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# National Development Banks: The Unsung Heroes of the Global Development Finance Architecture



# National Development Banks: The Unsung Heroes of the Global Development Finance Architecture

## INTRODUCTION

National Development Banks (NDBs) are pivotal yet often overlooked actors in the global development finance ecosystem. With mandates to address national, domestic, and local financing needs, they operate as key drivers of economic development, bridging gaps where private markets fail to deliver. Despite holding a significant share of global development finance assets, NDBs lack a unified voice in international discussions, limiting their influence on global policy and decision-making.

This paper makes the case that NDBs must have a seat at the table in shaping the global development finance architecture. The World Federation of Devel-

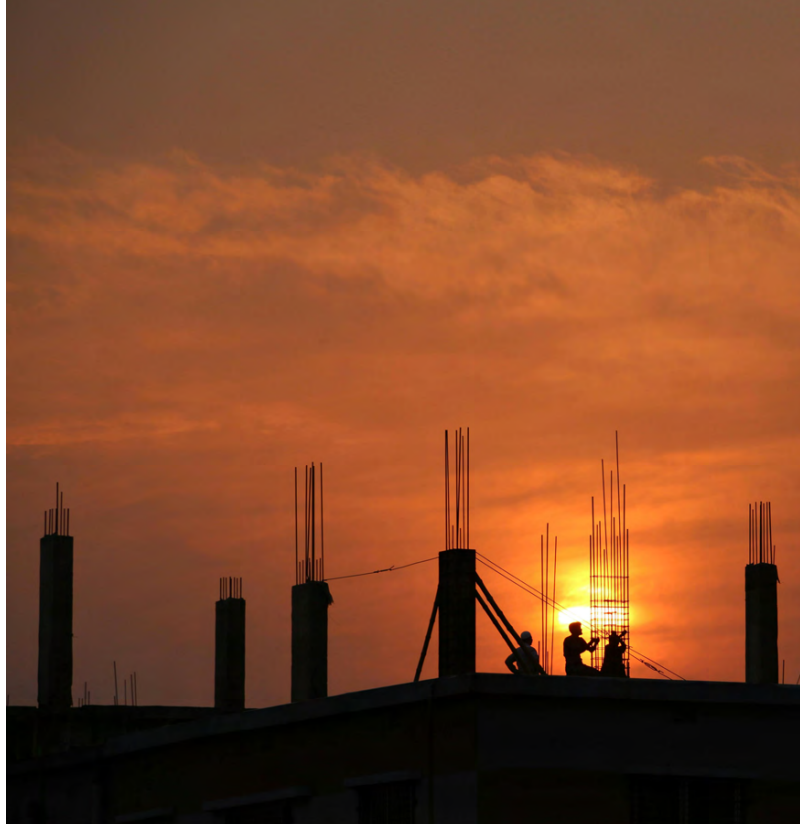
opment Finance Institutions (WFDFI), as the global focal point for financing development institutions, is uniquely positioned to serve as the collective voice for NDBs from the Emerging Markets and Developing Economies (EMDE), advocating for their critical role in financing the United Nations Sustainable Development Goals (SDGs) and driving inclusive economic growth. This paper outlines the current context, highlights the challenges faced by NDBs, and makes the case for why NDBs are the unsung heroes of global development financial architecture and how WFDFI can lead efforts to amplify their voice on the global stage at this critical moment.





## CONTEXT

National Development Banks (NDBs) are a specific type of Public Development Bank (PDB), or Development Finance Institution (DFI), focused on national, domestic, and local financing needs and gaps. These institutions are established to support economic development and address gaps in the financial system. Typically, they are government-owned or backed, with mandates that can be broad and general or specific to a particular sector or focus, such as infrastructure, micro, small and medium-sized enterprises (MSMEs), or trade (i.e. Eximbanks). Most countries have one or more.



NDB headquarters in Shanghai, China. Source: Wikipedia

Development Finance Tools:

## PDBs and DFIs

**Public Development Banks (PDBs) and Development Finance Institutions (DFIs)** support economic development by addressing the financing gaps and stimulating capital providers. They are government owned or backed.

## NDBs

**National Development Banks (NDBs)** NDBs are tools of domestic policy and are focused on national and local financing gaps across the whole economy or in specific areas or sectors such as infrastructure, agriculture or MSMEs.

