of course fixed for all times and places or politically contested. In connection to that, critical development geographers claim that mainstream development thought was firmly situated in its cold war and postcolonial context; therefore the modernization project was explicitly about building liberal, secular, modernist capitalist nation states in the global South (Ibid;98). In that respect development project is being perceived as a battleground for the ideological and political debate rather than being a struggle for welfare of the poor.

Critical development thought conceptualizes places and spaces as transnationally located and produced, which simply means that places are constituted through multiple social relations and processes that reach outwards from specific places and inwards towards them (Ibid;54). On that account, critical development geography approach accepts places as a result of social interactions independent from national boundaries. In other words space is socially constructed. As a result, it is being relationally defined rather than being politically or geographically defined. By doing this critical development geography approach aims to create a more participatory understanding of development. A development project which defines its policies in respect to the people who are going to be affected from them will obviously gain more attention from the public level. In addition to that

relational definition of development spaces will enable policy makers to produce and implement more specific development policies and projects. As an example a project which aims to produce solutions to the problems of Buddhist women will be more specific than the WB policies focusing on the Third World. Therefore at the same time it will be more participatory and face with less resistance.

According to them community, household, transnational and bodily scales are important through which development processes are both made and resisted (Ibid;187). In this regard advocates of critical development geographers claims to provide down to the earth processes and projects of development; which will of course be more participatory and face with less resistance. Therefore the production of other scales, from community to transnational, reveals diverse processes of cultural and political identity formation enacted outside of formal arenas of state-sponsored national politics and/or international development institutions (Ibid;188). In other words it aims to end the hegemony of national politics and dominance of international development institutions. Moreover critical development geography views scales fundamentally connected, which means the social processes are not simply 'contained' at one scale or another, therefore scales should be constantly reworked, as the tensions between social groups are transformed over time and space (Ibid;61). Their prescription is constant interaction of the scales which development processes are being 'initiated' and 'carried out' with other scales which are also effective in those processes.

Last but not the least the positions of individual people who are conceptualized as subjects of development is also problematized by the critical development geographies approach. In regards to the arguments presented by Lawson the roles and positions of people within approaches of development can reveal a great deal about how power is theorized, what axes of identity are significant to theorizing the operation of development and what or who are the agents of development in particular approach (Ibid;63). Modernization theory, in general, conceptualize development subjects in terms of singular identities as objects of economic modernization (Ibid;65). In other words modernization theory identifies subjects

of development in a more unique way; they are all individuals with economic rationality, without social and political ties and relations. However, critical development geography approach advocates a more vague identification which inhibits multiple subject positions (Ibid;66). According to that subjects positioned in and constituted through, linguistic and cultural representations, as well as in relation to systemic processes of gender, racialization, nationality and sexuality (Ibid;66). Thus subjects of development is an important indicator of who is included as an agent of development and what aspects of identity are considered relevant to analyzing geographies of development (Ibid;67).

CHAPTER III – THE METHODOLOGY

This study will be a qualitative investigation of the concept of space and scale on MDBs. It will basically be a case study, however it will also carry some features of comparative research method since there will be a compare and contrast section. The case will focus on the Islamic Development Bank. Compare and contrast section will try to address distinctions and similarities between IsDB and other major MDBs. All major RDBs and WB is going to be cumulated under the title of MDBs as representatives of the theoretical understanding of geographical spaces of development. IsDB on the other hand will be taken as a representative of the understanding of relational spaces of development in general.

3.1. Case Study – Comparative Study:

Case study research consists of a detailed investigation, often with data collected over a period of time, of one or more organizations, with a view providing an analysis of context and process involved in the phenomenon under study (Hartley, 1999;209). They are meant to shed light on the fine-grain detail of social processes in their appropriate context, therefore they are theoretically exciting and data rich (Ibid;208). However they are being considered as a research strategy rather than being considered a method (Ibid;209). Thus they have to be complemented with other methods of research in order to obtain more valid and reliable analysis and results.

Comparative research design on the other hand entails the study using more or less identical methods of two contrasting cases (Bryman,2004;53). It embodies the logic of comparison in that it implies that researchers can understand social phenomena better when they are compared in relation to two or more meaningfully contrasted cases or situations (Ibid;53). By comparing two or more cases will enable researcher to have a better position of establishing the circumstances in which a theory will or will not hold (Ibid;55). However a multiple case study approach tends to mean that researcher pay less attention to the specific context more to the ways in which cases can be constructed (Ibid;55). In that respect this study will try to combine those two strategies of research and have a specific methodology out of them. First of all IsDB will represent a case

study part of the research in order to understand and analyze the arguments which are made in the theoretical part. There will be certain points that are going to be illustrated and analyzed. These points are namely history, administrative and organizational structure and operational procedures. According to that this part of the research meant to search for the connections of empirical part and the theoretical part. In addition to the case study there will be a comparative part which will cumulate WB, and all major RDBs, IADB, AfDB and ADB⁴, under the title of MDBs. They also will be examined under the same titles of history, structure and operations in order to make them comparable with the IsDB. I am aware of that, this cumulation will show MDBs a lot more simple than they actually are; however space and time limitations were important determinants of it. It is important to note that, it was hard to conduct this research without coupling those two methods of case and comparative study. Since the concept that has been argued in the theoretical part is complex, there was a need of a case study; which will enable it to understand analyze and exemplify the topic in a more detailed manner. On the other hand the nature of the research question was requiring a comparative study in order to compare and contrast the different views about the concept. It might be legitimate to argue to have a multiple case study or a comparative study consisting of two cases; however in the empirical part IsDB will be given more detailed therefore including it into just a comparative study may not be appropriate and similarly under the title of MDBs, RDBs and WB are over simplified to conduct a case study only. As a result both case studies and comparative methods will be used as a complementary to each other in the empirical part.

One of the issues must be addressed in a case study is the selection of the case. According to Denscombe all cases has to be selected based on the relevance to the practical problems or theoretical issues which are being researched (Denscombe,2007;40). Based on that definition he continues to give some specific

⁴ EBRD will be excluded from that cumulation although it carries similar characteristics with the other RDBs. However, it is situated in Europe and it doesnt use 'soft loan window' in order to conduct its operations. Those differences puts EBRD in a different position. Therefore it wont be analyzed or referred in the study.

justifications for a selection of a particular case. According to his classifications, a case can be selected because; it might be typical which means it can be highly generalizable or vice versa, it might be extreme or a rare one, or it might be a test site for the theory (Ibid;40). In regards to those classifications the case of IsDB represents an extreme instance. Based on his explanations, it certainly represents a case which is far from being typical and provides something of a contrast with a norm (Ibid;40). Indeed IsDB is the only MDB at this size which has a different perspective on the concepts of space and scale. It represents a unique case for the development financing institutions. Other MDBs are operating through the geographical understanding and representation of space and place. Therefore they have been positioned in the counter position of IsDB.

In addition to that on the comparative part of the research, it is important to decide about the right dimensions of the compared parties. In this research, since the comparison is dependent on the in the case part of the research; variables which will be included will also be dependent to the case study. In other words since the case part will illustrate the historical, structural and operational aspects, in the comparative part those variables will be used accordingly. Thus MDBs are going to be investigated according to the historical conditions which created them, administrative and organizational structures and operational highlights.

3.2. Validity and Reliability:

One other topic which has central importance when evaluating an academic research is the validity and reliability. According to Bryman reliability refers to the repeatability of the research which also almost corresponds with the term of replicability (Bryman,2004; 28). With regards to that idea replicability of a research is considered as a proof of reliability. In order to ensure the reliability and replicability of the research, the researcher should spell out the procedures of the research conducted, in detail (Ibid;28). On the other hand validity of the research concerned with the integrity of the whole research process (Ibid;28). According to that there are several types of validity in a research these are internal, external, measurement and ecological validity (Ibid;28). Measurement validity refers to the appropriateness of the measurements in a research; ecological

validity is related to the applicability of the results over everyday social settings. Internal validity is related to the causality of the research question and the research findings. Thus, findings have to be appropriately presented in the same direction with the research question. In other words internal validity refers to the confidence of the researcher in relation to his/her findings. In relation to that external validity refers to the generalizability of the findings which is according to Bryman although it might be relevant for the qualitative studies; it is mainly concerned about the quantitative methods of research (Ibid;30). Although both reliability and validity are important concepts for the evaluation of the research; research in social sciences is more related to the concept of the validity (Flick,2009;387).

