

Key findings

Can development banks step up to the challenge of sustainable development?

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THE VISIBLE HAND:
Development
Banks
in Transition

The great planetary challenges, be it the climate concern, the loss of nature or human solidarity, call for concerted actions, at a scale commensurate with these issues. Yet, such a transformative change cannot be achieved overnight. A transitional period is necessary to allow stakeholders to build socio-economic models attuned to this ambition. Development banks could be key actors in this endeavour.



Objectives and research questions

While multilateralism is struggling to meet these global challenges, the question is to analyse if Public Development Banks (PDBs) – whether operating at sub-national, national, regional or international level – can cooperate, and contribute to the building of economic and social models aligned with sustainability in all its endeavours. **The paper questions PDBs' capacity to play a leading role as potential game changers in promoting this transition to sustainable development.**



Methods

A database has been developed thanks to the cooperation between the Institute of New Structural Economics (Peking University) and the *Agence française de développement*. For the first time, it makes it possible to draw a panorama of the 450 PDBs identified so far, acknowledging the variety of their sizes, mandates and geographical areas. A literature review assesses the rationale for the existence of PDBs, in an historical perspective.



Results

This research reveals that PDBs have a specific role to play, which differs from commercial banks'. PDBs are to redefine and amplify their role, in alignment with the Sustainable Development Goals, as a continuation of the rationale of their expanding trajectory and social utility.

The paper finds that governments should use public development banks to channel funds for transition purposes into projects, programmes and concrete actions forming part of national trajectories. This would be consistent with the international agreements they have signed.

Another finding is that the international community could demand the building of a global and inclusive coalition of development banks, focused on the sustainable development transition, and able to interconnect with other actors. Moving beyond isolated actions is crucial to tackling global issues. The world needs the perspective of possible solutions, as well as actors capable of embodying new forms of collective action and bolstering multilateralism, to give a breath of optimism and a positive momentum around sustainability.



Recommendations

Out of the five recommendations drawn by the study, three are particularly intended for decision-makers, in order to maximise PDBs' contribution to building the conditions for a successful sustainable transition:

- ➔ **PDBs should streamline into financing decisions the imperative need to transition towards low-carbon, resilient and equitable socio-economic models.** In order to do so, each development bank should design the analytical tools to measure its impact on sustainability.
- ➔ **PDBs should mobilise, encourage, and set the private sector in motion, for all stakeholders to act towards sustainable development.** Indeed, the benefit of a PDB refusing to finance a highly emissive or environmentally harmful project is limited if another player then goes on to fund it. This is probably one of development banks' most ambitious missions.
- ➔ **The environmental or social value of a policy, strategy or operation remains the primary responsibility of the project sponsors.** As banks, PDBs should therefore support the emergence of responsible demand, which is a key for the design of sustainable operations.

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[Access the research paper](#)

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