

Agricultural Public
Development
Bank Coalition

Awareness Paper

**Public Development Banks in a Polycrisis :
from Stabilization to System Transformation**



**Agri-PDB
Platform**

Agricultural Public Development Bank Coalition

Executive Summary

The recent disruptions in global energy and fertiliser markets induced by Strait of Hormuz blockade have once again exposed the structural vulnerability of food systems, where crises propagate through financial channels, disrupting access to inputs, undermining farming stability, and weakening rural livelihoods and well-being.

Public Development Banks (PDBs) are central to addressing these vulnerabilities. Their mandates, scale, and countercyclical capacity position them not only as stabilizers in times of crisis, but as key drivers of structural transformation toward more resilient food systems.

Drawing on evidence from recent crises, including the 2008–2010 financial crisis, the COVID-19 pandemic, the Ukraine war, and the current Persian Gulf disruption, this Awareness Brief demonstrates the effectiveness of PDBs interventions, while identifying the critical institutional and policy conditions required to sustain and scale these positive impacts.



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1. Framing the crisis: A financial shock with systemic food security implications

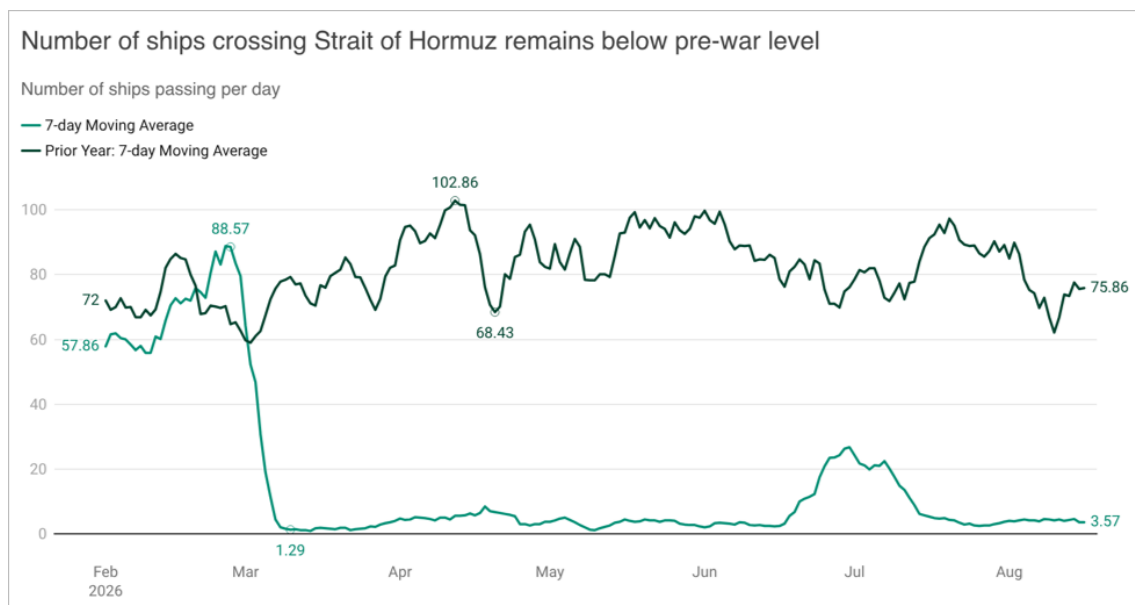
A systemic shock at the core of global food systems

The disruption in the Strait of Hormuz illustrates how global food systems depend on a small number of strategic chokepoints: the Strait channels around 35 percent of global crude oil exports, 20 percent of liquefied natural gas, and up to 30 percent of internationally traded fertilisers (FAO, 2026a). Dependence is even higher for specific inputs, such as sulphur, a key component of phosphate fertilisers, for which nearly half of global exports transit through the region (McDonald, 2026).

Following the escalation of tensions in early 2026, shipping traffic through the Strait collapsed by more than 90 percent (Figure 1), disrupting flows of around 20 million barrels of oil per day and a significant share of global fertiliser supply (FAO, 2026a). This triggered sharp increases in energy and fertiliser prices, alongside logistical constraints driven by rising insurance costs (FAO, 2026a).

Crucially, the crisis shows that food systems can be destabilised without direct disruption to agricultural production. By affecting upstream inputs, such as energy, fertilisers, and logistics, it undermines the foundations of modern agriculture (Zhang, 2026).

Figure 1. Number of ships crossing Strait of Hormuz has risen but remains below pre-war level



Source : IMF PortWatch (based on UN Global Platform AIS data)

From energy shock to food systems disruption

The deep integration of fossil energy within modern food systems reinforces their structural vulnerability. Following IPES-Food (2025), modern food systems are highly dependent on fossil fuels. These are embedded throughout the agri-food chain, providing energy and feedstocks for agricultural inputs, mechanized production, food processing, packaging, transportation, and storage. As a result, energy shocks are rapidly transmitted across food value chains, contributing to higher food prices and food insecurity.