In order to increase the internal validity of the study, comparative methods were used as a complementary to the main method of case study. By doing this there will be a chance of compare and contrast value of the arguments. It will provide a broader view while analyzing the documents. It will provide me to ask relevant questions and make conclusions in relation to the main research question. Also this complementation will prevent me as a researcher, to divert the focus of paper on the other aspects of the subject. In relation to the reliability of the research, during the data collection official policy documents were used from the websites of the IsDB and other MDBs as primary sources. Some of the statements in the empirical based on those official documents. However they were not enough in completing the whole study; thus in combination with the primary sources; there were some secondary sources used which are books and scientific articles which were published in various academic journals.

3.3. Limitations of the Study:

Naturally this study will be limited in some aspects; yet it would be very optimistic to expect a study without limitations. There are two types of limitations experienced during this research. Some of the limitations were based on practical matters; others caused by the methodological problems. The limitations caused by practical matters start with lack of funding. More funding opportunities may provide some other opportunities of examining and analyzing this topic in a wider

and more comprehensive way. Different funding opportunities may also create a methodological enrichment through providing me some ground for expert interviews in IsDB headquarters.

The limitations caused by the methodological concerns start with having a unique topic of discussion. This study doesn't have any antecedents which have the same perspective. According to that although it is an important point of discussion; it displays this area is rather a virgin area of research. Therefore methodology and theory used in that study is restricted in relying on the older versions of a research in that topic. Besides, there are some limitations of collecting documents as sources of empirical part of the research. Basically, there are limited number of academic articles which focus on the topic of IsDB. This situation presents a challenge to the study in general. Also in connection to that existing articles are not also considered as reliable sources. They are mainly written in a specific point of view. Those articles which have been considered as situated are also eliminated from the study as a result of their positionality. Thus the number of articles which are used in the case was scarce. Besides all those there are some weaknesses and limitations which are originated from the nature of case study method. According to that the case studies are vulnerable against the critique in terms of generalizability (Denscombe,2007;45). Also the case of IsDB represents a unique case the chance of generalizability decreases with that feature.

CHAPTER IV – THE CASE

4.1. Multilateral Development Banks:

According to World Bank definition, Multilateral Development Banks (MDBs) are International Financing Institutions (IFIs) that provide financial support and professional assistance for economic and social development activities of developing countries (WB About Us, 2003). Basically the term MDB refers to the World Bank Group and four other major Regional Development Banks (RDBs). Although they seem similar to each other and to the World Bank Group at first, with their fundamental purposes, structural characteristics and operational priorities, however they have a few nuances which makes them separate from each other (Culpeper, 1994:459).

4.1.1. World Bank:

WB is the first institution which has been established as an MDB. The original institution which constitutes the World Bank today, the International Bank of Reconstruction and Development (IBRD) was established towards the end (1944) of the Second World War. It is the product of the first Bretton Woods Conference which had been held to decide about the future of economic and financial matters. There are 187 member states from every part of the World which makes the WB the biggest organization in the system of MDBs. It has currently more than 10.000 employees and more than 100 offices scattered all around the world. Administratively it has a president and several vice presidents as the representative and manager of the group and several other activities. The president is being elected by the Executive Directors for 5 years in renewable terms. The president can also be subject to removal from the office by the decision of Executive Directors. Also it has Board of Governors and Board of Executive Directors through which member states can participate the administration of the Bank. Every shareholder is being represented in Board of Governors. States are being represented generally by the ministers of finance or ministers of development in the Board of Governors. The Board meets annually. They are considered as the ultimate policy makers in the administration of the Bank (WB About Us, Organization). Besides that the Executive Directors are being delegated

by the Board of Governors. They are the resident members of the Bank. There are currently 25 executive directors in the Bank. 5 of them are permanent; these are the representatives of France, Germany, Japan, the United Kingdom and the United States. Other 20 executive directors of the Bank are being appointed by the Board of Governors. Executive Directors meet twice in a week in order to oversee Banks businesses including approval of loans and guarantees, new policies, the administrative budget, country assistance strategies and borrowing and financial decisions (Ibid.). It is also important to note that Executive Directors are residential officials of the Bank which is situated a few blocks away from the White House in Washington DC. There are two types of capitals in the financial structure of the Bank. First type of capital is the ‘paid up capital’ which refers the cash that the states have already paid to the Bank. Second type is the ‘subscribed capital’. Accordingly each state has to subscribe and guarantee the capital that she can pay when it is called upon. In other words it is the ‘promised capital’ of the Bank. First type of capital is lower than the second type as it is expected. The voting structure is assigned according to the capital which she has promised. Every country has 250 basic votes and 1 vote for each share it holds in Banks capital stock. According to that 5 permanent member countries (France, Germany, Japan, the United Kingdom and the United States) appoint their Executive Directors; China, the Russian Federation and Saudi Arabia as the next larger shareholders of the WB elect their own Executive Directors directly and the rest of the Executive Directors are being elected by other states (Ibid).

Table I: Voting Power in IBRD branch of the WB

Country	Percentage of Total Subscriptions	Percentage of Total Votes
United States	16.50	16.05
Japan	9.86	9.60
Germany	4.51	4.40

United Kingdom	4.32	4.21
France	4.32	4.21
China	2.79	2.73
The Russian Fed.	2.79	2.73
Saudi Arabia	2.79	2.73
Total	47.88	47.11

Source: World Bank (About Us. Voting Powers) (June 30 2011)

4.1.2. Regional Development Banks:

Other members of the MDB family are Regional Development Banks (RDBs). Their area of influence is regional. Their members are the states which are situated in that specific region. There are currently four major RDBs namely Asian Development Bank (ADB), African Development Bank (AfDB), European Bank of Reconstruction and Development (EBRD) and Inter-American Development Bank (IADB). Although there are four major RDBs our focus will be only on ADB, AfDB and IADB. EBRD will not be handled here since Europe as a region includes more industrialized states than the developing ones. Therefore EBRD will not be mentioned further. Since their members are regional states; RDBs operate projects only which consider their region of influence. They are all established after the WB has been initiated; although there were some intentions about establishing a RDB about 50 years before the initiation of Bretton Woods and establishment of WB. According to Culpeper there were two factors behind the establishment of RDBs. These were, increased developing country aspirations which was fed by the postcolonial nationalist sentiments towards a regional cooperation and autonomy; in addition to that the US geopolitical strategy during the Cold War (Culpeper,1994;459). According to Boas & McNeill without the second factor, these institutions might never be established (Boas & McNeill, 2003; 35-36). Also the voting structure in the WB can also be a reason for explaining the will of the states to establish RDBs because it favors industrialized and financially rich countries. Although the RDBs are similar to each other and to

the WB there are some nuances in their purposes, structure and operations. Each of them has been established through different processes.

With respect to Culpeper the first idea came up for initiation of a RDB was made in 1890 in the First International American Conference in Washington DC. (Culpeper,1994; 459). Latin American countries proposed an Inter-American Development Bank in order to promote regional cooperation. However it was rejected by the U.S. administration. The second proposal was prepared in 1940, which again was denied by U.S. with the excuse of the Second World War. Nevertheless; political environment caused by the Cuban Revolution in 1958; US resistance against the establishment of an IADB was broken. IADB has officially been established in 30th December 1959 and commenced its first operation in October 1960 (Ibid;460). Establishment of IADB opened a way for the other countries to initiate the establishment of their own RDBs in their region. The Articles of Agreements of AfDB came into existence in 1964 after 3 years of negotiations. Following that the ADB was initiated in 1966. Like the establishment of IADB, the establishment of ADB was also postponed with a U.S. resistance. And just like the Cuban Revolution, the Vietnam War caused a change in the US interests and behaviors in the region of Asia. Therefore the previous resistance turned into a support especially after the year of 1965 (Ibid;460).