Collectively, NDBs hold approximately USD 8 trillion in assets, with the NDBs from the Emerging Market and Developing Economies (EMDE) accounting for around USD 2.2 trillion<sup>1</sup>. This is nearly double the combined assets of the largest six Multilateral Development Banks (MDBs)<sup>2</sup> which totals USD 1.2 trillion. Despite this substantial financial capacity, domestic sources of capital (and NDBs, in particular) remain underrepresented in global development finance discussions, overshadowed by a focus on what the international actors, such as MDBs can be doing more of or better.

Within the Finance in Common Summit (FiCS) movement, there are 536 PDBs globally, of which NDBs make up the majority at 360. In 2022, of the 360 NDBs, 105 (29.2%) are in Asia, 84 (23.3%) in Africa, 84 (23.3%) in Europe, 69 (19.2%) in the Americas, and 18 (5.0%) in Oceania<sup>3</sup>. These institutions play a vital role in addressing market failures, mobilizing resources, and aligning financing with national development strategies, especially in developing countries. Yet, their potential remains underutilized due to governance, regulatory, and visibility challenges.

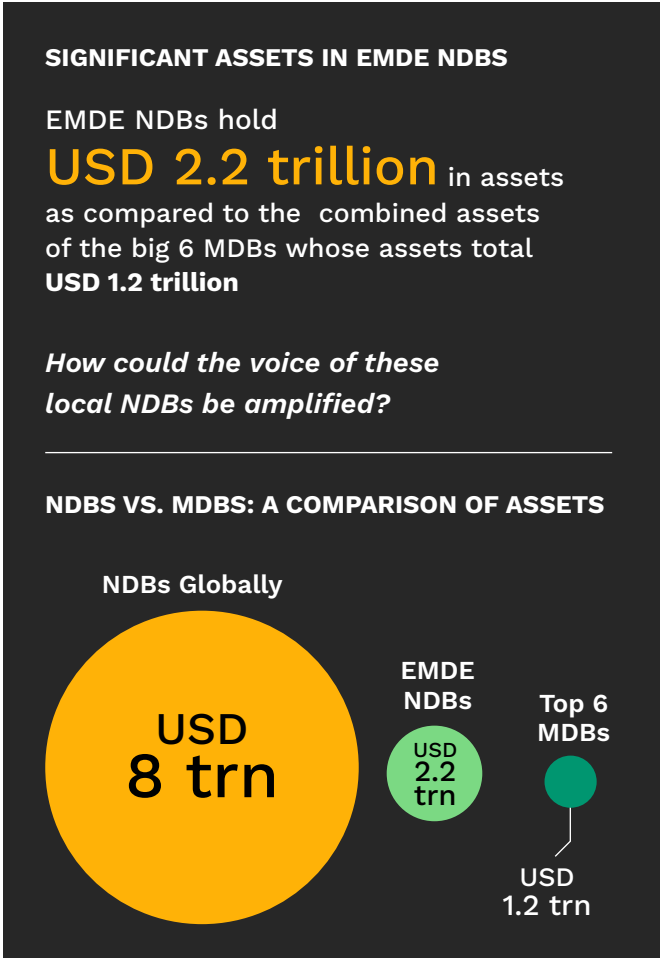
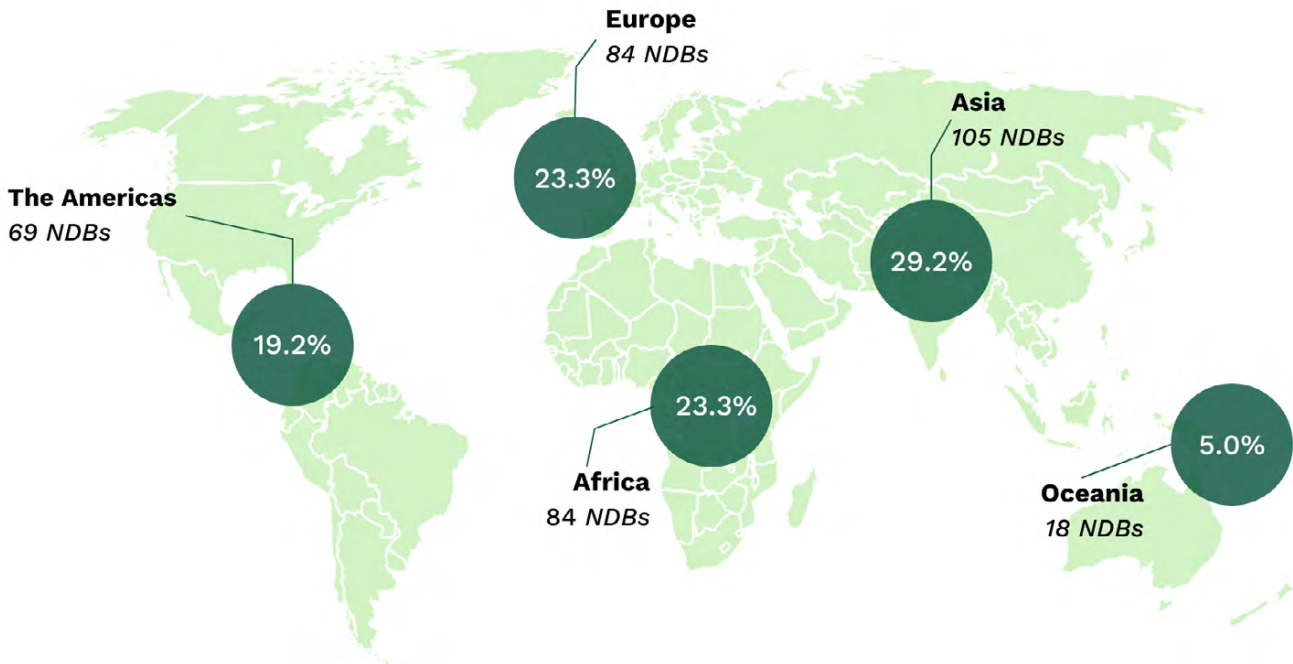


