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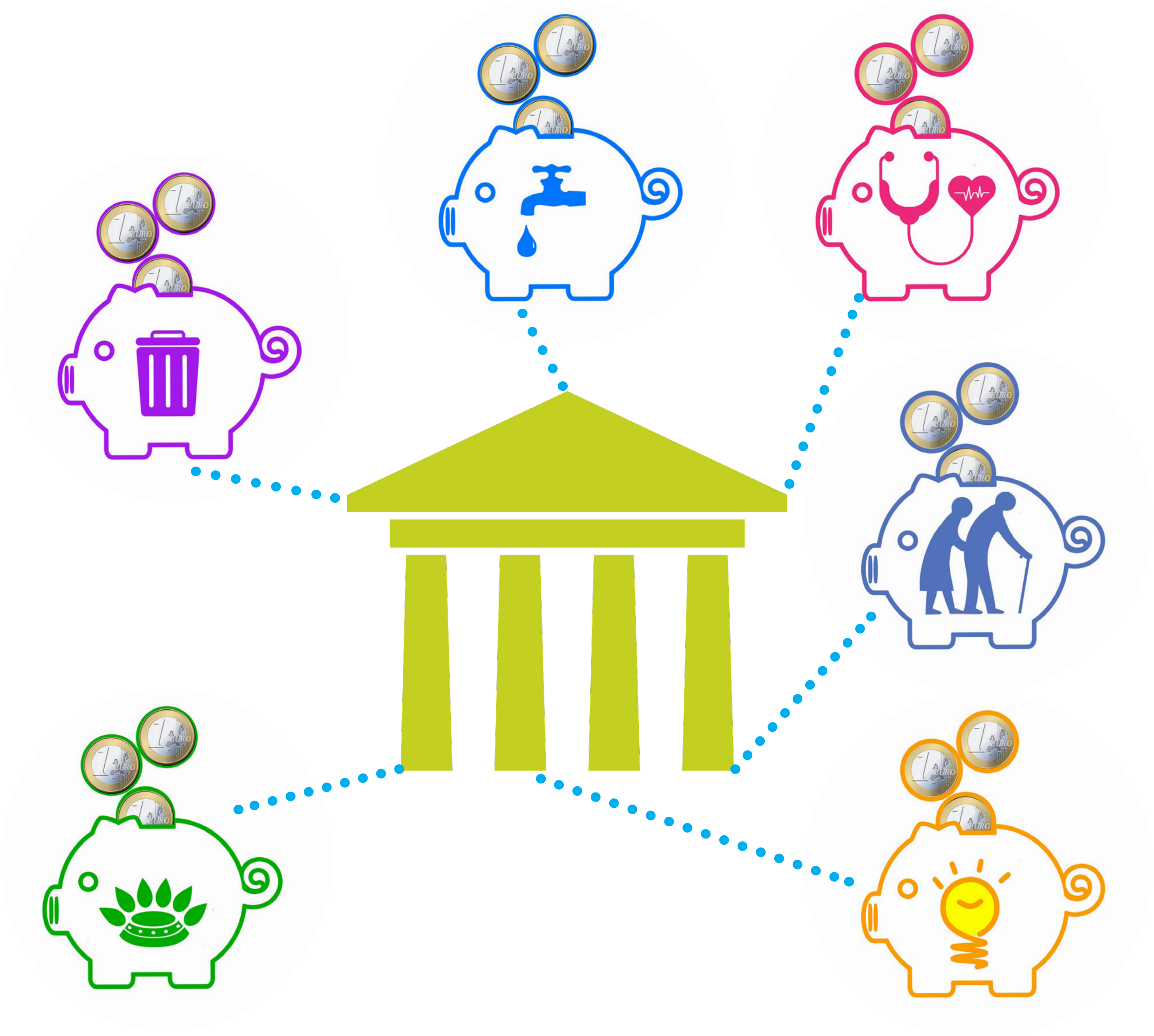

The potential of public banks to fund local quality public services:

A POLICY BRIEF FOR WORKERS AND TRADE UNIONS

About the Author

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About Public Services International (PSI)

PSI is the global trade union federation representing more than 30 million workers in public services worldwide organised 700 trade unions in 154 countries.

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FOREWORD

The Covid pandemic has shown the inestimable, life-saving value of public services.
At the forefront of public service provision and emergency responses, local and regional governments (LRGs) and their workers are essential to save lives, to protect communities and the environment, and to implement local, national and global public policy frameworks on the ground. Even when they do not hold exclusive jurisdiction, LRGs ultimately carry the responsibility to provide a wide range of local public services, including water and sanitation, refuse collection and disposal, local security, firefighting and public emergency services, forest, parks and public space maintenance, transportation, education, culture and recreation, care and social assistance, healthcare, social and public housing stocks, placement and unemployment services. Raising adequate public resources to finance these vital services and enable their equitable access to all holds the key to ensuring economic dynamism and social inclusion, or - as per the United Nations (UN) motto – to leaving 'no one and no place behind'.

However, Covid has also exposed another deadly pandemic: the global investment deficit and understaffing in local public services, epitomized by the 'service deserts' affecting many territories and communities, especially rural ones. Decades of systematic de-funding, austerity, public sector cuts, tax avoidance, privatisation, LRG 'reform' and digital-only service delivery have caused scarring damage and deepened inequalities. Such policies have often hidden the transfer of precious public resources needed to expand and improve the public service offer into shareholders' pockets. Meanwhile, public infrastructure and services in the global South remain insufficient or inaccessible, and many developing countries pay more to service their debt than they can invest in life-saving public services.

Accessing a regular stream of public resources remains a major challenge for most LRGs worldwide. Devolution/decentralisation with unfunded mandates, budgetary and fiscal power constraints, international loan conditionalities, privatisation/PPPs, mandatory tendering and outsourcing rules often take away from LRGs the public resources that they need to build appropriate infrastructure and to establish the lasting, resilient capacity needed to protect and serve their communities. Public services are a lucrative market for private providers, which often charge high user fees, cut staffing to the bone, and make cost savings at the expense of service quality in order to extract profits. The negative impacts, however, are borne directly by LRGs and their communities, not by the private providers.

Covid has sharpened this LRG funding crisis. Within this context, the temptation for LRGs to resort to quick patches and short-sighted solutions to attract private capital is strong. PPPs, municipal bonds, blended finance as well as city-based credit-rating benchmarking on the stock exchange and intermunicipal tax competition are often presented as magic solutions to LRGs by market advocates. When regressive user-fee increases and privatisation/PPPs become the norm, inequalities deepen casting adverse human, labour and environmental impacts on local communities and territories that could otherwise flourish and thrive. Public Services International (PSI) has demonstrated that privately funded public services are a neither viable nor desirable solutions that work for people. Privately funded public services are socially *unjust* and environmentally *unsustainable*. PSI has consistently advocated for tax justice for local governments and communities as well as for stronger, progressive municipal fiscal systems. The junction of multiple crises – pandemic, climate, social, economic, displacement and war - calls on LRG workers and their unions to review existing public funding options and explore new opportunities available to collectively strengthen public funding to boost the equitable provision of quality local public service for all.

Public financing for local quality public services emerged as a top policy priority for the PSI Global LRG Unions Network during its participatory membership consultations 'LRGNext2021'. This priority is reflected in the PSI LRG Global Network Action Plan 2022-27. Indeed, ensuring that LRGs have sufficient, secure public resources and the building of PSI affiliate capacity in this field are of primary importance. Regular, adequate and appropriate funding for LRGs goes hand in hand with LRG workers' employment and decent working conditions, as well as with equitable access to quality local public services in communities and territories. Besides, where local public services are underfunded, understaffed, privatised or absent multiple forms of inequalities arise – including territorial inequality - and the most vulnerable bear the brunt.

Public banks are among the policy levers that PSI has identified to explore to strengthen subnational financing systems to fund local quality public services and jobs. A 2020 estimate by the author of this paper counts 910 public banks worldwide with total combined assets of 48.71 USD trillion. This is an incredible amount of public resources that could be put to good use to work towards common goals, including boosting local public service provision, de-carbonisation, active employment policies, and inclusive socio-economic development. This is why public banks - and their democratisation - should be a key concern for trade unions globally. As local authorities seek mid- and long-term solutions for reliable, adequate and stable funding for local quality public services and public service unions seek to ensure decent employment and conditions, public banks have a key bridging role to play as long as they are made to work in the common interest.

What must the March 2023 bank failures of Silicon Valley Bank, California, Signature Bank, New York, and Credit Suisse, Switzerland remind us of as we struggle to confront the intertwined global challenges of energy transitions and structural inequality? When banks are run for and governed by profit rather than by green and just policy priorities, the government, society, and environment ultimately pay the price. Not only is progress on climate and

Mural by Elihu Vedder. Lobby to Main Reading Room, Library of Congress Thomas Jefferson Building, Washington, D.C. Main figure is seated atop a pedestal saying "GOVERNMENT" and holding a tablet saying "A GOVERNMENT / OF THE PEOPLE / BY THE PEOPLE / FOR THE PEOPLE". Artist's signature is "ELIHU VEDDER / ROMA–1896".

equality stalled, but it is also reversed. Time and resources instead flow into bailing out an already failed model of financialised economic growth and corporate governance. What's needed is a democratic public banking alternative that is by and for society, that is governed accountably and transparently, and that is mandated to deliver on green and just transitions in the public interest.

This policy brief can be used by PSI trade unions to build an understanding of what public banks are, how they operate (or should operate), where they can be found in their local communities, what good governance could look like (including workers and community participation), and how they can be mobilised in the public interest. For instance, public banks can be mandated to strengthen quality local public service provision, to finance local infrastructure, to generate local economic development and to boost quality employment in the community. However, as the field of public banks has been neglected for decades because of the dominant neo-liberal approach to academic research in finance and banking studies, many questions remain unanswered. Regardless, this policy brief provides an excellent, simple and clear starting point for any public service union to become acquainted with the issue, to build alliances and campaigns around it with other pro-public and civil society organisations, and to engage or negotiate with their LRG employers over reclaiming public banks and their resources in the public interest.

