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# FiCS CONTRIBUTION TO THE G7 AND OTHER INTERNATIONAL FORUMS

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## 1. Introduction

International cooperation is undergoing a period of significant strain. Geopolitical fragmentation as well as economic, social and environmental shocks generate mounting fiscal pressure for governments around the world, and headwinds for solidarity and partnerships. In this context, public development banks (PDBs), now brought together since 2020 in the Finance in Common System (FiCS), believe they have a key role to play. Serving their governments, pursuing their mandates and aligned with central bank guidance, they are joining forces with other financial institutions, to help shape a renewed framework for international cooperation, and a more ambitious and resilient global financial architecture. This contribution is addressed to the G7 as well as other international forums advancing these discussions in 2026.

The Sevilla Commitment adopted at the UN's 4th International Conference on Financing for Development (#FFD4) in July 2025, as well as the conclusions of many forums since 2020, have recognized PDBs as a central pillar of a renewed international financial architecture. They combine public policy advisory, technical support to local public actors, long-term finance, and risk-bearing capacity, while leveraging public resources. They help bridge the gap between international priorities and national transformations. Given their public mandate, PDBs also share responsibility for ensuring that development finance is delivered in ways that are accountable, inclusive and grounded in human rights. This includes strengthening transparency frameworks and enabling meaningful engagement with civil society and affected communities. Most countries are shareholders of multilateral and regional development banks (MDBs) and stewards of their own national development banks (NDBs).

How can fiscal policy be eased for PDBs to navigate this turbulence? How can G7 members and other international forum members best leverage PDBs to redefine and implement cost-effective and resilient partnerships? Beyond financing volumes, how can PDBs contribute increasing availability of investable, country-owned pipelines and enabling institutional environments? And how can national policies and ambitions be leveraged to mobilize regional and global coalitions to reduce inequalities, encourage structural transformation and foster positive action? The ongoing discussion between governments about international cooperation and the global financial architecture provides a unique opportunity to steer the PDB system toward greater coherence and efficiency, in order to better assist their partners, lower the cost of capital and maximize the impact of scarce concessional resources.

FiCS offers a practical platform to address these questions. It was created in 2020 to bring together +540 public development banks worldwide, foster knowledge sharing, reduce fragmentation across institutions, rules, and instruments, and promote a coordinated system of public development banks from the global to the local level. It provides a space for dialogue among PDBs and all their partners, including non-financial organizations, to exchange experiences, align standards, deploy common tools and jointly lower the barriers to long-term, sustainable and resilient investment. Beyond its operational role, FiCS also draws on data and evidence, stemming notably from its Global Research Network (GRN) on PDBs, and supports the development of tools and approaches that strengthen stakeholder participation and public accountability in development finance.

This note outlines a set of principles to the attention of the G7 and other international forums, and was presented on April 29, 2026 during a [FiCS Special Event](#) organized in Paris in the context of the French Presidency of the G7. These principles are meant to provide Leaders, Ministers of Finance, and Ministers in charge of Development from developed and developing countries, with concrete and systemic levers that could be activated to accelerate growth, foster the origination of high-quality projects, support financial innovation, and mobilize private capital, while involving people and leaving no one behind.

## **2. A new international financial architecture based on interoperability**

### **2.1 A whole-of-PDB system to enlarge and strengthen multilateralism**

The international financial architecture remains fragmented, with overlapping actors, rules, and instruments. This fragmentation undermines efficiency and constrains the scaling-up of higher quality development finance, including the mobilization of private capital. Moving towards a more coordinated financial system, supported by interoperable standards across MDBs, NDBs and other actors including Vertical Climate and Environment Funds (VCEFs), while building on the diversity of mandates and structures across institutions, could significantly enhance the volume and effectiveness of climate and development finance. Strengthening coordination across PDBs is essential to better target areas where market failures constrain investment, and where public intervention can most effectively crowd in private capital. In such a system, MDBs would remain large providers of concessional finance while also bringing scale and knowledge; VCEFs would offer targeted support through debt-free, highly concessional resources and incentives for specific climate and environmental priorities; and NDBs/SDBs would connect both international and domestic flows to local priorities. Early-stage concessional actors can absorb early-stage risk in LDCs and fragile contexts, enabling subsequent engagement by NDBs, MDBs and private investors at scale. Philanthropic actors and private investors would play complementary catalytic and risk-taking roles. This would constitute a more coherent and effective system, that could also strengthen South–South cooperation.

