ABOUT THIS REPORT

Despite the key role they play and the significance of their impacts, few people know what development banks are. This collectively-developed analysis is meant to create a shared evidence base and understanding for communities, movements, human rights defenders, civil society organizations (CSOs) and other allies on what **Public Development Banks (PDBs)** are and how they impact the world. In the process of building a civil society narrative about PDBs' impacts and actions, the document also challenges PDBs' narrative about what they claim to be.

The report starts with a short overview of what PDBs are, their history, why they matter, their underlying motives and trends in their investments. It then discusses their environmental and social **safeguards** and accountability framework, including both strengths and limitations. Finally, it delves into the visible and hidden impacts of PDB-supported activities.

Most examples in this report are from the larger multilateral PDBs, like the World Bank, and regional multilateral banks, like the Asian Development Bank (ADB). We also pay attention to national PDBs – notably from China and Europe – who lend internationally, including national export credit agencies.

However, we provide very little attention to the impacts of national PDBs who lend domestically in their own countries, as this report's contributors have more expertise on international investments. We also do not go into the differentiated impacts of PDBs in different regions and countries.

Any generalizations in the report should be read with the caveat that PDBs are incredibly diverse in terms of their structures and activities. As this is set to be a living document, we welcome our readers' guidance and critiques to develop future analyses on these differentiated impacts and trends, including at the national and regional levels.

Fisherwomen affected by the Sendou coal plant in Senegal.
Credit: Lumière Synergie pour Développement (LSD).

WHAT ARE PUBLIC DEVELOPMENT BANKS?

The landscape of **Public Development Banks (PDBs)** is complex and varied. There is no universally agreed definition of what PDBs are, and which institutions the term includes, but in general they share a few key characteristics:

- PDBs are owned and governed (at least in part) by one or more governments;
- they work to channel public resources to the public sector, businesses, or sometimes to individuals or non-governmental organizations;
- they use different **financing vehicles**, including grants, loans, credit, guarantees, **equity**, and indirect investments through other financial institutions;
- they act in support of a public policy mission. Contrary to commercial banks, which operate to maximize profits, the stated purpose of PDBs is to serve the public good by supporting infrastructure, economic sectors, or activities that the private sector is unwilling or unable to support on its own.

PDBs CAN HAVE DIFFERENT...

MANDATES

Agriculture
e.g. Thailand's Bank for Agriculture and Agricultural Cooperatives (BAAC)

Climate
e.g. Green Climate Fund

Export-import support
e.g. Export-import Bank of China

Private sector
e.g. International Finance Corporation

Infrastructure
e.g. Asian Infrastructure Investment Bank

Housing
e.g. Japan Housing Finance Agency

Poverty Reduction
e.g. International Development Association

GEOGRAPHIES

Global
e.g. World Bank, New Development Bank

Regional
e.g. African Development Bank, Inter-American Development Bank, Asian Development Bank

National
e.g. Brazilian National Development Bank

Sub-national
e.g. Bank of the State of Pará (Brazil)

OWNERSHIP STRUCTURES

Multilateral
e.g. European Bank for Reconstruction and Development

Bilateral
e.g. French Development Agency AFD

WAYS OF FINANCING

Loans (debt must be paid back)

Grant/aid (no repayment required)

Insurances and guarantees
(protection against losses)

Technical assistance
(guidance / knowledge training)

Equity investments (ownership shares)

While not PDBs, the public development finance universe also includes:

- the International Monetary Fund;
- aid agencies (such as United States Agency for International Development - USAID and China International Development Cooperation Agency - CIDCA);
- intergovernmental development agencies or programs (such as the United Nations Development Programme).

MANDATES. PDBs' mandates are anchored around social and economic transformation, and they can be narrow (for example, to support housing or agricultural development) or more general (such as post-war reconstruction, poverty alleviation, mobilizing private sector resources or regional integration). Today, many PDBs have mandates that include the fulfillment of the **Sustainable Development Goals (SDGs)** and, increasingly, the **Paris Climate Agreement**.

