

The Next Generation of National Development Banks (NDBs): Early Lessons from Ghana and Nigeria

Context and Motivation

Over the last 15 years, a new wave of national development banks has been founded, especially in Africa. The United Nations (most recently in the Sevilla Commitment), the European Commission and other international institutions have strongly endorsed and actively supported the establishment of new NDBs as key actors in advancing sustainable development. NDBs perform several functions that can significantly contribute to sustainable development. These include countercyclical lending during crises such as the recent COVID-19 pandemic; filling gaps in investments with high social returns, such as combatting climate change or financing public goods such as education and health; providing long-term finance for infrastructure and innovation; extending finance for underserved segments and sectors; mobilizing private finance and crowding in of private investments. At a time where other sources of development finance, such as official development assistance (ODA), are increasingly drying up, the ability of NDBs to mobilize domestic resources and transform them into productive investments for socio-economic development is becoming ever more important.

This research project focuses on two of these newly established development banks: the Development Bank Ghana (DBG), which began operations in 2021, and the Development Bank of Nigeria (DBN), which began operations in 2017. Against the background of political interference, poor loan performance and limited effectiveness of some previous NDBs in Ghana and Nigeria, DBG and DBN were set up with the strategic involvement of other Development Finance institutions (DFIs) that provided finance and technical expertise. By examining the establishment and the current workings of these two institutions, we seek to understand whether and how they have grown into strong, independent financial institutions, and how they contribute to sustainable development in their respective countries. Furthermore, we examine the role of MDBs and DFIs in supporting the development of these NDBs, focusing on both their current contributions and the roles they ought to play.

To this end, the research project seeks to identify best practices and lessons learned for both establishing new NDBs and improving the performance and development of existing ones – including relevant insights for DBG and DBN.

Research Questions

Our research seeks to answer the following overarching research question:

What factors enable NDBs to grow into independent and impactful institutions capable of fostering sustainable development?

Related to that, we are asking the following specific research questions:

- 1** What internal and external factors enable or constrain NDBs' independence?
- 2** Which role did other DFIs (especially MDBs) play in the early development, growth, and independence of DBG and DBN?
- 3** What instruments do NDBs put in place to advance sustainable development?

Methodological approach

Using semi-structured expert interviews, this research employs a qualitative case study design to examine the activities, funding sources and institutional dynamics of the newly founded NDBs in Ghana and Nigeria. In specific cases, the qualitative evidence will also be supplemented with secondary data and document analysis.

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Calendar

Accra, Ghana

Data Collection, 04 – 28 Feb

Lagos, Nigeria

Data Collection 01 Mar – 20 Mar (Group 1)

Abuja, Nigeria

Data Collection 09 – 20 Mar (Group 2)

Accra, Ghana

Data Analysis, Writing & Wrap-Up

21 Mar – 26 Apr

About IDOS

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Research at IDOS is theory-based, empirically driven and application-oriented. It provides the basis for the consulting activities of the Institute. IDOS develops policy-relevant concepts, advises ministries, governments and international organisations, and refers to current policy issues. The training programmes of the Institute for university graduates and young professionals are integrated into the research and advisory process.

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