Figure 2: National Development Banks Around the World



Source: DFI database (<http://www.dfidatabase.pku.edu.cn/DataVisualization/index.htm>)

## WHY NDBS HAVE NOT HAD A VOICE

NDBs have historically been underutilized and undervalued in global development finance discussions for several reasons. Initially established to address domestic challenges like funding infrastructure and supporting MSMEs, many NDBs were seen as tools of state-driven economic planning. This led to perceptions of inefficiency and political interference, which diminished their credibility over time. Furthermore, their local focus often limited their engagement in international dialogues, leaving them overshadowed by MDBs.

Today, NDBs play a critical role in addressing global challenges such as climate change and sustainable infrastructure development, but barriers persist. These include limited collaboration across regions, insufficient advocacy mechanisms, and a lack of representation at major global forums where development finance is central such as the G7, G20, FfD and COP summits.

Additionally, governance and operational inefficiencies in some NDBs contribute to skepticism about their capacity to deliver impactful results.

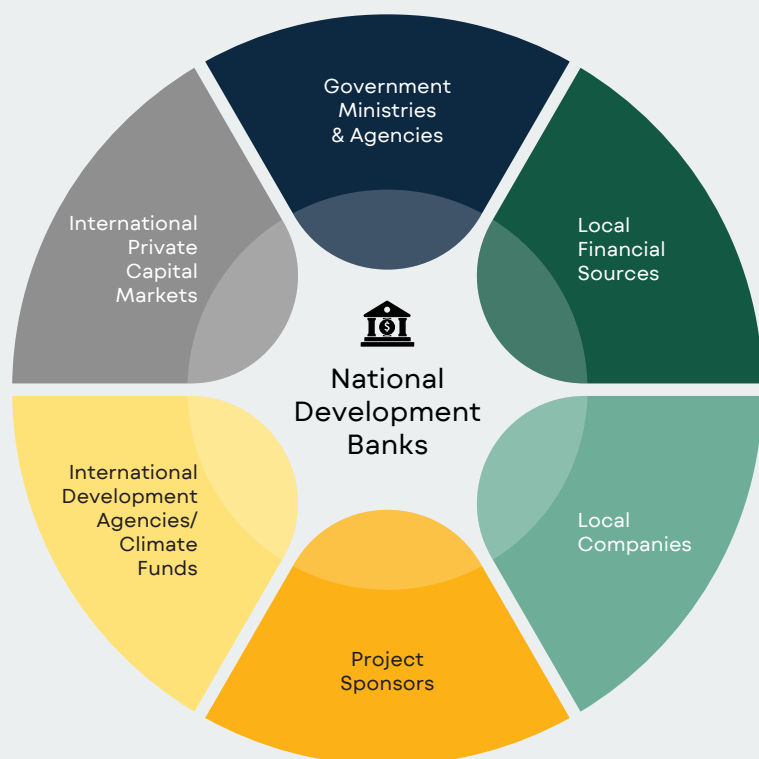
*Despite these challenges, NDBs are uniquely positioned to **drive inclusive and sustainable development** and, when empowered and given the tools and training to execute, **their potential must be fully recognized in the evolving global financial landscape.***

## ROLE OF NDBS IN FACILITATING ECONOMIC DEVELOPMENT

While FiCS encompasses all PDBs, the unique role and mandate of the NDBs within their respective national economies must be highlighted. NDBs operate at the nexus of government, business, and the financial sector, mobilizing key stakeholders to achieve national economic development goals.

