CEOs’ Forum of the World Federation of Development Finance Institutions (WFDFI)

Theme:
“DFIs Sustaining Relevance in the Age of Disruption”

Gaborone International Convention Centre (GICC), Gaborone, Botswana
2 – 4 November, 2016

Hosted by:
1 Introduction

1.1 The World Federation of Development Finance Institutions (WFDFI) held its CEOs’ Forum on the theme “DFIs Sustaining Relevance in the Age of Disruption” at the Gaborone International Convention Center (GICC), Gaborone, Republic of Botswana, from 2 to 4 November 2016.

1.2 The Forum was hosted by the Association of African development Finance Institutions (AADFI) and the Citizen Entrepreneurial Development Agency (CEDA), Botswana, with support from the Government of the Republic of Botswana.

1.3 The main objective of the Forum was to sensitize Chief Executive Officers and Executive Management of Development Finance Institutions (DFIs) on the ‘disruptive’ changes currently confronting these institutions across the globe, and specific objectives included examining the challenges and opportunities therein for DFIs. In addition, it was to share best practices in development financing, benchmark operations, develop and strengthen partnership for cross-border investment promotion & financing. The Forum also covered issues of financial sustainability of DFIs and provided a multiple platform for interaction and networking.

1.4 Over 300 delegates from the DFIs in Asia, Africa, Latin America, Middle East and Europe that are part of the networks of Association of African Development Finance Institutions (AADFI), Association of Development Finance Institutions in Asia and the Pacific (ADFIAP), Association of Development Finance Institutions in the Member Countries of the Islamic Development Bank (ADFIMI) and Latin America Association of Development Financing Institutions (ALIDE) attended the Forum. Representatives of Multilateral Development Finance Institutions, Commercial Banks, Information and Technology companies and other strategic partners from across the globe also attended the Forum.
2 Methodology

2.1 The programme of activities commenced on 2nd November 2016 with a Special Interest Session on Leadership on the theme “The Role of Leadership in Shaping the Future of DFIs”, and a Press Conference addressed by the Chairman of the WFDFI & ADFIAP, Mr. Arjun Fernando, and the Chairman of AADFI, Mr. Patrick Dlamini.

2.2 The meetings of the Board of Governors of the WFDFI and the various Executive Committees and Board Meetings of WFDFI member Associations were also held as part of the programme activities. The Forum’s plenary sessions on various sub themes were then held on the 3rd and 4th November 2016.

3 Opening Ceremony

3.1 The programme was officially declared open on the 3rd November 2017 with a Keynote Address by His Honour the Vice President of the Republic of Botswana, Mokgweetsi E. Masisi, while His Excellency, Mr. Erastus J. O. Mwencha, Deputy Chairperson of the Africa Union (AU) Commission, delivered an Address on behalf of Dr. Nkosazana Dlamini-Zuma, Chairperson of AU. In addition, Honorable Vincent T. Seretse, Minister of Investment Trade and Industry of Republic of Botswana also delivered a Welcome Address. The Chairman of WFDFI Mr. Arjun Fernando, and the Chairman of AADFI Mr. Patrick Dlamini presented opening statements.

3.2 His Honour the Vice President of the Republic of Botswana, Mokgweetsi E. Masisi, in his keynote address, commended DFIs for their role in accelerating industrialization,
economic growth and human development. He acknowledged that the relevance of DFI was being threatened by “shifts in demographics, societal needs, economic and market conditions as well as political, legal and regulatory regimes”. He commended the choice of the theme for the Forum which he acknowledged would challenge DFIs in confronting emerging ‘disruptions’ in their environment.

3.3 H.E. Erastus Mwencha Deputy Chairperson African Union Commission, in his address, remarked that the Forum was being held at a time that most Africa countries were confronted with difficulties as a result of sharp decline in commodity prices. He acknowledged that the impressive growth recorded in the continent in the past was not sufficiently inclusive, which was why the African Union responded by developing Agenda 2063.

3.4 According to H. E. Mwencha, achieving the Agenda 2063, will require collective effort by all African stakeholders. This underscores the importance of African DFIs in sustainable financing of the continental projects in critical sectors such as agriculture and agribusiness, industry, infrastructure and energy in order to fast track development and industrialization.