The proposal for an ADB came from Japan which is the financially most powerful country in the region and it has been initiated by the international officials of the region (Ibid;460-461).The basic reason for that can be the cultural, ethnic, linguistic and political diversity of the Asian region decreases the intra-regional demands of a regional bank (Ibid;461).Other RDBs are initiated by political leaders of the region; since they are linguistically and culturally more unique than Asia. Mainly those politicians are originated from the developing countries, which are suffering from the voting structure in the Bretton Woods institutions. Therefore, unlike the Japanese excessive influence on the ADB; in IADB and AfDB voting shares of developing states were considerably high.

The structures of the RDBs are almost identical to the administrative structure of the WB. They have Board of Governors in which all member states are being

represented. Boards of Governors are mainly vested with all the powers of those RDBs. Also there is a Board of Executive Directors which is delegated by the Board of Governors and responsible for the execution of the financial operations. As also expected there are presidents and vice-presidents which are being appointed by the Board of Executive Directors. They are responsible for the managements and official representations of the RDBs.

Although RDBs are regional multilateral organizations, the members not only consist of regional members. There are also non-regional members of RDBs. Although the non-regional members are supplying the bulk of the effective capital, which is the unpaid subscribed capital that constitutes credible guarantees for the funds borrowed from international capital markets, they don't have the majority in the voting power (Boas & McNeill, 2003; 35). The establishment process of ADB the states experienced some sort of debates about the status of the Bank. Some parties argued that ADB has had to be carried out by the developing states of the region, even without Japan (Ibid;36). On the other side of the discussion, which Japan was advocating, membership to the Bank needs to be as diverse as possible although the majority of shares and voting powers has to be on regional members of the Bank. In the end it was agreed upon the participation of the regional developed states and non-regional member states, with a guarantee of at least %60 percent of the shares will be controlled by the regional members of the Bank. Also Japan Australia and New Zealand has been accepted as regional developed, non-borrowing states. As at the end of the year 2010, regional members have %71.361 of the total subscriptions and %71.417 of the total votes (ADB Annual Report,2010;109). Regional non-borrowing states are having %26.038 of total shares and %21.726 of the total voting power. Regional developing members of the ADB have the voting power of %49.691 of the total votes; therefore they have the minority status according to the voting distribution.

Table II: Voting powers of largest subscribers in ADB

Country	Percentage of Total Subscriptions	Percentage of Total Votes
Japan	17.723	14.477
China, P.R.	7.318	6.153
India	7.190	6.153
Australia	6.571	5.555
Indonesia	6.185	5.246
Canada	5.940	5.051
United States	5.908	5.025
Korea, Republic of	5.721	4.875
Germany	4.913	4.229
Total	67.469	56.764

Source: ADB Annual Report 2010 (31.12.2010)

The story of IADB is not that much different from the ADB. Initially membership requirement to IADB was to be a member of or Organization of American States (OAS) which actually kept non regional members away from seeking membership to the Bank. An exception was made for Canada in 1972. She became the first member of country outside OAS. It has been accepted as a regional member. In 1974 IADB opened its doors to the non-regional countries, and guaranteed %34.5 voting share to U.S., %4 to Canada, %53.5 to the regional countries and maximum %8 to the non-regional members (Culpeper,1994;463). However as of today non-regional member states are being represented with the voting power of %15.979; regional non-borrowing countries have %34.007 and regional developing member states have %50.015 of the total votes (About us, IADB).

Table III: Voting powers of largest subscribers in IADB

Country	Percentage of Total Subscriptions	Percentage of Total Votes
United States	30.027	30.006
Argentina	10.757	10.751
Brazil	10.757	10.751
Mexico	6.915	6.912
Venezuela	5.763	5.761
Japan	5.003	5.001
Canada	4.002	4.001
Total	73.224	73.183

Source: IADB Website (About Us IADB)

Among the RDBs the most controversial debates about non-regional members was in AfDB. It is the only RDB which was initiated and established without any external donor states. The basic reason for that was the idea of African identity and lack of trust to the Western states because of the colonialism experience. In that respect the argument was that the admission of non-regional members would create problems about governance and leadership and threaten the newly gained independence of African States (Boas & McNeill, 2003; 37). However although it was originally established only with developing countries of the region; after a while the Bank faced extreme hardships about creating necessary financial resources. The debate started in the early 70s and finalized in 1982 with the accession of non-regional member states to the Bank. However; accession of new non-regional members created a power struggle (Ibid;37). Initially the votes were distributed %66 regional members and %34 for non-regionals. At the end of 2010 the voting power distribution was %60.718 to %39.282 (AfDB, 2010; 174-175). Even as a result of that power struggle the credit rating of AfDB was reduced from AAA to AA in 1995 (Ibid;38)

Table IV: Voting powers of largest shareholders in AfDB

Country	Percentage of Total Shares	Percentage of Total Votes
Nigeria	8.752	8.596
United States	6.525	6.415
Japan	5.408	5.322
Egypt	5.065	4.986
South Africa	4.529	4.461
Germany	4.060	4.002
Algeria	3.957	3.901
Libya	3.802	3.750
Canada	3.698	3.648
France	3.698	3.648
Total	49.494	48.729

Source: AfDB 2010 (31.12.2010)

4.1.2.1 Operational Procedures:

There are basically three roles of MDBs. These are loans and technical assistance, program lending and policy advice. In order to perform the first duty of loans and technical assistance MDBs have two types of funding options for the developing countries. First type of funding is called ‘hard window’. Hard window is similar to other private financial institutions’ rules. In reference to that MDBs provide non-concessional loans, which means financing at market rates of interest, with a repayment periods of up to 20 years (Boas &McNeill ,2003;20). The only difference between a MDB and a private bank is the repayment period. Private Banks usually don’t offer long term repayment periods. In the hard funding window MDBs offer loans to the countries which are considered as creditworthy (Ibid;21). The term ‘creditworthy’ here refers to the countries which are able to repay their loans. The ‘soft window’ represents the concessional funds which are

provided to the poor countries with lower interest rates than the market rates. The interest rates are mainly close to zero in 'soft window'. In that case those soft loans window mainly coming from the aid budgets of the donor countries (Ibid;21).

Program lending is another role that a MDB has. Previously there was a strategy of 'project lending', however with the reforms made in the world financial structure in 70s, 'project lending' has been replaced with program lending. According to that reform WB and RDBs introduced 'structural adjustment programs (SAPs)'. With the introduction of the concept of SAPs and program lending MDBs broadened the scope of conditionalities attached to the loans (Ibid;64). According to those newly introduced conditionalities;

- *The change from project lending to program lending. A loan is given not only for the purpose of conducting a certain development project, but as a general support for a balance-of-payments deficit to facilitate crucial imports (which is aimed to increase economic growth in specific sectors and spill over the whole national development agenda),*
- *The combination of program lending with policy change conditions,*
- *The broadening of these conditions from sectoral or subsectoral to the national macroeconomic level.*

(Ibid;64)

The idea underlying the idea of SAPs was to liberalize the national economies of the borrowing countries for more effective developmental policies (Ibid;64). Although SAPs were criticized by several perspectives as being a conspiracy towards poor people living in the poor countries it was an attempt to help them (Ibid;64). There are several problems associated with the concept and implementation newly introduced conditionalities. SAPs have been introduced as means for a market driven way out of poverty and misery; however it was obvious that the social safety nets for poor people which had been promised to the public were never delivered (Ibid;65). In addition to that some critiques argue that there is a problem of overload which means that on average there are 10-20 conditionalities introduced in specific areas whereas some had as many as 100

(Ibid;65). It is important to note that although they have been intellectually inspired from the same source, conditionalities which are being used by WB and RDBs have slightly different characters. Most often the conditionalities attached to the program loans from RDBs are more flexible than those of the WB (Ibid;46). However, it is still not enough to make those conditionalities free from criticism.