Daria Cibrario
Local and Regional Government Officer
PSI

LIST OF ACRONYMS

BPDC	Banco Popular y de Desarrollo Comunal
BoD	Board of Directors
BoG	Board of Governors
CIB	Canada Infrastructure Bank
FEC	Fonds d’Equipment Communal
FINDETER	Financiera de Desarrollo Territorial (Territorial Development Bank)
IT	information technology
LRGs	Local and regional governments
MSME	micro-, small-, and medium-sized enterprise
PPPs	Public Private Partnerships
RLBs	Rokin Labour Banks

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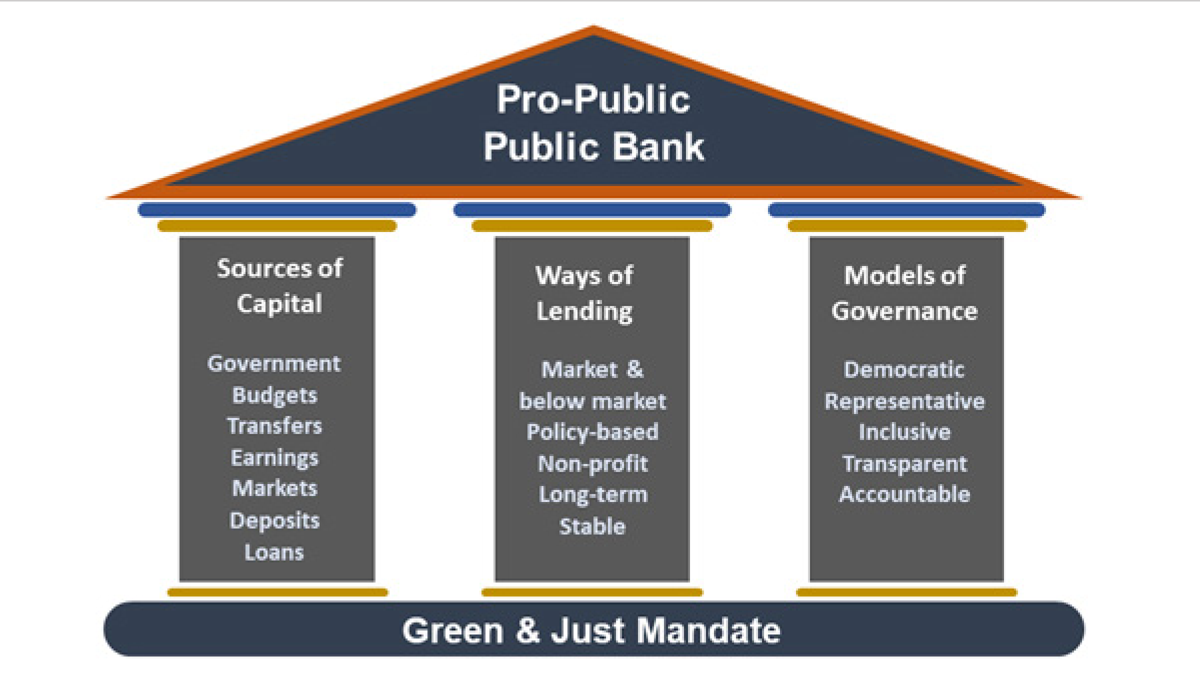
INTRODUCING PRO-PUBLIC PUBLIC BANKS

Public banks can be powerful supporters of quality local public services. Workers, communities, and local authorities can benefit from public banks that are capable and willing to provide public financing that is long-term, low-cost, and on the terms appropriate for supporting high-quality local public services. *Pro-public* public banks can foster a future of inclusive, equitable, and sustainable public services for all. There are no guarantees that a public bank will be pro-public, however. The World Bank (itself a public bank) and private financial institutions are demanding that public banks respond first and foremost to the needs of private investors – that is, for public banks to be *pro-market*. An alternative vision for pro-public public banks is required. Image 1 below captures some of what that vision should consider. Public sector trade unions and local governing authorities have an important role in defining a *pro-public* vision for public banks capable of advancing the common good.

This policy brief provides a framework for trade unions and local governing authorities to consider how a public bank can be pro-public. The brief does so in three ways. Part One first explains what public banks are and where they exist worldwide. Part Two then illustrates how actually-existing public banks are already functioning in ways that can support public services, finance local development, and help to advance workers' ambitions. Part Three concludes with recommendations for how trade unions and local authorities can have a role in advancing a future of pro-public public banks.

Image 1: Envisioning a Pro-Public Public Bank



Money Plants Growth - ©Orlando in Pixabay

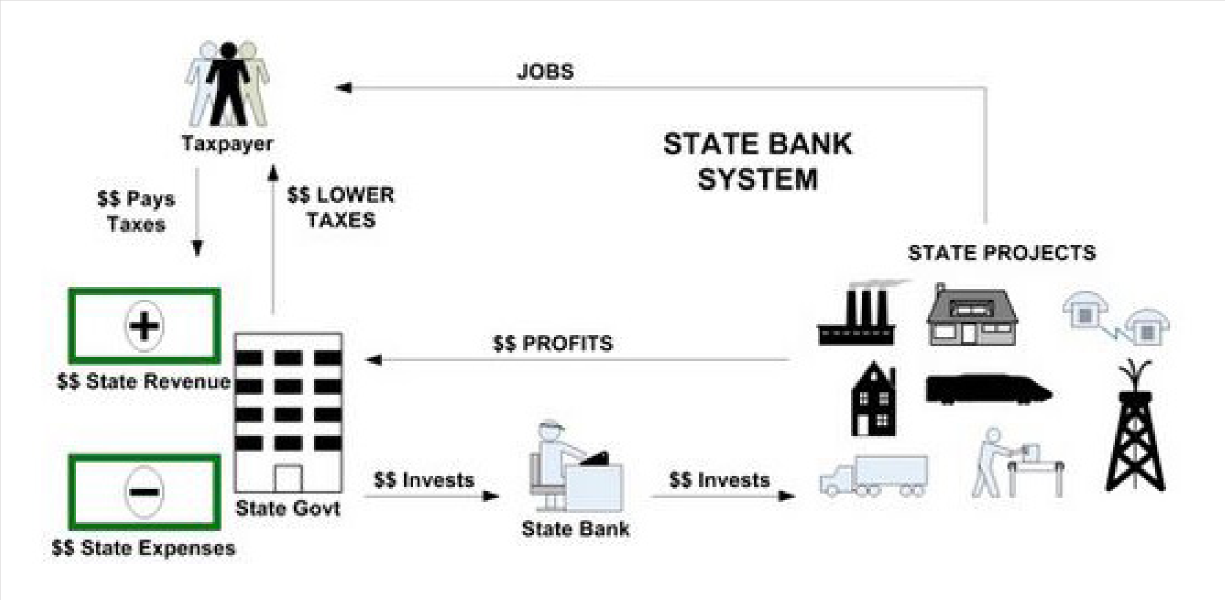
PART ONE: THE WHAT, HOW, AND WHERE OF PUBLIC BANKS

It is important to advance a future of pro-public public banks. There is widespread recognition of the need to find strategic and powerful means of breaking with forty years of anti-labour, pro-market, socially regressive, and financialised neoliberal strategies of development (see the Future is Public Manifesto; McBride 2022). Neoliberalism has undermined workers' living standards, narrowed democracy, restructured the state and the public sector to the benefit of private investors, destroyed the climate, and undermined the ability of communities to shape their local economies. The self-interests of globally mobile capital and private investors hold disproportionate sway over local development, public policy, employment, the environment, and public service delivery. There is little scope for sustainable, inclusive, just, and prosperous green transitions in the public interest until workers and communities are able to exert some form of meaningful control and democratic oversight over the financial resources flowing through their workplaces, communities, local government, and regions. For these reasons trade unionists and local authorities should care about public banks because of their potential to purposively align public banking mandates with the public interest through policy in ways that are otherwise impossible through profit-maximising private banks. Public banks offer a potentially powerful *pro-public* financial alternative.

The time for action is now. Local and regional governments (LRGs) are pressured to do more with less. It is imperative that public financial resources and assets are therefore consciously and strategically directed towards social, environmental, and public good purposes efficiently and effectively. The Covid-19 pandemic accentuated pressures on LRGs and public services, sharpening the funding crisis (McDonald et al. 2020; Cibrario 2021; EGI 2021; Smoke 2022). Urgent investments in low-carbon, green, and climate resilient infrastructure are piling up. The build-up of under-investment has generated real problems in current local public service provisioning, including understaffing, underfunding, intensified pressure to privatize, continued use of costly public-private partnerships (PPPs), and the overall loss of public services (Eurodad 2022; Paul and Cumbers 2023). Inequalities have deepened, with women and the most vulnerable, marginalized, and already-underserved communities bearing the brunt of public sector cuts, failing infrastructure, and funding rollbacks.

It is a top priority for LRG unions to ensure that there is appropriate pro-public financing capable of supporting sufficient, sustainable, high-quality, equitable, and essential public infrastructure and services while protecting decent working conditions, ensuring adequate staffing levels, and advancing green and just transitions. LRG unions need to be at the forefront of reviewing existing options to privatisation and of proposing strategic public alternatives to profit-oriented private funding for public services. Public banks are an existing, viable, and powerful option for cash-stripped local authorities and public services. Many public banks already exist and new ones are being created. There is an opportunity now to reclaim and promote public banks for public purposes, and in doing so advance the interests of workers, communities, and democracy. The first step is developing a better understanding of the what, how, and where of public banks.

