

# Development Banks: History, Role, Impact

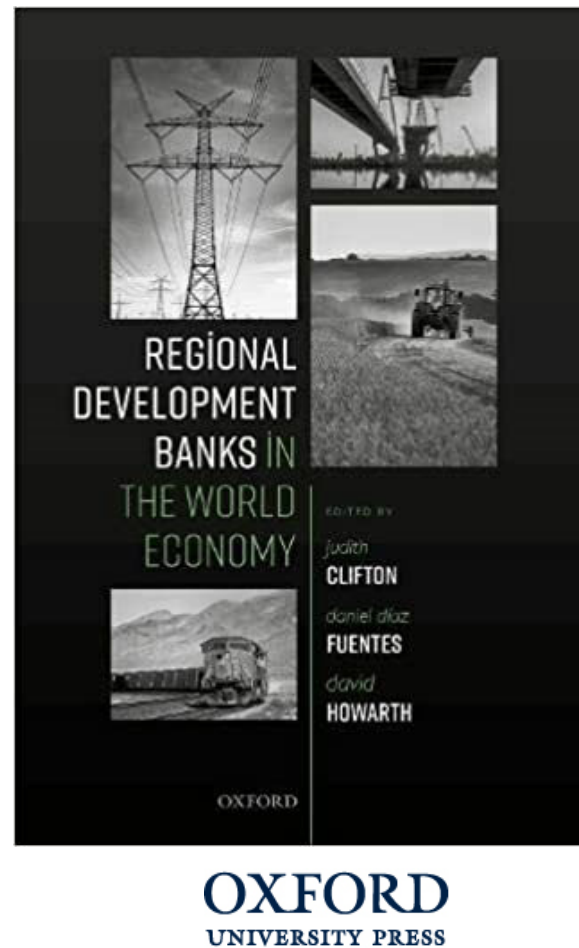
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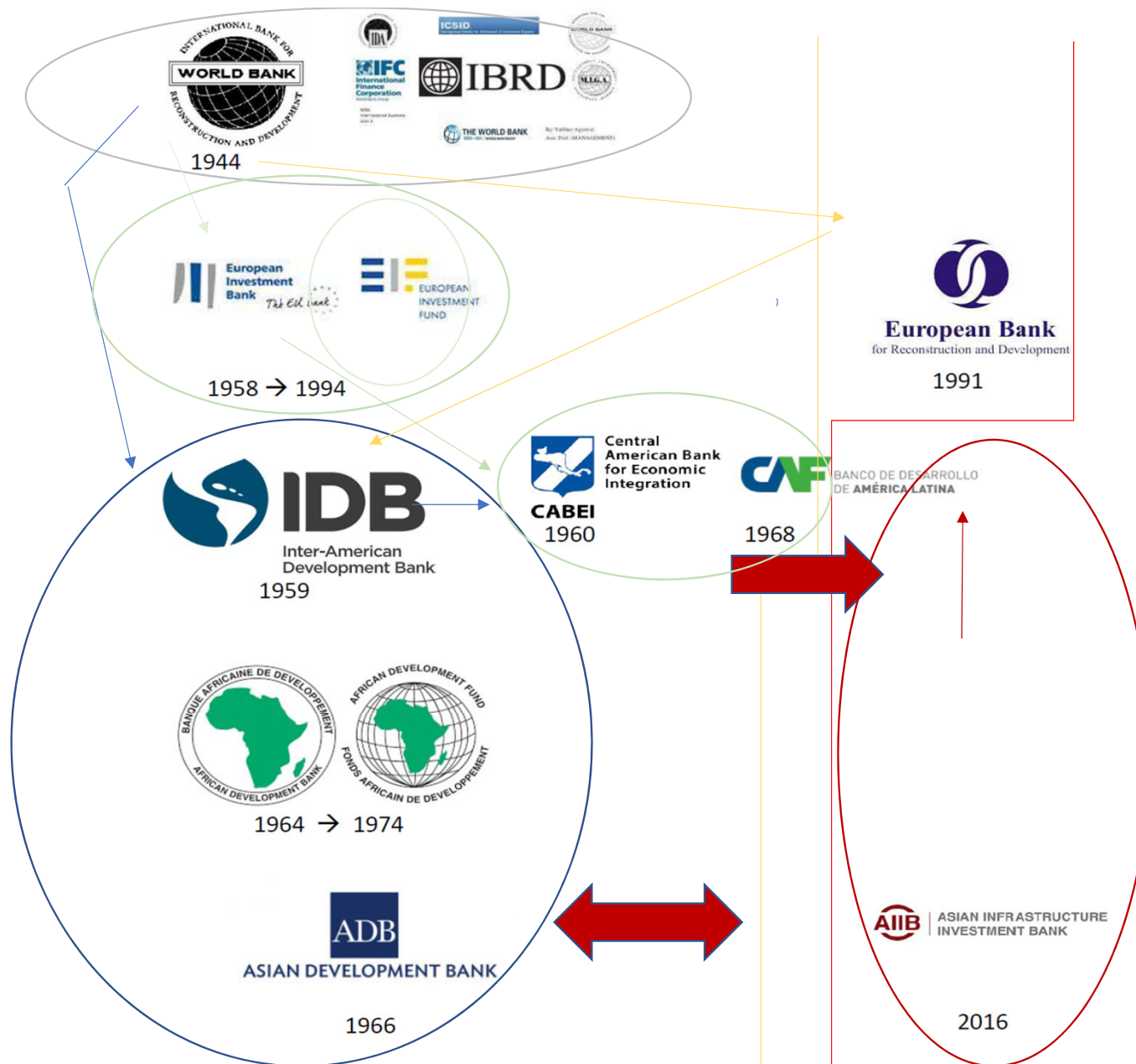
**eabh** zoom meeting, 23 February 2021