FiCS promotes such an architecture, linking multilateral, regional, national and subnational development banks, whether generalist or specialized, with the objective of promoting a coordinated PDB system and channeling finance where it is most needed, more efficiently and relying on a multilateral collaborative framework. Countries could catalyze this shift by requesting their PDBs to implement some of the recommendations of the International High-Level Expert Group (IHLEG) <sup>1</sup>and the G20 CPI-FiCS-AfDB report<sup>2</sup>, ensuring a shared understanding and implementation of standards and governance structures to advance their interoperability and complementarities. For instance, G7 members, through the G7 PDBs and DFIs coordination mechanism (D7 format) alongside other shareholders, could encourage their PDBs and DFIs to establish and pilot mutual reliance on due diligence and procurement procedures, simplify cofinancing, expand collaborative use of guarantees and catalytic equity, thereby reducing risks of fragmentation across the public development banking system and helping reduce the cost of capital.

Growing initiatives such as collaborative cofinancing and knowledge sharing platforms, like the [World Bank Group Global Collaborative Cofinancing Platform](#), launched in 2024 (and already hosting 16 PDBs and 234 projects), the [Global Emerging Markets Risk Database \(GEMs\)](#) launched in 2009 (of which 30 PDBs are already member) or the [International Development Finance Club](#) (IDFC gathering 27 PDBs since 2011) are important steps in this direction. A more coherent architecture, leveraging the complementary roles of PDBs, DFIs and vertical funds, could enable a more effective pipeline from project origination to capital mobilization and risk-sharing, helping scale up investment flows from public and private actors. Complementary systemic measures could further strengthen this effort, including the re-channeling of Special Drawing Rights (SDRs) to MDBs to support national and regional banks and address limited fiscal space, as well as a Capital Adequacy Framework (CAF) review enlarged and conducted within the scope of FiCS.

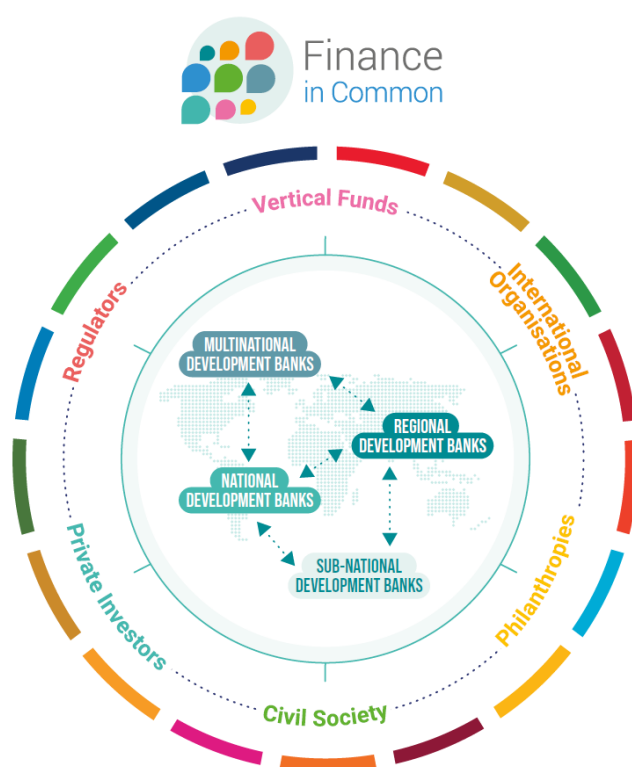
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<sup>1</sup> Accelerating Sustainable Finance for Emerging Markets and Developing Economies: Independent Review of the Vertical Climate and Environmental Funds. G20 Independent High-Level Expert Group (G20 IHLEG, 2024). [G20-IHLEG-VCEF-Review.pdf](#)

<sup>2</sup> Climate Policy Initiative, Finance in Common (FiCS), & African Development Bank. (2025). *Strengthening Collaboration to Scale Climate and Development Finance : Enhancing Partnership between Vertical Climate and Environmental Funds, Multilateral and National Development Banks*. <https://www.climatepolicyinitiative.org/wp-content/uploads/2025/07/Strengthening-Collaboration-to-Scale-Climate-and-Development-Finance.pdf>