A caution, however, before continuing. Forty years of neoliberal advocacy of bank privatisation and of greater private investment have left gaps in our public banking research. While there is a resurgence in research and policy development, there are more unanswered questions than answered ones. Of the 900 plus public banks in the world, perhaps a dozen public banks have much at all written on them at all (and often what is written focuses in on just one or two aspects of the public banks). More in-depth case studies of individual public banks, their histories, their purposes, as well as on their promise and pitfalls are urgently needed. More generally, there is practically nothing on a workers' view of public banks, on public bank trade unions, on models of governance, on public bank-public sector collaboration, or on sources of pro-public capital. In particular, there is an urgent need to debate what a pro-public framework for green and just public banks would look like to inform grassroots struggles to create new public bank alternatives and to influence high-level discussions on the future of public banks for green and just transitions. This policy brief cannot and does not answer all of the questions around pro-public public banks, but it can help to open the door to understanding and informed action by and for trade unions and local authorities.



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1.1 WHAT ARE PUBLIC BANKS?

Public banks are in many ways like any private bank that channels money from those who are 'capital rich' (that is, have extra money) to those who are 'capital poor' (that is, those who need extra money). Like private banks, public banks can hold savings and deposits, make loans, borrow from capital markets, and even take ownership or equity stakes in businesses. However, public banks are unlike private banks because they are majority owned by a state, government, public entity, or governing authority; or because public banks can have official government representation on their Boards of Governors, which oversee the bank; or because public banks can have a binding public purpose mandate (for example, to fund the public sector or municipal infrastructure). That is, a public bank is made 'public' through public ownership, public governance, public purpose mandates, or by any combination of ownership, governance, and mandate. As a public bank, these financial institutions have the possibility (but not the necessity) of **functioning according to policy** rather profit.

There are public banks operating at **all levels of government and society**. The most common are national level public banks (for example, the China Development Bank), but there are public banks operating at the municipal level (for example, the City Bank of Buenos Aires), sub-national level (for example, the Bank of North Dakota), regional level (for example, the Central American Bank for Economic Integration), and the multilateral level (for example, the African Development Bank).

Table 1 highlights the **different models of governance** in national and sub-national public banks. To date, there are no formal studies assessing the ways of governance in public banks. The public bank cases below provide the basics, to the extent possible. In general, there are public bank Boards of Governors that are controlled by national or central government representation and Boards that combined central and more regional or local authorities. There are other Boards made up of finance and development specialists and experts, for example, risk analysts, environmental specialists, banking professionals, development experts, and so on that have no formal link to government. Boards of Governors may also combine government representation and sectoral representation, for example, by specifying a range of Board positions for bank workers, municipal authorities, civil society positions, economic development sectors, and so on. In short, governance can reflect the priorities of society in public banks. There is no single model. **But governance needs to occur transparently and accountably, and trade unions and local authorities have a stake in ensuring democratic governance.**

At each of the different levels where public banks exist, there are **different institutional types of public banks** that function in distinct ways.

1. Public retail and savings banks work similar to private retail banks like HSBC and Citibank, which offer day-to-day financial services and have banking branches. Public retail (or commercial) banks likewise hold savings and deposits, provide personal chequing and credit facilities, offer mortgages, sell insurance, manage retirement savings, and so on. Public retail and savings banks are common and often very large banks. The State Bank of India, Qatar National Bank, the German Sparkassen, and the Banco de la República Oriental del Uruguay are examples.

2. Public development and investment banks *do not* typically have a network of branches, take personal deposits, provide chequing facilities, or offer day-to-day retail and savings services. Public development banks do not usually lend to individual households or businesses but instead lend to larger institutions and organisations, governments and municipalities, and to other retail banks and financial institutions that have local branch networks (this is called 'on-lending'). When public development banks provide financial support at a smaller and more dispersed scale, for example, to small- and medium-sized, they will often do so through 'on-lending', that is, by providing bulk financing to local financial institutions (both public and private) that have a presence in the target sector or area and that can then lend directly to specific clients. Many public development banks (but not all) will have a specialisation like micro-, small-, and medium-sized enterprise (MSME) promotion, infrastructure, export-imports, agriculture, municipal development, and so on. There are hundreds of public development banks worldwide. The Dutch Water Bank

(Nederlandse Waterschapsbank), the National Bank for Economic and Social Development Brazil, the UK Infrastructure Bank, and the Development Bank of Southern Africa are examples of public development banks.

3. Public universal banks combine retail/commercial and development finance services in a single public financial institution. Universal banks can take deposits from households and businesses and engage in larger developmental and investment projects and services. There are also hundreds of public universal banks worldwide. The Ziraat (Agricultural) Bank Turkey, Bank for Investment and Development of Vietnam, and Land Bank of the Philippines are examples of public universal banks.

4. Public retail, development, and universal banks are the three most common institutional types of banks. However, there are important public postal banks worldwide. Postal banks can provide services similar to retail and universal banks, often with extensive branch networks operating out of local postal offices. Individuals can deposit savings with postal banks, and postal banks can mobilise those savings to invest in larger infrastructure projects or to support government finances. The Postal Savings Bank Serbia, La Banque Postale France, PosteFinance Switzerland, and Algerie Poste are examples.

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5. There are also dozens of public multilateral banks worldwide, which tend to function as development banks but which are owned and controlled by several national governments. The World Bank, the Islamic Development Bank, the Nordic Investment Bank, the Asia Development Bank, and the West African Development Bank are public multilateral banks. The central banks of most countries are also typically public banks, but this paper does not address these unique institutions.

1.2 SOURCES OF CAPITAL AND WAYS OF LENDING

When a public bank is newly created, it requires an initial and direct capital injection as its baseline equity. This initial equity gets the bank started. This **start-up capital** can come directly from the national government, sub-national governments, municipalities, or other public authorities. Other public banks and enterprises can contribute to the start-up capital via direct equity injections or via start-up loans. Equity start-up capital will translate into ownership shares in the public bank. Certain public banks can also make use of 'callable capital' (described below), which is like an official promise to pay if the bank requires additional capital during its operations.

Public banks also require **recurrent sources of incoming capital** to sustain and increase lending activities. For retail and postal public banks, saving deposits from households, public enterprises, municipalities, and other public authorities are often extremely important sources of recurrent incoming capital. Public development and multilateral banks rely on more long-term domestic and foreign market borrowing as sources of capital, either through issuing bonds or long-term certificates of deposit. In all cases, governing authorities can provide policy-based capital funds from their budgets to support policy-based lending through public banks (for example, to support social housing or municipal infrastructure). Governments can also design specific mechanisms to channel recurrent flows of money into the public banks (for example, carbon tax credits or portions of municipal tax receipts). In most cases, retained earnings from public bank lending operations provide an important source of capital to increase lending.

Importantly, those public banks that can transparently demonstrate impacts through the financing of the **2030 Sustainable Development Goals (SDGS) or through Environment, Social, and Governance (ESG) compliant projects** should be able to access growing pools of impact-oriented public and private investment funds in financial markets and from international donors. These sources of capital can be at very low rates of interest, the financial benefits of which public banks can then pass on to SDG and ESG compliant projects in their communities. **Trade unions and local authorities need to be at the cutting edge of shaping how governments can capture and deploy green investment funds transparently and accountably.**

Public banks have many **ways of lending and of providing financial support** to projects. Most commonly, public banks provide loans. Loans can be **concessional** (or subsidised), that is, offered at interest rates lower than typically found in private markets. Concessional loans might also involve better lending terms or other conditions that are more favourable to the borrower than could be typically offered by private banks. **Non-concessional loans** do not involve explicit concessions or subsidies for borrowers. Interest rates are set at competitive market rates and will often be determined in competition with private banks. Public banks can still play with certain terms and conditions of the loans, including offering loans to higher risk clients than typically accepted by private banks and by offering long-term repayment periods often shunned by private banks. **The ability of public banks to provide concessional versus non-concessional financing often depends on whether government policy supports and enables subsidised lending.**

Table 1 summarises some of the key features and functions of public banks around the world, organised into three categories: (1) sources of capital; (2) ways of lending; and (3) models of governance. These categories are revisited in Part Two in each of the public banking cases.

Table 1: Summary of Public Banking Functions and Features

Sources of capital	**Domestic public allocations**: * Initial capital injections by government * Callable capital from government * Annual budgets * Special economic and promotional funds * Long-term government loans * Transfers from other organisations or funds **Permanent public capitalisation:** * State/provincial, municipal, local authority contributions * Portion of government tax income **Foreign public borrowing**: * International financial agencies (World Bank; multilateral and regional development banks; aid and donor institutions) * Foreign governments, development agencies, and public banks (multi- and bi-lateral) **Private borrowing**: * Domestic and international financial markets * Private banks and institutional investors
Ways of lending	* Non-concessional loans (market rate) * Concessional loans (below market rates; subsidized; preferential terms; not-for-profit) * Loan guarantees * Risk-sharing and co-lending * Equity * Grants (non-repayable) * Backed by sovereign guarantees * Policy-based
Models of governance	* Boards controlled by central government representation * Boards with mixed central government and regional and/or local authority representation * Boards based on member specialist expertise * Boards controlled by worker representation * Boards with government and worker representation

Source: Author

1.3 HOW MANY PUBLIC BANKS EXIST AND WHAT IS THEIR CAPITALISATION?

Public retail, development, and universal banks at the national, sub-national, and municipal levels exist in every corner of the earth and in practically every country. There are very old public banks and very new ones (**Box 1**). As of 2020 there were **910 public banks** with combined financial assets of **$49 trillion** (or just under 20 per cent all banking assets worldwide (Marois 2021, 55). To put this in context, public banks presently **hold financial assets ten per cent greater than the 2021 GDPs of China, Germany, and the USA *combined***. If you include the public multilateral banks, there are 987 public banks with nearly $53 trillion in assets (assets being all the outstanding and active loans held by public banks, including whatever is in the banks' reserves).

Box 1: Public banks through history

Public banks have a remarkably long historical legacy. The earliest known public banks were municipal public banks. The first appeared in Barcelona in 1401, the Taula de Canvi, which was founded to help with the city's budgets and finances (Milian 2021). In the 16th and 17th centuries, other public city banks popped up across Northern Europe (Roberds and Velde 2014). Public banks really took root worldwide, however, in the 19th and 20th centuries – for example, France's Caisse des dépôts et consignations (established 1816), Buenos Aires' Banco Ciudad (established 1878), and the Malaysia Development Bank (established 1973). The 21st century has given rise to dozens of new public banks (INSE/AFD 2022), including like the Postal Bank of Congo (established 2012), the Development Bank of Ecuador (established 2015), and the Canada Infrastructure Bank (established 2017).