*Regional Development Banks (RDBs) lending and investment has increased significantly in the 21th Century.*



- Regional Development Banks (RDBs) lending has increased significantly in the 21st Century. The EIB overtook World Bank from 1991 (Clifton et al., 2018; Clifton et al., 2021a; Alonso and Cuesta, 2021).
- For regions and their member states, RDBs are -in general- more important than global MDBs – RDBs lend more to the region than global MDBs. For example, CABEL: Central American Bank of Economic Integration (Deras, Cortés & Funes, 2021).
- RDBs have experienced a recent “renaissance” in the context of ‘Shifting Wealth’ (OECD 2010-2021). For e.g. the AIIB: Asian Infrastructure Investment Bank (Xu, 2021) and CAF: Development Bank of Latin American (Brando 2021). To what extent will RDB governance and shareholder arrangements be changed to reflect this Shift in World Wealth?
- RDBs have advantages associated with greater geographical, economic, and cultural proximity, with regard to their shareholders and the countries to which they provide loans. Agreements through negotiation are easier than in global MDBs based on the assumption that members are both lenders and borrowers (Griffith-Jones et al., 2008; EIB Clifton et al., 2021; CABEL Deras et al., 2021).
- From the Global Financial crisis 2007 onwards, criticism of the role of both global MDBs and RDBs has intensified (Clifton et al., 2019). New Policies: EFSI: European Fund for Strategic Investments new role for EIB – EIF as a “Green Bank”.
- The Reinvention of Development Banking in the European Union: Industrial Policy in the Single Market and the Emergence of a Field (Mertens, Thiemann & Volberding 2021; other new books by OUP, including our contribution on EIB-ICO).
- COVID 2020-2021!! Covid-19 has dealt a devastating economic blow around the world. RDBs and NDBs have provided supportive credit, fiscal assistance, expert advice and macro-economic stability in ways that private financial institutions are often unable or unwilling to do (McDonald et al., 2021; Clifton et al., 2021c).



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#### **Relevance of the CABEI among MDB and RDB in Central America 2010-2017**

Amount of loans approved by MDB, millions of USD, 2010-2017						
	Costa Rica	El Salvador	Honduras	Guatemala	Nicaragua	Total
CABEI	2,813.4	2,164.8	2,220.2	2,007.6	2,301.6	11,507.6
IADB	2,069.2	1,927.7	1,888.2	1,877.4	1,874.2	9,636.7
IBRD	620.0	540.0	497.6	1,586.5	631.7	3,875.8
Total	5,502.6	4,632.5	4,606.0	5,471.5	4,807.5	25,020.1

Percentage of the amount of loans approved by MDB, 2010-2017						
	Costa Rica	El Salvador	Honduras	Guatemala	Nicaragua	Total
CABEI	51.1	46.7	48.2	36.7	47.9	46.0
IADB	37.6	41.6	41.0	34.3	39.0	38.5
IBRD	11.3	11.7	10.8	29.0	13.1	15.5

Source: CABEI-ODE 2018 and 2019

(Deras, Cortés & Funes, 2021)

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The Reinvention of Development Banking in the European Union: Industrial Policy in the Single Market (Mertens, Thiemann & Volberding 2021, other new books by OUP, our contribution on the Spanish ICO.

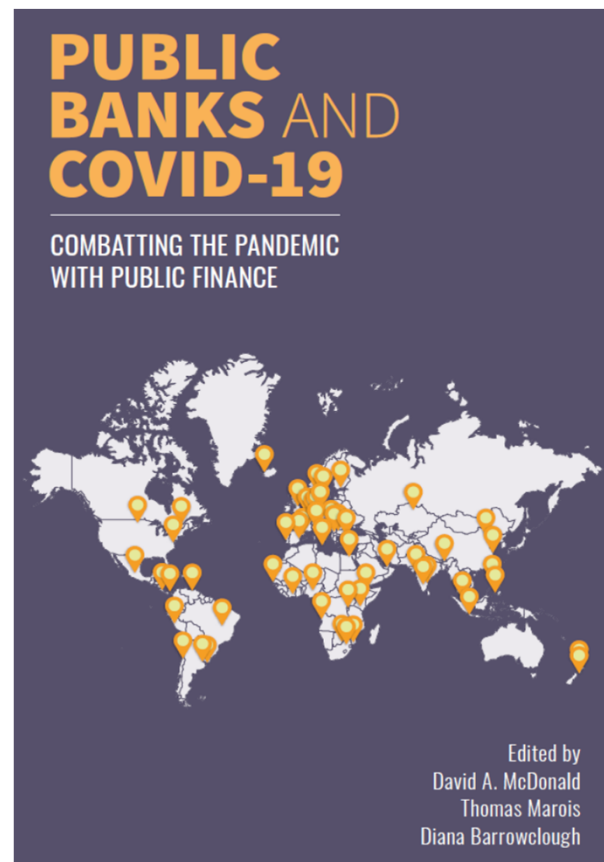


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*COVID 2020-2021!! Covid-19 has dealt a devastating economic blow around the world. RDBs and NDBs have played a key role towards a recovery (McDonald et al., 2021; Clifton et al., 2021c).*





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