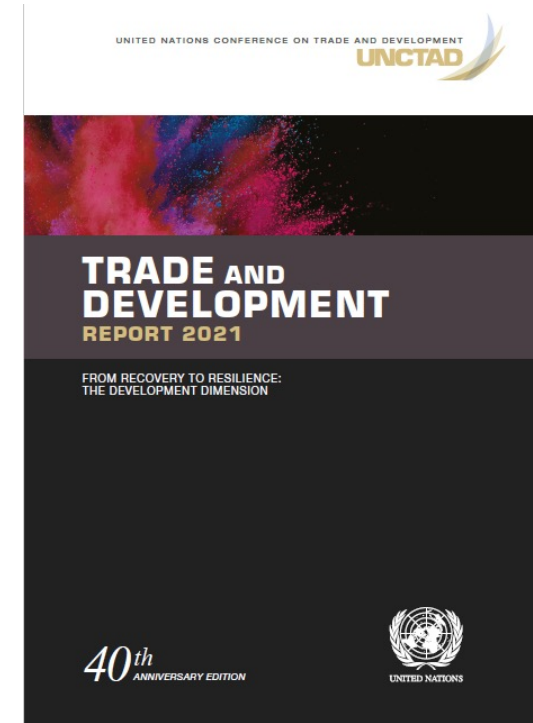


Public and development banks for inclusive, sustainable growth – early actions in the face of Covid-19 and lessons for the SDGs

- ECOSOC Forum on Financing for Development,
- 26 April 2022.
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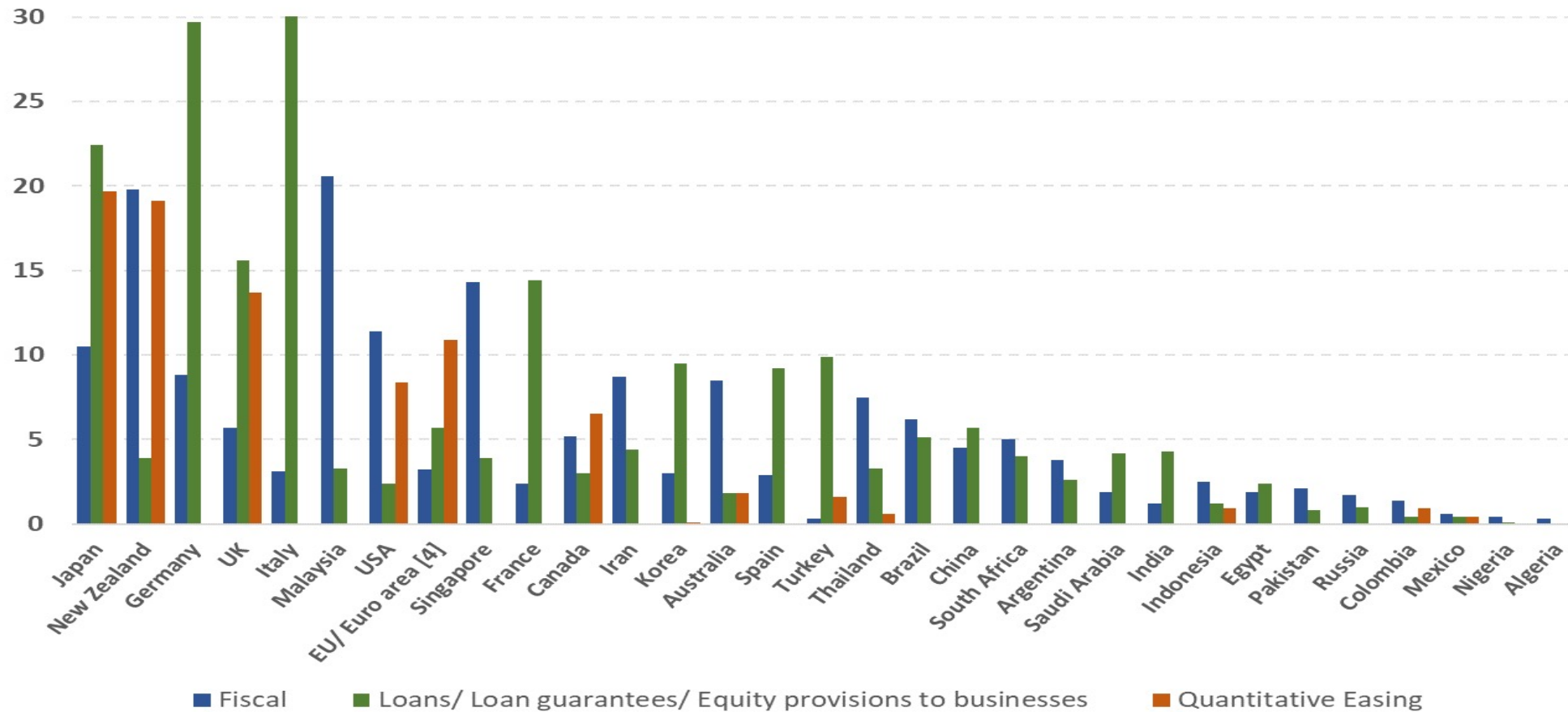
Why public development banks?

