

BUILDING A GLOBAL PUBLIC DEVELOPMENT FINANCE ECOSYSTEM: UNLOCKING THE POTENTIAL OF MDB– NDB PARTNERSHIPS FOR GREEN STRUCTURAL TRANSFORMATION

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Building a Global Public Development Finance Ecosystem: Unlocking the Potential of MDB–NDB Partnerships for Green Structural Transformation

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Abstract

Public development banks (PDBs) have a central role to play in mobilizing the stepwise increase in investment to change the structure of emerging markets and developing economies (EMDEs) toward more low-carbon, socially equitable, and resilient growth paths. There are upwards of \$23 trillion in assets in such development banks, and coordination across these entities is essential to the mobilization effort. Among the most promising areas for collaboration are across multilateral development banks (MDBs) and national development banks (NDBs), as each brings many complementarities that can maximize the missions of each. This policy brief outlines those complementarities, tracks recent MDB-NDB collaborations and performance, and makes the case that the G20 should charge MDBs across their membership to further scale and institutionalize these important partnerships.

MDB-NDB Collaboration: Potential and Performance

Conservative estimates suggest that emerging market and developing economies (EMDEs) need to mobilize upwards of \$3 trillion annually by 2030 to put their growth trajectories on a more sustainable path.¹ Public development banks (PDBs) are banks with a proactive, public

¹ Bhattacharya et al. (2022).

policy-oriented mandate instead of maximizing profit, and that are initiated or steered by governments or have significant public ownership.² PDBs have perhaps the central role in this mobilization effort given their public policy missions and their ability to provide long-run and lower-cost financing over time.³ They help in addressing financing gaps, providing long-term capital to underserved sectors, supporting the development of new markets, mobilising additional resources, and facilitating investment in areas typically ignored by private financial institutions.⁴ They have become more important given the need of governments to drive development in key areas, including green structural transformation.

PDBs, and NDBs in particular, can play a critical role in mobilizing domestic financial resources, a key precondition for reducing the cost of capital—one of the biggest obstacles to financing green structural transformation.⁵ Data analysis by Volz et al. (2024) shows that between 2004 and 2023, emerging markets and developing economies (EMDEs) other than China acquired \$15.5 trillion in foreign assets and reserves. These are domestic savings invested abroad that could be mobilized by MDBs and channeled into domestic investment.⁶

The latest update of the Global Public Development Bank Database initiated by the Public Development Finance Research Program at Peking University and currently co-built with AFD and FERDI identifies more than 550 public development banks and development finance institutions (DFIs) in 155 economies, with estimated aggregate assets of approximately US\$23 trillion, underscoring their central role in financing sustainable development and climate investment.⁷ The majority of such PDBs are at the national or sub-regional level, with MDBs only comprising roughly 10-15 percent of the total assets in PDBs, and a majority (about 85%) of NDBs are small or micro in size.⁸ MDBs and NDBs, given their business models and reach, have a number of complementary comparative advantages that, when combined, can maximize the missions of each kind of PDB.

Table 1 exhibits some of these complementarities. MDBs possess comparative advantages in accessing international capital markets, providing concessional finance and guarantees, mobilizing international climate funds, and offering technical expertise on environmental and social standards, financial structuring, and climate risk management. NDBs, in contrast, contribute deep knowledge of domestic markets, relationships with local firms and governments, expertise in local financial systems, and the capacity to originate, appraise, and implement projects aligned with national development priorities. These complementary strengths enable collaborative solutions to major financing constraints—including limited access to external

² Xu et al. (2021).

³ Humphrey (2022); Gallagher et al. (2026).

⁴ Griffith-Jones et al. (2020); Abor (2023); Abor and Ofori-Sasu (2024).

⁵ Volz et al. (2024).

⁶ Volz et al. (2024); Volz (2025).

⁷ <http://www.dfidatabase.pku.edu.cn/>; Database DOI: <https://doi.org/10.18170/DVN/VLG6SN>.