4.2. Islamic Development Bank:

4.2.1. Emergence of the Idea and Preparations:

According to Meenai a need for a mutual assistance and cooperation among Muslim countries came into the existence with the help of basically two factors. First reason was the boom in oil prices. As a matter of fact, increase in oil prices; on the one hand oil exporting Muslim countries obtained an unexpected prosperity and status; on the other hand poor oil importing countries of the Islamic world faced with extreme hardships with that rise. This situation created a demand for the rich Islamic countries to support the poorer Islamic countries which is hard-hit by the boom in oil prices. Second factor was the lack of sympathy and support from the western states and its massive and open support to the adversary during the Arab Israeli War in 1973 (Meenai, 1989;2).

The concept of an 'Islamic Bank' was firstly pronounced in the conference of ministers of foreign affairs in Pakistan. During that conference despite the disagreement between states about the scale of the institution, Egypt volunteered for preparing a preliminary research for an establishment of a Bank for mutual assistance. The first report about an Islamic Bank came into existence with that research. Although being quite controversial about the usage of 'interest', according to Meenai it has a practical importance which attracted the idea of a need and structure of an Islamic Development Bank (Ibid.;5). The second study for an Islamic Bank for cooperation made references for implementation of developmental projects in developing Islamic states. According to that second study, the main objective of the bank was defined as to establish direct link between funds from oil exporting countries which seek a profitable and secure investment field and the development projects in Islamic world without

interference of foreign banks (Ibid;6). In other words the aim of the bank was twofold which is on one hand protecting and giving investment opportunities to the investors and on the other hand planning, funding and implementing development projects in other Islamic countries. Besides the aim there were some other proposals for the inner structure of the bank. The second study prepared a ground for the signing of a declaration of intent during the conference of Finance Ministers in Jeddah 1973. After this declaration of intent the preparatory committee has been established in order to identify and address main issues about the establishment of the bank (Ibid;10). After a year of preparatory work they came up with a draft agreement which was about purpose, functions, capital structure, and voting rights (Ibid; 11). Preparatory work also brought a memorandum which clearly identified two principles of the Bank as, to assist in the economic and social development of the Muslim countries and communities and to work strict conformity with the principles of Islamic Sharia (Ibid;15). Besides that during the preparatory work the committee got some degree of consultation from IMF, Asian Development Bank and The World Bank about the establishment of a development oriented financing institution.

The ratification of the agreement completed in May 1975 then the Board of Governors had a meeting in Riyadh; where the official inauguration of the Islamic Development Bank took place. Relying on the studies of the preparatory committee, there was a need of appointing the president; since the success of those kind of financial institutions was based on the performance of the president (Ibid;17). Then the Board of Governors had decided to grant a right to Saudi Arabia to put up its own candidate for presidency due to its largest share of subscription to the Banks capital (Ibid;18). Aside from that in that meeting Board of Governors decided to send three different missions to the Asian Development Bank, African Development Bank and the World Bank in order to examine their structures, policies and possibilities for future cooperation. That was important because first of all with the help of those missions; they didn't need to establish the bank from the scratch. They would have the opportunity to benefit from experiences of other multilateral organizations. Second they would be able to

understand the mindset of those institutions towards a new type of development financing institution. Based on gaining the other parties goodwill; they wanted to understand their possibilities of cooperation for the projects. In other words, since the area of influence of IsDB is intersecting with other development financing institutions; cooperation with those institutions was crucial especially in the establishment stage. Since it is hard to initiate projects by its own from the scratch at the beginning, making cooperation on the ongoing or newly initiated projects with other institutions will also make them to increase their knowledge about developmental projects.

The Bank came into existence officially in June 1975; started operations in October 1975.

4.2.2 Structure of IsDB:

4.2.2.1. Organizational Structure:

Islamic Development Bank Group consists of five entities in order to commence operations intended.

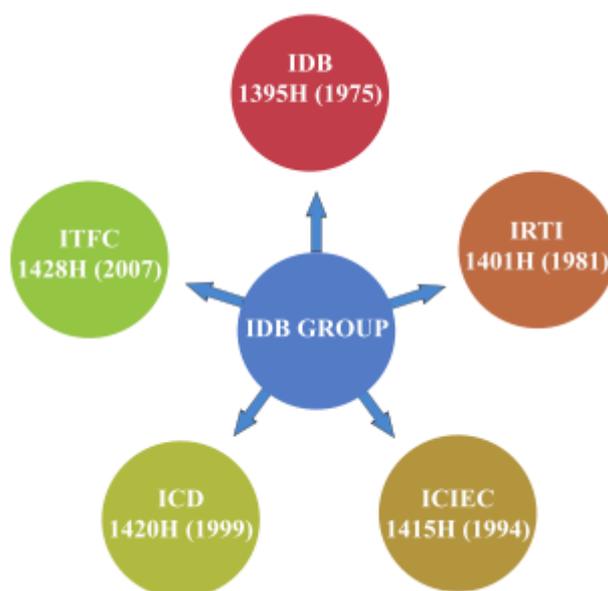


Figure I: Entities of Islamic Development Bank Group (Adopted from IsDB, 2011)

The first and oldest entity of the IsDB Group is the Islamic Development Bank. IsDB was established officially in 1975 which has headquarters in Jeddah (Saudi Arabia) and four other regional offices in other states. It has 56 member states

over 4 continents. That is IsDB has members in Asia, Africa, Europe and Latin America. States which are applying for membership have to fulfill three conditions. First condition is to be a member of Organization of Islamic Conference (OIC). According to the second chapter of OIC, membership requires the candidate state to have a Muslim majority (OIC; 5). Besides that candidate state has to be a member of United Nations (UN) and also after satisfying the first two conditions membership has to be approved by the Council of Foreign Ministers with a consensus (Ibid.5). By looking at those conditions of OIC although it appears that having a ‘Muslim majority’ is not directly required; it is rather than an indirect requirement for membership of IsDB. The second criterion for membership is to pay the first installment of the subscription to the Banks capital. Then lastly the candidate has to accept the terms and conditions which may be decided by the Board of Governors.

Officially the ‘*Raison d’être*’ of a Bank such kind was;

- a) *The need for fostering the wellbeing of the peoples of the Muslim countries and for achieving a harmonious and balanced development of these countries on the basis of Islamic principles and ideals;*
- b) *The need for mutual financial and economic cooperation among the Muslim states in the economic, social and other fields of activity;*
- c) *The need for mobilizing financial and other resources both from within and outside of the member countries and for promoting domestic savings and investments and a greater flow of development funds into member countries.*

as it was stated in the preamble of the Articles of agreement. (Meenai,1989;31)

IsDB has also the objective of fostering economic development and social progress of its member states and Muslim communities in non-member countries in accordance with the principles of Sharia (IsDB in Brief;3). In other words, as it was also stated in the preamble of the articles of agreement, it is an international financial institution which is “development, investment and welfare oriented, based on Islamic principles and ideals and a practical expression of the unity and solidarity of the Muslim Ummah” (Meenai, 1989;31).

IsDB has 9 major shareholders. All of which are situated in MENA (Middle East and North Africa) region. As of 2010 December they represent % 81.13 of the IsDBs total capital. None of the shareholders are developed countries. They are all are considered as developing countries.