Figure 3: Central Position of NDBs

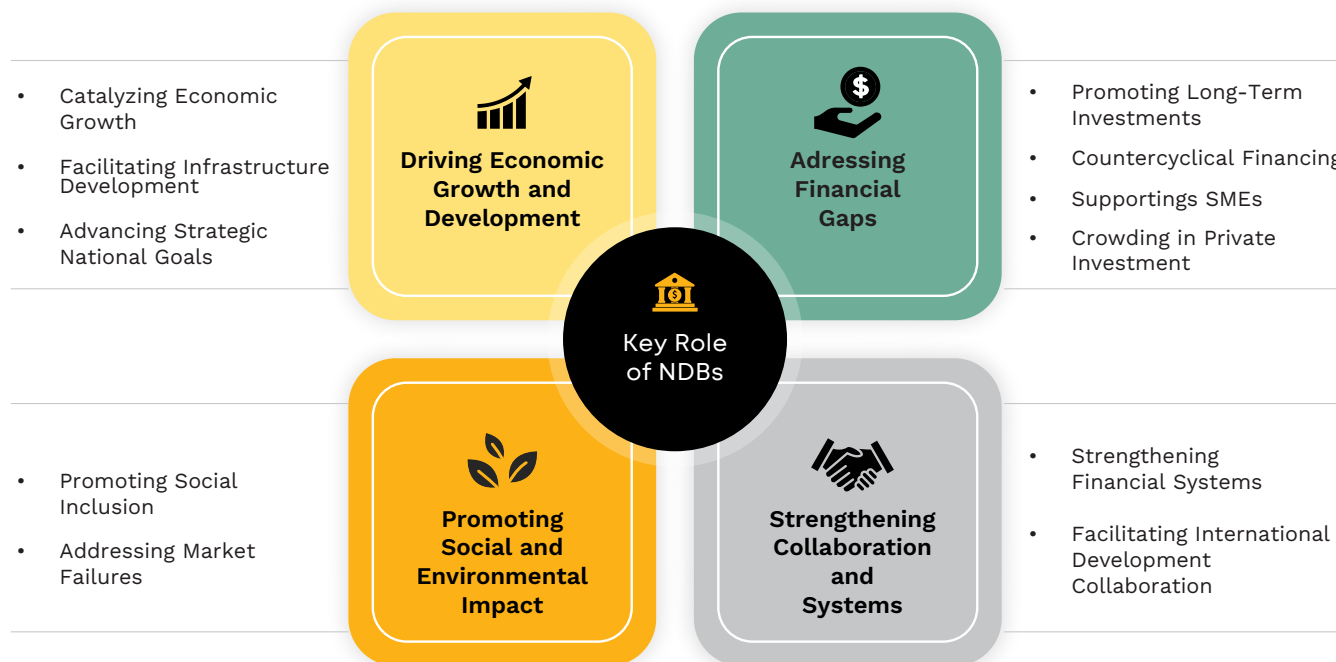
Source: Momentus Global



- Filling market gaps in underserved market segments
- Mobilising capital and catalysing private finance
- Providing counter-cyclical finance
- Encouraging innovation and economic diversification
- Enhancing financial inclusion
- Promoting environmental sustainability

When performing well, NDBs serve as powerful catalysts for development, providing long-term financing for critical projects such as transportation, energy, education, and healthcare. They bridge financing gaps by offering credit, guarantees, and advisory services where private markets fail to deliver. Additionally, NDBs are mandated to mobilize resources and fund projects with high economic multipliers, thereby driving economic growth, creating jobs, and stimulating productivity. They possess the power of proximity, understanding the local landscape and risks.