⁸ Xu et al. (2026).

finance, high costs of capital, weak green finance capacity, and insufficient project pipelines—through co-financing, blended finance, guarantees, technical assistance, project preparation, and knowledge transfer. Rather than treating MDBs and NDBs as substitutes, the framework highlights that financing can be scaled most effectively when international financial resources of MDBs are combined with the institutional capabilities and local market presence of NDBs. The key attribute of such public–public partnerships is that it shifts the focus of blended finance from subsidizing private investors toward strengthening the public financial institutions that originate, coordinate, and de-risk development investments. By combining MDB balance-sheet capacity with NDB local knowledge and implementation capabilities, public–public partnerships have the potential to address the institutional and market failures that prevent both public and private capital from flowing at the scale required for climate and development goals.⁹

Table 1: Complementarities Between MDBs and NDBs

Barriers	Comparative Advantage		
	MDBs	NDBs	Options for Collaboration
1. Accessing external finance and widening the pool of sources	✓		- Co-financing - On-lending - Accessing international funds for green finance
2. Lowering cost of capital	✓		- Accessing concessional loans and guarantees - Accessing international grants and funds for green finance - Financial structuring and blending to provide adequate conditions in terms of grace period, maturity, interest rates
3. Risk management and mitigation	✓	✓	- Cooperating on feasibility study and project preparation such as environmental, technical, financial, social risk assessment - Sharing risks through co-financing, blending and PPPs. - Accessing foreign exchange, commercial and political risk insurances, risk-sharing facilities and other guarantees
4. Project identification		✓	- Demand Creation - Awareness and embeddedness with domestic service, financial, and technology providers
5. Capacity building	✓	✓	- Awareness and capacity building of project proponents, domestic service, financial and technology providers - Best practice sharing between countries and domestic institutions - Support process of Paris Alignment

Source: Mariotti et al. (2025).

⁹ Marois et al. (2023); Mariotti et al. (2025).

The 2025 United Nations' (Fourth) International Conference on Financing for Development highlighted these complementarities and called on further MDB – NDB collaboration, with its final declaration stating that ‘We will foster synergies based on comparative advantages, including through enhanced operational cooperation, joint programming and co-financing arrangements, capacity-building and peer learning.’¹⁰ This charge laid the political foundation for the International Development Finance Club (IDFC), Finance in Common (FiCS), the NDC Partnership, and the World Bank Group's Multilateral Investment Guarantee Agency (MIGA), which formally launched the Public Development Bank Guarantee Hub at COP30 in Belém, Brazil, in November 2025. The Hub is designed to expand the use of guarantees as a means of mobilizing private capital for climate and development investments by strengthening the guarantee capacity of sub-national, national, and regional PDBs. Operationally, it links participating PDBs to the World Bank Group's Guarantee Platform, housed at MIGA, while providing technical assistance, knowledge sharing, and access to risk-sharing instruments. By enabling national and regional PDBs to originate projects while drawing on multilateral guarantee capacity, the Hub seeks to reduce investment risk, crowd in private capital, and improve coordination across the global public development banking system in support of nationally determined development and climate priorities.

These declarations and efforts build on significant momentum in MDB-NDB collaboration in recent years. In an analysis of just nine of the major MDBs between 2014 and 2024, Leon et al. (2025) identified 644 MDB-PDB collaborative projects at roughly \$108.5 billion (Table 2).