In this context, and to translate the ambition of a more integrated and interoperable system into practice, FiCS members have agreed to enter a new phase of consolidation and institutionalization while ensuring that FiCS remains agile and outcome oriented, focused on issues of common priorities, and anchored in dialogue and mutual learning. Building on five years of sustained cooperation, this transition marks a shift toward a more structured and coherent global PDB system. It is anchored in the creation of an independent legal entity and with a renewed governance framework, including a General Assembly, a Board and a strengthened Secretariat. This evolution is designed to reinforce collective ownership, enhance operational capacity, and position FiCS as a neutral, system-level platform capable of aligning standards, tools, and practices across the global PDB ecosystem.

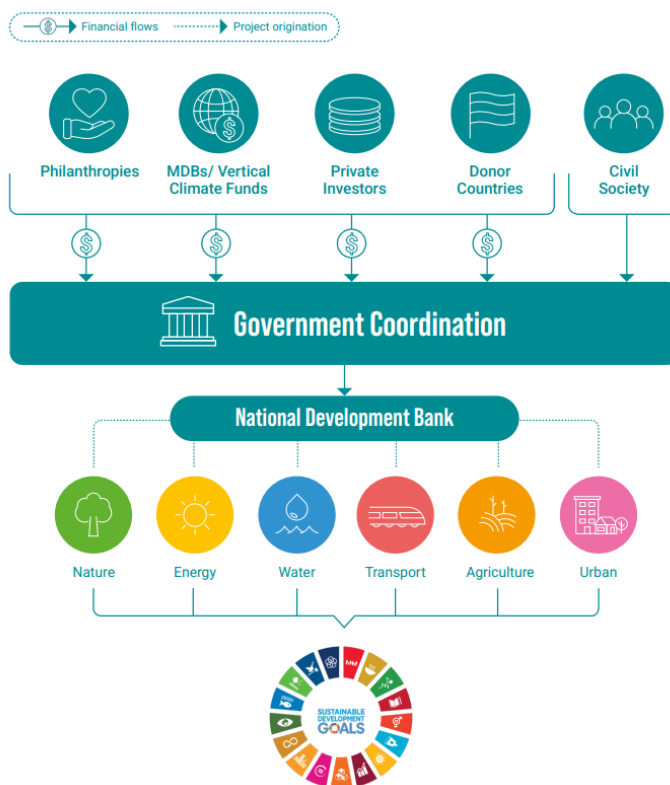
***Proposal 1: Endorse and support the structuring of FiCS as a new legal entity whose governance will bring together MDBs, the International Development Finance Club (IDFC), the World Federation of Development Financing Institutions (WDFDI), in an open dialogue with all PDBs’ stakeholders. FiCS will define an action plan by 2027 on issues of common priorities.***



## 2.2 Country platforms to anchor development finance

Country Platforms (CPs) provide a nationally-led collaborative framework to address the challenge of coherence and legitimacy of investment programs in partner countries. They act as an anchor of national sovereignty by linking investment decisions to national planning and policy frameworks and by supporting long-term, country-owned policy objectives. They organize dialogue around a shared agenda and support the design of coherent investment plans aligned with these objectives, while also aggregating project pipelines, aligning them with national priorities, coordinating diverse sources of finance, and measuring financial flows and impacts to enhance transparency. Acting simultaneously as coordination mechanisms and delivery instruments, CPs mobilize fiscal space and channel international resources into priority investments, while taking debt relief considerations into account.

## COUNTRY PLATFORMS



Within this context, FiCS underscores the importance of NDBs playing a central role in the design and operationalization of CPs, given their unique ability to convene domestic stakeholders, strengthen policy environments, translate national priorities into bankable project pipelines and to crowd in public and private finance through structuring, risk-sharing, and long-term domestic market knowledge, while ensuring robust standards of project preparation and governance.

G7 and other international forums members, alongside other stakeholders can play a pivotal role by endorsing CPs as the reference framework for country-led investment and by channeling concessional resources through them, including technical assistance, grants for project preparation, first-loss guarantees, and concessional loans. CPs can also support collaboration between IFIs, MDBs, VCEFs, and NDBs within CPs, including for local currency solutions and private finance mobilization while fostering enabling policy environments and deeper domestic financial markets.

