



First draft *

**Multi-stakeholder Consultations on Financing for Development:
“Rethinking the Role of National Development Banks in Africa”
(Johannesburg, South Africa, 22-23 November 2006)**

“General Conclusions, Policy Recommendations and Action-oriented Proposals”

**Alex Trepelkov & Julien Serre
Financing for Development Office
Department of Economic and Social Affairs
United Nations**

** For comments from the participants, not for quotation*

Overview

The meeting addressed:

- ❖ Evolution of development banking
- ❖ Financing development and supporting regional economic integration
- ❖ Role of NDBs in sustainable development
- ❖ Financial Sustainability
- ❖ Support for SMEs & Microfinance
- ❖ Mobilization of resources
- ❖ Enhancing NDBs delivery for development
- ❖ Corporate governance and regulation

The main discussion points included:

- ❖ Privatization of DFIs vs. development priorities
- ❖ Role of DFIs in financing regional infrastructure
- ❖ Participation of key stakeholders in DFI capital
- ❖ PPPs and tariff issues for basic services to the poor
- ❖ DFI fit in public policy
- ❖ Need for strengthening corporate governance
- ❖ Outcome and next steps

Overall, the meeting highlighted that NDBs/DFIs have a critical role to play in economic and social development in Africa. As national priorities, market environment and client needs tend to change over time, NDBs/DFIs need to stay at the forefront of continuous adjustment and reform.



General Conclusions and Policy Recommendations



Action-oriented Proposals

Evolution of development banking

It was concluded that:

- NDBs/DFIs play an important role in economic and social development in Africa
- Different models of NDBs exist and prove to be viable
- DFIs' *raison d'être* is to address market failures and fill development gaps
- Institutional failures & path dependency also influence DFI environment
- A key challenge for NDBs is resource mobilization for development
- NDBs can influence policy-making as they are well placed between the government and the private sector

It was proposed to:

- Encourage the credit rating of NDBs/DFIs (AADFI)
- Enhance cooperation among DFIs, including capacity-building (various)
- Share information and best practices (AADFI, SADC)

Financing development and supporting regional economic integration

It was concluded that:

- NDBs/DFIs can make an important contribution to regional integration in its many dimensions
- Financial sector, infrastructure and telecommunications are key sectors for regional integration, growth and development in Africa
- Key challenge is to attract the private sector into large-scale projects

It was proposed to:

- Share information among various stakeholders (various participants)
- Foster the engagement of the private sector in financing large-scale infrastructure projects, in particular through PPPs (DBSA)
- Enhance interaction between NDBs and MDBs, especially on Spatial Development Initiatives (Zimconsult)

Sustainable development

It was concluded that:

- NDBs/DFIs have a crucial functional role in sustainable development through provision of development finance
- Case studies in the agriculture sector show how various complementary functions can provide adequate response to market failures
- NDBs have an important role to play in employment generation and poverty eradication

It was proposed to:

- Enhance NDB linkages to markets (various participants)
- Promote the leadership role of NDBs in sustainable development (CC)
- Integrate internationally agreed development goals, including the MDGs, into national policies (various)

Financial sustainability

It was concluded that:

- The quest for sustainability is at the heart of NDBs’ challenges
- NDBs/DFIs can be financially sustainable and efficient in promoting development
- Guarantee funds can work albeit without necessarily being profitable
- Mutual Guarantee Associations (MGAs) can provide an efficient alternative

It was proposed to:

- Enhance NDBs’ professionalism and autonomy to ensure their financial sustainability (Fincorp, CC)
- Address the issue of guarantee funds credibility (Bred)

Support for SMEs & Microfinance

It was concluded that:

- NDBs can play an important role in building inclusive financial sectors
- NDBs can be instrumental in promoting and supporting SME development through providing access to finance, information, skills and training
- Success stories show no trade off between development impact and profitability

It was suggested that NDBs:

- Influence governments to adopt policies for downstream value addition (IDC)
- Encourage governments to adopt/improve policies and legislation to promote microfinance (DBSA)
- Encourage governments to provide business enabling environment (BPI)
- Offer non-financial support to SMEs and focus on entrepreneurs (BPI)
- Increase linkages to markets, in particular for agriculture (SADC, IDC; DBSA)

Mobilization of resources

It was concluded that:

- Mobilization of resources is one of the key challenges for NDBs today
- Budget support may pose risks of government interference, unstable resources and credibility issues
- The role of NDBs as financial intermediaries to SMEs for RDBs should be recognized and supported
- NDBs can crowd in the private sector and partner with commercial banks, thus playing a complementary role and creating win-win situations

It was suggested that NDBs:

- Clarify their role vs commercial banks (EIB, IFC, KfW)
- Address governance issues to ensure support from MDBs (EIB)
- Enter into alliances with the private sector to share/manage financial risks and ensure working capital, in particular for BEE (COO-ABSA)
- Pursue mutual collaboration with MFIs (IFC)
- Develop new partnerships with RDBs, including the areas of technical assistance and capacity-building (AfDB)

Enhancing NDBs delivery for development

It was concluded that:

- Cooperation among DFIs on cross-border and in-country financing of projects is critical to pool resources, share experiences, invest/take equity participations
- NDBs/DFIs need to respond in a timely manner to changing priorities in development

It was proposed to:

- Enhance DFIs' capacity to deliver for development by using their networks, in particular with a view to joint financing of projects and crowding in the private sector (SADC)
- Ensure that NDBs focus their SME policies on empowering entrepreneurs (Commerzbank)

Corporate governance and regulation

It was concluded that :

- DFIs have a potential to fit into public policy priorities
- Corporate governance is a prerequisite to attract financial resources
- There is a need for reform of the interface between ministries, superintending and auditing structures, financing agencies, appointment of directors, board structures, processes and practices, managerial tasks in control, risk and compliance

It was proposed that NDBs/DFIs :

- Align their strategies to public policy objectives
- Harness private sector participation in financing development projects
- Depoliticize their operations
- Address risk management and corporate governance challenges
- Build specific competencies (strategy development, risk management, human resources)



General Conclusions and Policy Recommendations



Action-oriented Proposals

Action Proposals

Organize systematic sharing of information and cooperation among interested NDBs/DFIs through regional associations:

- on regional, sub-regional and national development project pipelines;
- on best practices;
- on governance and management;
- on financial guidelines
(AfDB, Angola DB, AADFI)

Thank you!

www.un.org/esa/ffd

