

Key findings



Enhancing the Cooperation between Multilateral and National Development Banks: Mapping the inter-relations and understanding their potential for sustainable development

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There is global recognition that more needs to be done to deliver climate finance at the right pace and scale and on the terms appropriate for catalyzing global green and just transitions to sustainable development. Public development banks must play a new leading role in financing these transitions. While it is clear public development banks have the capacity, it is not clear that they are doing enough.



Objectives and research questions

There is global recognition that more needs to be done to deliver climate finance at the right pace and scale and on the terms appropriate for catalyzing global green and just transitions to sustainable development. Public development banks must play a new leading role in financing these transitions. While it is clear public development banks have the capacity, it is not clear that they are doing enough.



Methods

The fact-finding study looks at ten MDBs located in four different regions (see Table 1). Researchers circulated a Survey to the ten MDBs. To facilitate data verification and triangulation, the researchers also conducted a review of MDB Reports from 2017 to 2021 and a review of select NDB Reports from 2019 to 2021. The reviews of the MDB and NDB reports were checked against the responses given in the MDB Surveys.

Multilateral Development Banks Surveyed	Focus Region
African Development Bank (AfDB)	Africa and Middle East
Trade and Development Bank (TDB)	Africa and Middle East
Islamic Development Bank (IsDB)	Africa and Middle East
Development Bank of Latin America (CAF)	Central and South America, plus Mexico
Inter-American Development Bank (IADB)	Central and South America, plus Mexico
Council of European Development Bank (CEB)	Europe
European Investment Bank (EIB)	Europe
European Bank of Reconstruction and Development (EBRD)	Europe
Asian Development Bank (ADB)	Asia
Asian Infrastructure Investment Bank (AIIB)	Asia



Results

The scoping of the inter-relations between public MDBs and NDBs revealed the following:

- MDBs are lending to NDBs in their regions. However, there is significant unevenness between MDBs and across regions, ranging from extensive financial cooperation to relatively non-existent lending. MDBs and NDBs have not formed a global ecosystem of public-public financing.
- The existing reporting of financial cooperation between MDBs and NDBs is also uneven between different MDBs. There is no standard commitment to the tracking or presentation of lending data.
- There is universal agreement among MDBs that there are multiple barriers to lending to NDBs. Our research identified the most prominent, such as currency mismatch, market conditions, limited interest for social sectors, availability of softer financing, fiscal barriers, KYC clearances, political interference to name a few.
- Save a few exceptions and the growing concern on climate, there is no systematic alignment or tracking of SDG financing between MDBs and NDBs globally.



Recommendations

- **MDBs and NDBs need to co-develop a clear, simple, and standardized template or set of metrics to track existing financial cooperation.** These metrics then need to be included in annual reporting.
- **Governing Boards of MDBs and NDBs should demand that their public banks meaningfully and transparently report on SDG-related financing.** By aligning SDG-lending at the multilateral and national scales of public banks, these powerful financial institutions could trigger a catalytic affect across the financial system. Public development banks should be the first movers and they should set the 'Gold' standard for green lending that is also socially just.
- **Further research on the existing barriers to enhanced MDB-NDB cooperation is needed.** Public development banks can and should be at the forefront of financing a global green and just transition. But if public MDBs cannot effectively lend to public NDBs then this undermines the power of public finance to drive the global transition at a time when leadership is urgently needed.
- **Leaders, regulators, public bankers, and civil society need to start thinking and acting according to a 'whole of public financial ecosystem approach'.** Only by understanding, aligning, and mobilizing in concert the combined financial capacity of all public banks will we be able to advance global green and just transitions at the pace, scale, and appropriate terms needed to combat climate change fairly. This demands a new approach and new thinking about the promise and prospects of enhanced global public-public financing.

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