By reinforcing country ownership and placing credible NDBs, DFIs and local actors at the core of development efforts, governments support bottom-up national strategies rather than donor-driven agendas, backed by robust and transparent data to ensure that financial flows meet national needs.

***Proposal 2: Systematically develop the CP model as nationally-led frameworks, mobilizing PDBs and-NDBs where possible, to structure the dialogue, originate more quality projects, blend financial flows, and enhance transparency in financial data and impact measurement.***

### **3. The dual mandate of Public Development Banks**

#### **3.1 PDBs and DFIs unlock global and domestic private capital**

##### **3.1.1 Crowding in international private capital**

Financing gaps for quality development remain extremely large, particularly in emerging markets and developing economies (EMDEs), where they are estimated to range between USD 2.5 trillion and USD 4 trillion annually. Given the limited fiscal space in many countries and relatively low fiscal revenues in several developing countries, public finance alone cannot bridge this gap. In 2023, official development finance interventions mobilized around USD 70 billion from the private sector, far below investment needs<sup>3</sup>. PDBs should therefore play a critical role in mobilizing private capital by crowding in private investors through a range of different instruments and approaches, including co-investments, guarantees, technical assistance, investment platforms, portfolio securitization, first-loss and insurance instruments, debt issuance, and the development of other innovative financial products. In doing so, PDBs not only mobilize capital but also reduce uncertainty, generate market-relevant information through pioneering investments, and support the emergence of new markets, particularly where financial systems remain underdeveloped. PDBs act as structural institutions that help shape long-term investment pathways through their capacity to bear higher and longer-term risk.

To perform this catalytic and structural role at scale, the mandate of PDBs must be clarified to operate as effective market intermediaries, capable of interacting seamlessly with institutional investors and global capital markets. This requires stronger risk-mitigation mechanisms, greater standardization and credibility of sustainability frameworks, and incentives that make sustainable investments attractive and bankable for private actors. Increased collaboration, co-ordination and shared mobilization instruments are also critical to scaling the mobilization of private finance. By strengthening their enabling and market-shaping capacity, PDBs will help better align capital flows with sustainable development objectives, expand investment in high-impact projects, and help close financing gaps, particularly in underserved regions.

##### **3.1.2 Mobilizing domestic savings as a development asset**

International and domestic capital mobilization are two sides of the same balance-sheet strategy. In addition to international and private capital flows, a major yet largely underutilized source of financing for long-term sustainable development lies in the mobilization of domestic household savings in developing countries. In middle-income and upper-middle-income economies, domestic savings already represent several trillions of dollars annually, often exceeding public investment capacity, yet remain predominantly channeled into short-term, low-risk or external assets.

The challenge is therefore less the availability of savings, than the absence of institutional mechanisms capable of redirecting this latent resource toward long-term, higher quality investment. This is true across all regions of the world, and particularly in Africa, where the African Development Bank (AfDB) has launched a major initiative with other financial actors on the continent, including around 100 public development banks gathered in the Association of African Development Finance Institutions (AADFI), to build a New African Financial Architecture for Development (NAFAD).

In this context, NDBs are uniquely positioned to act as a bridge between household private savings, public policy priorities and investment needs. This is particularly the case for institutions such as Caisses de dépôts, well-established in Europe and emerging as a promising solution in Africa, which can securely channel domestic savings into long-term structural investments aligned with national

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<sup>3</sup> Organization for Economic Co-operation and Development (OECD). (2024). *Mobilization of private finance for development*. <https://www.oecd.org/en/data/dashboards/mobilisation-of-private-finance-for-development.html>

development strategies. Embedded in domestic financial systems, trusted by local investors, and mandated to support national development strategies, NDBs can design and deploy instruments that transform domestic and diaspora savings from an existing passive store of value into a strategic lever for development, including through local-currency bonds, dedicated savings products, co-investment vehicles and policy-linked investment frameworks. By anchoring the mobilization of domestic savings within country platforms and national investment plans, this approach strengthens country ownership, and sovereignty reduces reliance on external financing, and aligns the aspirations of emerging middle classes with long-term national pathways to achieve the SDGs. Beyond financing, this intermediation role also supports productive transformation and economic resilience by enabling longer-term investments, reducing financial vulnerabilities, and fostering innovation in contexts of high uncertainty.

