EVIDENCE BRIEF

Public Development Banks

Key takeaways

- There are over 530 public development banks in over 150 countries.
- These PDBs operate at the sub-national, national, and multilateral scales.
- PDBs have $23 trillion in assets and finance 10 to 12 percent of the world's total investment.
- PDBs can work together to finance global green and just transitions.
- Democratic governance and accountability need to shape the future of PDBs.

The scale and capacity of PDBs

Public development banks (PDBs) are important financial institutions for their developmental focus. PDBs are usually operated within the public sectors of states, often functioning according to public policies and government determined mandates. Certain, but not all, PDBs serve explicit public purposes (for example, to support public services). Many are called on to support private investment. PDBs regularly provide longer-term financing than commercial banks and private investors. Their focus is frequently, but not always, larger-scale projects. PDBs lend to governments, municipalities, other banks, public entities, and the private sector (including small- and medium-sized enterprises and cooperatives). PDBs rarely have a profit-maximization orientation of their own. Yet there is a strong push from investors to make PDBs support private sector profit-maximization by blending public finance with private money and via public-private partnerships. This market-oriented public-private approach is failing to deliver on global green and just transitions.[1]

According to the Finance in Common Database, which focuses specifically on public development banks, there are **over 530 PDBs** operating in over 150 countries worldwide with total assets worth more than **US$23 trillion** in 2024.[2]

This includes **360 national development banks**, like the Development Bank of Japan with $161 billion in assets, and **121 sub-national development banks**, like the Promotional Bank of North Rhine-Westphalia in Germany with over $171 billion in assets. There are also **55 multilateral development banks** (MDBs). The MDBs range in size from mega institutions like the World Bank, with over $537 billion in assets, to medium and smaller multilateral banks, like the Development Bank of Central African States, with about $1 billion in assets. PDBs come in vastly different sizes, with different capacities, and with distinct mandates, sometimes making them difficult to compare at the individual institutional level.

PDBs finance around **10 to 12 percent of the world's total investment.**[3] Yet PDBs can and should do more.[4] According to UNCTAD, $30 trillion in additional investment globally is needed over the next eight years to meet the 2030 Sustainable Development Goals (SDGs).[5] The Climate Policy Initiative presents an even steeper hill to climb: climate finance flows must increase to $8.5 trillion per year to achieve the 2015 Paris Agreement objectives.[6] The world's PDBs are well-suited to overcoming this investment gap – especially if PDBs work collaboratively and accountably as a global ecosystem. As a matter of policy, PDBs can increase their balance sheets and purposively direct financial resources towards green and just developmental projects. Yet more funding must be matched by democratic governance reforms and inclusive mandate reviews.

PDBs differ by ownership and by operational levels. Three types are common. **Sub-national PDBs** are typically owned by local, regional, or provincial governing authorities and tend to serve these communities (for example, the Development Bank of Minas Gerais in Brazil). **National PDBs** are typically owned by some combination of federal authorities and/or other large public and sometimes private entities (for example, the Development Bank of Southern Africa, MuniFin Finland, and the Development Bank of the Philippines). **Multilateral development banks** (MDBs), like the World Bank and the Asian Development Bank, are typically owned by nation state members, but MDBs also

sometimes include share ownership participations from other public banks (like in the Caribbean Development Bank).

PDB sources of capital come from longer-term bond issuances and certificates of deposit, as well as from government funds and retained earnings. PDBs focus on providing loans (concessional and non-concessional), grants, guarantees, and technical assistance. Their ways and targets of lending are often shaped by national and multilateral policy and developmental targets. PDBs can align long-term lending with social and environmental goals as well as with economic development objectives, but do not always do so. PDBs have a range of governance arrangements, but typically their governing Boards will include high-level government representation while some will include civil society and sectoral representation. Such unique institutional foundations enable PDBs to function differently than private financial institutions.[7] Yet there are no guarantees. PDBs can be captured for undemocratic ends and commanded to function against the public interest and collective climate goals.