Figure 4: Key Role of NDBs



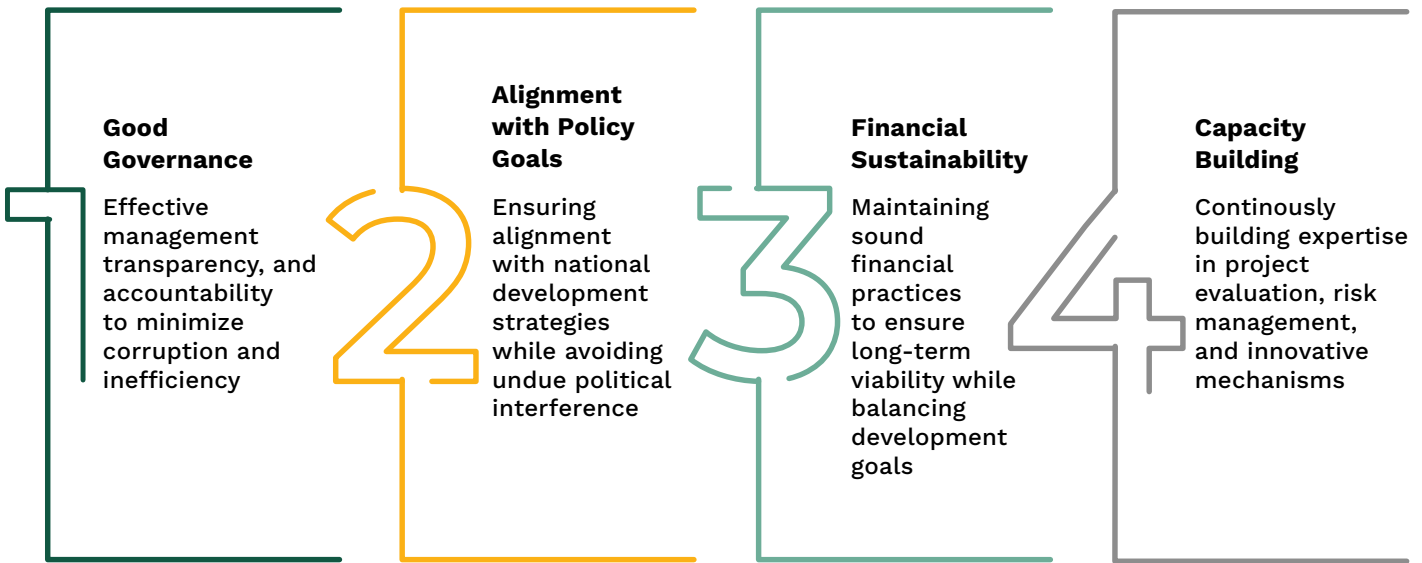
Well-performing NDBs have strong governance and autonomy. When governance, regulation, and mandate are aligned, NDBs can unlock their full potential as reliable and impactful financing partners for achieving the SDGs. As noted in the 2011 report “A Health Diagnostic Tool for Public Development Banks”<sup>4</sup>, good governance, development impact, and financial health are critical for enabling NDBs to achieve their mandates effectively.

A well-functioning NDB serves as a powerful tool for sustainable and inclusive economic development. They play a central role in achieving the SDGs and are essential to delivering within policy areas such as agriculture, climate smart urban infrastructure, rural development, gender, governance, and resource mobilization.

NDBs that maintain a strong voice at the domestic policy table and provide a financing perspective to policy decisions tend to perform best. For example, countries that include NDBs in their National Development Plans (NDPs), Nationally Determined Contributions (NDCs), and Integrated National Financing Frameworks (INFFs) demonstrate more coherent approaches to financing their development, creating efficient use of scarce national resources and better outcomes.