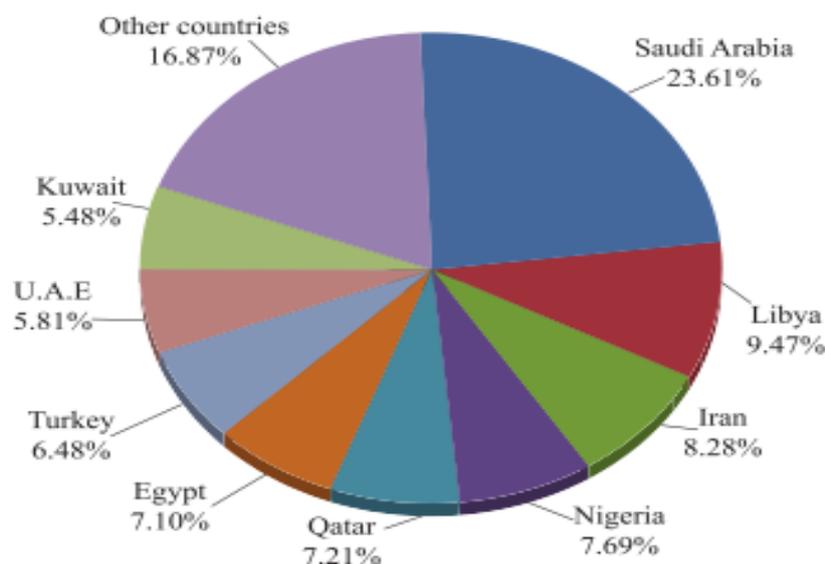


Figure II: The Major Shareholders of IsDB (31 DhulHijja 1430H – 6 Dec. 2010)
(Adopted from IsDB 2011)

IsDB has three official languages in order to conduct operations and communicate with the member states and other communities. Besides Arabic, English and French are also recognized as official languages of IsDB.

Second entity of IsDB group is Islamic Research and Training Institute (IRTI). It was established in 1981 which corresponds to the 5th year of operation of IsDB. It was a result of need of defining a framework for the financial, banking and economic activities of the Bank according to religious values namely Sharia rule. Since the Bank was a sui generis one; there obviously was a need of scientific research and interpretation of economic activities based on Islamic sources of knowledge. It has the objectives of:

- a) undertake research, training and knowledge-generation activities on Islamic economics, banking and finance;*
- b) organize seminars and conferences on various subjects in collaboration with national, regional and international institutions;*

- c) undertake information management activities, such as development of information systems for the use in the field of Islamic economics, banking and finance, and maintaining databases on experts and trade information and promotion.*

(IsDB in Brief, 2011;4)

Also IRTI is responsible for research papers and several other documents in the official languages of the Bank which are crucial for research and development activities.

Third entity is the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) which was established in 1994. It has 40 member states. ICIEC was established in order to have the duty of increasing the trade transactions and investments among members. According to that Bank has also the duty of mediating the member states economically for more cooperation in the area of trade and investment. It also manages Investment Technical Assistance Program (ITAP) which was setup in 2005 with the objective of increasing member states capacity in order to attract Foreign Direct Investment (FDI) and supporting the efforts of improving investment and business climate (IsDB in Brief, 2011;5). Officially it has the functions of;

- a) Providing export credit insurance and reinsurance to cover non-payment of export receivables resulting from commercial (buyer) and non-commercial (country) risks;*
- b) Investment insurance and reinsurance against country risk emanating mainly from foreign exchange transfer restrictions, expropriation, war and civil disturbance and breach of contract by the host government.*

(Ibid.;5)

The fourth entity in IsDB Group is the Islamic Corporation for Development of the Private Sector (ICD). ICD has 50 member states. It was established in 1999 with a purpose of;

- a) Supporting economic development of its members countries through provision of finance aimed at promoting private sector development in accordance with principles of Sharia*

b) Providing advice to the governments and private organizations to encourage the establishment, expansion and modernization of private enterprises.

(Ibid;5)

The last entity of the IsDB group is the International Islamic Trade and Finance Corporation (ITFC) which was established in 2005; started activities in 2008. It has 37 member states. ITFC has the objectives of fostering OIC member countries trade and trade integration; providing innovative Sharia compliant solutions and delivering fair returns to the shareholders (Ibid;5). In order to realize the objectives the activities conducted by the Corporation are trade financing; trade promotion and facilitation; capacity building and development of strategic commodities (Ibid;5). Since 2008 to 2010 it has approved 146 trade financing operations in 31 OIC member countries; which are around 5.2 billion Dollars (Ibid.;5)

4.2.2.2. Administrative Structure:

4.2.2.2.1 President and Vice President(s):

According to the Articles of Agreement of the IsDB; the president is the chief executive of the IsDb who is in the office for 5 years in renewable terms. He/she is legally representative of the bank and chairperson of the Board of Executive Directors. The president is elected by the Board of Governors of IsDB unlike other Multilateral Development Banks (MDBs) such as World Bank (WB) or African Development Bank (AfDB) in which the presidents are appointed by the executive directors (Meenai, 1989;39). The President has to get the majority of the total votes in the Board of Governors which cannot be less than two thirds of the total votes of member states. Also the same procedure is needed for the reelection process. Basically president is responsible for the organization, appointment and dismissal of the officers and staff in accordance with the rules and regulations of the bank.

Vice President is appointed by the Board of Executive Directors on the recommendation of the President. There can be more than one vice president on duty at the same time. He/she performs the authority and functions on the

administration of the Bank which is decided by the Board of Executive Directors. Also in the absence of the president, vice president performs presidents' duties. While their duties in the office both president and vice president(s) cannot be members of Board of Executive Directors or Board of Governors. Although president can participate meetings of those two boards and he is the chairperson of Board of Executive Directors; he/she doesn't have the right to vote. Vice president can participate the meetings of Board of Executive Directors; however just like the president he/she cannot enjoy voting rights in the Board.

4.2.2.2.2. The Board of Governors:

Based on the Articles of Agreement; the Board Governors is basically vested with all the powers of the Bank. All member states are represented in the Board of Governors. With regard to the just mentioned agreement each member state has a governor and an alternate governor. In that respect all members are represented in the Board of Governors. Besides from the annual meetings; Board may meet in other ways. According to that majority of the Governors, which cannot be lower than two thirds of the votes, can call a quorum for meeting or Board of Governors may meet with a request from Board of Executive Directors. However any meeting without quorum has to be ended in 48 hours. The Board of Governors may delegate the Board of Executive Directors in any or all duties with some exceptions. There are some duties or powers which can only be enjoyed by the Board of Governors; which cannot be transferred to the Board of Executive Directors. Those duties and powers which can only be enjoyed by the Board of Governors are;

- a) Admitting new members, determining the conditions of admission and suspending memberships;*
- b) Increasing or decreasing the authorized capital of the Bank;*
- c) Deciding on the appeals of the Board of Executive Directors about interpretations and applications of agreements;*
- d) Authorizing the conclusion of agreements for cooperation with International Organizations;*

- e) Electing the president and the members of Board of Executive Directors of the Bank;*
- f) Determining the remuneration of the Board of Executive Directors and salary and other terms of contract of the president;*
- g) Approving the balance sheet and the Statement of profit / loss of the Bank after reviewing the reports of committees;*
- h) Determining the reserve and the distribution of net income and surplus of the Bank;*
- i) Amending the Articles of Agreement of the Bank;*
- j) Deciding to terminate the operations of the Bank and distributing assets;*
- k) Exercising special powers which were mentioned in the Articles of Agreement.*

(Quoted from Articles of Agreement;13-14)