1.4 HOW TO FIND PUBLIC BANKS NEAR YOU OR IN YOUR COUNTRY?

Likely, there is a public bank in your community or country. Not all public banks are easy to find online. However, there is one open access source, the '**Public Development Banks and Development Financing Institutions Database**' (see INSE/AFD 2022), which can help. You can search the Database to see if there is a public development bank in your country or region by clicking here (Note: the INSE/AFD database does not include most retail or universal public banks).[1] You can also conduct a simple 'Google' search for public retail, development, and postal banks in your country as most public banks already have an online presence.

1.5 WHY ARE PUBLIC BANKS FOUNDED?

There is no single reason why public banks have been founded in the past or today, although many reasons relate to forms of economic sovereignty, public policy, and financial capacity building. Public banks have been created through nationalisation (taking over existing private banks) or by creating them anew (*de novo*). Bank nationalisation has occurred in response to severe financial crises (for example, the 1982 debt crisis in Mexico and the 2008-09 global financial crisis across Europe and in the USA) (Marois 2008; Vanaerschot 2019). Bank nationalisation has also occurred in response to demands for national independence and decolonisation (for example, in India and Cuba). Entirely new public banks have been created in response to political and economic crises, such as war financing (for example, the Caisse des Dépôts et Consignations in France in 1816), private bank foreclosures on farms (for example, the Bank of North Dakota in 1919), international balance of payments crises (for example, the Nordic Investment Bank in 1975), and the climate crisis (for example, the Finnish Climate Fund in 2020).

In many countries public banks have been created to provide the banking and financial services needed by communities in ways that private banks are unwilling or unable to do provide. Presently, governing authorities have created or are seeking to create new public banks to ensure accessible financial services to under-served communities, such as the Banco del Bienstar in Mexico. In the USA, there are multiple active grassroots public banking movements in San Francisco, Los Angeles, New York, and elsewhere making real progress on creating new municipal banks (see Brennan 2021; Demos 2022). Outside the USA, national and sub-national governments are eager to create new public banks to mobilise financing for national and local investments, to fund economic development, to offer longer-term and lower cost loans, and to build up public financial knowledge, expertise, and capacity (for example, a new Climate Bank in Viet Nam).[2] More than three dozen new public banks have been created in the last decade (INSE/AFD 2022). Part Two offers illustrative cases of existing public banks that are of relevance to workers and local authorities.

PART TWO: THE PRO-PUBLIC FUNCTIONING AND FEATURES OF PUBLIC BANKS

Public banks can be important financial institutions capable of protecting public services, advancing workers' ambitions, and supporting local authorities. There is no one model of public banking institution or single strategy for success. Likewise, **there are no inherent guarantees that a public bank will function in the public interest**. Public banks have been and can be captured by private interests and can work against the common good. Society needs to be aware of the potential pitfalls. But so too must **society be attuned to their enormous promise**. Public banks can be powerful and important pro-public financial alternatives because of their potential to manage money and finance in the public interest. **Public policy, not private profit, can shape operations**.

There is growing recognition around three important socio-economic grand challenges that public banks can help to advance and to do so in the public interest: (1) decarbonisation, (2) definancialisation, and (3) democratisation (Marois 2021). Scholars agree that public banks addressing these issues can help to rebuild and reclaim the public domain and public services (McDonald et al. 2021; McBride 2022). Civil society organisations see these three challenges as important ways that public banks can be made to better function in the public interest (Bourgin and Sol 2021).

In brief, **decarbonisation** refers to how public banks can provide climate finance in ways that help transitions to a low-carbon and environmentally sustainable future. **Definancialisation** refers to how public banks can work to slow otherwise rapid, often speculative and globally mobile, flows of capital within their communities that can spur instability and financial crises. Public banks can hold that capital locally to the benefit of the local community, for example, by supporting local development, shortening supply chains, encouraging long-term investment, and generating employment, rather than using public money to support the extractive needs of global finance. **Democratisation** refers to how public banks can build institutional structures, rules, and representative forums capable of holding public banks accountable, openly and transparently, to the communities affected by that banks' operations. Communities can practice forms of economic democracy through their public banks.

There are no perfect public banks (Marois 2022a). Public banks *must be made* to confront decarbonisation, definancialisation, and democratisation in how they function and in the public interest. It will not happen naturally. There is mounting evidence that certain individual public banks can and do function in the public interest in these ways in the global north and south (Schmit et al. 2011; Scherrer 2017; Griffith-Jones and Ocampo 2018; Marois 2021; Clifton et al. 2021; Mertens et al. 2021; Marois and McDonald 2023; Griffith-Jones et al. 2023). There is an ongoing need to learn from what public banks do well. **What promise do public banks hold for confronting decarbonisation, definancialisation, and democratisation?** Trade unions and local authorities need to take a leading role in making all public banks function better.

Public banks worldwide have played and continue to play important public financing roles at all levels of government by supporting infrastructure investment, public service provisioning, and socio-economic development. Public banks also have a role in financial inclusion through supporting workers and households directly.

Table 2 names the six cases of public banks illustrated below and offers a promising lesson from each case for the future of pro-public public banks.

Table 2: Public Bank Cases and Promising Lessons

Public Bank	Promising Lesson
Fonds d'Equipment Communal, Morocco	The FEC largely borrows in domestic currencies to support local public services.
Viet Nam Bank for Social Policies, Viet Nam	The VBSP specialises in policy-driven and affordable financial inclusion services for the poorest and most marginalised communities.
Ilbank, Turkey	Ilbank excels at providing the cheapest financing available for local authorities and public infrastructure projects.
Council of Europe Development Bank, Europe	The CEB shows that a public bank can function effectively according to an explicit social development mandate.
Rokin Labour Banks, Japan	The RLBs demonstrate that a powerful worker-run and union-led bank can be stable, socially just, financially inclusive, and collaborate on public policy.
Findeter, Colombia	Findeter illustrates that governments can create new public development banks that specialise in financing the development needs of local authorities.

Source: Author

These six cases help to illustrate the already-existing functions and features of public banks worldwide. Much more research needs to be done. However, these examples are useful for workers and local authorities to understand what is *already* being done by public banks and what can be done *better* for a green and just future.

2.1 THE FONDS D'EQUIPMENT COMMUNAL, MOROCCO

The Fonds d'Equipment Communal (FEC) was founded in 1959 by Moroccan Public Authorities as a specialist financial institution geared towards providing financing and technical expertise for the country's Territorial Communities (local authorities) and for the local public sector. In 1997, the FEC evolved into a full-fledged credit institution or development bank.

In servicing local authorities and public services, the FEC provides financing for a wide range of sectors and areas of socio-economic development. These include support for urban upgrading and mobility; rural connectivity, electrification, and information technology (IT); economic development and commercial equipment; culture, sport, and entertainment infrastructure; drinking water; public lighting; green spaces and environmental protection; tourism; teaching institutions upgrading; and clean technology. Since 1959, the FEC has dispersed about EUR4.7 billion in financing to nearly 5600 development projects in Morocco (FEC 2022, 3).

Table 3: Overview of the Fonds d'Equipment Communal, Morocco

	2021	2020	2019	2018	2017
Total assets (Euros billions)	2.53	2.36	2.19	1.86	1.68
Return on Average Assets (ROAA) (%)	1.27	1.01	1.36	1.41	1.49
Net Income (Euros millions)	31.30	22.50	27.08	24.63	22.89
Number of employees	91				
Credit ratings	BB+				
Year of incorporation	1959				
Initial purpose of incorporation	To provide financing and technical expertise for the Territorial Communities (local authorities)				
Current Mission/Mandate	To finance the local public sector and to reinforce local expertise and promote local development investments				
Type of Public Bank	Development				
Board of Governors	Chair plus two chambers of eight members each				
Ownership	Local Authorities, Government of Morocco				
Types of Public Services Financed	Urban upgrading and mobility; rural connectivity, electrification, and IT; culture, sport, and entertainment infrastructure; drinking water; public lighting; green spaces and environmental protection; teaching institutions upgrading; and clean technology				

Sources: Fitch Connect 2023; FEC 2022.

As a development bank, the FEC is not a deposit taking financial institution. As such, its sources of capital come from medium and long-term bank loans and bonds (FEC 2022, 14-16). In 2021, 43.4 per cent of FEC borrowing was in bond loans and 32.5 per cent in long terms bank loans (FEC 2022, 15-16). Short-term bridging financing is used to cover liquidity needs. Most of FEC borrowing is in domestic markets – between 90 to 95 percent. **Borrowing locally is important because it reduces exchange rate risks for the public sector and local authorities.**

©Building of Fonds d'Equipement Communal, Rabat, Maroc

External sources account for about five to seven per cent of borrowing, and this is basically with international donors and development agencies (FEC 2022, 16). For example, in March 2021 the FEC signed US$165 million loan with the Japan International Cooperation Agency (JICA) and in July 2021 signed a new EUR200 million line of credit with the Agence Française de Développement (AFD). External borrowing from donor and aid agencies is important because domestic authorities can access foreign currency loans on favourable conditions. The FEC also collaborates with another Moroccan public financial institution, the Caisse de Dépôt et de Gestion, to gain favourable borrowing terms on international loans (FEC 2022, 7; 14). **Borrowing from the external donor agencies and alongside other public banks constitutes a form of public-public collaboration**, which can be important for reducing the powerful influence of private financial markets over public services and local authorities.

The FEC lends directly to local public authorities. In 2021, 50 per cent of FEC loans went to regional councils, 30 per cent to Prefectural and Provincial councils, and 20 per cent to communal councils (FEC 2022, 11). In terms of sectors, 46 per cent of FEC loans in 2021 went to road infrastructure, 25 per cent to urban infrastructure, 16 per cent to cultural and sports facilities, and the remaining loans to urban transport, electricity, water and sanitation, education and professional training. It is worth noting that **loan defaults rates are extremely low**: the FEC non-performing loan rates are negligible at 0.03 and 0.04 per cent in 2020 and 2021 (FEC 2022, 19).