The mandates may also be reflected in their names. The Asian Infrastructure Investment Bank (AIIB) focuses on infrastructure, while the Green Climate Fund focuses on climate. Similarly, PDBs focused on supporting businesses in their countries to trade and invest internationally may be called export credit agencies, or export-import banks.

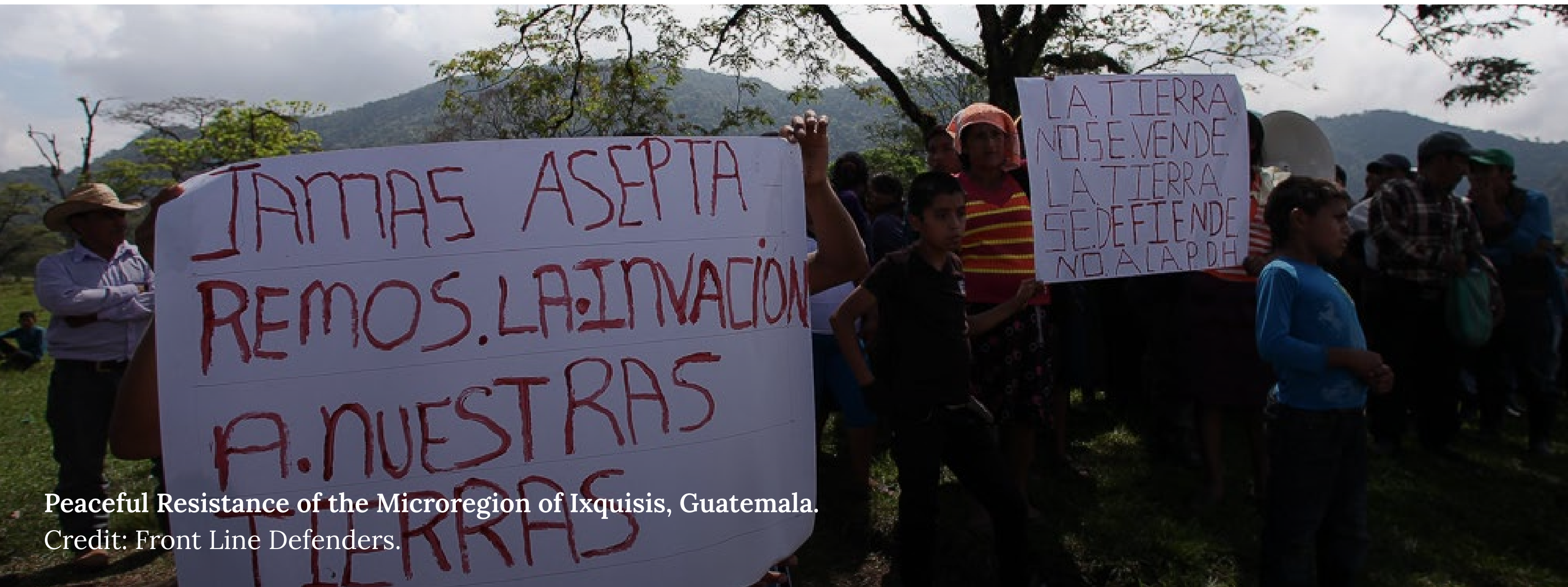
PDBs' mandate may also be limited by their geographic focus, which could be sub-national, national, regional, international level, or a combination of different levels. For example, the Inter-American Development Bank (IDB) invests only in Latin America and the Caribbean.

Some PDBs focus on the public sector, some on the private sector, and some on both. Relatedly, some people reserve the term "development bank" only for lenders to governments, and refer to institutions that invest in the private sector as "**development finance institutions**" (DFIs); however, others use the terms interchangeably.

GOVERNANCE. PDBs may be governed by a single national or sub-national government, or multilaterally by several governments. Major decisions, such as the approval of strategies and policies, are made by government shareholders. Within governments, PDBs usually fall within the purview of finance, trade or external affairs ministries whose appointees act as directors or governors of PDBs. Generally, a PDB owned by two or more countries is called a multilateral development bank (MDB). PDBs owned by only one country are called "national" development banks if they invest solely in their own country, or "bilateral" development banks if they invest outside the country that owns them.