4.2.2.2.3. The Board of Executive Directors:

The Board of Executive Directors consists of 19 members who are qualified in economic and financial matters. It was initially ten (as it was written in the Articles of Agreement); however the number of directors had been increased with the increased capital subscription of member states. They are in the office for 3 years with renewable terms. Half of the members of the board are appointed and which are assigned to the largest capital subscribed shareholders. These permanent members of the Board are Egypt, Iran, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, Turkey and UAE. Other nine of the members of the Board is elected by the Board of Governors. Initially members of the Board of Executive Directors were the resident members of the staff; after 1979 their resident status has been changed. They become non-resident Board. In other words they are not permanently in Jeddah to work; therefore they are entitled to remuneration. The quorum for a meeting needs majority of the Board of Executive Directors which shouldn't be less than two thirds of the total voting power of the members. The duties and responsibilities of the Board of Executive Directors are;

- a) Preparing the work of Board of Governors;*

- b) Taking decisions concerning the business of the Bank and its operations in conformity with the general directions of the Board of Governors;*
- c) Submitting the accounts for each financial year for approval of the Board of Governors at each annual meeting;*
- d) Approving the budget of the Bank.*

(Quoted from Articles of Agreement; 15)

4.2.3. Voting:

According to the Articles of Agreement every state has 500 basic votes plus one vote for each share subscribed. In other words the representation of the member state is linked with the financial power of that particular country in the organization. However; every member is being represented; although they are low in bargaining power which is in line with their participation of the subscribed capital. Generally the decisions are taken with a majority in the Board of Governors. Both Board of Governors and Board of Executive Directors decisions are subject to this majority voting scheme.

Table V: Voting powers of largest subscribers in IsDB

Country	Percentage of Total Subscriptions	Percentage of Total Votes
Saudi Arabia	23.61	24.39
Libya	9.47	9.41
Iran	8.28	8.25
Nigeria	7.69	5.58*
Qatar	7.21	6.58
Egypt	7.10	7.50
Turkey	6.48	6.43
U.A.E.	5.81	6.07
Kuwait	5.48	7.36

Total	81.13	81.57
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Source: IsDB Annual Report 36 (2010-2011)

*The voting powers of Nigeria is relatively not proportional to its capital subscription since only about %6 of the called up capital was paid. The rest is not called up yet.

4.2.4. Conformity to the Islamic Rules and Principles:

The Sharia⁵ is the cardinal principle in any kind of activities that IsDB is commencing. Although the most famous rule of Sharia regarding finance and trade is the prohibition of interest (riba). The rules of sharia is not only limited to the prohibition of interest, the entire approach of IsDB is entitled to the sharia. IsDB has been established on the Islamic values and principles which are mainly mentioned in Quran, observed in the life of the prophet (Sunnah) and the jurisprudence of the Islamic scholars involving independent legal reasoning (Ijtihad) (Denny, 1994: 390). According to Meenai Islamic belief enjoins upon the institution to extend most help to the weakest and most needy (Meenai, 1989;115). Therefore in many aspects IsDB adopts a strategy which treats member states and Muslim communities in a unique way; rather than treating them in a uniform way (Ibid;115). Moreover sharia rules define the area of influence of the Bank. The reference to the belief of ‘all believers are brothers’; IsDB is claiming representation of entire Muslims specifically called as Ummah. Ummah in that respect encompasses the national and regional boundaries. Therefore IsDB is commencing operations in different continents and different countries even though they are not part of the IsDB group. Therefore the Muslim communities which are falling in the borders of other states are also been taken into the consideration.

4.2.5. Operations:

IsDB has wide range of operations like socio-economic development through poverty alleviation efforts, infrastructure development, capacity building, promotion of cooperation among member countries (mainly through trade and joint ventures), development of the private sectors, and the promotion of the

⁵ Islamic canonical law

Islamic banking and financial industry. In order to conduct those operations IsDB has two types of operations. First type of operations is ordinary financing operations. According to that IsDB has different modes of ordinary operations. Loans, equity shares, leasing, installment sale, profit sharing, combined line of financing and istisnaa can be mentioned under the modes of ordinary financing operations. What is significant here is there are some different modes of financing which have been invented by IsDB in order to take part in the international financial structure without falling apart from the Sharia principles, such as istisnaa (Islamic bonds) or musharaka (profit sharing). By looking from this point, IsDB has adopted the international financial structure with an Islamic interpretation. Therefore, it won't be wrong to argue that IsDB has opened an 'Islamic window' in the literature of development finance. While conducting operations, IsDB doesn't use the interest although there is a considerable service fee included in its operations (O'Keefe C. 2004:19). In regards to the service fee, it can be seen as similar to the concept of interest but the slight difference originates from the certainty of interest rates. In that sense service fees are not certain as interest rates. The service fee charged by the IsDB on the loans has the character of solely covering precisely the administrative expenses which occur in the process of making the loan and during the loaning period (Meenai, 1989;70). Therefore each operation service fee is estimated in different amounts.

In addition to the ordinary financing operations there are special types of funding operations. Waqf Fund, Special Assistance Program, World Waqf Fund and Awqaf Fund are the examples of special funds which aim to contribute to the cultural, social and economic needs of the Muslim communities and organizations in non-member countries (IsDB, 2011; 6-9). Moreover Islamic Solidarity Fund are the examples of funds which aim to fight with poverty and eradicate illiteracy, epidemics and diseases in member countries especially for the least developed member countries (Ibid; 8). Besides from that there are some special projects which aim to contribute the social and developmental problems which are being faced both in member countries and non-member communities such as Saudi Arabian Project for Hajj Meat Utilization Project or International Center for

Biosaline Agriculture in UAE. Also IsDB has a scholarship programs which aims to provide funding to the students from developing non-member Muslim communities or students who are studying in the area of science and technology (Ibid;9). In that respect IsDB has a range of funding options and programs for societal and technical development which aim to cover both member states and developing non-member communities.

Besides that IsDB offers a degree of technical assistance and Technical Cooperation Program to the member states upon demand. According to that technical assistance program aims to develop a proper pipeline of projects and also assist the least developed members enlarging their absorptive capacity (Meenai, 1989;90). However technical assistance is in advisory role in the member countries. On the other hand the Technical Cooperation Program aims to provide least developed member countries with access to the experience and expertise of the technologically relatively advanced member countries, which encourages to built a way for closer economic cooperation (Ibid;94).

CHAPTER V – THE ANALYSIS

5.1. Space and Scale:

Based on the empirical material that was presented in the previous chapter, there are some points to be mentioned and compared. First of all, understanding of space differs between IsDB and other MDBs.

According to the spatial understanding of MDBs development practices are discourse that can be represented and are applicable universally. Therefore they define their institutions of development according to the geographical space. Hence, they consider themselves as either universal or regional. In that view, different cultures, religious beliefs, languages or practices are not being considered important variables. Only variables which are taken into the consideration are political units and geographical situation. However that's quite problematic, since they claim to deal with the developmental and economic problems in their regions. Firstly, according Urry & Lash economic and symbolic processes are more than ever interlaced and interarticulated; which means economy becomes increasingly cultural and culture becomes more economical (Urry & Lash, 1994;64). Therefore the spatial dimension of the economy-culture relation should not be seen as one social/cultural embeddedness in bounded regions (Simonsen;2001;50). In other words an understanding of development and economy solely based on geography can hardly embrace the entire people living in that region. As a result, it will hardly be accepted by them as well. As an example; Bangladesh and Thailand are situated in the same region and expected to have similar economic and developmental characteristics. However since the cultures and living styles are away from each other; those two states have more differences than commonalities. As it was previously mentioned, the concept of space is socially constructed; therefore it has to be defined according to the social relations rather than the geographical situatedness. Secondly, the geographical groupings of states are political rather than being economical. In reference to Boas and McNeill, using aid for strategic and political purposes was to become a hallmark for much multilateral development funding during the Cold War (Boas & McNeill,2003;53). In that respect funding developmental projects became

a political instrument to fight against the threat of communism. Thus the regions are defined in a geopolitical context. The decision making is going to be on the political level rather than the necessities. This understanding will make development more exclusive and away from the grassroots. Thus overall the spatial understanding of major MDBs is representing the ideas of Modernization theory.