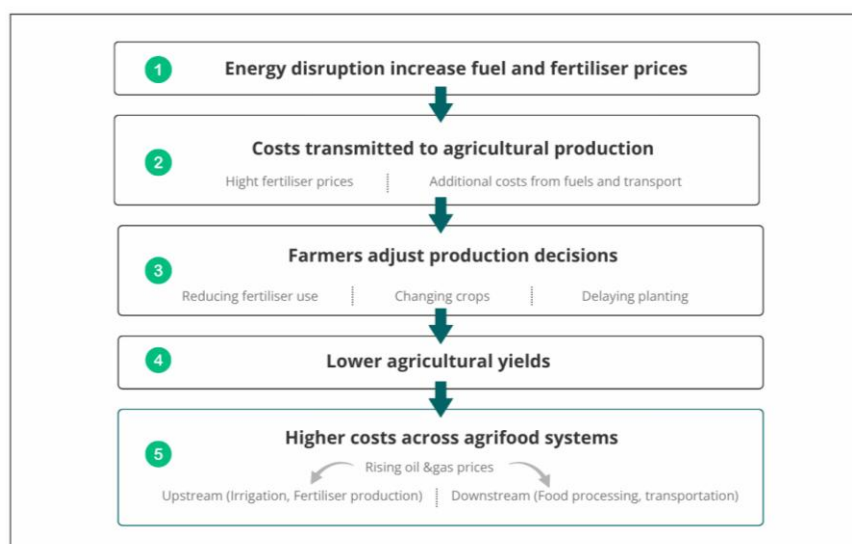
The crisis unfolds through a cascade linking energy markets, agricultural production, and food security, which results in a time-lagged shock moving from energy markets to food systems (Figure 2).

First, energy disruptions increase fuel and fertiliser prices. Fertiliser production, especially nitrogen-based, depends heavily on natural gas, which represents up to 70-90 percent of production costs (Sanyal et al., 2015).

Second, these costs are transmitted to agriculture. Fertilisers account for 40-50 percent of cereal production costs, while fuel and transport further increase operating expenses (Agence Française de Développement, 2026).

Third, farmers adjust production decisions, reducing fertiliser use, changing crops, or delaying planting. These responses lead to yield reductions that materialise one to two seasons later (Zhang, 2026). Finally, these effects translate into market dynamics, with rising oil and gas prices affecting upstream activities (e.g., irrigation and fertiliser production) as well as downstream processes (e.g., food and transportation), ultimately inducing higher costs across agrifood systems, both internationally and domestically (Zhang, 2026).

Figure 2. Transmission pathways from energy disruptions to higher agrifood system costs



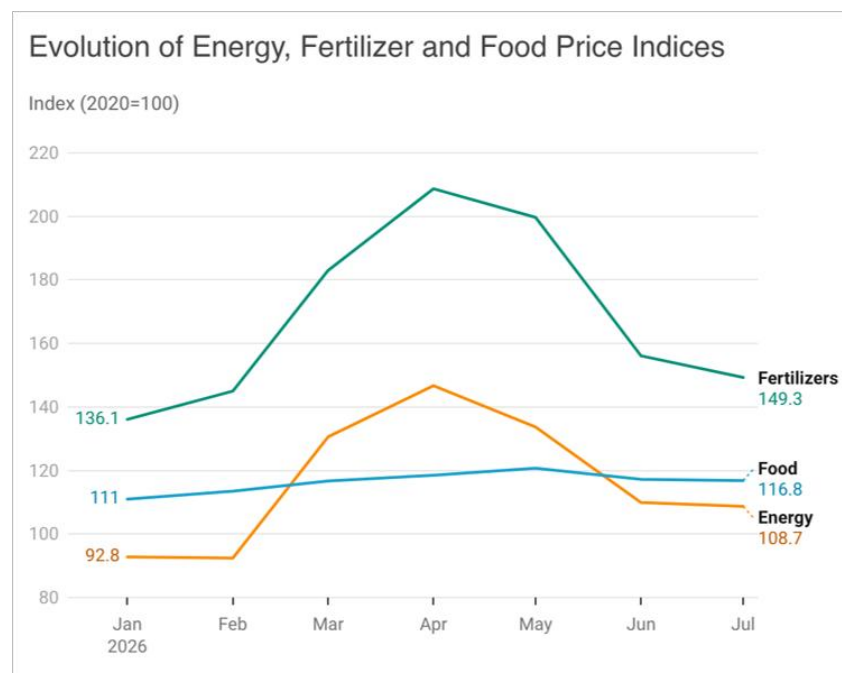
Price dynamics have been shifting since the closure of the Strait (FAO, 2026c): after a period of stability, global food commodity prices have risen, indicating a delayed cost pass-through due to three main reinforcing dynamics: a clear pass-through from energy to transport costs, an acceleration in food commodity prices, and diverging food inflation across countries (uneven inflation across regions

reflects differences in exposure and adjustment capacity). These effects are already emerging through rising retail prices driven by energy and transport costs, eroding household purchasing power.

However, successive developments suggest that fertilizer markets are entering a second phase of adjustment rather than remaining in acute shortage. Following the initial phase of sharp increases in input prices, international fertilizers prices have partially stabilized (e.g., soon after the Strait closure, urea prices rose by more than 50 percent above pre-blockade levels, and returned close to pre-conflict levels by early June). These adjustments have been driven not only by improved supply conditions, including the easing of Chinese export restrictions and relatively low natural gas prices in the United States, but also by weaker demand. Uncertainty, low crop prices, and already completed purchases in major producing regions have reduced fertilizer demand, while rising input costs have discouraged additional purchases. As a result, current price stability reflects a combination of market rebalancing and demand compression rather than a full recovery of underlying conditions.