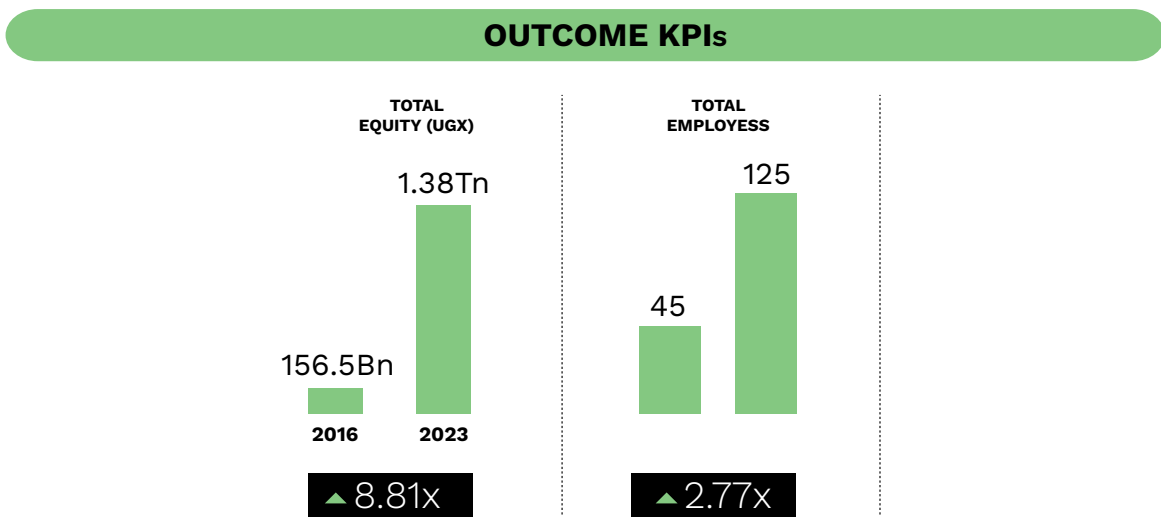
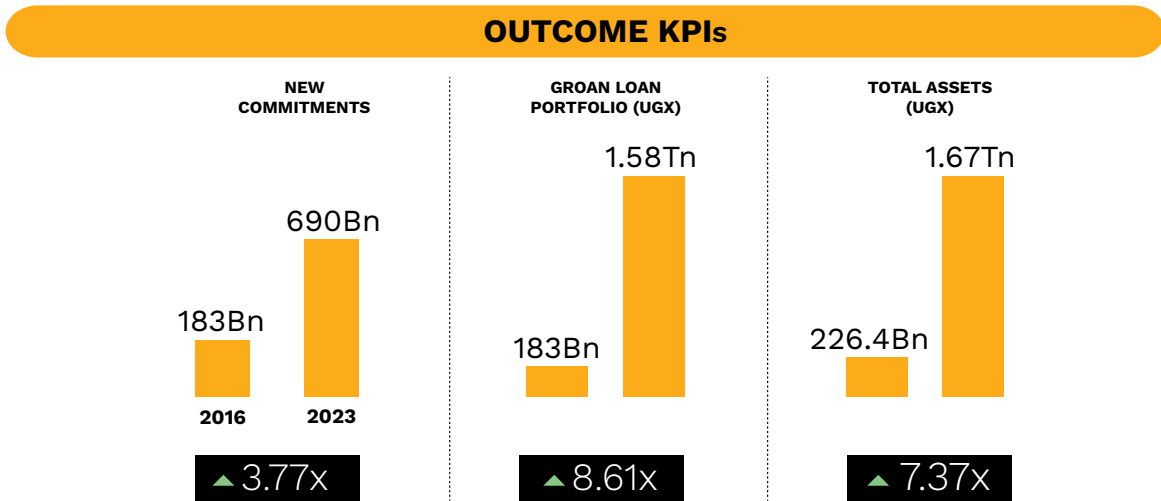
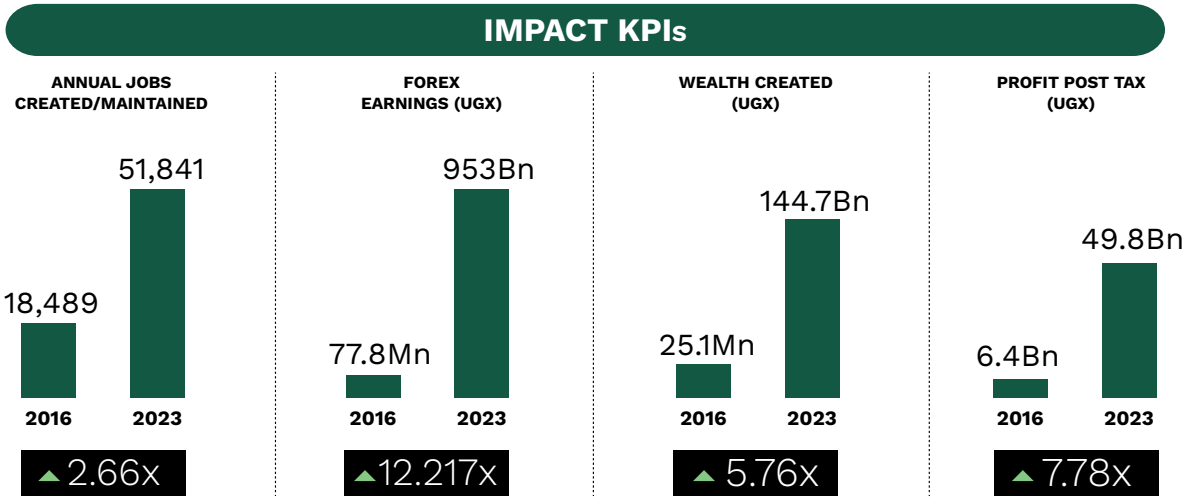
Figure 5: Key Features of a Well-Functioning NDB