On the other hand, IsDB defines its area of influence relationally. On the basis of the Articles of Agreement the purpose of IsDB was mentioned as fostering economic development and social progress of member countries and Muslim communities individually as well as jointly in accordance to the principles of Sharia (Articles of Agreement;3). Therefore it is aimed to establish an institution which shall be development, investment and welfare oriented, based on Islamic principles and ideals, and a practical expression of the unity and solidarity of the Muslim ummah (Ibid;2). Through the lenses of just stated agreement, the establishing principles refer to a group of people which are bound to each other with the rules and principles of a religious belief. No specific geographical location was mentioned. As a consequence, the reference of 'Muslim ummah' here corresponds an abstract area which cannot be limited in a geographical place. That is, it is a transnational concept. In a sense Muslim Ummah forms an 'imagined community' whose diverse geographical locations are linked together through shared beliefs (Greig;2002;227). Moreover shared beliefs in this community provide foundation for shared understandings of the world (Ibid;227). In other words the common practices and belief system which defines the borders of that community are also providing an ideological base for the people who identify him/herself with that community. Since the concept of development can be described as a discourse and an application of that discourse in a material and social way; defining an institution of development based on religious values and beliefs makes more sense. Moreover the borders of this community are not fixed, or in other words they are not defined. According to that anybody who claims to have the belief and values will be considered as an insider. Thus the concept of space in IsDB described in a more transnational and a more fluid way as it was

discussed under the critical development geographies approach. One might legitimately argue about the language, sectarian and cultural differences in between the Muslim ummah. Since there are some practical differences in between the Muslim communities; it is hard to consider the ummah as a coherent entity. There are several counterarguments for that; for the language differences according to Greig because of the sacred texts which only existed in Classical Arabic; there is a basis for a common understanding among ummah (Ibid;230). Meaning, although the languages differ the concepts are originated from a common understanding which are based on the fundamentals of Islamic religion. Besides, for the sectarian differences the member states in IsDB already consist of members which have different sectarian understandings. Thus almost all of the Islamic sects are being represented in the Board of Governors. Because of this language and sectarian differences are not elements which may deteriorate the coherence of Muslim Ummah.

In connection to the difference on the spatial understanding; there is a difference in the understanding of scale between major MDBs and IsDB. Major MDBs conceptualize scale on the nation state level. With regard to that understanding nation states are the main units of analysis for the developmental projects. Their members are nation states, their decisions are nation states based therefore their discourses on development is idealizing nation states. Nevertheless according to Lawson the community, household and individual levels are the units where developmental projects are initiated or resisted (Lawson,2007;187). Therefore any developmental project which doesn't take other scales into consideration may not be as efficient as it was intended to be or it may be resisted. Thus initiating and implementing development projects in the nation state scale by major MDBs is problematic. As a result, they are being widely criticized both from left and right wing (Financing, 2001: 2). Even annual meetings of those multilateral development institutions, even small scale meetings have become rallying points for manifestations of resistance against these institutions and the policies and ideologies they are seen to represent (Boas&McNeill,2003;135). Increased

dissatisfaction and their 'top down' approaches of policies and programs are the main reasons which make people protest against those institutions.

On the other hand, in relation to the relational definition of space understanding of IsDB forced it to enlarge its scale from the nation state level to the community level. Since IsDB claims to be a development institution of the entire Ummah; which is transnational and transcontinental; working solely on the nation state level becomes meaningless. Therefore IsDB works with the Muslim communities and organizations which are situated in non-member states. There are some special funds, such as Special Assistance Fund, which aim to contribute social and economic development of the Muslim communities outside member communities. Besides that the scholarship program is open to all Muslim students who are studying in special areas. In that respect although mainly members of IsDB consist of states; it has achieved to initiate some development projects which change the scale of the bank nation states to local communities. However; although that was a step forward about turning the focus of the development institutions from nation states to the communities at the local level; still decision making mechanisms are only open to the member states.

With these scalar and spatial definitions and dimensions IsDB aims to establish 'social capital' among its member states and communities living in non-member states. There is a high reliance and reference to the religious rules of Sharia in its all operational bodies and procedures. In that respect IsDB aims to promote strong economical financial and social ties in its area of influence. According to Lawson the debates of social capital open a space for a social development agenda although in some cases it has legitimized certain forms of social connection and association, while ignoring other forms (Lawson;2007;104). In other words the discussion on the concept of social capital opened up new ground for the debates over social development which was highly excluded from the development debates roughly two decades before. Thus IsDB with its purpose and spatial and scalar considerations has a unique position in the agenda of social development and social capital. Although some might argue that with taking Islamic Sharia as the basis for its operations IsDB may encourage patriarchal structures especially

in the gender dimension of the development agenda. However; according to the example that is about the notions of development in the town of Lamu, Kenya, which has been illustrated by Escobar; religious and traditional practices such as veiling is not an obstacle for women to take part in the developmental practices such as schooling of the girls, accessing modern commodities, greater mobility and the like (Escobar,1995;50). In that respect, taking religious practices as the basis of developmental projects are not exclusive; it is rather representing more participatory or in other words inclusive practices of development.

5.2. Structure:

Under the headline of structure, empirical material shows us that both IsDB and MDBs have similar organizational and administrative structures. However there are a few nuances. According to that starting from the president; presidents are mainly under the influence of dominant states in the institutions. The president of IsDB was selected by Saudi Arabian government which has the highest portion of shares. Similarly ADB has a tradition of selecting presidents from Japan (Culpeper,1994 ; 460). Therefore their administrative structures are influenced from political considerations of the dominant states. Also in IsDB the presidents are being elected by the Board of Governors. In other MDBs, such as WB or IADB, presidents are being appointed by the board of executive directors. In that case members of IsDB, who have relatively low levels of shares in the Bank, can share their ideas about the president and vote in a more independent atmosphere; although their voting power is decided in accordance with their shares at the Bank. In other words in IsDB relatively weak members have relatively more voice about president and administration of the Bank than other MDBs. In connection to that, the place where headquarters are based is also important for the free rider of the organization at a degree. Both headquarters of IAFD and WB was situated in Washington DC close to the presidential office which reflects the US shares and political influence of US over those institutions. In addition to that the great majority of WB staff whatever their nationality is; have postgraduate degrees from a North American university (Boas&McNeill;2003;25-26). For some perspectives it contributes to shape their mindset and their worldly views in a more

‘Americanized’ way. Similarly IsDB headquarters is located in Jeddah which makes the Bank open to the political influence of Saudi government as the highest shareholder. Nevertheless on the other hand the highest executive body, the Board of Executive Directors, in IsDB has not a resident status. In other words besides from their annual or some special meeting sessions they are not situated in Jeddah. Besides aiming to reduce costs, this has an implication of decreasing the level of political influence and manipulation as well.

The decision making procedures and voting structures are highly similar within all MDBs and IsDB. According to that there is dominance of lending states. There is an obvious dominance of US and Japan in MDBs. Based on this perspective, US and Japan are in the list of major shareholders in all MDBs, therefore they are influential in decision making structures according to the existing ‘one dollar-one vote system’. This creates some discussions and problems about the nature and structure of the MDBs. First of all ‘raison d’être’ of RDBs, as it is mentioned earlier, is to break the dominance of the powerful states in the decision making structure of WB. Since those structures in WB favor industrialized states, RDBs meant to be more autonomous than WB, which might favor the developing states in decision making. However, in order to increase the capital of the banks in general after extensive debates they accepted to absorb developed industrial states and, since the non-regional members accessed to the RDBs as credit suppliers; they became dominant in the decision making structures as an essential feature of ‘multilaterism’. Since RDBs and in general MDBs have to satisfy both lending and borrowing states, they will try to avoid articulating explicitly competing views (Boas& McNeill;2003;8). Therefore consensus becomes an objective itself; however it will be expectedly constructed based on power relations which makes the consensus more artificial (Ibid;8). As a result of that although they claim to be apolitical in their policies; the decision making voting structures make them extremely political (Ibid;44). This situation has been examined by Kaja and Werker in their quantitative study about the influence of developed members in determining the direction of loans in the IBRD branch of WB. According to them when the number of decision makers is limited to countries that are not part of the

debate, there may appear short - changed in the distribution of benefits (Kaja & Werker; 2010;196). According to their findings a developing country serving on the board of executive directors can expect, on average, a more than doubling of its normal funding levels or, in absolute terms a nearly \$ 60 million bonus (Ibid;196). Thus by looking to that study it won't be wrong to argue with similar arguments through the debate of regional-non regional members in decision making structures of RDBs.

