

Key findings

From global to local: subnational development banks in the era of Sustainable Development Goals

Sergio Gusmão Suchodolski, Cinthia Helena de Oliveira Bechelaine, Adauto Modesto Junior (BDMG)



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Although Multilateral and National Development Banks have been widely discussed, little academic research has been carried out on the last mile institutions on the development scale: the Subnational Development Banks (SDBs). Their predominant characteristic is that they are active within a country, whether at the regional, state/provincial, or even local level. When it comes to challenges in sustainable finance and Sustainable Development Goals (SDG) implementation, SDBs present themselves as powerful channels to connect the 2030 global Agenda to the needs of local populations in less developed regions.



Objectives and research questions

The paper's main objective is to highlight the nature of Subnational Development Banks (SDBs) in the context of sustainable finance networks. It explores questions such as: what are they and what is their role, how many and where they are, and how do they relate to governments and other banking institutions. Related to sustainable finance, the main question is how to enhance resource mobilization, to address the needs of local populations in less developed regions.



Methods

The research method applied is a comparative study between two countries that stand out for the number of subnational institutions in their development systems: Brazil and Vietnam. After comparing these cases, the authors present concrete examples of SDBs working to connect local needs to the 2030 Agenda. Empirical evidence includes data related to the existing group of SDBs worldwide, published information from the Brazilian and Vietnamese SDBs, as well as institutional reports.



Results

The establishment of SDBs is a relatively recent phenomenon: 56% of them were founded after 2000, in both developing countries and countries with sophisticated financial systems.

The comparative analysis between the Brazilian and Vietnamese experiences showed how a country's development system differs depending on its historical and economic contexts. However, these differences do not prevent them from aiming for similar development goals: to better identify local demands and access sustainable financing.

Two examples clearly illustrate this point: the green bond issuance by Ho Chi Minh City Finance and Investment, and the Development Bank of Minas Gerais in Brazil (BDMG) recent published framework on Sustainable bonds.



Recommendations

- ➔ **Subnational Development Banks (SDBs) can make a meaningful contribution in the global effort to ensure that finance works for the transition to more sustainable development patterns** and therefore should be empowered and better integrated into the global development community.
- ➔ The examples of the Vietnam and Brazil illustrate several possibilities to ensure more resource mobilization to implement the 2030 Agenda. Although they are very different experiences, both provide an effective set of financial solutions to generate local impact.
- ➔ **Highlighting the potential of SDBs, this analysis leaves possibilities for a future research agenda on more integrated national development finance systems focused on local impact.** We believe that there is still work to be performed in terms of building reliable, comparable and publicly available databases on SDBs around the world. More work can be done too, on better estimating the social, economic and environmental impacts of SDBs' operations to have a clearer perspective regarding their level of additionality.

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