FINANCIAL SUPPORT. PDBs provide different types of financial support through grants, loans, credit, guarantees, investment insurance, **equity**, **financial intermediaries**, and other investment tools. Increasingly, development finance utilizes a diverse mix of sources, called **blended finance**, involving PDBs, private investors and institutional investors, among others. Apart from providing financial support, some PDBs also offer **technical assistance** to governments and shape policy reforms.

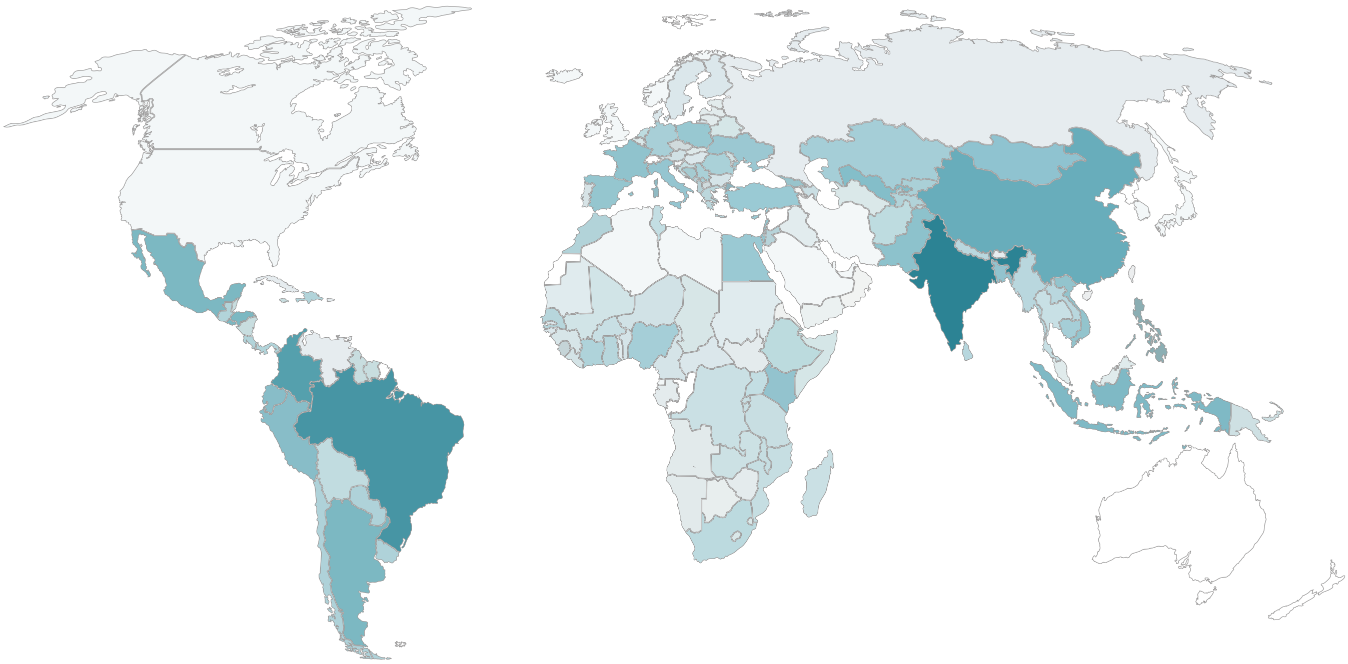
SECTORS. There is limited data on PDBs' investments, as there is a widespread lack of transparency, especially when projects are supported through other financial institutions (see the section on **financial intermediaries** below). The available official statistics,[1] however, show that the greatest percentage of PDB financing currently is directed to financial services, public administration, trade, energy, transportation, and infrastructure. A significantly lower but important percentage goes to investment in social sectors such as health, education, housing, water and sanitation, and agriculture – all sectors that are critical to rights-based development.