Table 2: Quantifying MDB-PDB collaboration

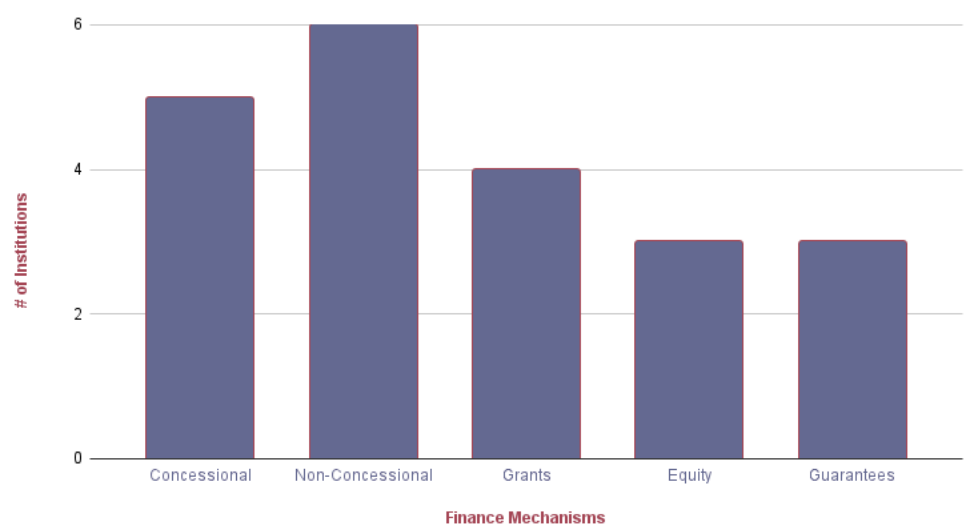
Year	# projects	Amount*	# MDBs	# Benef
2014	45	8 757	7	32
2015	39	7 647	7	34
2016	68	8 338	7	51
2017	68	10 227	6	47
2018	57	7 151	9	52
2019	57	8 517	8	46
2020	65	13 965	7	42
2021	67	11 594	8	44
2022	55	8 859	9	37
2023	55	12 425	9	40
2024	68	11 015	7	37
TOTAL	644	108 495	9	163

Source: Leon et al. (2025).

¹⁰ UN (2025).

In a survey of a different set of MDB-NDB collaborations, Marois et al. (2023) identified that such collaboration has occurred across a number of different instruments (Figure 1) and sectors ranging from climate finance, health, trade finance, industrialization, gender, and beyond.

Figure 1: Instrumentation of MDB-NDB collaboration



Source: Marois et al. (2025).

A significant amount of recent research conducts in-depth case studies of these programs and projects. Mariotti et al. (2025), across a diverse set of country experiences—including Brazil, Colombia, India, Indonesia, and South Africa—find that NDBs play a central role in identifying investable projects, understanding local market conditions, coordinating with governments, and providing long-term financing in local currency. MDBs, in turn, contribute concessional resources, guarantees, technical assistance, and risk-sharing instruments that expand the lending capacity of national institutions rather than substitute for them. The outcomes across the case studies suggest that this collaborative model can substantially improve both the scale and quality of climate finance. In Brazil, cooperation between the World Bank and BNDES expanded financing for energy efficiency and renewable energy while utilizing BNDES's extensive domestic lending network. The Inter-American Development Bank's (IDB) collaboration with NDBs in Latin America and the Caribbean illustrates how MDB–NDB partnerships can build the institutional foundations needed to scale green finance. Through its long-standing partnership with regional development banks, including collaboration with the Latin American Association of Development Financing Institutions (ALIDE), the IDB has supported NDB capacity building, financial innovation, and the development of green finance instruments. A central initiative was

the Leveraging Green Investments (LGI) Program, which provided tailored technical support to NDBs in Brazil, Colombia, Mexico, and Paraguay to design and deploy green financial instruments, establish financial innovation labs, and expand green bond markets. Between 2008 and 2018, the IDB provided approximately \$2.1 billion in green finance lending to NDBs, alongside technical assistance for dozens of green projects supported by international climate finance. The experience demonstrates that MDB–NDB collaboration can generate impact not only through direct financing but by strengthening domestic development banks’ ability to identify projects, manage climate risks, develop innovative financial products, and mobilize additional public and private capital. Across these and other examples, the report concludes that MDB–NDB partnerships reduce transaction costs, strengthen domestic institutional capacity, improve project origination, and increase the mobilization of both public and private capital. Rather than viewing national development banks merely as intermediaries, the report argues that they should be recognized as strategic partners whose local knowledge and financial infrastructure are indispensable for achieving climate and development objectives at scale.

Marois et al. (2025) conduct further case studies that illustrate how collaboration takes several forms, including credit lines, concessional and non-concessional lending, guarantees, technical assistance, project co-financing, and support for institutional capacity building. For example, Brazil’s BDMG highlighted the importance of MDB financing for expanding investments in renewable energy, energy efficiency, and climate resilience; Bancóldex in Colombia emphasized the importance of competitive financing conditions and flexibility in order to channel resources to domestic firms; and PT SMI in Indonesia identified access to international finance as particularly important for scaling infrastructure and electricity-sector investments. The cases demonstrate that NDBs often serve as critical domestic intermediaries that translate international climate and development finance into locally appropriate investments, while MDBs provide resources, risk-sharing instruments, and technical expertise that strengthen NDB capacity.