### 3.1.3 Leveraging the potential of trade finance

Current geopolitical tensions are significantly reshaping global value chains by increasing uncertainty, fragmenting trade routes, and accelerating the reconfiguration of production networks. Trade disruptions, driven by rising tariffs and geopolitical rivalries, are contributing to the reorganization of supply chains, with direct implications for all countries. In particular, some developing economies with limited diversification and nascent industrial bases face heightened risks of marginalization within global value chains.

In this context, PDBs, including both specialized export-import banks, export credit agencies and generalist institutions, have a critical role to play in sustaining and reshaping trade finance. Beyond their traditional mandates, generalist PDBs can expand their support to exporting firms by providing guarantees, insurance instruments, and structured financing solutions that mitigate commercial and geopolitical risks. By leveraging their balance sheets and policy alignment, PDBs can facilitate access to trade finance in strategic sectors such as energy, transport, and digital infrastructure, while supporting firms' integration into more resilient and sustainable value chains. In doing so, PDBs must promote "win-win" approaches that reinforce existing trade relationships, support the international expansion of domestic firms, and advance sustainable development outcomes.

PDBs should align their trade finance interventions with broader development and climate objectives, ensuring that support to global value chains contributes to the transition toward net-zero emissions. This implies a progressive reorientation of financing away from carbon-intensive activities and toward green low-carbon and sustainable sectors, while maintaining competitiveness in international markets.

### 3.2 PDBs can manage solidarity mandates

PDBs play a central role in today's development finance architecture precisely because they operate at the intersection of solidarity objectives and investment logic. Development finance can no longer be structured around a single rationale: it must combine the ability to mobilize public and private capital for shared priorities with the provision of targeted support in contexts where market mechanisms remain insufficient. Managing these dual objectives requires clear governance arrangements to address potential trade-offs, including transparent decision-making processes and accountability frameworks tailored to each function.

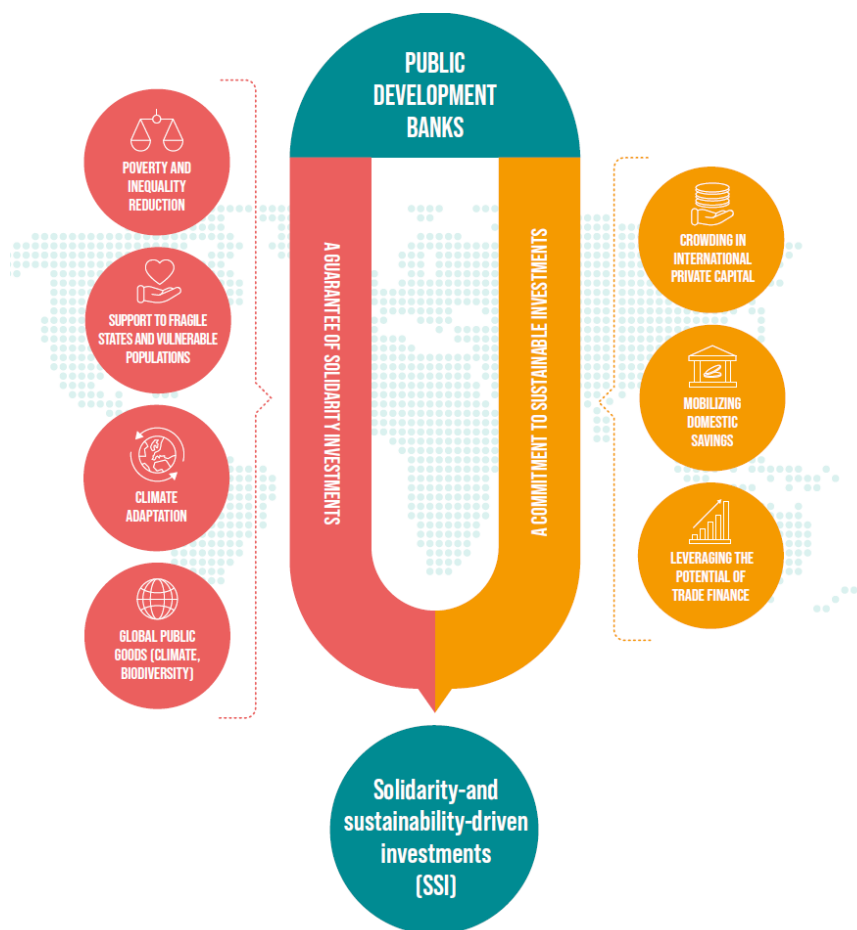
We should not forget that PDBs also remain essential instruments of international and domestic solidarity. If mandated by their governments, they can deploy grants and other concessional resources to address poverty, fragility and inequality where markets cannot yet or will never deliver.