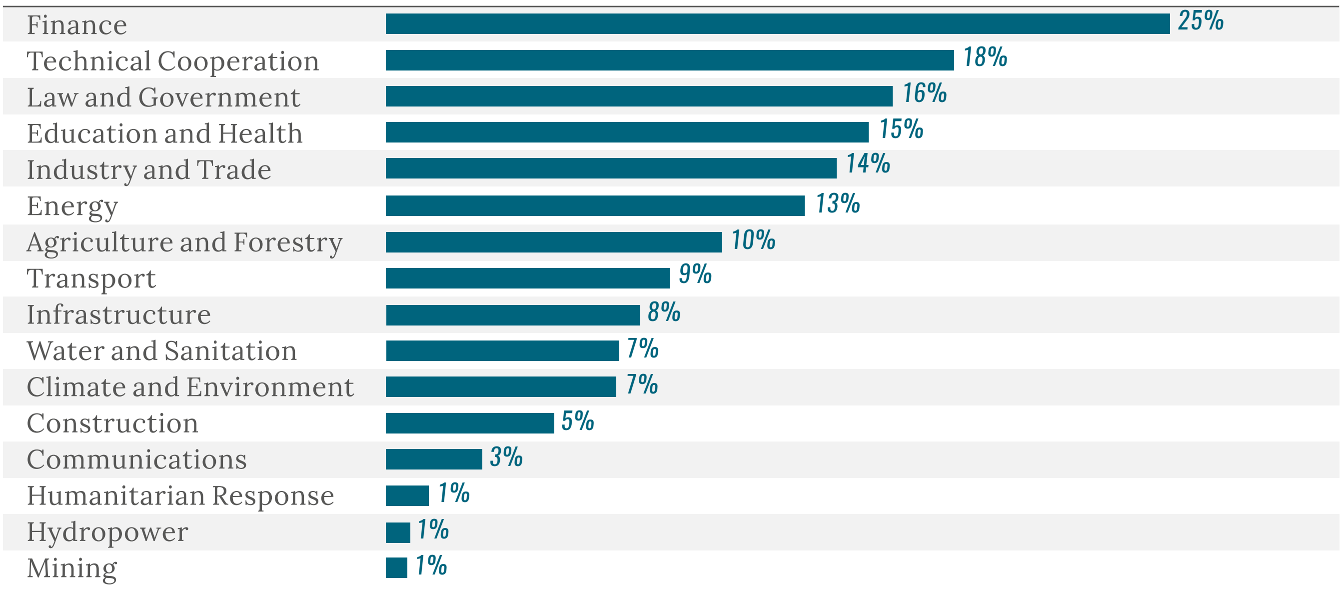
Peaceful Resistance of the Microregion of Ixquisis, Guatemala.
Credit: Front Line Defenders.

COUNTRIES WITH PROJECTS

Data about financing by 15 key PDBs for 2018-2022, as of July 2023



NUMBER OF PROJECTS BY SECTOR **16,768**



WANT TO TRACK DATA ABOUT FINANCING BY 15 KEY PDBS FOR 5 YEARS (2018 TO 2022)?
Check out this interactive map and graphic interface.

Users can filter data by country and sector, and see a list of development projects funded by the 15 banks tracked. This tool is developed by the International Accountability Project and shares information from the Early Warning System (EWS), which is a civil society-led system sharing data about PDB-funded projects with communities and their allies.

WHY DO PDBs MATTER?

1. **AS PUBLIC INSTITUTIONS, THEY SHOULD BE ACCOUNTABLE.** Since PDBs are primarily owned and governed by governments, use public resources, and are ostensibly set up to meet a public policy priority, they should be accountable to their government shareholders and to the public. These lines of **accountability** can provide opportunities to influence PDBs that do not exist with commercial banks.