The FEC is governed by a Board of Governors (BoG), which is chaired by the Minister of the Interior (Box 2). The BoG is filled by two chambers: one provides government representation and the other local authority representation. As is the case with most public banks, there are no known independent studies of the FEC governance practices or of how members are selected or elected. It is therefore impossible to comment on how democratic this structure is in practice. However, it is promising that the BoG composition provides representation from both the national and local levels of government. **Trade unions have a stake in exploring and better understanding existing public bank governance practices.**

Box 2: FEC Board of Governors, Structure, and Composition

Chair (Minister of the Interior)	
Government Representative Chamber	**Local Representative Chamber**
Eight members representing the Government, specifically: * Two representatives of the Ministry of Interior; * Two representatives of the Ministry of Economy and Finance; * One representative of the Ministry of Health and Social Protection; * One representative of the Ministry of Equipment and Water; * One representative of the Ministry of Energy Transition and Sustainable Development; * The General Manager of the Caisse de Dépôt et de Gestion	Eight members representing the local elected representatives * Members are appointed by the government from a list of local advisers prepared by the municipalities' unions.

Source: FEC 2022.

As a matter of public policy, the FEC has begun to implement financing supportive of green and inclusive development. The FEC is connected to Morocco's New Development Model (NMD), which seeks to integrate environmental and climate constraints, preserve natural resources and biodiversity, and strengthen climate change resilience in the country (FEC 2022, 40). The new 2021 FEC Environmental and Social Policy specifies the bank's practices and procedures in terms of combatting climate change and reducing greenhouse gas emissions vis-à-vis sustainable and inclusive development. The Policy's four core impact areas are Environmental, Social, Governance, and Societal (FEC 2022, 41). Notably, the 2021 Policy includes a list of projects that cannot be financed by the FEC (**Box 3**). In Europe, the Nordic Investment Bank and the Finnish Climate Fund have likewise implemented binding sustainable finance policies and exclusion lists as matters of public policy.

Box 3: Projects that cannot be financed by the FEC (exclusion list)

* Any project that may cause disruptions in a legally constituted protected area;
* Any project that could directly or indirectly affect animal or plant species considered to be classified as endangered by national regulations;
* Any project that would require a significant population displacement or that would lead to a significant reduction in the means of production and/or income generation of a population;
* Any project that would have irreversible negative consequences on disadvantaged and/or marginalized populations;
* Any project that would negatively impact or limit access to services or others on gender, ethnic disparity, vulnerable people;
* Any project that could permanently cause the destruction, modification or access to natural resources used by people, whether they are vulnerable or not;
* Any project that would deny access to resources or any other common good to a socio-economic category.

Source: FEC 2022, 73

The FEC shows how a public development bank can be clearly focused on providing supportive finance for local authorities. There are other public development banks focused on supporting local and regional public infrastructure. The Dutch Water Bank (NWB) was founded in the Netherlands in 1954 in the context of post-war European reconstruction and the devastating flood of 1953. It was initially tasked to help water authorities protect against future flooding, later expanding to support the Dutch public sector and social housing. In doing so, the governance of the NWB is characterised by "a special responsibility towards society" (NWB 2011, 26). Importantly, the NWB understands itself as a bank of and for the public sector, with a strong focus on supporting public water and sustainability in society (Schwartz and Marois 2022).

©VBSP Counter in Ha Noi, Vietnam

2.2 THE VIETNAM BANK FOR SOCIAL POLICIES

The Vietnam Bank for Social Policies (VBSP) is a government-owned retail/commercial bank that is designed to provide financial products and services to the 'last-mile' under-served population in Vietnam.[3] The bank started out in 1995 by the name of the Vietnam Bank for the Poor as a not-for-profit public bank focused on poverty reduction. In 2002, it was converted into the VBSP and its mandate broadened to promote increased financial inclusion, microfinance, and other programs that aid poverty reduction and social stability.

The VBSP operates across Viet Nam. In order to provide 'last mile' services, the VBSP has 63 provincial and municipal branches, 625 district transaction offices, and conducts about 11,000 transaction outreach points in the smallest communes/wards on fixed dates. The clients of the VBSP include about 200,000 village savings and credit groups and 6.5 million clients. That is, **the VBSP provides a network of financial services in places where private banks are unable or unwilling to go.**

Table 4: Overview of the Viet Nam Bank for Social Policies

	2021	2020	2019	2018	2017
Total assets (Euros billions)	n/a	8.47	8.30	7.60	6.65
Return on Average Assets (ROAA) (%)	n/a	0.45	0.17	0.18	0.16
Net Income (Euros millions)	n/a	36.65	13.87	12.73	10.24
Number of employees	over 9,000 (in 2017)				
Credit ratings	BB				
Year of incorporation	1995/2002				
Initial purpose of incorporation	As a not-for-profit public bank focused on poverty reduction				
Current Mission/Mandate	To provide financial products and services to the last-mile population in Vietnam. The bank is also mandated to increase financial inclusion, promote microfinance and implement other programs for "poverty reduction and social stability".				
Type of Public Bank	Universal Commercial				
Board of Governors	14 members				
Ownership	Government of Viet Nam				
Types of Public Services Financed	Rural water and sanitation				

Sources: FitchConnect 2023; VBSP website; VBSP 2022.

The VBSP provides policy-based lending with support from government funding and through the extension of preferential interest rates. The VBSP is formally backed by the government. As such, it does not need to hold financial reserves or deposit insurance or to pay taxes. If the VBSP experiences losses due to non-performing loans, it can ask the Government to cover the losses. Notwithstanding government backing, the VBSP is responsible for maintaining financial sustainability in its operations.

The sources of capital for VBSP lending come from deposits from individuals, organisations, and domestic credit institutions as well as from entrusted funds. The VBSP can borrow in foreign and domestic capital markets and from other financial institutions at home and abroad (bonds and loans). The VBSP has access to funds from the State Bank of Viet Nam (the central bank) and the Vietnam Social Insurance Corporation.

The VBSP receives policy-based capital injections from the Government and the Central Budget to support directed lending. The VBSP also has access to official development assistance (ODA) funds.

The VBSP targets lending to poor and near-poor households; disadvantaged students; job seekers and migrant workers; businesses and traders in disadvantaged regions; small and medium enterprises; housing loans for the poor in flooding areas; households needing to build safe water supply and rural sanitation; ethnic minorities in disadvantaged regions, and agricultural households. Therein, the VBSP can lend directly to individual borrowers or through collective organizations (for example, Women Union, Farmer Association, Veteran Association and Youth Union). **By and large, the VBSP provides concessional lending, that is, below market rates of interest that**

vary according to the lending program and beneficiary. Research shows that VBSP preferential credit and loans have a positive and significant role in improving household income in Viet Nam (Duong and Antriyandarti 2021).

The VBSP is governed by a central 14-member Board of Directors (BoD), which is responsible for VBSP activities, policies, annual reports, and strategies (VBSP 2022). The Governor of the State Bank of Vietnam is the BoD Chair. The VBSP BoD, however, is connected nationwide to 63 BoD Representative Units at the provincial and municipal levels and with 650 BoD Representative Units at district level. Further research available in English is required on the governance of the VBSP.

The VBSP shows how a nationwide public retail bank can be focused on poverty reduction at the level of rural and marginalised communities as a matter of policy, not profit. The VBSP currently does not substantively advance decarbonisation at present. However, it does definancialise credit to the poor and to under-served communities.

©ILBANK

2.3 ILBANK, TURKEY

Ilbank was founded in 1933 as the 'Bank of Municipalities' – a public financial institution geared towards financing the reconstruction and development of municipalities in Turkey, many of which had suffered damage during the 1919-1923 Turkish War of Independence (Güngen 2022, 774). However, the post-Independence administrative structure of Turkey worked against the bank effectively financing villages and towns. In response, the Bank of Municipalities was restructured and renamed as **the 'Bank of Provinces'** (Iller Bankası or Ilbank) in 1945. Ilbank is now a public development bank owned by sub-national local authorities (the municipalities and provinces) in Turkey. **Its mandate is to meet the financing and technical needs of the local authorities that own the bank**. Ilbank also supports project development, facilitates budget transfers from the central government to local authorities, and facilitates urban infrastructure works required by the central government. Ilbank is backed by a formal central government guarantee against credit default.

As a development bank, Ilbank does not take personal deposits but it is the principle account holder of the local authorities. This has helped Ilbank to build-up financial resources over time. By law, **Ilbank receives a recurrent source of monthly capital injections equal to two per cent of the total tax incomes of the provincial authorities and municipalities** (Iller 2014, 9). Ilbank's lending capacity is further supported by earnings. Thirty per cent of the Ilbank's annual returns are put into its capital reserves to increase lending capacity (Güngen 2022, 774). Ilbank can borrow long-term from foreign banks and financial institutions.

Table 5: Overview of Ilbank. Turkey

	2021	2020	2019	2018	2017
Total assets (Euros billions)	4.17	5.19	5.41	5.32	5.52
Return on Average Assets (ROAA) (%)	4.98	5.13	5.24	5.74	4.32
Net Income (Euros millions)	176.0	229.5	267.1	274.6	217.7
Number of employees	2462 (in 2020)				
Credit ratings	B				
Year of incorporation	1933 as Belediyeler Bankasi; in 1945 changed name to Iller Bankasi (Ilbank)				
Initial purpose of incorporation	To finance post-war municipal development activities.				
Current Mission/Mandate	To contribute to sustainable urbanization by producing and developing projects at international standards and by providing loans, consultancy services, and technical support for local administrations in order to meet their urban needs.				
Type of Public Bank	Development				
Board of Governors	Board of Directors: Composed of six members, including the General Manager				
Ownership	Municipalities and Provincial Administrations				
Types of Public Services Financed	Infrastructure, water and sanitation, sea outfall, urban transformation, transport, landscaping, recreation and sports complexes, roads and highways				

Source: Ilbank website (https://www.ilbank.gov.tr/); Ilbank 2018.