On the flip side of the discussion, IsDB has a similar type of decision making and voting structure. According to that, main shareholders of the Bank hold the highest number of votes and voice in the administration of it. However in IsDB there are a few nuances. To start with, IsDB is not a RDB, which basically makes IsDB free from the non-regional and regional member states debate. In other words there are no non-regional lending states in the body and capital structure of the Bank. According to Meenai being an institution had been conceived as Islamic, the question of inviting developed industrialized countries in order to boost its resources was never raised in IsDB (Meenai,1989;32). Since one of the membership criteria of IsDB is to be a member of OIC, none of the industrialized western states have joined the IsDB. Therefore, although it is influenced from the 'dominant lenders and obedient borrowers' debate; having no members from industrialized world makes it a 'South-South' development institution. That is, both lenders and borrowers of IsDB projects are developing member states. Although this situation makes it more vulnerable to the crisis in some cases; in general it is more autonomous than other RDBs which are operating on regional basis but having non-regional members.

5.3. Operations:

Operational procedures which have been conducted under MDBs and IsDB are mainly similar. However there are some minor differences which make them separate from each other. Based on the empirical data which has been presented in the case MDBs are funding through two different windows. Although hard windows have similar funding strategy as other private financial institutions, soft windows creates concessional loans which are mainly dependent on the

negotiations between the donor and borrowing country. Also the amount which is being distributed through the soft window is less than the total amount of loans in hard window. The less amount of soft window loans forces states to meet the requirements of the hard loan window. In that respect states that are in need of loans for their developmental projects have to be more 'creditworthy' or in other words they need to be more integrated to the capitalist nature of the world financial structure. As a result MDBs are being criticized as being situated in the intersection point of the 'big D' Development and 'little d' development by introducing the capitalist private corporations' model to the world of development finance. Second point of critique towards the MDBs is the conditionalities which are requirements for the SAPs. With regards to Boas and McNeill although SAPs are intended to promote development in a more institutionalized way; they were ideologically biased and lacked genuine knowledge and understanding about the specific features and internal characteristics of the states concerned, especially in Africa (Boas&McNeill;2003;64). Also they have been used as policy instruments to pressure developing countries to follow orthodox liberal economic prescriptions of price reform and privatization (Ibid;66). Through price reform and privatization capital rich western multinational corporations penetrated more to the domestic markets of developing countries. Besides, according to those references which show SAPs are in favor of neo-liberal economic policies, which make traditional modes of economy and production to extinct. By looking all those features and critiques towards funding windows and conditionalities of SAPs, it won't be wrong to argue that they are politically biased and in favor of lending states in general.

IsDB on the other hand has operational principles and procedures which are aimed to combine Islamic understanding of economy and finance to the area of development finance. Therefore it came up with some modes of financing and mobilizing resources which were not existent in the finance literature. In connection to that the principle of conformity to the religious rules and principles has created some sort of transparency in areas of resource mobilizing and financing operations. The research body of the IsDB Group includes a body called

IRTI which is responsible for the conformity of financing and resource mobilization operations to the cardinal principle of Sharia. Therefore the operations and sources which are mobilized for the capital stock of the Bank are accountable to the IRTI. Also, the technocratic language which is being used in the operations of other MDBs is not existent in the policy documents of IsDB. Besides, the ban on the usage of interest also makes IsDB unique among the MDBs although a considerable service fee is charged for its operations. Since its members are mainly medium and low level developed countries; prohibition on the interest have a meaningful importance for the funding of developmental projects. In addition to that, the advisory and voluntary character of technical assistance program which had originally been adopted from other MDBs is aim to ensure the free rider of the individual member states. IsDB doesn't have SAPs together with the technical assistance program reflects the apolitical stance of IsDB unlike other MDBs political character. By looking those IsDB has a unique character among all other MDBs.

CHAPTER VI – THE CONCLUSION

Enormous concerns appear to overshadow development in this new millennium, with (anti-) globalization and the ‘war on terror’ reworking on the relations and fault lines between people and places (Lawson,2007;1). Thus it would be quite romantic to talk about fixed understandings development. As being an extremely social and evolving term development has to be reworked and contextually redefined. The space and scale are two concepts of the old development discourse which has needs immediate attention and care since those are fundamental determinants of the developmental policies which were highly dominated with the Western discourses of economic growth, technology transfer and social engineering. Starting from the institutionalization of development discourse until now, they have been used as policy tools for creating forms of domination and subordination (Escobar, 2001;141). By using those concepts elitist and western oriented development discourse excluded the subjects of development from the development process. In other words, the subjects of development have been bypassed by the dominant development ideology. Emergence of post-modernist, post-structural, post-colonial and feminist approaches in recent decades brought the old concepts of development into the debate again. They proposed to redefine the concepts of space and scale in more fluid context which challenged with the traditional understandings of those concepts. In regards to their arguments, space and scale has to be reworked and defined relationally for making them more participatory and pro-poor.

As a result this study focused on the old and new conceptualizations on the terms of space and scale and in order to test the assumptions of both theoretical approaches, the discussion was stretched towards the area of development financing. It basically illustrated how different conceptualizations of space and scale have been adopted by different theories and ideologies of development thinking. With regards to the modernization theory spaces was conceptualized as technical and universal meaning of the word, and scales were fixed on the nation state level. As a counter argument for this understanding of space and scale, critical geographies of development approach proposes to define space in a more

relational way after considering the economical outcomes as consequences of power relations, shared histories and common practices; and scales defined in a more fluid way to create a participatory discourse for development thinking. Since the concepts have a practical importance in creating discourses about what development is and how it should be; it would be easier to understand the importance of the terms.

Indeed the multilateral development financing institutions or MDBs are influenced from the conceptual understanding of the modernization theory in general. Their structures, operations and purposes are defined according to the assumptions of modernization theory. They also perceive space as a technical and geographical entity. Their scales are fixed to the nation states level. Therefore it is argued that they have been widely criticized of being exclusive and non-transparent. On the other hand, although it is not comparable with other MDBs in the name of size, IsDB has a different understanding of development processes. It conceptualizes its own understanding of space relationally. The religious values are in the heart of their operations. They claim representation over the entire ummah which is a transnational concept forms a community of believers who have similar understanding of life although they are geographically distinct from each other. Yet the ummah doesn't correspond within the borders of one country, or one continent their spatial considerations are international or even intercontinental. This also has some reflections over the reformulation of the concept of scale. Their scalar consideration goes beyond nation states, claiming representation over ummah make them to work with the Muslim communities within a non-Muslim country. Thus they also deviate from the classical understanding of scale which is being imposed by the modernization theory. In addition to that the difference in the conceptualization of space and scale was also reflected to the operations conducted by the Bank. Since it aims to operate through the religious values; new forms of financing or new ways of mobilizing resources has been adopted according to the religious rules and procedures. In addition to that social capital in economic and developmental affairs is highly encouraged. It aims for a higher cooperation among members and Muslim

communities. Hence it won't be wrong to claim conceptualization of space with regards to social interactions and relations is successful in offering alternatives in scalar considerations, operational procedures and administrative and organizational structures of MDBs.

As a result rethinking development can have a real impact by including silenced voices; by imagining alternatives that are negated by dominant development discourse (Lawson;2007;33).

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