Marois et al.’s cases also reveal the limitations of existing MDB–NDB partnerships. While NDBs value MDB technical assistance, guarantees, and access to longer-term or foreign-currency financing, many institutions view current arrangements as too costly, complex, and slow relative to their operational needs. Several NDBs stressed that successful collaboration requires greater sensitivity to domestic institutional contexts, more flexible financing conditions, and recognition of NDBs as equal partners rather than subordinate implementing agencies. The experiences of institutions such as BDMG, Bancóldex, BNDA Mali, and PT SMI suggest that the greatest potential of MDB–NDB cooperation lies not simply in increasing financial flows, but in building a coordinated public development banking ecosystem in which MDB resources amplify the local knowledge, project pipelines, and implementation capacity of national institutions.

Volz and Lee (2024) highlight several examples of how MDBs can strengthen NDBs by providing guarantees, technical assistance, and risk-sharing instruments that allow domestic institutions to mobilize private capital. The Rwanda Development Bank (BRD) case illustrates

this model particularly clearly. With support from the World Bank's International Development Association (IDA), BRD issued its first sustainability-linked bond in 2023, with the World Bank-supported credit enhancement helping reduce investor risk and improve the terms under which BRD could access capital markets. The transaction represented the first sustainability-linked bond issued by a national development bank globally and the first of its kind in East Africa. Rather than replacing domestic financial institutions, the World Bank intervention strengthened BRD's ability to diversify its funding sources, develop local capital markets, and finance sustainable development priorities. The case demonstrates the catalytic role that MDB guarantees can play in transforming NDBs from recipients of international finance into stronger intermediaries capable of mobilizing additional resources.

Beyond case studies such as those discussed, the first across-the-board empirical analyses are just underway. Preliminary findings suggest that, on average, MDB support to NDBs has limited immediate impacts. However, three to five years post-treatment, lending volumes grow (+20%), and portfolio quality improves (NPL ratio -6 pp), suggesting a delayed but genuine transmission of MDB resources into expanded and better-screened lending.¹¹

The extant literature on MDB–NDB collaboration identifies several recurring constraints that limit the ability of PDBs to scale sustainable investment. First, many NDBs remain constrained by limited capitalization, weak access to long-term and affordable funding, and insufficient risk-bearing capacity. Although NDBs collectively represent one of the largest sources of development finance globally, their ability to expand lending is often restricted by balance-sheet constraints, credit ratings, and domestic fiscal conditions. Volz and Lee (2024) emphasize that MDBs can play a catalytic role by providing guarantees, concessional finance, and technical assistance that strengthen the balance sheets of NDBs and enable them to mobilize private capital. However, current MDB instruments are often too small, fragmented, or difficult for NDBs to access.

A second challenge concerns the structure of MDB operations themselves. Marois et al. (2025) find that many NDBs view MDB engagement as overly complex, slow, and administratively burdensome. Differences in procurement rules, environmental and social safeguards, reporting requirements, and project approval procedures can raise transaction costs and limit the ability of NDBs to use MDB resources flexibly. Several NDBs argue that MDBs need to move from a model in which national institutions function primarily as implementing agencies toward a partnership model that recognizes NDBs as autonomous financial institutions with their own expertise, market knowledge, and development mandates.

A third challenge is the limited coordination across the broader public development banking ecosystem. MDBs and NDBs often operate through individual projects and bilateral relationships rather than through coordinated investment strategies. This can result in duplication, fragmented

¹¹ Benaissa et al. (2026).

project pipelines, and missed opportunities for co-financing. The BU report highlights that successful co-financing depends on "ground-up" approaches in which NDBs identify investment opportunities, understand domestic constraints, and work with MDBs to address specific risks. The challenge is therefore not simply increasing MDB resources but creating institutional mechanisms—including guarantees, joint programming, country platforms, and shared project preparation facilities—that allow MDBs and NDBs to operate as complementary parts of a global public development finance system.