Far from being contradictory, these two dimensions of development finance are mutually reinforcing. By combining concessional and non-concessional instruments, operating across sovereign and non-sovereign windows, and providing non-financial additionality, PDBs anchor their action in national development strategies while supporting public policies tailored to countries' specific contexts and capabilities. In doing so, PDBs are uniquely positioned to bridge Official Development Assistance (ODA) and "beyond ODA" financing. They also support the design of public policies by identifying structural constraints and aligning financing with development strategies. Many PDBs are already experimenting with qualitative and outcome-oriented tools to assess the alignment of their investments with the SDGs, moving beyond volume-based metrics toward a more comprehensive understanding of development impact.

Further clarifying and progressively articulating this dual mandate where relevant, within the international development finance agenda, would strengthen the coherence and the stability of the system. It would provide clearer objectives, enhance transparency and better equip PDBs to support country-led pathways to sustainable development, while creating a clearer interface with private capital mobilization. Over time, strengthening transparency, accountability and reporting practices across these different functions will be key to ensuring their effectiveness and credibility, as well as communication to improving public understanding of PDBs' activities.

Shareholders of PDBs could define and promote this dual mandate as a structuring principle of the evolving development finance architecture. By explicitly acknowledging the complementary roles of solidarity and sustainable investment, G7 members, alongside other shareholders could help clarify expectations vis-à-vis PDBs, encourage greater coherence across bilateral, multilateral and national institutions, and strengthen the link between concessional resources and investment-based approaches. Philanthropic actors can also catalyze innovation, convene coalitions and support experimentation that strengthens effective development finance solutions. Such an approach would also help ensure that interventions remain catalytic, support the progressive development of markets, and improve the allocation of public and private resources over time. This recognition would also provide a shared foundation for cooperation across country groupings, while facilitating more effective private capital mobilization in support of country-led and SDG-aligned investment pathways. In this respect, it could contribute to the ongoing OECD-DAC reform.

***Proposal 3: Redefine development finance around a dual mandate, addressing critical financing gaps in support of sustainable development, while mobilising private capital at scale; and align PDBs' priorities and incentives accordingly.***



#### 4. **A toolkit to expand and accelerate delivery**

##### 4.1 **Build a “PDB Guarantee Hub”**

In EMDEs, PDBs are well placed to turn fiscal space into bankable projects, using their balance sheets and emerging country platforms to channel finance into national priorities. Innovative instruments, such as debt swaps, refinancing tools, and climate-resilient debt clauses can expand fiscal space and channel resources via PDBs into priority-aligned, quality investments.

The PDB Guarantee Hub proposal - jointly developed by FiCS, IDFC, the Multilateral Investment Guarantee Agency (MIGA) and the NDC Partnership – aims to support this transformation by providing pooled guarantees to national and regional development banks. These guarantees can reduce their cost of capital, improve access to capital markets and enable scarce public resources to mobilize much larger volumes of private finance for climate and development. A fully designed and operational PDB Guarantee Hub structure, beyond individual operations, including its guarantee facility and dedicated technical assistance window, has been presented to partners.

The G7 and other stakeholders can link debt solutions to long-term investment and sustainable public finance. It would involve deploying credit enhancement mechanisms, including participation in the initial capitalization of the PDB Guarantee Hub and/or its dedicated technical assistance facility, harmonizing climate-resilient debt clauses and other instruments paired with national investment plans coordinated by NDBs, and enabling NDBs to blend budgetary, concessional and private resources.

This new mechanism would reinforce the catalytic role of NDBs through expanded bond issuance in domestic and international financial markets, alongside measures to secure access to more abundant, lower-cost funding, with a strong preference for local-currency denominated resources. The objective is not only to scale issuance, but also to improve market access conditions, extend maturities, and strengthen market signaling effects over time.