Finally, the recent stabilization of international fertilizer prices masks persistent structural vulnerabilities (Figure 3). While headline prices have moderated since the peak of the crisis, this adjustment partly reflects weaker demand rather than a full normalization of market conditions. At the same time, fertilizer prices remain elevated relative to pre-crisis levels. As a result, improvements observed in international markets are not necessarily transmitted to farmers, especially in import-dependent countries, where affordability constraints and supply bottlenecks continue to limit access to essential inputs.

Figure 3. Evolution of Energy, Fertilizer and Food Price Indices



Food prices rose more gradually, reflecting delayed cost pass-through.

Source : World Bank Commodity Price Data (The Pink Sheet)

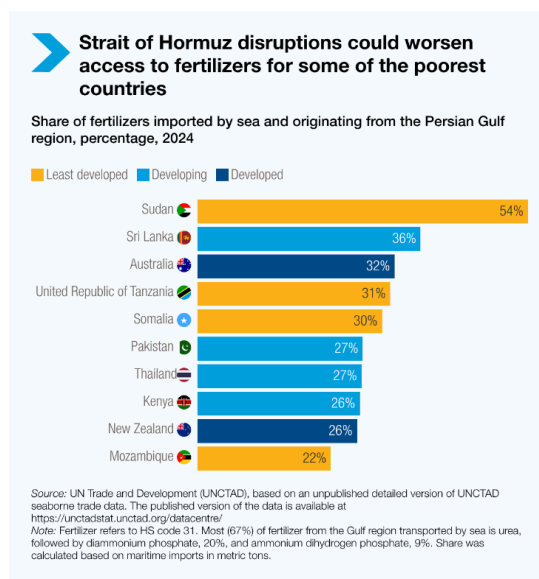
Scale of impacts: from farm-level constraints to global risks

The most immediate effects are felt at the farm level. Since rising input costs are not matched by higher farmgate prices, margins are compressed, and farmers have to undertake severe production decisions (Lario, 2026). These responses accumulate into system-wide effects, as reduced fertilisers use lowers yields and tightens food supply over time (Zhang, 2026). At the same time, value-chain actors face higher working capital needs as input costs increase. Fertiliser markets are also under pressure, with disruptions removing an estimated 3-4 million tonnes per month from global trade, around 15 percent of flows (Agence Française de Développement, 2026).

At the macro level, the crisis raises food-import costs, inflation, and welfare losses; under high geopolitical risk, the effect of oil-price surges on food-import bills nearly doubles (FAO, 2026b). More broadly, global household welfare could decline by 0.5/1.6 percent, with the strongest impacts in developing economies (FAO, 2026a). The key uncertainty is no longer whether these effects will materialise, but how widely and unevenly they will spread. Indeed, many of the most severe effects are still ahead, and reduced fertiliser use is likely to lower yields and increase food insecurity in late 2026 and 2027. Moreover, if reduced fertilizer use coincides with higher-than-average prices and climate-related production shocks, the combined effect could significantly depress agricultural output in late 2026 and 2027, generating upward pressure on food prices and amplifying food security risks at the global level.

Impacts are uneven, and reflect dependence on imports, fiscal capacity, and resilience (Agence Française de Développement, 2026). Countries in Sub-Saharan Africa, South Asia and Oceania are particularly exposed due to their high dependence on imported fertilisers, food, and energy through Hormuz (Figure 4). Countries such as Sudan and Sri Lanka are especially vulnerable to disruptions in fertiliser supplies originating from the Persian Gulf region, which directly threaten the production of nitrogen-intensive staple crops such as maize, rice, and wheat (Lario, 2026; Okoth, 2026). In multiple countries, these vulnerabilities are compounded by high debt, limited access to finance, and dependence on remittances. The result is asymmetric exposure, in which vulnerable countries are the most affected (FAO, 2026a; FAO, 2026b).

Figure 4. Strait of Hormuz disruptions could worsen access to fertilizers for some of the poorest countries



Source: UN Trade and Development (UNCTAD), 2026. Based on an unpublished detailed version of UNCTAD seaborne trade data. Reproduced from UNCTAD.

In response to these pressures, governments are increasingly treating fertilizer availability as a strategic priority for food security, and attempt securing supply through expansion of domestic productions, diversified imports, or direct financial support to farmers. While short-term measures help stabilize production but entail significant fiscal costs and risk reinforcing dependence on external inputs, alternative pathways, such as investments in organic and bio-based fertilizers and efforts to improve nutrient-use efficiency are being explored. However, these transitions remain uneven and constrained, highlighting the challenge of balancing immediate crisis response with longer-term resilience.

A financial crisis for food systems

The current disruption represents the third major shock affecting global fertiliser markets in less than a decade (following the COVID-19 pandemic and the war in Ukraine) highlighting that food system exposure is structural. Yet, this crisis is not a traditional supply shock: global availability remains stable in the short term, but the financial conditions of food production are already deteriorating.

At its core, the shock is about access to inputs, liquidity, and risk-sharing mechanisms: as farmers, agribusinesses, and governments face rising financing needs, private financial institutions often become more reluctant to lend. This tendency is particularly pronounced in agriculture, a sector characterized by inherently high production and market risks due to weather variability, biological processes, long production cycles, and price volatility (USDA, 2025). During crises, these perceived risks intensify, potentially worsening credit constraints precisely when financing is most needed (Cull & Martínez Pería, 2012; Brei & Schclarek, 2017).

