

## **Research Seminar on Public Development Banks 2022 Finance in Common Summit Summary for decision makers**

The third edition of the Finance in Common Summit (FICS), organized in Abidjan, embedded on October 18<sup>th</sup> an international research seminar releasing key updates from the research initiative coordinated by Stephany Griffith-Jones (Sussex University), Régis Marodon (AFD) and Jiajun Xu (INSE, Pekin University).

The seminar was organized around four panels, each of them highlighting academic and policy papers providing major milestones to know Public Development Banks (PDB) better. These research provide concrete, evidence-based propositions to acknowledge the theory of change supported by the “Finance in Common” coalition<sup>1</sup>.

On opening the seminar, an updated version of the database on Public Development Banks was released. The database is the product of an international cooperation between the Institute of Structural Economics (INSE) at Peking University and the French Development Agency (AFD). It display an updated list and characteristics of the 522 PDB worldwide identified so far, representing more than USD 23 trillion of assets. A new feature of the database this year is the identification, for every PDB, of each policy areas in which it is active. In addition, for the first time, the database now provides financial figures collected from the 350 PDB published accounts. It covers a period of 3 years (2018-2020) and provide total assets, net liabilities, capital base, net interest income, financial result and number of employees.

**The first session of the research seminar drew lessons from the role of PDBs in being the government’s financial arm, serving national public policies.** Their crucial countercyclical role and reaction to COVID-19 is now fully evidenced and documented. However, despite the fact that international economic prospects for future years are not very bright, or maybe because of it, PDBs will expected to play their part. Seventeen policy areas have been identified, from climate to rural smallholders, regional integration to gender, all participating to the transition to a greener, more social and yet economically efficient transition.

**The second session confronted PDB’s alignment with the Paris Agreement on Climate and the ambition of the SDGs.** It appears that many PDB are developing their in-house methods to track the reality of the alignment. Various tentative were presented and discussed, using hand-filled matrix or exploring new frontiers using artificial intelligence. Research are still incomplete to grasp the full reality of alignment. The difficulty of alignment on climate illustrates how far is the way to incorporate the SDG rainbow into operations. The relation between climate, nature and productions remains complex and problematic. It is still a much-unknown continent and key questions remain on the role of interactions and trade-offs between SDGs targets. Investigations should continue, calling on PDBs to collect and disclose more information on the impact of their financings.

**The third session questioned the role of PDBs in the global financial architecture.** The conclusion of that session also appeared to be quite inspirational: to perform the various tasks that governments could confer to them, to get the level of credibility that would justify a change of scale (an increase in their capital base and in their capacity to leverage private sector finance), PDB need to strengthen their linkages. They should in particular build a system whereby local

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<sup>1</sup> ["Joint Declaration of all Public Development Banks in the world"](#)

national banks, very numerous and aware of their national realities, could relay more efficiently the international financing made available by regional and multilateral banks.

**A special session on Africa** clearly demonstrated that “leave no one behind” is more than a catchword. During the Covid crisis, African development Banks proved their value. It is time for them to take a more visible place in the global development architecture. Case studies in Tunisia, Rwanda, Ghana, Côte d’Ivoire and Egypt and wider surveys were presented and underscored the variety of situations. Overall, they pointed that development banks, when conditions are deteriorating, are valuable instruments to help build resilience. Their role for the developmental mandates also appeared in its full potential. The panel concluded that not only national African governments should put their trust in their national institutions, but that the international community should also step up its support. At the moment, evidence is that banks are starting to think about their role in supporting the green and just transition, but they are currently preoccupied by other economic and financial priorities.

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## **2020-2022: 3 years of FICS Research and Studies**

### **10 Policy Recommendations on Public Development Banks for Decision Makers**

Recent researches demonstrates that PDB no longer constitute a marginal wing of finance. A comprehensive bibliography is available for the participant of the summit, with most prominent articles published on the “Finance in Common” website<sup>2</sup>. The analysis confirm the positive role that PDBs can play, under certain conditions, to boost the process of transition and mobilize economic actors, to create the conditions for sustainable solutions to emerge at scale.

In a nutshell:

1. National banks must develop a strategy that place themselves at the forefront of the transitions, aligned with their government’ led national development or climate strategies, acting as local leaders on the 2030 agenda and the Paris Agreement;
2. Base capital should grow at scale to enable more financing (including long-term), possibly at a lower cost, with a proper covering of risks;
3. Accountability on environmental and social matters should be enforced and compulsory for the operational teams, together with the adoption of analytical tools to decide and monitor the impact of the financings;
4. “Development labs” should be opened by PDBs to boost innovation and play a pro-active role to support, originate and develop sustainable projects;

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<sup>2</sup> <https://financeincommon.org/>

5. Specific new windows of financing should be created, teaming up and blending finance with private sector to attract more capital, in particular in countries where financial markets are weak or non-existent;
6. Central Banks and regulators should continue to deepen the incorporation of climate change resilience and sustainable development in the regulation criteria, using harmonized taxonomies and reporting, while acknowledging that systemic stability hazard will not all come from capital markets in a near future;
7. Independent governance is very commonly cited as a condition for the success of PDBs. The usual recommendation is to open up the boards of PDBs to civil society and independent experts;
8. Operational financing from large PDBs should be increasingly directed to provide more long term resources to smaller national banks, in a revised financial architecture where economic and social priorities are supplemented with planet-related outcomes, such as the impact on climate change, natural resources and biodiversity depletion;
9. The mass of capital mobilized for COVID-19 reaction, largely channeled to the real economy through PDBs, should serve as an inspiration to massively increase capital to finance the transition and compensate selected actors for their losses. The research also recommend to put a stronger emphasis on subnational development banks, based on their capacities, in a given territory, to bridge subnational financial gaps.
10. PDBs should be encouraged to participate to global coalitions committed to the transition toward sustainable finance, such as FICS thematic coalitions. Joining forces, exchanging best practices, refraining from stowaway temptation, confronting the complexity and challenges of the transition for the banking business, requires expertise and knowledge that all PDBs, no matter their size or geography, should acquire, including through peer-learning and tailored technical assistance programs