An example that demonstrates the benefits of leveraging effective NDBs comes from Uganda. Momentus Global undertook an Institutional Development Study to turn around the Bank and support it to evolve into a best practices' NDB, helping the Board, management, and staff of the Uganda Development Bank (UDB) become better equipped to facilitate economic development in line with the Uganda's national development plan. The diagnostic assessment led to more than 120 recommendations and was supported by the development of a Strategic Plan. Not only did the project enhance UDB's ability to deliver on its development mandate more effectively and efficiently, but also enhanced its economic and social impacts in both the private and public sectors. As part of this award-winning project, Momentus Global developed an upgraded risk management framework for UDB to ensure robust risk mitigation of credit and liquidity risks.



Figure 6: Uganda Development Bank's Impact





## WHO SPEAKS FOR NDBS IN GLOBAL DISCUSSIONS?

The year 2025 brings renewed focus on the global finance system to support sustainable development. With the 2030 SDG deadline fast approaching, the Fourth International Financing for Development Conference (FfD4), scheduled for mid-2025, presents a critical opportunity to align global finance systems with SDG priorities. There will be specific discussions that address the role of NDBs as catalysts for achieving SDGs and their integration into the global development finance architecture.

The Zero Draft of the Outcome Document for FfD4<sup>5</sup> dedicates a specific section (32) to recognizing the crucial role that NDBs can play in achieving sustainable development by strengthening financing, particularly in credit market segments where commercial banks are not always fully engaged, including sustainable infrastructure, energy, agriculture, industrialization, science, technology and innovation, as well as financial inclusion and financing of MSMEs.

There is also recognition that earlier regulatory frameworks were developed for commercial banks with different liability structures and now need to take account of an increasing role for NDBs.

There were three additional recommendations to support SDG implementation:

- leveraging resources from MDBs to review and update NDB mandates to call on countries without development banks to establish such institutions local and national development challenges;
- providing technical support to national development banks to enhance their role and provide long-term low-cost financing to invest; and



- defining regulatory requirements that reflect national development banks' development-focused mandates and distinctive business models and risk profiles, ensuring that development banks are empowered to pursue innovative and risk-informed approaches to financing.

NDBs have assembled themselves under regional associations – ALIDE, ADFIAP, AADFI, ADFIMI, and ELTI<sup>2</sup>. These associations are excellent platforms for knowledge sharing and capacity building. Collectively, the associations form the World Federation of DFIs (WFDFI), with about 270 member institutions around the globe, which serves as a global platform uniting regional development finance associations to advocate for the critical role of public and national development banks in advancing sustainable development.

Additionally, the WFDFI's Knowledge Hub, which is an online platform that gathers knowledge and resources on development financing across various sectors, provides free access to valuable content for practitioners and enthusiasts, featuring contributions from diverse institutions involved in development finance. Its main goals are to influence global policy and advocacy efforts in development banking and finance, enhance the capacity of DFIs, and promote knowledge management and sharing. It can play a pivotal role in amplifying the voice and advocating for the interests of NDBs globally.

An example that underscores how these regional associations engage with NDBs and their potential to support programs, partnerships, and initiatives aimed at achieving sustainable development goals at national, regional, and global levels, is provided by ALIDE. In 2021, recognizing the growing importance of climate financing in Latin America and the Caribbean (LAC), six countries—Argentina, Cuba, the Dominican Republic, Guatemala, Paraguay, and Uruguay—collaborated with ALIDE to develop a regional readiness project proposal for the Green Climate Fund (GCF). With a budget of \$1.2 million, the project aimed to tackle the challenges of climate change while capitalizing on opportunities to implement innovative financial solutions. Acknowledging the pivotal role of the financial sector in mobilizing resources for a low-carbon economy, the initiative focused on capacity building, accreditation gap assessments, and the development of action plans for NDBs such as Banco de la República Oriental del Uruguay (BROU), Banco de Crédito y Comercio (BANDEC), Banco Nacional de Fomento (BNF), and Banco de Desarrollo Rural (BANRURAL). These efforts were designed to enhance institutional capabilities and align their operations with GCF requirements.