3.5 He recalled the historical problems of African DFIs and suggested the following policy actions for African DFIs to remain relevant: 1) creating an enabling business and regulatory environments for attracting foreign direct investments and scaling up cross-border investments; 2) government intervention to support rather than distort incentives for the private sector as this will unlock the potential of the private sector through increased access to finance and deepening of financial inclusion; 3) to institute an arrangement to assess DFIs against agreed set of financial and social development objectives; 4) need for government to capitalize DFIs to enable them play more proactive role in financing Africa’s socio-economic transformation; and 5) to expand the scope of DFIs’ operation beyond national boundaries to fast-track Africa’s integration agenda.

3.6 Hon. Vincent Seretse, Minister of Trade and Industry in his welcome speech, acknowledged the uniqueness of DFIs in mobilizing resources for development. He enumerated the good investment conditions prevailing in Botswana and invited delegates to take advantage of the country’s friendly investment climate to invest in Botswana.
3.7 Mr. Patrick Dlamini, AADFI Chairman, in his address noted that the current global development challenges were enormous and required collective and integrated approach from the public and private sector to address. He acknowledged the huge funding needs for financing development and urged DFIs to be proactive in evolving innovative solutions that would have sustainable development impact.

3.8 On his part, Mr. Arjun Fernando, Chairman of WFDFI informed that the forum provided platform to advance the work and advocacy of DFIs in a sustainable manner and to tackle current issues on relevance and sustainability of DFIs within the changing environment.

4 Plenary Sessions

4.1 The plenary meeting was divided into 7 sessions. Session 1- key presentation on “Innovative Banking and Finance for Sustainable Future” was led by Mr. Arshad Rab, Chief Executive Officer, European Organization for Sustainable Development (EOSD) Germany. The session was moderated by Mr. Mohan Vivekanandan, Group Executive Strategy at the DBSA, South Africa.

4.2 Sessions 2 to 7 were panel discussions. Session 2 discussed “DFIs and the Agenda for Development: Expanding Possibilities”. The session was moderated by Ms. Loyiso Ndlovu, Executive Manager: Strategy, Policy & Marketing, Land and Agricultural Development Bank of South Africa, with the following panelists: M. Ahmadu Abdoulaye Diallo, Director General of Fonds de Solidarite Africain (FSA) Niger; Mr. Kishor Piraji Kharat, Managing Director/Chief Executive Officer, IDBI Bank Ltd, India; and Datuk Mohd Radzif bin Mohd Yunus, Group Managing Director, SME Bank, Malaysia.

4.3 Session 3, focused on “Adapting to Changes in Financial Systems, Policies and Structures”. The session was moderated by Mr. Phub Dorji, Chief Executive Officer, Bhutan Development Bank Ltd, and the panelists comprised Mr. Prahalathan Iyer, Chief General Manager, Export-Import Bank of India; Dr. Oktay Küçükkiremitçi, Head of
Treasury Department, Development Bank of Turkey; and Mr. Oaitse Ramasedi, CEO, Non-Bank Financial Institution Regulatory Authority, Botswana.

4.4 Session 4, discussed “Adapting to Changes in Organisational and Institutional Frameworks”. It was moderated by Mr. Manoj Mittal, Deputy Managing Director, Small Industries Development Bank of India, with the following discussants; Ms. Fumiyo Harada, General Manager, International Strategy & Coordination Dept, Development Bank of Japan, Inc; and Mr. Phakamile Mainganya, Chief Risk Officer, IDC, South Africa.

4.5 The focus of session 5, was “Adapting to Changes in Technology”. The session was moderated by Dr. Budzanani Tacheba, Director Botswana Innovative Hub, Botswana, with following panellists; Mr. Dinesh Fernandopulle, Chief Executive Officer, SYNAPSYS, Sri Lanka; Mr. Akeem Olatunji Adesina, General Manager (Operations & Technology) Bank of Industry, Nigeria; Mr. Eid Khair Al Balushi, Assistant General Manager, Oman Development Bank; and Mr Mokgethi Nyatseng, General Manager, Wholesale Business, Botswana Telecommunications Corporation (BTC).

4.6 Session 6 was on “Setting DFIs’ Agenda for Implementation of the SDGs-Perspective from Africa and Asia”. The session was moderated by Dr. Tebogo T. Matome, CEO – Local Enterprise Agency (LEA), Botswana; with the following as panelists; Dr Lufeyo Banda, Director, Economic Consulting Group, Botswana; Mr. Arjun Rishya Fernando, Director & CEO, DFCC, Sri Lanka; and Mr. Aniket Shah, Director, Financing for Sustainable Development, SDGs Centre for Africa.

4.7 The final plenary session was the “CEO Panel on DFIs- Sustaining Relevance”. The session was moderated by Dr. Thapelo Matsheka, Economist & Business Leader in Botswana. The discussants were Mr. Admassu Tadesse, President/CEO PTA Bank, Mr. Jacob Lushinga, Managing Director, Development Bank of Zambia, and Mr. Stuart Kufeni, CEO of SADC-DFRC.