The crisis should therefore be understood as an input-access and financial shock, which shapes production decisions and future food security outcomes, and highlights financial institutions, particularly Public Development Banks, as central for food systems stabilization.

2. The Strategic Role of Public Development Banks

2.1 Why Public Development Banks matter: role, scale and position in the global financial system

Public Development Banks occupy a central position in contemporary development finance systems, as mission-driven financial actors mandated to pursue public objectives through financial instruments rather than profit maximization (Romero, 2017; Ocampo & González, 2024). Their defining characteristic lies in their ability to finance long-term, high-risk and socially beneficial investments that private markets systematically underprovide due to uncertainty, long maturities, or diffuse social returns. In this respect, PDBs help correct structural inefficiencies in financial markets, steering capital toward long-term development necessities.

Their relevance has intensified in the current global context, characterized by increasing development needs alongside heightened systemic instability, which is exposing vulnerabilities of agriculture. Rising needs for investment in infrastructure, climate adaptation, and food systems coincide with declining bilateral aid flows and growing geopolitical fragmentation, placing additional pressure on the global financial architecture (Ocampo & González, 2024; Lario, 2026). These dynamics reinforce the need for institutions capable of addressing not only financial gaps but also systemic vulnerabilities.

In this evolving landscape, PDBs are key pillars of the global financial system. While Multilateral Development Banks (MDBs) account for a substantial share of development finance flows, national development institutions' assets represent a significant portion of total global investment (Ocampo & González, 2024). Accordingly, following the Public Development Banks and Development Financing Institutions Database by Xu et al. (2021), in 2024 PDBs accounted for USD 1.4 trillion invested in agriculture. Such institutions can play a decisive role at the domestic level, financing national priorities and acting as transmission channels between public policy objectives and financial markets. This dual positioning allows them to operate simultaneously at macro and micro levels, influencing both aggregate investment patterns and sector-specific outcomes.

PDBs operate as hybrid institutions at the intersection of states and markets. Through instruments such as loans, guarantees, equity participation, risk-sharing mechanisms and advisory services, they align capital allocation with policy priorities while mobilizing private finance (Romero, 2017). Beyond their financial role, they contribute to policy coordination, project preparation, and the implementation of development strategies, thereby shaping not only the volume but also the composition of investments.

Additionally, **PDBs follow a dual mandate**, operating simultaneously across two-time horizons. On one side, PDBs act as short-term stabilizers, providing liquidity, sustaining production, and preventing systemic collapse. On the other hand, they contribute to long-term structural transformation, addressing the underlying vulnerabilities that make economic systems, particularly food systems, susceptible to repeated shocks.

Therefore, the systemic relevance of PDBs is tied to how they behave across economic cycles: in other words, their ability to respond during periods of crisis distinguishes them from other financial actors and explains their growing centrality in the global system.

Yet, this ability critically depends on effective coordination among PDBs. Initiatives such as the **Agricultural Public Development Banks Platform (Agri-PDB Platform)** bring together public development institutions to strengthen collaboration, share knowledge, and align financial interventions in support of agricultural development, food security, and systemic resilience. As crises become more complex and interconnected, the effectiveness of PDB interventions depends not only on their individual capacity to act, but also on their ability to operate as part of a coordinated global network.

The countercyclical nature and core function of PDBs

One of the defining features of PDBs is their **ability to operate countercyclically**, acting as stabilizing forces within inherently procyclical financial systems. Robust empirical evidence shows that while private financial institutions tend to expand lending during economic booms and contract it during downturns, thereby amplifying economic fluctuations, PDBs sustain or even increase credit provision during periods of crisis, mitigating the effects of economic shocks (Léon, 2020; Brei & Schclarek, 2017). Consequently, private banks typically exhibit a strong correlation between economic growth and credit expansion, with lending increasing significantly during periods of economic expansion, whilst, by contrast, state-owned and development banks show much weaker cyclical sensitivity and, in certain contexts, display countercyclical lending patterns (Brei & Schclarek, 2017). During systemic banking crises, this divergence becomes particularly pronounced, with public banks expanding credit while private institutions withdraw, often resulting in substantial differences in lending growth across sectors and regions (Cull & Martínez Pería, 2012).

Several structural factors explain this countercyclical behaviour (Léon, 2020). First, PDBs operate under explicit mandates to support economic stabilization and development objectives, allowing them to prioritize long-term impacts over short-term profitability. Second, their funding structures are typically more stable, relying on public capital, long-term financing instruments, and, frequently, implicit or explicit government guarantees. This reduces their exposure to liquidity shocks and bank runs, enabling continued lending during crises. Third, their long-term relationships with borrowers, particularly firms and productive sectors, create incentives to maintain credit flows even under adverse economic conditions.

The countercyclical role of PDBs is particularly visible in crisis periods. During the 2008–2010 global financial crisis, public banks played a crucial role in offsetting the contraction of private credit. For instance, evidence from Latin America shows that government-owned banks significantly expanded lending, stabilizing financial systems and mitigating economic downturns (Cull & Martínez Pería, 2012). Micro-level evidence from Brazil further demonstrates that regions with greater exposure to public banks experienced smaller declines in GDP and employment, as well as fewer firm failures (Coleman & Feler, 2014).