# Need for a Collective Voice



Why does this matter? Historically, NDBs were not considered a serious part of the global development finance architecture. NDBs are only now being invited to these global discussions via the Finance in Common (FICs) movement.

The perception of NDBs is shifting, but significant challenges remain. For example, in 2020, ODI called for more involvement of NDBs as intermediaries in climate finance through this report, as less than 10% of GCF commitments were made directly to nationally owned entities. Institutions like the Global Environment Facility and GCF have since made some progress in accrediting NDBs as Direct Access Entities.

Despite these advancements, NDBs still lack a unified voice in global finance discussions. The WFDFI has the potential to change this narrative. By acting as a collective advocate for NDBs, WDFI can inform policymakers at key forums such as the G7, G20, COP summits, and FfD4; highlight the unique needs and priorities of NDBs in the EMDE; and build advocacy and knowledge-sharing initiatives tailored to NDB's regional and national contexts.

While the Finance in Common movement is helping to position PDBs' role more broadly, this progress further underscores the importance for NDBs and the WFDFI to be able to add their solid understandings around the particular role of local level financing partners to the global discussions at a very strategic level to contribute effectively to these discussions. Amplifying the impact of both FICS and the WFDFI will support a shift in the global discussions so that local networks, particularly from the EMDEs, are represented from across the world's regions. It's time for these voices to be consistently heard.

However, for WFDFI to succeed, it must be adequately resourced to undertake these critical functions. Advocacy efforts should focus on ensuring that NDBs are recognized as indispensable partners in achieving the SDGs and reforming the global development finance architecture. By empowering WFDFI, the global community can amplify the role of NDBs, ensuring their contributions are fully realized.



## CONCLUSION

There is a growing recognition of the need for developing countries to have a stronger voice and more active participation. National Development Banks are indispensable actors in the global development finance architecture, yet their voices have been historically marginalized. As the 2030 deadline for achieving the SDGs approaches, the need to leverage the full potential of NDBs has never been greater. The WFDFI must rise to the challenge of providing a unified and powerful voice for NDBs, advocating for their role in driving inclusive and sustainable development. By empowering NDBs and amplifying their influence and effectiveness, WFDFI can help unlock new pathways to achieving global development goals and building a more equitable and sustainable future.

## MEMBERS OF THE WORLD FEDERATION OF DEVELOPMENT FINANCING INSTITUTIONS



**AADFI**  
Association of African  
Development Finance  
Institutions

[www.adfi-ci.org](http://www.adfi-ci.org)



**ADFIAP**  
Association of Development  
Financing Institutions in Asia  
and the Pacific

[www.adfiap.org](http://www.adfiap.org)



**ADFIMI**  
Association of National  
Development Finance Institutions  
in Member Countries of the Islamic  
Development Bank

[www.adfimi.org](http://www.adfimi.org)



**ALIDE**  
Latin American Association  
of Development Financing  
Institutions

[www.alide.org.pe](http://www.alide.org.pe)



**ELTI**  
European Long-Term  
Investors Association

[www.eltia.eu](http://www.eltia.eu)

# References

1. FiCS database. Excludes Western Europe, North America and East Asia
2. FiCS database. Includes World Bank Group, ADB, AfDB, IDB, AIIB, EBRD and ISDB
3. Based on 2022 data, notable EMDE that lack an NDB in Asia (Iraq, Syria, Sri Lanka, Lebanon, Timor-Leste, Bhutan, the Maldives, and Brunei); in Africa (Mozambique, Madagascar, Chad, Togo, Sierra Leone, Libya, Liberia, Republic of Congo, Central African Republic, Gambia, Guinea-Bissau, Comoros, Cabo Verde and São Tomé and Príncipe); in the Americas (Haiti, Guyana, Barbados, Dominica and St. Vincent and the Grenadines); in Europe (Moldova); in Oceania (Nauru)
4. <https://publications.iadb.org/en/health-diagnostic-tool-public-development-banks>
5. <https://financing.desa.un.org/sites/default/files/2025-01/FfD4%20Outcome%20Zero%20Draft.pdf>; page 8; Section (32)
6. Note: Members in the World Federation of DFIs include the Latin American Association of Development Financing Institutions (ALIDE), the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP), the Association of African Development Finance Institutions (AADFI), the Association of National Development Finance Institutions in Member Countries of the Islamic Development Bank (ADFIMI) and the European Long-Term Investors Association (ELTI)



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