If properly capitalized, this mechanism could significantly expand the number of PDBs issuing bonds on the market by 2030 to progressively form a new asset class.

The PDB Guarantee Hub is conceived as a complementary layer within the broader regional and international financial architectures, such as the Green Guarantee Group (GGG) or NAFAD in Africa. NAFAD constitutes an African political and strategic framework aimed at mobilizing domestic capital, strengthening financial sovereignty, and structuring a continental response to the development financing gap. In this context, NAFAD could represent the African regional articulation of a globally oriented PDB Guarantee Hub. The Hub would therefore be embedded within the existing continental architecture, complementing regional mechanisms such as the Africa Co-Guarantee Platform of the African Development Bank, and contributing to risk-sharing, reducing the cost of capital, and increasing the mobilization of development finance.

#### 4.2 Scale up innovative climate and development finance instruments

The alignment of financial flows with the SDGs requires a scaling-up of development finance through innovative financial instruments. PDBs are uniquely positioned to leverage expertise and funds to foster such innovations. Through the FiCS [Financial Innovation Lab](#), a PDB-centered platform to support innovation and knowledge sharing, FiCS shares best practices for new development finance mechanisms such as carbon credits or insurance derisking, while its Incubator provides financial and technical assistance to effectively develop and implement these innovations. Voluntary carbon markets can serve as one instrument within the broader development finance toolbox. In this context, PDBs and their partners can play an important role in ensuring the integrity of carbon credits, aligning projects with national priorities, supporting the origination of high-quality initiatives, and measuring tangible economic, social, and environmental co-benefits. The FiCS Lab Incubator's cycle 1 work with the Development Bank of Southern Africa, as well as planned work with the Bank of Bhutan, on locally centered carbon markets supports a replicable carbon market template that can aid PDB priorities.

The G7 and other stakeholders could accelerate the scaling-up of innovative climate and development finance instruments by championing robust global standards for voluntary carbon markets and by empowering their NDBs to explore innovative financial approaches. This could include climate-insurance and risk-mitigation tools to support investments and mitigate the fiscal impact of climate disasters. Major shareholders of PDBs could support the deployment of local-currency solutions, backed by credit enhancement instruments, concessional hedging mechanisms, and expanded FX-risk mitigation tools to attract domestic private capital and reduce exposure to exchange rate volatility.

By supporting the operationalization of FiCS' Financial Innovation Lab and its Incubator, and by endorsing partnerships such as the TCX risk-hedging facility, the G7 and other forums could enable the emergence of scalable, high-integrity mechanisms capable of mobilizing private investment for climate and SDG priorities.

#### 4.3 Structure cooperation through collaborative thematic initiatives

Accelerating project preparation and technical assistance is essential to shorten time-to-finance and increase the leverage of concessional resources. Through its thematic and geographic coalitions and technical assistance workstreams, FiCS convenes communities of practice on common priorities issues such as climate, food security, social investment, ocean protection, water access, energy transition, civic engagement among others. These working groups foster synergies among diverse actors and facilitate South-South dialogue, enabling PDBs to co-shape solutions aligned with the SDGs.

These FiCS coalitions are designed to foster knowledge exchanges and the sharing of best practices often working work in close complementarity with existing global initiatives, such as the “*AgriConnect*” and the “*Mission 300*” initiatives. For instance, the FiCS “*Agri-PDB Platform*” - hosted by the International Fund for Agricultural Development (IFAD) - brings together nearly 150 PDBs to strengthen knowledge sharing and mobilize sustainable investments in green and inclusive food systems. By supporting collaboration among national development banks, the platform aims to expand financing for agriculture, rural development, and food systems transformation. Initiatives such as AgriConnect similarly seek to improve access to markets, finance, technology and digital tools for farmers and agribusinesses, helping address structural bottlenecks in food systems. Aligning PDB-led pipelines and capacity-building efforts under the Agri-PDB Platform with the objectives of AgriConnect - including in areas such as infrastructure, value-chain integration and financial ecosystem development - can help mobilize complementary resources and partnerships around shared food systems priorities.