During the COVID-19 pandemic, as underlined by Lario (2026), the simultaneous collapse of supply and demand, combined with massive reversals of private capital flows, created severe liquidity shortages across economies, particularly in developing countries. In such a context, private financial institutions reacted in a strongly procyclical manner, reducing lending due to heightened uncertainty and risk aversion. In contrast, PDBs expanded their operations, providing liquidity to firms, governments and households precisely when it was most needed. Their interventions during the pandemic included direct lending, guarantees, refinancing schemes, loan restructuring, and temporary moratoria, and prevented widespread bankruptcies and preserved employment. Always following Lario (2026), the effectiveness of these interventions can be understood along three dimensions: scale (large increases in financial support), speed (rapid disbursement of funds), and direction (targeted support to affected sectors such as SMEs and essential services).

Structural constraints and trade-offs

Despite their critical role in stabilizing economies and financing development, PDBs can face significant structural constraints and inherent trade-offs which might limit their effectiveness. This is indeed highly contingent on institutional design, governance quality, and financial sustainability, making them powerful but potentially fragile policy instruments (Romero, 2017).

Above all, the ability of PDBs to act countercyclically is conditional on interrelated factors.

- First, **financial capacity** is a critical determinant. Well-capitalized institutions can expand lending rapidly during downturns, while undercapitalized banks may be unable to respond effectively or may even behave procyclically. Government support, including capital injections and guarantees, further strengthens this capacity, particularly in low-income contexts where fiscal constraints are more binding (Lario, 2026).
- Second, **institutional capacity** plays a key role in shaping the effectiveness of interventions. This includes operational flexibility, alignment with government strategies, and internal capabilities such as digitalization and administrative efficiency. Differences in technical capacity and organizational structures explain significant variation in performance across PDBs, with some institutions unable to scale up lending during crises due to rigid procedures or limited resources. In this regard, coordination mechanisms, through co-financing, risk-sharing, and information exchange, can significantly enhance both the scale and speed of responses.
- Third, **governance and political economy factors** further influence PDB performance. While public ownership enables countercyclical action, it may also expose institutions to political interference, affecting credit allocation and efficiency. Empirical evidence suggests that, outside crisis periods, state-owned banks may exhibit lower profitability, higher operating costs, and weaker allocation efficiency compared to private institutions (Cull & Martínez Pería, 2012). The overall quality of governance frameworks, including regulatory environments and accountability mechanisms, is therefore critical: in stronger institutional contexts, PDBs are more likely to fulfil both stabilization and development mandates effectively (Léon, 2020).

These governance challenges are not completely insulated from leadership turnovers and changes in political administrations, which can affect PDBs strategic continuity.

- PDB countercyclical performance is also shaped by the **broader macroeconomic environment**, as countercyclical behaviour is more pronounced in economies with stable macroeconomic conditions and strong institutions, whereas weaker environments may limit policy effectiveness.
- Finally, **inherent strategic trade-offs** determine PDBs capacity to effectively act countercyclically. PDBs face a fundamental tension between financial sustainability and development objectives, and while prioritizing development outcomes may reduce financial performance, excessive emphasis on profitability can undermine their mandate. This trade-off is particularly relevant when PDBs rely on private capital markets, introducing pressures for short-term returns and risk minimization (Romero, 2017).

Thus, **PDBs operate at the intersection of competing objectives**, financial sustainability, political accountability, and development impact. As such, their effectiveness depends not only on their existence, but on how these trade-offs are managed.

It is noteworthy the long-term impact of countercyclical interventions. While these can stabilize economies in the short term, they may also distort resource allocation or delay necessary structural adjustments. Evidence from crisis episodes indicates that, although public banks can reduce firm failures and support economic activity, there is a risk that prolonged intervention may affect market efficiency and productivity dynamics (Coleman & Feler, 2014). Finally, although PDBs already finance a significant share of global investment, current financial flows remain insufficient to meet global development and climate goals: as reported by Ocampo & González (2024) and FAO (2026b), the scale of required investment in energy transitions, food systems, and resilience, far exceeds existing capacities. This creates a structural gap between the potential role of PDBs and their actual impact, highlighting the need for increased capitalization, improved coordination, and more effective mobilization of private capital.

2.2 From theory to practice: how MDBs and PDBs act in crises and coordinate responses

Evidence from periods of systemic crisis follows the theoretical literature, which attributes a countercyclical and developmental role to PDBs. Practical examples show that not only PDBs provide vital financing in crises, expanding credit when private institutions withdraw, but also function as system coordinators, aligning financial flows, policy measures, and sectoral interventions across different levels of governance. Their ability to combine these roles allows them to respond to complex, cross-sectoral crises, such as those affecting food systems. Yet, the effectiveness of PDBs' responses depends on their ability to ensure their interventions reach the most affected actors and to align with government policies and sectoral strategies.

Global Financial Crisis and Sovereign Debt Crisis

The 2008 Global Financial Crisis and 2010 Sovereign Debt Crisis represented a massive stress test for PDBs. A World Bank survey of 90 national development banks in 61 countries (De Luna Martínez & Vicente, 2012) documented that between end-2007 and end-2009, PDBs' combined loan portfolios increased by 36 percent, versus 10 percent for private banks in the same countries. Only 16 percent of PDBs experienced negative portfolio growth. Similarly, MDBs collectively increased their lending commitments to emerging economies by 72 percent between 2008 and 2009.