Ilbank has assumed an important role in drawing in international funding from several bilateral and multilateral lenders, doners, and agencies, such as the World Bank, Council of Europe Development Bank, the Islamic Development Bank, Japan International Cooperation Agency, KfW, French Development Agency, and the European Investment Bank for infrastructure and sustainability projects (Fonseca et al., 2021; Güngen 2022). For example, over the last five years or so, Ilbank has received World Bank and European Investment Bank funding for Turkey's national 'Sustainable Cities' projects. **Ilbank has an important role in connecting with international financial institutions to acquire foreign municipal loans and grants.**

Ilbank's ways of lending include short-, medium-, and long-term loans to local authorities. It does not lend to individuals or to any other entities. A portion of Ilbank's annual profits can be made available as grants-in-aid for local authority infrastructure projects (Ilbank 2018). The sectors and areas that Ilbank typically extends credit to include general infrastructure, water and sanitation infrastructure, sea outfall, urban transformation and transport, landscaping, recreation and sports complexes, development planning, construction, roads, procurement, and, increasingly (and problematically), for-profit real estate (an especially troubling sector, especially given the tragic earthquake in February 2023 and criticisms over ignoring safety protocols).

In a recent study of Ilbank's financing activities in public water infrastructure in Turkey, however, one Ilbank interviewee remarked that '**No one can compete since no one dares to lend more cheaply!**' (see Güngen 2022, 774). According to this research study, Ilbank illustrates 'the benefits of having a public financial institution serving municipalities', particularly in terms of Ilbank's expertise in raising capital and managing funds for local authorities (Güngen 2022, 779).

Ilbank is governed by a Board of Directors (BoD) composed of six members, including the General Manager. Four members are appointed by the Ministry of Environment and Urbanization and two members are representatives of the municipalities and provincial authorities. **Research, however, warns against the relatively weak and untransparent governance model of Ilbank.** The core problem is that BoD decision-making favours the Turkish central government and this 'current undemocratic structure is designed to erect hurdles against the meaningful participation of municipalities in the decision-making processes' (Güngen 2022, 781). That is, while Ilbank is owned by and meant for Turkey's local authorities, it is controlled by the central government, which is more concerned with its interests than those of the local authorities.

Ilbank shows that a purposively designed public bank can provide appropriate expertise and financing for local authorities. Ilbank also highlights the importance of ensuring effective, accountable, and transparent governance in public banks.

2.4 THE COUNCIL OF EUROPE DEVELOPMENT BANK


©Council of Europe Development Bank Office in Paris

The Council of Europe Development Bank was first founded in 1956 as the Council of Europe Social Development Fund. In 1999 it was renamed as the Council of Europe Development Bank (CEB). This multilateral public development bank was first born out of the political, economic, and social crises of World War Two that gave rise to massive amounts of refugees and displaced persons in Europe (CEB 2016, 2). Eight Member States of the Council of Europe decided to create the bank to support resettlement (Belgium, France, Germany, Greece, Iceland, Italy, Luxembourg, and Türkiye). The CEB since expanded its resources and increased its membership. As of 2022, the CEB has 42 member states.

Each member state appoints one representative to the CEB Governing Board, which oversees the general direction of the CEB, approves the annual report, elects the Chair for the Board and the Administrative Council, among other roles.

Table 6: Overview of the Council of Europe Development Bank

	2021	2020	2019	2018	2017
Total assets (Euros billions)	29.7	28.0	26.1	24.4	23.8
Return on Average Assets (ROAA) (%)	0.32	0.26	0.39	0.39	0.45
Net Income (Euros millions)	94.8	74.8	104.7	97.5	112.0
Number of employees	213				
Credit ratings	Aa1/AAA/AA+/AAA				
Year of incorporation	1956				
Initial purpose of incorporation	A Resettlement Fund for the resettlement of refugees from World War II and its aftermath				
Current Mission/Mandate	Explicitly social mandate to promote social cohesion and strengthen social integration in Europe				
Type of Public Bank	Multilateral Development				
Board of Governors	One member from each of the 42 member states				
Ownership	By member states				
Types of Public Services Financed	Public infrastructure, health, social care, administrative infrastructure, urban, rural, and regional development, cultural heritage, social housing, crisis response, and environment				

Sources: Fitch 2023; CEB 2016 & 2022.

The CEB does not benefit from state aid, subsidies, or budget contributions from its member states. However, **all CEB members contribute various levels of subscribed capital, which is made up of paid-in capital and callable capital, to the CEB's capital base.** The 'paid-in' capital is what a member initially contributes when becoming part of the CEB, which is typically a small portion of the overall subscribed capital. The 'callable' portion capital is typically much larger and can be requested by the CEB at a later date to meet obligations should it be required, for example, to avoid default. The callable option is rarely used. According to Fitch, 'callable capital is evidence of shareholders' commitment to provide financial support to MDBs [multilateral development banks]', but it is a source of capital that is rarely fully utilised by the MDBs (Perry and Louis 2022, 2).

The CEB's main source of financing capital comes from borrowing in international capital markets. For example, in 2021, the CEB borrowed €5.5 billion via 20 funding operations with an average long-term maturity of 5.3 years (see https://coebank.org/en/investor-relations/funding/). The CEB can access international funds at the lowest possible rates of interest and for longer-term horizons given it very strong triple-A credit ratings from all credit rating agencies (which is in turn linked to the fact the CEB can call on capital from sovereign states should it ever need it). In effect, **CEB debt is practically at zero risk of default.**

The CEB, uniquely, functions according to an exclusively social development mandate. This means that the CEB's purpose is to provide appropriate financing and technical expertise to help its member states realise projects with 'high social impact' and to also promote social cohesion and social integration in Europe. Target projects involve social integration, the environment, public infrastructure, and micro, small and medium-sized enterprises (MSMEs) (CEB 2016). That is, the CEB supports under-served, marginalised, and disadvantaged people and groups, and it often does so through other public banks and public service providers, including municipalities and governing authorities (for example, through employment support, urban renewals projects, infrastructure, social housing, and so on). The CEB responds to emergency and crisis situations, like Covid-19 (Reyes 2020). The CEB may also provide grant financing through its Social Dividend Account (SDA), which is used to support eligible projects and countries via interest rate subsidies, technical assistance, grant contributions (CEB 2022, 19).

Box 4: Formal Objectives of the CEB

> The primary purpose of the Bank is to help in solving the social problems with which European countries are or may be faced as a result of the presence of refugees, displaced persons or migrants consequent upon movements of refugees or other forced movements of populations and as a result of the presence of victims of natural or ecological disasters.
>
> The investment projects to which the Bank contributes may be intended either to help such people in the country in which they find themselves or to enable them to return to their countries of origin when the conditions for return are met or, where applicable, to settle in another host country. These projects must be approved by a member of the Bank.
>
> The Bank may also contribute to the realisation of investment projects approved by a member of the Bank which enable jobs to be created in disadvantaged regions, people in low income groups to be housed or social infrastructure to be created.
>
> *CEB Articles of Agreement, Article II*

Source: CEB 2022, 6.

The CEB's way of financing projects typically involves co-financing – that is, the CEB typically does not provide more than 50 per cent of the needed funds.[4] The remaining funds needed must come from the project partner, the government, or other financers (public or private). The CEB can lend to governments, regional or local authorities, and public or private financial institutions and banks.

Because of its ability to borrow cheaply and long-term in international markets, the CEB can offer financing at favourable rates. Furthermore, **because the CEB does not seek to maximise profits, it only seeks limited margins between what it borrows at and what it lends at while not charging any fees on the financing package. This reduces the overall cost of financing to the benefit of the borrowers.** CEB is able to structure financing flexibly and in accordance with the needs of the borrower (for example, in terms of disbursement amounts, maturity, currency and interest-rate structures or capital and interest payment dates). The CEB accompanies its loans with high-level technical expertise and project support.

Presently, the CEB is focused on investing in the three target areas of inclusive growth, support for vulnerable groups, and environmental sustainability (CEB 2022, 6). To be funded, projects should fall within one or more of the priority areas. Moreover, since January 2020 the CEB has assessed proposed projects according to ten of the 2030 Sustainable Development Goals (SDGs) that are closely linked to its mandate. **The CEB shows us that national governments can form a public bank based on**

principles of social solidarity and have that bank function in the public interest by supporting public services, local authorities and municipalities, and national governments with appropriate long-term and low-cost financing. The CEB contributes to definancialisation, democratisation, and decarbonisation.

The CEB is not the only European public bank to go green as a matter of public policy. The German KfW (a public development, or 'promotional', bank) has also done so in response to societal will. The KfW was founded in 1948 in post World War Two Germany with the support of incoming US Marshall Funds for national reconstruction (Marois 2021, 195). The KfW's highest governing body is the Board of Supervisory Directors, which has thirty-seven members. For a brief video by a KfW staff member on its governance, click here. Democratic representation in the KfW helped the bank take an early turn towards decarbonisation in the late-1990s and this political direction has ensured that the KfW has become perhaps the leading green development bank in the world (Marois 2021).

2.5 THE ROKIN LABOUR BANKS, JAPAN

The Rokin Labour Banks (RLBs) have been in existence for decades, founded according to the 1953 Labour Bank Law in Japan. According to Yasunori Nishida, President of the National Association of Labour Banks, the 'Labour Banks were founded … as financial institutions *for and by working people*.' (RLB 2022, 3; emphasis added) There are thirteen independent but interconnected RLBs across Japan. These individual RLBs are supported by an overarching Rokinren Bank (National Federation of Labour Banks, established 1955), which functions as a central bank for the institutions (much as the independent German public savings banks, the Sparkassen, function collectively) (Kurimoto and Koseki 2019, 12; *cf.* Cassell 2021).