- + Over 900 institutions
- + \$49 trillion in assets
- + Accumulated expertise & institutional legacies
- + Persisted since 1500 & are resurgent

Dominant public ownership (50.01% plus)

Year	Number of institutions	Total Assets	% of all public and private bank assets
2018	808	\$41.76 trillion	16
2020	910	\$48.71 trillion	17

From a health crisis to a Financial and Economic Crisis – banks stepped into the breach, although not all had the same space to react.
Magnitude of policy stimulus measures in response to COVID-19(% GDP)



What banks did and how did they do it - approach.

- May 2020-October 2020. Context too raw and fluid for an established academic literature on public banks and covid-19 responses.
- We approached with an explorative, bottom-up inductive and case-study approach.
- Focus was on accessing data and evidence from multiple sources quickly, including from banks' own data and annual reports, online media and interviews.
- Highlight promising responses, problems and limitations.
- 24 researchers covering individual banks; plus 4 regional public bank and development finance associations covering 280 members. Follow up in 2022.
- Also - Finance in Common initiative ongoing – counter-cyclical role of public banks.



What we learned -- Why public banks matter.

Public banks resurgent - Five promising lessons.

Rapid response is possible.

Public purpose mandates are key

Boldness and generosity are needed and possible when facing a crisis.

History matters – institutional capacity and legacies matter.

More than a mantra – Public-public and south-south solidarity.



regulatory support
repayment holiday
best practice
international development programme
created new flow
financial rules
personal loan
poorer country
debt restructuring
specific technical expertise
public services provider
lending support programme
financial aid programme
technical expertise
private bank
public bank lending
flow of finance
loan guarantee
personal loan holiday
oriented services
reduced services fees
response coordination assistance
development of government
debt relief
unlimited credit ceiling
sharing of capital
provisions of income
broader client base
deferred payment
enhanced online services
public bank
emergency lending programme
concessional interest rate
public financial institution
provisions of sector
repayable financial resources
retail banking services
public health

What
public
banks did
– actions
and
responses
to face
the crisis.

- **Promising public purpose.**

- Whether small or large, when DFIs had clear mandates and unambiguous backing from government and a strong public purpose, they could respond very quickly and generously.
- Big counter-cyclical impact; concessional rates; to those who needed them most.

- **Challenging public purpose.**

- Concerns about impact on returns and profits
- Slower to roll out relief.
- Higher costs of capital to borrowers.
- High credit growth but not to the most needy.
- Capturing the needy – eligibility for benefits linked to commercial uses
- Concerns about NPLs



Some new centres of gravity – Southern led banks

- Many developing countries turned to the global funders of last resort. IMF pledged more than \$1 trillion and WB more than \$27 billion by October 2020
- Yet these BWs did not scale up as much as needed – up only 29% in response to Covid, which is **less than the previous crisis**.
- Southern owned and led public financial institutions did not get the same attention but made an important contribution. Many countries turned to them.
- IsDB, AIIB, NDB, Argentina and many others.... -- Increased lending, **changed policies and protocols, new definition of emergencies** that goes beyond thinking about the infrastructure requirements of physical reconstruction from natural disasters or post conflict settings
- Also southern led foreign exchange liquidity – but here bilateral swaps being used more than the regional funds, why? FLAR – foreign exchange reserve fund increased available capital 60% but was not tapped.



Beyond Relief and Recovery to the SDGs and Green transition and transformation

- New demands on the horizon – SDGs... new green trade regulations... low-carbon pledges etc...
- Scaling up is essential – where will additional funds come from? SDRs –link to DBs... Increased capitalization... new members...
- Are Banks prepared for NPLs – which may be inevitable given external circumstances?
- Keeping banks distinctive and different. Public ownership does not make banks “public” spirited.
- What do government owners want? – Revisit the AAA strait-jacked – although benefit of accessing cheaper capital is immense.
- Question the bending of public purpose to private purpose – de-risking ,market fixing.
- Public banks are dynamic and contested institutions, evolving societies



In theory & practice, we need to pull public banks towards public purpose; ensure adequate capital; give policy space to fulfil their role.

- ❑ Clear mandates, appropriate and democratic governance
- ❑ Make socially credible mandates & missions
- ❑ Create conditions to connect Covid-19 to SDGs, equitable & just climate action
- ❑ Supportive macroeconomic environment
- ❑ Supportive global architecture

Public banks; from Covid-19 to the SDGs

President Roosevelt and insights from the original New Deal.

“Economic diseases are highly communicable.... the economic health of every country is a proper matter of concern to all its neighbors, near and distant. Only through a dynamic and a soundly expanding world economy can the living standards of individual nations be advanced to levels which will permit a full realization of our hopes for the future.”

- Much to strive for – Development Banks are embedded in a wider financialized system that doesn't provide the policy space or financial support needed.
- Similarly for the multilateral and global DBs – not what was intended.
- Covid-19 responses – learn the lessons for the SDGs and a Global Green New Deal



PUBLIC BANKS AND COVID-19

COMBATTING THE PANDEMIC
WITH PUBLIC FINANCE



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