Examples of PDB interventions - Global Financial Crisis and Sovereign Debt Crisis

Brazilian Development Bank (BNDES)	Brazilian Development Bank (BNDES) implemented the PSI investment program (Programa de Sustentação do Investimento) in July 2009, reducing interest rates on loans for Brazilian-made machinery and equipment. BNDES's total disbursements increased 85 percent in 2009 alone (Brei & Schclarek, 2017).
Kreditanstalt für Wiederaufbau (KfW)	Kreditanstalt für Wiederaufbau (KfW) in Germany , launched the "KfW Special Programme" as part of Germany's economic stimulus packages, and released commercial banks from up to 90 percent of loan liability, absorbing credit risk when private banks froze lending. In 2009, KfW achieved its highest domestic financing volume in history, and by 2012 KfW estimated its crisis-era activities had saved 370,000 jobs (Frankfurt School-UNEP Collaborating Centre for Sustainable Energy & Climate Finance, 2017; KfW, n.d.).
Instituto de Credito Oficial (ICO)	Spain's Instituto de Credito Oficial (ICO) more than doubled its loans between 2007 and 2013. ICO granted €5.3 billion in ad-hoc credit to autonomous communities in the first half of 2012 alone to help them refinance debt maturities and contributed €6.3 billion to a special purpose fund to pay off arrears of local governments (Wruuck, 2015).
Slovenia's Export and Development Bank (SID)	Slovenia's Export and Development Bank (SID) more than doubled its loans to banks and customers between 2008 and 2013 and provided temporary guarantee schemes for corporates and individuals in 2009 on behalf of the state (Wruuck, 2015).
Bulgarian Development Bank (BDB)	The Bulgarian Development Bank (BDB) loan portfolio grew by approximately 30 percent during 2007-2013 and had recorded the highest single-institution growth (275 percent) during the 2008-2009 global financial crisis period (Wruuck, 2015).

At the multilateral level, the **Development Bank of Latin America and the Caribbean (CAF)** established a \$1.5 billion contingency liquidity line in September 2008 for member countries facing

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difficulties accessing capital markets, and increased credit lines for the region's financial system from \$1.5 billion to \$2.0 billion (Development Bank of Latin America [CAF], 2008).

COVID-19 Pandemic

The COVID-19 pandemic was an extreme, simultaneous supply-and-demand shock, compounded by financial instability and a sudden reversal of capital flows, especially in emerging and developing economies. Lockdowns, mobility restrictions, and income losses caused acute liquidity shortages for firms and households. While private financial institutions reacted procyclically, sharply reducing lending, PDBs responded by stepping in as primary channels of liquidity and stabilization, preventing widespread firm closures and mitigating employment losses (Lario, 2026).

Examples of PDB interventions - COVID-19 Pandemic

Development Bank of Jamaica (DBJ)	The Development Bank of Jamaica (DBJ) provided additional J\$10 billion to financial institutions for on lending to the agricultural sector at reduced interest rates, explicitly linking the intervention to food security concerns arising from disrupted global supply chains (Jamaica Information Service, 2020).
Agribank	Similarly, Agribank in Namibia introduced a comprehensive relief package that combined a 12-month moratorium on loan repayments with reduced interest rates and a N\$200 million stimulus program targeting farmers and agribusinesses (Agribank Namibia, 2020).
Development Bank of the Philippines (DBP)	The Development Bank of the Philippines (DBP) implemented large-scale restructuring measures, granting payment deferments to hundreds of borrowers and mobilizing support equivalent to P134.9 billion in outstanding loans, while also distributing targeted cash assistance to nearly 300,000 small-scale farmers (Development Bank of the Philippines, 2021).
Bank for Agriculture and Agricultural Cooperatives (BAAC)	In Thailand, the Bank for Agriculture and Agricultural Cooperatives (BAAC) of Thailand expanded short-term lending and restructured existing debt, contributing to a broader national support package equivalent to approximately 3.3 percent of GDP (Cooperative Auditing Department of Thailand, 2020).
National Development Bank (NDB)	The National Development Bank (NDB) of Botswana disbursed P445 million from a government recovery fund, targeting key sectors including agriculture and tourism (Mmegi, 2022).

At the multilateral level, through its Rural Poor Stimulus Facility (RPSF), **IFAD** issued a grant of US\$900,000 to Nigeria aimed to provide more than 8,000 vulnerable smallholders in the country, affected by the COVID-19 pandemic, with resilience packages composed of climate resilient seeds (Food Business Middle East & Africa, 2021).

Ukraine Conflict

The Ukraine invasion disrupted global grain markets and energy supply chains, driving up input costs and revealing the structural vulnerability of agricultural systems dependent on concentrated imports of food commodities, as well as of fertilizers and energy (FAO, 2026; Sanyal et al., 2015). In response, credit guarantees, interest rate subsidies, and risk-sharing mechanisms have been deployed to maintain agricultural production and stabilize food supply.