The RLBs are not publicly-owned banks and they are not governed by government authorities. However, the RLBs do have a legally defined public purpose and the RLBs function in the public interest. **RLB activities by law cannot be oriented towards profit-making, and RLBs must remain politically neutral. This is to protect the core purpose or mission of the RLBs, which is to contribute to the 'improvement of the economic status of workers'** (Rokin Labour Bank 2022, 07). The RLBs are, as such, different from private commercial banks due to their social structuring tied to labour unions and established worker-led form of governance. According to researcher Ikezaki (2011), the **RLBs are banks that are socially just, financially inclusive, and union-led institutions aimed at ensuring fair financial opportunities for workers**.

Table 7: Overview of the Rokin Labour Banks, Japan

	2021	2020	2019	2018	2017
Total assets (Euros billions)	174.0	173.3	169.8	166.2	159.1
Return on Average Assets (ROAA) (%)	n/a				
Net Income (Euros millions)	225.9	209.5	201.7	204.6	172.6
Number of employees	n/a				
Credit ratings	A				
Year of incorporation	1950/1953				
Initial purpose of incorporation	To provide loans to workers at appropriate conditions in the context of post-World War Two reconstruction.				
Current Mission/Mandate	To contribute to the 'improvement of the economic status of workers'				
Type of Public Bank	Universal Retail/Commercial				
Board of Governors	Composed of member representatives and non-members (executive directors and non-executive professionals)				
Ownership	Not-for-profit cooperative owned by members.				
Types of Public Services Financed	No direct support for the public sector, but RLBs actively lend to and support workers and collaborate with public agencies to deliver public policy objectives.				

Source: RLB 2022; FitchConnect 2023.

Some 50,000 member organisations, inclusive of labour unions and consumer cooperatives, are the source of the RLBs' nearly 12 million individual constituents. These members provide a total deposit balance of 22.7 trillion yen (EUR161.2 billion) and outstanding loans of 15.0 trillion yen (EUR106.5 billion) as of early 2022. The RLBs maintain a nationwide network of 606 branches (RLB 2022, 3, 11). As a retail/commercial bank, household deposits are a significant financial resource base for the RLB.

The RLBs are owned and controlled by member organizations wherein public and private sector trade unions have a dominant role. There is a robust and democratic governance structure that includes a general assembly, Board of Directors (BoD), and auditors (Kurimoto and Koseki 2019,19). Member organisations nominate delegates to the general assembly where key decisions are made annually (for example, basic policies, financial plans, board member elections, and so on). The BoD is composed of member representatives and non-members (executive directors and non-executive professionals). The governance structure, through various practices, links local unions to overall operations decision making, thus giving democratic voice to workers in the financial system. In line with cooperative principles, **worker members 'are able to equally participate in the governance through the one member-one vote system'** (RLB 2022, 10).

The RLBs provide a range of day to day banking services such as deposits services, credit/debit cards, transfers and so on. Loan services include standard household loans for cars, education, and housing. Loans are also available for job seekers support, disaster support (for example, Covid-19), and other life emergencies like sudden job loss (Kurimoto and Koseki 2019, 14). Non-profit and cooperative organisations with projects aiming to improve community welfare may access RLB loans (RLB 2022, 14).

The RLB collaborates with Japan's public sector and in public policy, specifically with the Japan Housing Finance Agency and other public financial institutions (RLB 2022, 20). Over 99 per cent of RLB financial services are for individual workers and consumers, with cooperatives, public institutions, non-profits, and so on comprising less than one per cent. Of this, over 85 per cent of loans are housing loans. This represents a shift in early Rokin lending, which in the 1960s was dominated by loans to trade unions to support workers' wages, especially during times of industrial action (Kurimoto and Koseki 2019, 17; 23-24). Increasingly, RLBs are looking to innovate and to better support non-regular or informal workers through distinct loan programmes (Kurimoto and Koseki 2019, 27). Since 2019, **the RLB has adopted the Labour Bank SDGs Action Guidelines March 2019**, which aims to advance a sustainable society by taking environmental, social, and governance (ESG) factors into consideration and through cooperation with trade unions and consumer cooperatives members, with not-for-profit and cooperative sector organizations, associations and foundations, and municipalities.[5]

Box 5: Principles of Rokin Labour Banks

Labour Banks are financial cooperatives that cultivate the dreams and ideals of our workers.
Labour Banks consider their objectives to be twofold: promote economic, welfare, environmental and cultural activities by their members; and create, by working together, a society in which all people can live in happiness.

Labour Banks are formed from worker-based organizations and organizations that keep their doors open to a wide range of citizens. This network of member organizations is the essence of the Labour Banks.

Members participate in the administration of Labour Banks as equals, seeking to improve the activities and projects of the banks. Sincerity, fairness, and openness are key Labour Bank principles. By their commitment to sound management, Labour Banks will endeavor to keep faith with their members.

Source: RLB 2022, 1

The RLBs show us that workers can own and control a large, not-for-profit, and nationwide network of financial institutions and operate them in the public interest by advancing the needs and aspirations of workers and by facilitating public policy objectives.

The RLBs are not the only worker-owned and -controlled banks in the world (see the International Cooperative Banking Association). In Central America, for example, the Banco Popular y de Desarrollo Comunal (BPDC) came into being on 11 July 1969 based on a mission to combat usury against workers and to democratise credit for workers in Costa Rica (Marois 2021, 207). It is a public universal bank. The Banco Popular helps to encourage household savings, offer accessible credits, and to finance developmental and community organisations within the country. The Workers' Assembly, formalised in public law in 1986, is the highest decision-making forum that provides overall direction to the bank (Marois 2021, 211). The Workers' Assembly has 290 representatives from ten social and economic sectors

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(artisanal; communal; cooperative; self-managed; independent; teachers; professional; as well as the confederated, non-confederated, and solidarity syndicates/trade unions) (BPDC 2017, 13). The Workers' Assembly appoints four representatives to the seven-member National Board of Directors, with the government appointing three members to the Board. The Workers' Assembly is also charged with integrating material delivered to it by the Banco Popular's Permanent Commission for Women (click here to watch a video in Spanish with English sub-titles on the BPDC Women's Commission and click here to watch a video in Spanish on the origins of the Workers' Assembly). As a whole, the BPDC's governance structure enables dynamic and meaningful feedback loops between the bank and society in ways that can impact future direction. For example, a nationwide consultative process in 2008 established new guidelines for the Workers' Assembly and another consultation in 2014 reshaped the bank's 2017–20 strategic plan according to three strategic missions – gender equity, accessibility, and environmental responsibility – and a triple bottom line – the economic, the environmental, and the social (Marois 2021, 214-15).

2.6: FINDETER (FINANCIERA DE DESARROLLO TERRITORIAL), COLOMBIA

Findeter (Financiera de Desarrollo Territorial; the Territorial Development Bank) is a public development bank that was founded in 1989 to support local development (Findeter 2022, 12). The capital used to establish the bank came from the Government of Colombia, which put in the initial equity stake, and from loans from the World Bank and the Inter-American Development Bank (loans guaranteed by the Government) (World Bank 2016). The Government of Colombia remains the majority owner of Findeter, with 92.55 of shares. Colombia's local governments (that is, Departments) own 7.20 percent and a sub-national public development finance institution, the Instituto Financiero para el Desarrollo de Norte de Santander (IFINORTE), holds a small portion of (0.25 per cent) of shares (Findeter 2022, 24-25).

Findeter is one of four specialised public development banks in Colombia (the others being the Financiera de Desarrollo Nacional (for infrastructure), BANCOLDEX (for industry and foreign trade), and FINAGRO (for agriculture) (Ocampo and Arias 2018, 167; 181). **Findeter is linked to the Ministry of Finance and Public Credit and it is meant to work in cooperation with the central government to help realise local planning and development projects across Colombia, with a specific focus on municipalities, regions, and departments (local authorities).** This local authority focus emerged during the 1980s as municipalities had increasing difficulty sourcing appropriate sources of long-term finance (World Bank 2016). At the same time, private commercial banks were uninterested or unable to lend to municipalities on appropriate terms. Findeter was created to provide the long-term, low-cost financing needed by local authorities.

As a development bank, Findeter does not typically lend directly to individual households or businesses. Rather, it either lends *indirectly* via domestic commercial banks or *directly* to municipalities, regions, and departments. When lending indirectly through other banks, Findeter provides cheap credits that are then passed on to target projects. When lending directly, Findeter can finance up to 100 per cent of the cost of eligible projects.

Financing for municipalities and local authorities are offered at concessional or cheaper rates than market rates. Moreover, Findeter can offer long-term loans of up to 15 years, which can include up to an initial three year grace period before repayment starts and offer the distribution of funds via partial disbursements. Findeter may participate in syndicated loans and co-financing of projects with domestic and international partners at either concessional or non-concessional terms.

Findeter is engaged in many sectors of relevance to local authorities. It finances transportation, health, tourism, water and sanitation, public spaces, sports and recreation, telecommunications, urban development, housing, creative industry, culture and arts, energy, education, and public lighting networks and infrastructure. Data for 2016 shows the following distribution of support: health (40 per cent), energy (22 per cent), transportation (20 per cent), urban development and housing (8 per cent), and education (6 per cent) (Ocampo and Arias 2018, 181).

Table 8: Overview of Findeter

	2021	2020	2019	2018	2017
Total assets (Euros billions)	2.6	2.8	2.8	2.6	2.7
Return on Average Assets (ROAA) (%)	0.66	0.07	0.75	0.59	0.57
Operating Profit* (Euros millions)	20.64	11.12	33.27	24.47	26.24
Number of employees	590				
Credit ratings	BB+				
Year of incorporation	1989				
Initial purpose of incorporation	To provide needed financing for municipalities, regions, and departments in Colombia				
Current Mission/Mandate	We are the strategic partner of the National Government and territorial entities for the planning, structuring, financing and execution of sustainable projects that transform territories				
Type of Public Bank	Development				
Board of Governors	5 main members and 5 alternates, elected by Shareholders				
Ownership	Government of Colombia 92.55%; Territorial Departments 7.20%; IFINORTE 0.25%				
Types of Public Services Financed	Urban infrastructure, transportation, telecommunications, water and sanitation, energy, health, education, public spaces, lighting, sports, culture, and recreation facilities				

Sources: Findeter 2022 & Website https://www.findeter.gov.co/; FitchConnect 2023;
*Fitch does not report net income for Findeter, only Operating Profit.

