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Multilateral and national development banks: Boosting affordable financing

Summary prepared by the UNCTAD secretariat

1. The parallel event featured four panellists: Minister of Finance, Egypt; President, Arab Bank for Economic the Development in Africa; Representative, Office in Europe, Inter-American Development Bank; and Director, Human Resources, Information Technology and Operations Division, Brazilian Development Bank.
2. The Ambassador and Permanent Representative of Cabo Verde to the United Nations Office at Geneva moderated the discussion. She introduced the event by stressing the importance of multilateral development banks and national development banks in providing developing countries with affordable, long-term and countercyclical financing. In addition, she noted that the share of multilateral financing in the public and publicly guaranteed debt of developing countries had decreased, while loans had become increasingly less concessional and of shorter maturity since 2010. The moderator reiterated the importance of the Sevilla Commitment, to scale up financing to developing countries, through a recapitalization of multilateral development banks and the rechannelling of special drawing rights, and emphasized the need to use the United Nations vulnerability index as a guiding tool in allocating multilateral loans.
3. One panellist noted that increasing the national savings rate was critical in reducing investment costs. He stated that national platforms might provide a valuable mechanism, to convene different actors and channel investments more effectively, and stressed the importance of guarantees, to de-risk investments, allowing countries to reduce borrowing costs and access new markets. Similarly, debt swaps could serve as another tool with which to create fiscal space and reduce financing needs. The panellist noted that such instruments currently lacked scalability and standardization for broader use and suggested that UNCTAD could play a role in convening relevant actors in this regard. Finally, he noted that development banks often had a low appetite for risk, which hindered access to external financing by small and medium-sized enterprises.
4. Another panellist emphasized the need for collaboration among different financial institutions, including both public and private actors. There was also a need to harness synergies between national, regional and multilateral development banks. In this regard, the panellist provided examples of projects financed in cooperation with other institutions.
5. One panellist also highlighted the need for collaboration and stressed the importance of using public sector funds more efficiently, in addition to mobilizing private capital. He noted that exposure exchange agreements between multilateral development banks could be



a tool with which to mitigate banking risks and that cooperation with national development banks allowed international actors to leverage local networks and capacities. With regard to the high level of foreign exchange volatility in developing countries, he noted that exchange-rate risks could be mitigated through technical support, hedging instruments and the provision of contingent credit lines in cases of sharp currency depreciation. By mitigating foreign exchange risks, private investments could be accelerated and provided at a lower cost, ultimately supporting sustainable development. Finally, he underscored the need for the more widespread adoption and broader application of climate and disaster pause clauses, as referred to in the Sevilla Commitment, in order to attract private capital and make countries more resilient to external shocks.

6. Another panellist provided further examples of collaboration among different financial institutions and noted the importance of national platforms, which brought in private investors and helped to mitigate risks. She stated that private capital could be leveraged by providing tax exemptions for private investors, which could help reduce interest costs by up to 100 basis points per year.

7. During the ensuing discussion, the panellists stressed that innovative financial tools were essential in order to scale up private capital and decrease borrowing costs and considered the challenges in balancing the financial sustainability of development banks with their developmental focus. Several panellists highlighted their low default rates while maintaining high credit ratings. The panellists noted the need to increase financing and emphasized the importance of private capital, to complement official resources in closing the development financing gap. In addition, they underscored the importance of blended finance and the use of innovative financial tools, to leverage official capital and crowd in private finance.

8. In her closing remarks, the moderator stressed the importance of strong partnerships between multilateral development banks and national development banks, as well as the use of various financing tools and mechanisms, to make development finance more affordable and efficient.