Examples of PDB interventions - Ukraine Conflict

Kreditanstalt für Wiederaufbau (KfW)	Kreditanstalt für Wiederaufbau (KfW) of Germany launched the "UBR Special Programme" (Ukraine, Russia, Belarus) in May 2022, to shield the liquidity of companies demonstrably affected by the war in Ukraine, through: lower interests; expanded guarantee schemes through guarantee banks and large-scale guarantee scheme, with guarantee ratios of up to 90 percent; alignment with the European Commission's Temporary Crisis Framework (KfW, 2022).
NABARD	NABARD of India served as the primary channel for ensuring credit flow to agriculture, since fertilizers costs more than doubled in 2022-23 due to the Ukraine war. The PDB provided subsidies to safeguard farmers from international price spikes, supported cooperative banks and regional rural banks in maintaining agricultural lending flows, and provided agricultural credit at concessional interest rates for priority crops (Greater Kashmir, 2023; FAI, 2023)

At the multilateral level, the **World Bank's** ARISE program, extended this support through a \$700 million package combining credit and grants, reaching more than 41,000 small-scale farms (World Bank, n.d.). Additionally, the Partial Credit Guarantee Fund in Ukraine provided guarantees covering up to 80 percent of loan obligations, unlocking additional lending of approximately \$145 million (World Bank, 2025). The **European Bank for Reconstruction and Development** (EBRD, 2022) deployed risk-sharing instruments totalling over €50 million to support agri-related sectors, while the **African Development Bank** launched a \$1.5 billion Emergency Food Production Facility to offset disruptions in fertilizer supply, delivering millions of tons of inputs to farmers (Sustain Africa Initiative, 2026). **IFAD** complemented these interventions launching, in 2022, the Crisis Response Initiative (CRI), a mechanism aimed to deliver rapid, targeted support that protects rural livelihoods and stabilizes food production. (El-Kurebe, 2026).

Persian Gulf Crisis

During the current poly-crisis induced by the Persian Gulf crisis, PDBs are ensuring that interventions address both immediate liquidity constraints and structural vulnerabilities.

The current context marked by energy price volatility, disruptions to fertilizer and food markets, inflationary pressures, and tightened financial conditions, has triggered a wave of coordinated interventions, particularly among MDBs , but also mirrored at national level.

MDBs' current response reflects a dual objective: immediate stabilization combined with the preservation of long-term resilience (World Bank, 2026). In practice, this has translated into a set of operational priorities.

- First, currently MDBs are ensuring access to essential goods and stabilizing supply chains, particularly in vulnerable economies. This includes supporting trade finance and supply chain financing mechanisms to maintain access to energy, food, and agricultural inputs, while also promoting diversification to reduce dependency on fragile global markets.
- Second, they are deploying fast-disbursing budget support to governments facing acute fiscal pressures. This is designed to help countries mitigate the social impact of crises, particularly on vulnerable populations, while maintaining macroeconomic stability. Importantly, this support is increasingly structured to preserve price signals and avoid distortive blanket subsidies, instead favouring targeted social protection measures.
- Third, these banks are providing liquidity and working capital to firms, particularly micro, small, and medium enterprises (MSMEs), as well as utilities and public service providers. This reflects a continuation of their COVID-era role as liquidity providers, but in a context where firms are now affected by cost shocks and market volatility rather than demand collapse. Maintaining firm solvency is central not only for employment but also for the continuity of essential services.
- Fourth, they are intensifying policy advisory and technical assistance, particularly in designing targeted and time-bound support measures, highlighting that PDBs are not only financial actors, but also policy coordinators embedded within government decision-making processes.
- Fifth, current interventions increasingly include investments aimed at structural resilience, such as diversification of energy sources, improved connectivity, and more robust infrastructure systems. This reflects a shift from purely reactive crisis management toward embedding resilience within recovery strategies.
- Finally, MDBs emphasize the importance of continuous monitoring and early warning systems, particularly in relation to food security risks. This reflects a more anticipatory approach to crisis management, where financial interventions are complemented by data, coordination, and forward-looking risk assessment.

These system-level interventions are mirrored at regional and national levels, where **PDBs translate broad policy frameworks into targeted, sector-specific actions.**

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Examples of PDB interventions - Persian Gulf Crisis

Banco Agrícola de la República Dominicana (BAGRICOLA)	In the Dominican Republic , Banco Agrícola demonstrates how PDBs act as operational arms of government stabilization strategies within agriculture (Agri-PDB Platform, 2026). In response to recent shocks, the bank has combined subsidized lending, emergency financing, and credit expansion to sustain production across the entire agri-food value chain. Notably, interventions have included zero-interest recovery loans for smallholders, rapid deployment of emergency funds following climate shocks, and continued credit provision to offset rising production costs.
Agricultural Finance Corporation (AFC)	Agricultural Finance Corporation (AFC) in Kenya illustrates the role of PDBs as “last-mile” financial intermediaries in highly vulnerable contexts (Agri-PDB Platform, 2026). AFC is combining liquidity provision with loan restructuring and targeted outreach to farmers and MSMEs. These financial measures are integrated with broader government actions, including input subsidies and fiscal adjustments, as well as longer-term strategies such as promoting organic fertilizers to reduce import dependency.
Banco del Estado de Chile (BancoEstado)	In Chile , Banco del Estado , in coordination with the Ministry of Agriculture, launched in May 2026 a targeted working capital credit line for agricultural MSMEs, combining subsidized interest rates, state guarantees, and repayment schedules tailored to agricultural cycles in response to rising input costs (BancoEstado, 2026).
Banco Agrario de Colombia (Banagrario)	In Colombia , Banco Agrario implemented a large-scale debt relief (covering up to 95 percent of smallholder debt) alongside restructuring programmes, payment deferrals, and field-based “normalization brigades” to restore credit conditions in affected regions (Banco Agrario, 2026a; Banco Agrario, 2026b; Banco Agrario, 2026c). These measures were complemented by coordination with public financial institutions such as FINAGRO (Colombia), reinforcing systemic risk-sharing mechanisms within the agricultural sector.
Bank of North Dakota USA	The United States Bank of North Dakota expanded its Farm Financial Stability Loan Program with an additional \$100 million allocation, targeting producers facing a combination of climate shocks, high input costs, and market volatility, and providing subsidized credit for working capital and debt restructuring (BND, 2026).