2. **SIGNIFICANT IMPACT.** PDBs, for good or bad, impact the lives of people in every country, especially those in the Global South. The most visible impacts of PDBs come through the activities they finance and in many cases they are adverse (such as social and environmental impacts, human rights violations, gender-specific impacts, or increased poverty and inequality). PDBs also affect people's lives by heavily influencing global and national development agendas, setting standards, and promoting economic approaches such as privatization.

3. **MAJOR PRESENCE.** According to one count, there are 527 PDBs worldwide. They hold 18.7 trillion USD in assets and deliver approximately 10% of all global public and private investment annually.[2]

4. **GROWING PRESENCE.** The universe of PDBs is growing rapidly. Some have questioned whether the traditional MDBs would wane in relevance given the proliferation of other financiers. However, post-pandemic, these institutions are experiencing unprecedented growth.[3] PDBs are positioning themselves to play a key role in future emergency/crisis response, as well as in the achievement of SDGs and climate goals.[4] Some donor countries are channeling more of their aid budgets through PDBs rather than through **bilateral aid agencies**.[5]

5. **UBIQUITOUS REACH.** As a group, PDBs are involved in every sector of the global economy and impact many of the most critical social and economic issues – from transportation to judicial reform, agricultural standards or post-war reconstruction.

6. **CRITICAL RESOURCES.** PDBs also provide critical resources in certain countries and sectors which may not have other options for financing, including for health, education, or long-term projects that are perceived as too risky for the private sector. The World Bank, for example, is the largest source of external financing for health and education for low-income countries,[6] while the China Development Bank (CDB) provides financing to countries that may be unable to access financing from other creditors.[7]

7. **SIGNALING APPROVAL.** PDBs also serve as gatekeepers, signaling to other investors. A stamp of approval from a PDB (either in the form of investment, guarantees or through rankings and assessments) can be a determinant factor in whether a government, company or project is able to attract necessary financing from other sources. PDBs send especially strong signals to investors interested in environmental, social, and governance (ESG) issues and socially responsible investing (SRI), who often rely on PDBs' choices as a green stamp of higher environmental and social rules.

IN SUMMARY, PDBs ARE POWERFUL. As a group, they exert an inordinate amount of power and influence in the world. In addition to funding projects and programs, they influence development policy through the **technical assistance** or '**knowledge products**' they provide, and the **conditionalities** they attach to their assistance. As some of the world's largest creditors, PDBs also engage in capacity building, utilize diplomacy, and exercise pressure to advance their agendas. Their influence can be positive or negative. However, it undeniably impacts the relationship between governments, companies and citizens.

Protest over Las Bambas Mine.
Credit: Mining Conflict Observatory.

CASE STUDY

THE INFLUENCE OF INTERNATIONAL FINANCIAL INSTITUTIONS IN MOZAMBIQUE

In Mozambique, current World Bank investments are equivalent to the country's annual budget.[8] Since 1987, when the country embarked on its first "Structural Adjustment Programme" to access IMF loans, Mozambique has been heavily relying on funding from international financial institutions.

This support has come at a high cost, as these loans are tied to harsh conditionalities. The government has been forced to introduce reforms to liberalize the economy, privatize public services, and deregulate many sectors. This has led to increased poverty and inequality, the collapse of many essential public services, and it has undermined the national development processes, as the World Bank and the IMF are largely setting the socio-economic agenda.

The African Development Bank is another key player and it is funding the expansion of the Liquefied Natural Gas (LNG) sector in the country, despite concerns about the irreparable impacts of this industry. Although only 27 % of Mozambicans have access to electricity, most of the gas will be sent to Asia and Europe. Furthermore, gas projects have led to forced evictions, loss of livelihoods, environmental devastation, increased militarization and social conflicts. For example, there have been increasing insurgent attacks, fueled in part by outrage over the uneven distribution of gas revenue.[9]

Women selling food on the street in Maputo, Mozambique.
Credit: Farah Nabil, Unsplash.

HISTORY OF PDBs AND THEIR MOTIVES

Annual Meetings of the World Bank group in 2022, Washington.
Credit: Joshua Roberts, International Monetary Fund.

