

Fostering a Global Ecosystem of Public Development Banks

Key takeaways

- Global public development bank collaborations can provide cheaper and more appropriate policy-driven climate financing and expertise.
- This requires mandate changes and revised policy priorities.
- An innovatively governed global PDB ecosystem can bolster democratic accountability and effective public-public collaborations among all public financial institutions.

A new Global PDB Ecosystem?

A new global public development banks (PDB) ecosystem involves PDBs from the sub-national to multilateral scales working together as a matter of policy to solve the shared challenge of financing socially just and green transitions.

Policymakers should call on the world's PDBs to begin fostering a global PDB ecosystem. Why? Because PDBs working together have the resources, scope, and expertise to advance climate finance at the pace, scale, and on the terms required for just transitions.

PDBs should collaborate more to address sustainable and equitable development challenges, including but not limited to advancing climate finance and achieving climate mitigation goals. The Finance in Common Summit recognizes that some barriers to PDB collaborations pertain to capacity building and national regulatory frameworks.¹ Equally significant is the need to build a framework that best mobilizes existing capacity. A global ecosystem that promotes co-creating and coordinating technical expertise, as well as cheap financing, is required. A host of climate adaptation, mitigation, and biodiversity goals can be better achieved through policy-oriented financing that delivers coordinated and impactful investments. A global PDB financial ecosystem has the potential to do this.²

The scale and capacity of public development banks

A PDB is a public financial institution that typically lends to large institutions, governments, municipalities, and other retail banks and financial institutions. PDBs tend to source capital from capital transfers, loans, and bonds rather than from personal deposits. PDBs have many lending directions but can focus on providing small and large enterprises with loans, promoting infrastructural investment, as well as supporting imports-exports, agricultural production, and local development. The focus of PDBs depends on their mandates.

According to the Finance in Common database, there are more than 530 PDBs in over 150 countries worldwide in 2024.³ These **PDBs finance 10 to 12 percent of global investment**, and their asset volume exceeds US\$23 trillion.

PDBs exist at all geographical scales. There are multilateral PDBs like the World Bank and regional PDBs (which form part of a broader multilateral grouping) like the African Development Bank. There too are national PDBs, like the Development Bank of the Philippines, and sub-national PDBs, like the Promotional Bank of North Rhine-Westphalia, Germany. Despite differences in scale and ownership, PDBs specialize in long-term lending to support development objectives as per their mandates. Many PDBs are engaged in public-public collaborations (PPCs). PDBs are increasingly aligning their operations with green transitions via the 2015 Paris Agreement and the 2030 Sustainable Development Goals (SDGs).

The potential of a global PDB ecosystem

PDBs working together can provide financing at the pace, scale, and on the terms needed. According to the United Nations Conference on Trade and

Development (UNCTAD), there is a need for an additional \$30 trillion in sustainable investment by 2030.⁴ The financing needs to be accessible, low-risk, and cheaper. The hundreds of PDBs globally with trillions of dollars in assets can meaningfully address this investment gap. But to do so, PDB capacity must be coordinated and aligned. **PDBs need to work more and better together – that is, as an intentional ecosystem.**

Existing PDBs at the multilateral, national, and subnational scales have the resources, financial capacity, and expertise to support - as a matter of policy - green and equitable development.⁵ This requires political will and policy action towards mandate changes designed to foster a global PDB ecosystem.⁶

A global PDB ecosystem has the potential to lower the cost of credit, particularly in the Global South, through innovative governance and guarantee arrangements.⁷ Collaboration can assist local PDBs reduce the interest rates charged and extend the terms of loans, in particular for public service providers and infrastructure, including for municipalities.⁸ An intentional global PDB ecosystem approach can be tasked with developing cheaper green transition and development finance.

A global PDB ecosystem can support the co-creation, coordination, and sharing of technical expertise among subnational, national, regional, and multilateral PDBs. An ecosystem approach to knowledge and skill coordination can open opportunities for innovation among PDBs, which can be shared with other public sector institutions.

Fostering a global PDB ecosystem holds the promise of lower costs, fewer risks, improved terms, and effective knowledge mobilization for green and just transitions. The PDB ecosystem holds this promise because of its basis in collaboration and coordinated policy objectives, rather than investor profit-maximization and market coordination. That is, there is promise in placing collaboration before competition.

If innovatively governed, a PDB ecosystem can enhance the

democratic accountability and transparency of public financial institutions. A PDB ecosystem can draw from positive governance models of existing PDBs, while encouraging PDBs to work together in pro-public ways.⁹ This is of key importance since what PDBs do, how, and for whom is not pre-determined.¹⁰ PDBs are contested institutions, whose functions are shaped by wider political and economic circumstances and power relations. A well-governed and democratic PDB ecosystem can reinforce and be reinforced by democratic processes within national and local contexts.

A new global ecosystem of the world's public development bank has the potential to be the catalyst needed for delivering the required finance for green and just transitions at the pace, scale, and on the terms needed.



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3. See <http://www.dfidatabase.pku.edu.cn/>.
4. UNCTAD (2023). *SDG Investment Trends Monitor*, No 4, September 2023. Available online at <https://unctad.org>.
5. 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.
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