At the multilateral level, the **African Development Bank's** Emergency Food Production Facility has delivered large-scale input support, over 3.5 million metric tons of fertilizer, while transitioning into a second phase focused on food system resilience and national production capacity (AfDB, 2026). In Asia, the **Asian Development Bank** has deployed up to \$1.75 billion in countercyclical and policy-based

financing to support food and fertilizer security in the Philippines, explicitly linking its intervention to global geopolitical shocks affecting agri-food systems (ADB, 2026).

Overall, PDB responses in practice are uneven. Differences in capitalization, governance, and operational capacity lead to significant variation across institutions and countries. Some PDBs were able to expand lending aggressively, while others faced constraints that limited their response or even resulted in reduced lending. This confirms that the practical impact of PDBs is not uniform, but highly dependent on institutional conditions.

However, together these examples highlight that while PDBs' countercyclical function remains central, their responses combine three interconnected dimensions: immediate liquidity and relief, coordination of policy and financial actors, and gradual integration of resilience-oriented investments.

2.3 The dual mandate: from stabilization to system transformation

The inherent features of PDBs and empirical evidence from past and ongoing crises highlight the dual mandate of PDBs: the ability to act simultaneously as **short-term stabilizers and long-term resilience promoters**.

However, this potential is not always realized in practice, and short- and long- term objectives are not always aligned.

Crisis responses prioritise speed and scale, often channelling resources toward maintaining existing production systems rather than transforming them. As a result, emergency interventions can inadvertently reinforce structural dependencies, particularly in agriculture, where current models rely heavily on fossil fuels, synthetic fertilizers, and globally integrated supply chains (FAO, 2026a; Sanyal et al., 2015; Onour, 2021).

Recent shocks have shown that food systems vulnerability is not only cyclical but structural, rooted in dependence on external inputs and concentrated supply chains. In response, a growing body of literature emphasizes the need for systemic transformation.

Agroecological approaches offer one pathway, reducing dependence on synthetic inputs through ecological processes such as nutrient cycling and crop diversification, while maintaining productivity (IPES-Food, 2025).

Similarly, relocalization strategies, encouraging countries to produce and consume more locally, can reduce exposure to global trade disruptions and shorten supply chains. For PDBs, this implies a reorientation of investments toward decentralized infrastructure, local value chains, and more resilient production systems.

Nevertheless, the transition toward these models is constrained by structural factors, including market concentration and investment strategies that improve efficiency without necessarily reducing systemic dependencies (IPES-Food, 2025).

PDBs therefore face a fundamental strategic challenge. While their role in crisis stabilization is well established, their contribution to structural transformation depends on their ability to redirect investment, align financial instruments with long-term policy objectives, and avoid reinforcing existing vulnerabilities. Their effectiveness ultimately depends not only on how they respond to crises, but on whether they shape more resilient systems capable of withstanding future shocks.

3 The Role of the Agri-PDB Platform

To foster the strong institutional capacities and enabling policy environments needed to bridge short-term stabilization and long-term transformation, the **Agri-PDB Platform** advocates for a stronger recognition of the role of PDBs in financing sustainable food systems, while supporting PDBs through knowledge-sharing, technical assistance, and partnerships aimed at operationalizing this mandate.

Moreover, since coordination among Public Development Banks is key to effectively address systemic crises, the **Agri-PDB Platform** plays a critical role in strengthening collaboration across institutions and aligning responses to the complex challenges affecting food systems. The Platform contributes to raising awareness of the strategic role of PDBs in the current crisis, notably through targeted knowledge-sharing activities, and promotes a stronger focus on long-term resilience by encouraging discussions around agroecological approaches and the reduction of structural dependencies within food systems. At the same time, the Platform emphasizes the importance of rural financial inclusion as a foundation for stability, supporting efforts to strengthen the capacity of rural communities to absorb shocks. These objectives are operationalized through a combination of online learning sessions, technical trainings, and peer-to-peer exchanges between institutions, facilitating the diffusion of practices and experience across different contexts.

4. Conclusion

Recent crises highlight the structural vulnerability of global food systems and underscore both the central role of Public Development Banks and the constraints shaping their effectiveness. Across contexts, PDB interventions reveal a dual mandate, i.e., providing short-term stabilization while supporting longer-term transformation, whose effectiveness remains highly conditional on institutional and policy conditions.

In this setting, the **Agri-PDB Platform** ultimately represents a key coordination mechanism. By raising awareness, promoting knowledge exchange, and advancing priorities such as agroecology and rural financial inclusion, the Platform contributes to bridging the gap between immediate crisis response and long-term system resilience.

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Agri-PDB Platform

Agricultural Public Development Bank Coalition

Awareness Paper

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