INCREASED COOPERATION TO PROMOTE MARKET-BASED ECONOMIC GROWTH

The history of PDBs is linked to the emergence of States and public debt.[10] The first known national development bank was the French Caisse des Dépôts, established in 1816.[11] After the Second World War, the allied nations formed the World Bank as the first global multilateral public development bank to foster cooperation in economic development, especially through lending to build infrastructure. This was followed by a wave of regional MDBs being formed in the late-1950s and 1960s, including the Inter-American Development Bank (IDB), African Development Bank (AfDB), Asian Development Bank (ADB), and European Investment Bank (EIB). All these institutions were structured as banks dominated by major Western shareholders, and to promote market-based economic growth rather than universal social protection.[12]

The rise of China, in particular, and other large emerging economies also led to shifts in development finance. Large-scale Chinese development finance gave new international options to many States. Additionally, in 2014 the BRICS (Brazil, Russia, India, China, and South Africa) grouping created the New Development Bank (NDB). Two years later, China promoted the launch of the Asian Infrastructure Investment Bank (AIIB), which since then has grown from 57 to 106 members, and invests across the world. While these banks were created in response to Western domination of existing MDBs, they largely replicate the existing structure of global capitalist development, albeit with different shareholdings.[13]

PDBs AS GEOPOLITICAL ACTORS AND SPACES

PDBs are owned and controlled by governments, who often use them as political and geopolitical proxies. As a result, PDBs are also political and geopolitical actors.

Many multilateral PDBs act as norm-setting institutions. Given their economic power, they often exert significant geopolitical influence pushing their standards and shaping law and policy, particularly in middle and low-income countries. However, for a variety of reasons discussed below, PDBs are not ideal spaces for setting global norms and standards.

Donor countries use PDBs to push their priorities, and create market opportunities for their own industries and investors.[14] For example, China Development Bank (CDB) loans come with requirements to utilize Chinese labor, companies, services, and technology.[15] The International Finance Corporation (IFC) – which is the private sector side of the World Bank Group – also follows a skewed pattern: the more shares a country has, the more IFC loans tend to benefit its companies.[16] In addition, PDBs are used to serve foreign policy priorities. For example, the EIB has been documented to invest in specific countries to reward Europe's strategic allies or to decrease immigration.[17]

The larger PDBs – where shares and voting powers are disproportionately held by rich, powerful countries – also tend to further reinforce global and regional power dynamics, exacerbating structural inequalities. By advancing extractivist and export-oriented models of economic development, PDBs are also contributing to the Global North / Global South divide and power imbalance. Global South countries play the role of exporters of raw materials and end up being a zone of environmental and social sacrifice, to meet the needs and the growing level of consumption in the Global North.

This is sometimes exacerbated by governance structures in MDBs, where board constituencies are set up such that a single representative may have to speak to competing interests from different countries. For example, in the World Bank, the director for the Asia-Pacific represents both Australia, a wealthy country with major mining companies, and Mongolia, a lower-income country with significant natural resources that are being exploited by Australian companies.

Within PDBs, decision-making processes can be complex because of the different interests at stake. Generally, it can be helpful to think of three levels of decision-making within PDBs: the board or governance structure of the PDB that sets the strategy, management that is responsible to oversee the implementation of the strategy, and staff who are employees that report to management and are responsible for day-to-day work of the PDB. Some PDBs – especially those owned by a single country – are politically responsive to the demands of their State shareholders who own and govern them. In multilateral PDBs, however, management staff can exercise independence from board members, who oversee the bank's direction but are not necessarily involved in all the operational decisions. For example, management might act in their own institutional self-interests, prioritizing what will allow their bank to achieve or maintain a high **credit rating**, sell more loans, or generate more business. In any case, as outlined in the sections below, many of these decision-making processes take place behind closed doors, with little space for civil society.

The combination of these different factors means that most PDBs exert geopolitical power in a way that is not accountable to ordinary people impacted by their activities.

Mobilization action of some women from Jacqueville (Côte d'Ivoir) against African Development Bank funding towards fossil fuel projects.
Credit: LSD.