Beyond knowledge exchange, these collaborative platforms also contribute to the co-design and capacity-building of operational projects, strengthening the role of PDBs as catalysts for transformative development. The Global Collaborative Cofinancing Platform set up by the World Bank, the FiCS TA Catalogue and the recently replenished IDFC Facility are some of the many initiatives to help better match supply and demand for development finance. By supporting and consolidating these collaborative mechanisms, major shareholders of PDBs can help strengthen the role of PDBs as catalysts for transformative investments and ensure that global finance translates into concrete, and SDG-aligned outcomes, while also facilitating South-South exchanges. To rebalance the resources of PDBs and enhance their institutional and operational capacities, the G7 and other stakeholders should provide dedicated grants for project preparation. These grants would help in particular to improve the quality and efficiency of public expenditure by aligning budget allocations with climate and development priorities, contribute meet rising expectations for concrete progress on climate finance, and embed climate and environmental standards systematically into their operations. This could be achieved, among others, via a dedicated TA window under FiCS and existing thematic initiatives.

#### 4.4 Refine regulatory and prudential frameworks

Many PDBs face a structurally high cost of capital that limits their ability to scale development finance and to mobilize private investors, despite their strong public mandate and historically low default rates. Current prudential frameworks and credit-rating methodologies often do not completely reflect the lower risk of development finance, especially in EMDEs, which may lead to systematic over-weighting of risk, penalizing co-financed projects, structured vehicles and local-currency operations.

Comprehensive credit risk data bases – including the Global Emerging Markets (GEMs) Risk Database - provide an empirical basis to better calibrate risk. In parallel, targeted, risk-based prudential adjustments (e.g. improved treatment of securitizations, guarantees, and a broader recognition of robust bilateral and national PDBs) could lower capital requirements. These adjustments could also generate regulatory capital relief for commercial banks participating in PDB-led transactions without

undermining financial stability, and thereby supporting the development of domestic capital markets in EMDEs.

Building on this growing evidence base, further collaboration with credit rating agencies, regulators, supervisors and commercial banks should be pursued, leveraging FiCS to advance a more economically grounded assessment of PDB risk and its impact in blended public-private transaction. Such efforts would benefit from close alignment with ongoing international regulatory discussions to ensure consistency and credibility across jurisdictions. In this context, continued efforts to strengthen the GEMs database, through improved data quality, granularity, and harmonization will be essential. Expanding participation to a broader set of NDBs (beyond the current 29 institutions, mainly MDBs) in GEMs, would further enrich the database and foster dialogue with regulators and credit rating agencies. At the regional level, initiatives such as the Prudential Standards, Guidelines and Rating Systems (PSGRS) developed by the Association of African Development Finance Institutions (AADFI) illustrate how context-specific frameworks can support more development-oriented regulatory approaches.

Another issue for which discussion is due is for the Basel Committee for Banking Supervision to consider PDBs as a separate asset class. This would include clarifying the definitions of MDBs in order to remove inconsistencies and double standards, and also to explore the unique features of NDBs that set them apart from other public sector entities.

Aligning prudential rules and rating practices with this evidence would directly reduce PDB funding costs and unlock far greater private mobilization for quality investments. In this regard, FiCS and IDFC are advancing the agenda through the IDFC Rules, Regulations and Standards Working Group as well as through engagement with major credit rating agencies. These efforts build on empirical evidence, particularly from GEMs database, among others, to better reflect PDBs' risk profile, including halo effects, the role of guarantees and portfolio level risk-sharing. They are further supported by analytical work, including an IDFC report on the prudential treatment of PDBs and climate-focused development finance instruments under the Basel and Solvency frameworks, which highlights how regulatory approaches could better account for specific features and impacts of PDB operations.

Major shareholders, regulators and supervisors of PDBs should support prudential and credit-rating adjustments that would reflect the public mandate and real risk profile of PDBs while preserving financial stability and maintaining robust supervisory standards. The G7 and other international forums could recognize the interdependence of fiscal policy, financial stability, and long-term investment decisions, and support mechanisms to deepen coordination among Ministries of Finance, central banks, and PDBs, while respecting institutional mandate, to ensure more coherent policy frameworks and ensuring resilient pathways from strategic ambition to tangible real-economy impacts.

***Proposal 4: Encourage relevant partners to develop: new collaborative and innovative instruments, notably guarantees to aim at increasing the number of PDBs issuing bonds on the market; better transparency and information on investment risks; collective thematic initiatives on major issues like agriculture or access to energy; and adjustments of regulatory frameworks for PDBs to better assess risks and play their full countercyclical role.***