Policy Recommendations for the G20 and beyond

The G20 should charge MDBs and NDBs to evolve from fragmented partnerships of individual transactions into a deliberate global public development banking ecosystem. The scale of sustainable investment needs cannot be met by MDBs acting alone or by simply increasing MDB lending volumes; instead, MDBs should use their balance sheets, guarantees, technical expertise, and convening power to strengthen the much larger network of national and regional public development banks that already possess domestic knowledge, local currency capacity, and project origination capabilities. Marois, Stewart, and Marois (2023) show that while MDBs and national development banks already cooperate through lending relationships, these collaborations remain uneven, poorly tracked, and constrained by institutional barriers. More systematic frameworks are needed that recognize PDBs as strategic partners in delivering the SDGs and green transitions rather than merely as intermediaries for MDB resources—including shared platforms, enhanced cooperation frameworks, common standards, and improved coordination among PDBs—to overcome fragmentation and increase collective impact. In this model, MDBs would function increasingly as system enablers: providing guarantees, concessional resources, technical assistance, and capitalization support that allow NDBs to expand their role in financing climate action, infrastructure development, and sustainable development priorities. Three concrete policy reforms would build toward these broader goals.

First, MDBs should develop a strategy for strengthening MDB-NDB collaboration with a clear roadmap and designate a defined share of their annual lending and investment commitments for operations undertaken in collaboration with national development banks. While MDBs increasingly partner with NDBs through individual projects and credit lines, collaboration remains uneven and dependent on institutional relationships. Establishing a target share of MDB operations dedicated to NDB partnerships would create incentives for MDBs to treat national development banks as strategic counterparts rather than implementing agencies. A systematic allocation of MDB resources toward NDB partnerships would also operationalize the broader vision articulated in the Compromiso de Sevilla of deeper cooperation, joint programming, and co-financing among PDBs. In turn, PDBs must commit to tracking and reporting on these flows.

Second, MDBs and development partners should scale the Public Development Bank (PDB) Guarantee Hub into a major platform for expanding risk-sharing capacity across the public

development banking system. The experience documented by Volz and Lee (2024), particularly the Rwanda Development Bank case, illustrates how MDB-backed guarantees can transform the capacity of NDBs to access capital markets and mobilize additional resources. By extending guarantee capacity beyond individual MDB transactions and making it more systematically available to qualified national and regional development banks, the Hub could help address one of the central constraints facing sustainable investment in emerging markets: the high cost of capital caused by perceived risks. Scaling the Hub would allow MDB balance sheets, including guarantee capacity housed at institutions such as MIGA, to be multiplied through domestic financial institutions that have stronger knowledge of local investment opportunities. In this way, guarantees would serve not simply as project-level instruments but as tools for strengthening the capitalization and market access of NDBs themselves. Studart and Gallagher (2018) argued that scaling sustainable infrastructure investment requires a new financial architecture centered on guarantees that can bridge the gap between global pools of private capital and sustainable development priorities in emerging and developing economies.

Third, MDBs should establish dedicated project preparation facilities specifically designed for MDB–NDB collaboration by relying on country platforms where NDBs can act as the secretariat to conduct long-term planning aligned with national priorities. Across the case studies examined by Volz and Lee (2024), Marois et al. (2025), and Gallagher et al. (2025), weak project pipelines and limited preparation capacity emerge as persistent barriers to scaling sustainable investment. Many NDBs have strong domestic networks but require additional technical resources to structure complex climate, infrastructure, and industrial transformation projects that meet international financing standards. Dedicated preparation facilities could provide feasibility studies, technical assistance, environmental and social assessments, financial structuring, and support for accessing guarantees and blended finance instruments. Importantly, these facilities should be jointly managed with NDBs so that project development reflects national priorities and local market conditions rather than externally determined investment agendas.

Together, these reforms would move the international financial architecture toward a more integrated system of public development finance. Rather than viewing NDBs as intermediaries that simply channel MDB resources, MDBs should recognize them as essential partners for achieving development and climate goals at scale. The combination of MDB capital strength, guarantee capacity, and technical expertise with NDB local knowledge, domestic legitimacy, and implementation capacity offers one of the most promising pathways for closing the sustainable investment gap in EMDEs.

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