A key source of capital for Findeter lending activities comes issuing 'certificates of term deposits'. These are interest-earning deposits that are held by Findeter for a fixed term. Findeter may access long-term funds from public multilateral and foreign national development banks, such as the Inter-American Development Bank and the German KfW. Finally, retained earnings from the revenue generated by the bank support further lending (see Findeter n.d.; World Bank 2016).

Shareholders Percentage

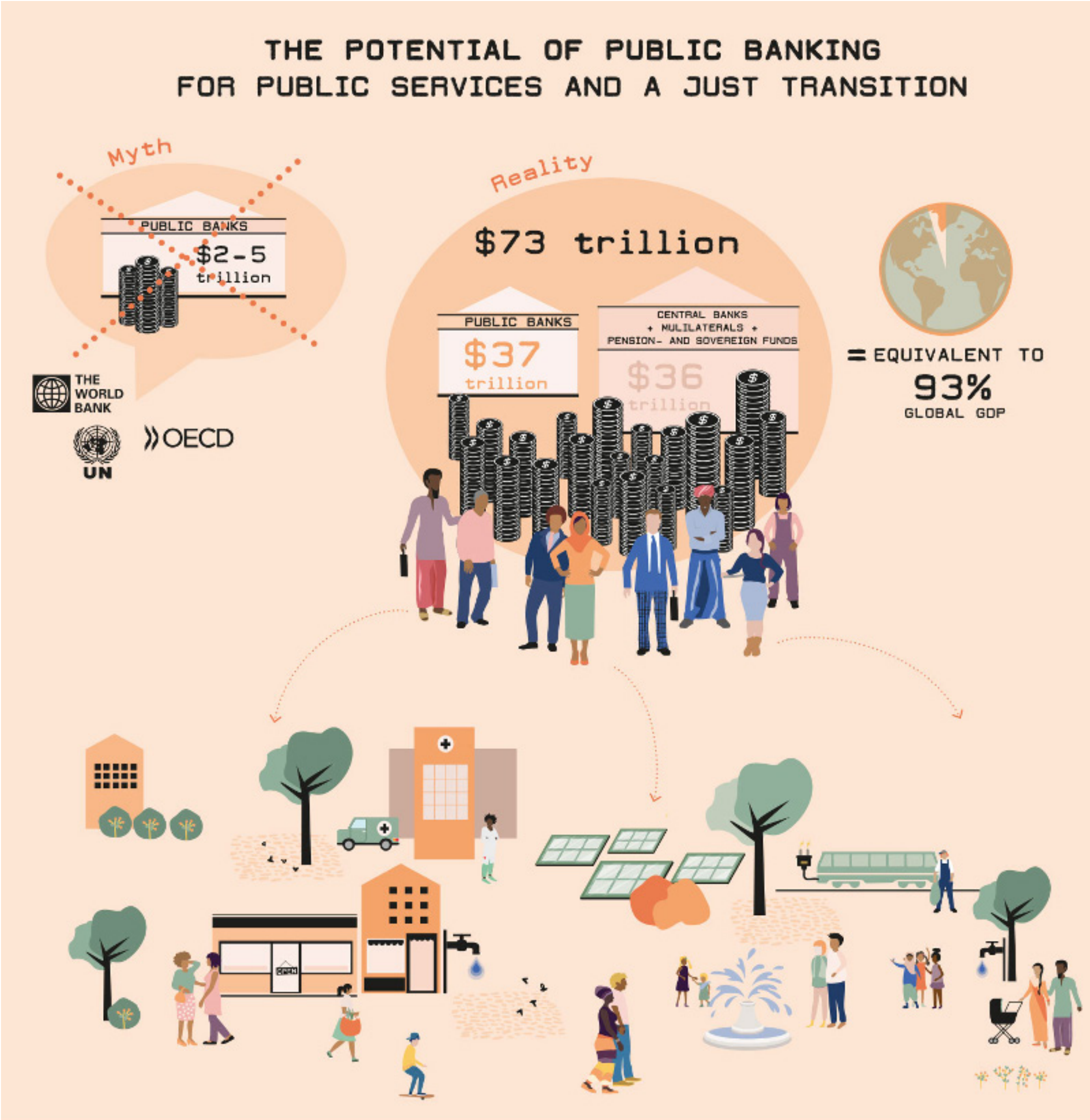
The Findeter Board of Directors is composed of 10 members, five main members and five alternates. The members are elected during the Meeting of Shareholders. At least three members are to be independent of the government shareholders. The Board is chaired by a representative of the Ministry of Finance and Public Credit (Findeter 2022, 25). Future research is needed to explore how this model of governance functions in Colombia.

While fulfilling its mandate to provide financing for local authorities, **Findeter has developed specific guidelines and approaches designed to improve the involvement of Indigenous peoples and communities in Colombia** (2022, 35-36). Findeter reports having set institutional priorities around supporting Indigenous ways of knowing and producing, self-governance, 'buen vivir', Indigenous institutions, improved quality of life, territorial rights, and economic development (Findeter 2022, 36). The relationships between public banks and Indigenous peoples, particularly in regards to Free, Prior, and Informed Consent, is a high-priority area for further research.

PART THREE: CONCLUSIONS - THE FUTURE IS PRO-PUBLIC PUBLIC BANKING

Public banks have not always been high on the priority lists of local authorities and public sector trade unions have been relatively quiet on the issue. Things may be changing, however. In Canada, for example, the Canadian Union of Public Employees has been keeping a close eye on the new Canada Infrastructure Bank (CIB). The CIB was founded in 2017 with plans to invest $35 billion *in revenue-generating infrastructure*. **This means the CIB was designed to support the interests of *private* investors in the provisioning of public infrastructure. The CIB mandate was written without trade union consultation, but with plenty of private investor input supportive of public private partnerships (PPPs) in infrastructure.** The CIB has since generated heavy criticism from public sector unions because it promotes the privatisation of public services (Ramsay 2020; Marois 2022b). Such criticism, however, appears to have pushed the CIB to shift emphasis towards also providing long-term, low-interest loans directly to municipalities and communities. This pro-public trajectory should be supported, while all efforts to prevent privatisation and PPPs maintained. **Public sector trade unions can and should be at the forefront of ensuring that public banks are, and remain, pro-public.**

The CIB is a useful reminder that **public banks on their own are no silver bullet** for the multiple economic, social, and environmental challenges that workers, communities, public services, and local authorities face. Like any public institution, public banks are exposed to and reflect competing demands and power relationships in the communities in which they exist and persist (Marois 2022). Civil society organisations in the global north and south have done important work to report and expose the shortfalls of public banks in order to make them do better (for example, Romero 2017; Antonowicz-Cyglicka et al. 2020. Bourgin and Sol 2021; CEE Bankwatch 2021). However, more needs to be done to demand more from public banks for public purposes. **Public banks *must* form part of a progressive strategy to reclaim the public sector and to re-orient public policy for the common good.**



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3.1 RECOMMENDATIONS FOR PUBLIC SERVICE TRADE UNIONS

Public service trade unions have real opportunities to engage and shape the purposes of public banks in their communities. This should be done together with civil society, allied progressive organisations, and local and regional governments (LRGs). While there are no perfect public banks, public banks can support local infrastructure and advance worker aspirations for building inclusive, prosperous, and sustainable communities and public services. However, **public banks will only do so if they are held to be 'pro-public'**.

What can LRGs and public service trade unions do to make public banks pro-public? As a first step, learn if there are public banks in your community and country. If there are:

- Visit the public banks' websites to understand their mandates and functions.
- Identify who owns and who governs the public banks.
- Meet with LRGs to understand their interactions with the public banks.
- Arrange to visit the public banks to discuss opportunities to work with local public services.
- Co-develop strategies to advance public bank-public sector collaborations, including co-governance and consultation.

If there are no public banks in your community and country:

- Undertake a high-level assessment of the potential benefits of having a supportive public bank for public services and LRGs.
- Learn from other unions with public banks in their communities.
- Learn from recent and current grassroots and national campaigns to create new public banks.
- Consider promoting the creation of a new pro-public public bank.

Whether or not there are public banks in your community, **all LRGs and public service trade unions should, given the scale and financial power of public banks, enhance worker literacy around the promise and pitfalls of public banks.** Progressive civil society organisations active in the area of finance and development can play a supportive role, such as Finance Watch, CEE Bankwatch, Counter Balance, Forus, the Transnational Institute, Eurodad, Latindadd, and Afrodad. **Public Services International can play a role in advancing a worker-led understanding of public banks and of the potential of public banks to support high-quality public services.** The importance of supportive financing to the effective provisioning of high-quality public services is well known. The viable alternatives to extractive private financing are less understood. The future of public services provisioning is pro-public public banking.

ENDNOTES

1 Public Development Banks and Development Financing Institutions Database (pku.edu.cn) https://www.nse.pku.edu.cn/dfidatabase/index.htm

2 'Vietnam needs to prepare financing for just energy transition', Vietnam Investment Review. 09 December 2022. See: https://vir.com.vn/vietnam-needs-to-prepare-financing-for-just-energy-transition-98438.html.

3 Material drawn from the VBSP website: https://eng.vbsp.org.vn/about-us.html. Accessed 04 January 2023.

4 See CEB website, 'A reliable financing partner' at https://coebank.org/en/project-financing/reliable-financing-partner/. Accessed 08 January 2023.

5 See RLB 'Labour Bank SDGs Action Guidelines'. Available online at: https://all.rokin.or.jp/file/The%20Labour%20Bank%20SDGs%20Action%20Guidelines.pdf. Accessed 18 December 2022.

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