

Key findings

Funding Sources of National Development Banks

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This overview is published in the framework of the International Research Initiative on Public Development Banks working groups and released on the occasion of the 14th AFD International Research Conference on Development



THE VISIBLE HAND:
Development
Banks
in Transition

Access to large, long-term and stable funding sources is a prerequisite for achieving the objectives of National Development Banks (NDBs). By systematically collecting data on the funding sources of NDBs worldwide, this paper is the first to identify the main types and stylized facts of funding sources available to NDBs. Building upon the key characteristics of funding sources for NDBs worldwide, the authors propose ten research questions for future exploration, and encourage scholars who are interested in this area to conduct further research.



Objectives and research questions

In the aftermath of the global financial crisis and the outbreak of the new coronavirus pandemic, the importance of National Development Banks (NDBs) has been increasingly recognized, and the world is witnessing their renaissance. However, up to now, the lack of data has prevented researchers from providing answers to the following questions: what are the main types of funding sources available to NDBs, and what are the stylized facts of such funding sources? To fill this gap, the Institute of New Structural Economics (INSE) at Peking University is the first to systematically collect data on the funding sources of NDBs worldwide.



Methods

The paper relies on different data sources including manually collected primary sources, such as financial statements, annual reports and articles and agreements; and existing databases. Furthermore, the list of NDBs worldwide identified by INSE was matched with banks in existing databases, including Bankfocus and Cbond, to make full use of the existing data sources.



Results

Based on firsthand data from the database, the paper presents the stylized facts of the funding sources for NDBs worldwide.

Public agencies and market actors are the two main sources of funding for NDBs. Governments play an indispensable role in mobilizing funding for NDBs, through direct and explicit administrative measures, or indirect and implicit market-based means.

Bonds issued by governments' explicit or implicit guarantees is one of the important funding mechanisms for NDBs, especially large ones and NDBs from high and middle income countries.

Internal financing (i.e., retained income) and equity financing play a more important role in NDBs than in commercial banks.

Governments support the funding of NDBs mainly through share capital, the establishment of funds, government subsidies, and service fees..

On-lending and Official development Aid (ODA) from international and foreign public agencies play an important role in funding NDBs in developing countries.

Last, most NDBs do not take household deposits.



Recommendations

- ➔ **The appropriate financing structure for a National Development Bank (NDB) depends on the development objectives it pursues.** Different development objectives generate different financing needs on the asset side, which have implications in terms of corresponding financing structure.
- ➔ **NDBs at different stages of development need to find the right mix of funding sources** from public agencies and market actors, and get the right balance between administrative means and market-based means.