Why do PDBs matter?

Public development banks, like all public banks, are dynamic entities. How PDBs function depends on their historical background, mandates, and the economic and political contexts in which they exist. **Nothing of what PDBs do is neutral or natural**. PDBs are not inherently good or bad. They are public institutions that evolve and change in response to contending power relations in society as well as to the evolving course of the global economy.

With the dominance of post-1980s market-oriented reforms, the significance of PDBs was sidelined from policy discussion and academic research for decades. This has changed dramatically since the 2008-09 global financial crisis, the emergence of the 2015 United Nations Sustainable Development Goals (SDGs), and in the wake of the Covid-19 pandemic. PDBs have been key to government crisis responses. Many see PDBs as a *potential* means of democratizing the economy and of realizing just transitions with equitable development.

PDBs are experiencing a renaissance. There is global consensus that PDBs must contribute to achieving global green and just transitions.[8] *That* PDBs do not have to be profit oriented financial institutions makes them especially powerful entities able to advance public policy goals and equitable development – if made to do so. *That* PDBs are often national and function locally means they can help to achieve public policy goals in dialogue with society. *That* the MDBs have technical resources and access to foreign currencies means they can support national and sub-national PDBs to achieve green and just transitions at home.[9]

As a matter of domestic and multilateral policy, all types and scales of PDBs can work together to foster a global public financial ecosystem grounded in accountable collaborations for green and just transitions.[10] Yet this requires not only a changed mindset grounded in public purpose, but also more innovative, inclusive, and democratic governance. Together PDBs have a greater capacity to finance global green and just transitions at the pace, scale, and on the terms urgently required – if required to do so by civil society.

1. Eurodad. (2022). 'History RePPPeated II: Why Public-Private Partnerships are not the Solution'. Eurodad. Available online at: https://www.eurodad.org; TNI (2023). *Green' Multinationals Exposed: How the energy transition is being hijacked by corporate interests*. Amsterdam: TNI. Available online at: https://www.tni.org/.
2. Finance in Common Database: http://www.dfidatabase.pku.edu.cn/.
3. Finance in Common Database: http://www.dfidatabase.pku.edu.cn/.
4. UN IATF (2024). *Financing for Sustainable Development Report 2024*. New York: United Nations Inter-Agency Task Force on Financing for Development.
5. UNCTAD (2023). SDG Investment Trends Monitor, No 4, September 2023. Available online at https://unctad.org.
6. Strinati, C., Alberti, C. and Melling, B. (2024). 'Top-down Climate Finance Needs', 31 May 2024. Available online at: https://www.climatepolicyinitiative.org/.
7. Marois, T. (2021). *Public Banks: Decarbonisation, Definancialisation, and Democratisation*. Cambridge: Cambridge University Press.
8. UN IATF 2024; Griffith-Jones, S., Marodon, R., Rochon, L-P., and Xu, J. (eds.) (2023). *Development and Public Banks.* Abingdon, UK: Routledge; Marois, T., Stewart, J. and Marodon, R. (2023). 'From Multi- to National- and Back Again: Realizing the SDG Potential of Public Development Banks'. *AFD Research Papers* 267. Paris: Agence Française de Développement.
9. Marois et al. 2023.
10. Marois, T., Güngen, A.R., Steinfort, L., Romero, M.J. (2024). 'Fostering a Global Public Financial Ecosystem for Development and Climate Action', *T20 Policy Brief.* G20/T20 Brasil 2024.

Cite as: Marois, Thomas and Güngen, Ali Rıza (2024). 'Public Development Banks', *PBP Evidence Brief.* No. 2024/04, McMaster University, Canada: Public Banking Project.

Public Banking Project (PBP) McMaster University, Canada
Publishing Director Thomas Marois
ISSN TBD
Creative Commons License CC BY-NC-ND

Explore other Public Banking Project publications at https://publicbanking.mcmaster.ca/