5 Summary Conclusions

5.1 The following summary outlines key main points from the various sessions:

5.1.1 That the global financial environment was witnessing drastic changes as a result of technological innovation, political and macroeconomic shifts, demographic disruptions, changing regulatory and legal requirements, and changes in consumer behaviour. These ‘disruptive’ changes would have various impact on the operations and relevance of DFIs.

5.1.2 That DFIs will continue to face challenges resulting from these disruptive changes which will manifest in stiff competitions from other market players and new entrants,
diminishing budgetary support from governments, new regulatory requirement that stifles DFIs operations, slow response to technological innovations, increasing non-performing loans, and the compelling need to be profitable, sustainable and deliver development impact. Therefore, how DFIs respond to these shifts would define their survival, relevance and development impact.

5.1.3 That CEOs of DFIs have responsibilities in reacting to these changes because they carry public mandate. The DFIs that will survive the disruptions will therefore be those with CEOs that are driven by purpose and conviction with the capacity to adapt, innovate and inspire to sustain the future.

5.1.4 It was noted that Africa has always lagged behind other continents in the planning of development agenda as was the case with the MDGs. Part of the challenge for the sluggish performance in the past development agenda was the non-involvement of DFIs in the planning process. The Forum, therefore welcomed the recognition of the important role of DFIs in implementing the SDGs and the African Union Agenda 2063.

5.1.5 On DFIs sustaining Relevance, it was agreed that there was gap in terms of quality and services delivery by most DFIs particularly the National DFIs. In addition, DFIs’ relevance would also depend on the shareholder structure which has imperative on the pricing, competition, dividend policy, funding model, value proposition and how they interact to provide response to customer needs. Furthermore, weak governance framework in most DFIs would continue to affect their credibility. The Forum acknowledged the importance of prudential regulation for DFIs and commended the AADF Prudential Standards Guidelines and Rating System (PSGRS) as good initiative in strengthening governance in African DFIs.

5.1.6 Moreover, other critical factors that will determine the substance of the relevance of DFIs were identified as the institutional, funding and business models adopted by these institutions.

6 Recommendations and Way Forward

6.1 The Forum outlined the following recommendations:

6.1.1 That DFIs should see the disruptive changes in the financial environment as an opportunity for re-invention and refocusing of their mandate and business strategy. This will include improving their internal operational cultures, enhancing prospects for sustainability; and increasing their influence in policy making arenas, embracing technological development, pursing the goal of financial inclusion and enabling entrepreneurial development amongst others.
6.1.2 DFIs should align their business strategy- institutional, funding and business model in line with global best practices and current trends. DFIs should be innovative in developing product and services to take care of the shifting consumer demographics and rising consumer expectations in order to sustain their relevance.

6.1.3 DFIs should embed the sustainability pillars (social, environmental and economic consideration) in their operation. They should prioritize project to emphasis on green projects and projects that would preserve the environment.

6.1.4 In order to focus action in achieving the SDGs, government should consider the Agenda as an Investment Plan, on country by country basis. The National and Regional DFIs should play the central role of costing, coordinating and capital provisioning for the SDGs. National DFIs should be scaled-up to provide direct and co-financing for the SDGs and other development agenda.

6.1.5 In implementing the SDGs, DFIs should focus on priority sectors of their national government development. For African DFIs, their programme should be linked to African Union Agenda 2063 and the African Development Bank’s High Fives. Emphasis should be on the following key sectors- Agriculture and Agro processing, Infrastructure development, Industrialization, Regional Integration. These sectors offer opportunity for DFIs to enhance collaboration toward agreed developmental goals.

6.1.6 The resource requirement in financing the development agenda is huge and would be critical in achieving set objectives. Therefore, mobilization of innovative resources would be key in implementation of the SDGs. DFIs should enhance their effort on resource mobilization with emphasis on local resources/domestic resource mobilization as this will help in reducing risk, improve pricing and widen distribution of resources.

6.1.7 There is need to sustain cooperation and collaboration among DFIs and DFI associations in the following areas: capacity-building, advocacy, information management, cross-border investment and fund mobilization as this will support effort at regional integration.

6.1.8 Development partners are also encouraged to sustain engagement with DFIs towards the realization of the various development goals.

6.1.9 National governments are requested to provide necessary support to their DFIs including capitalization and reforms to be able to engage more in achieving national development goals.
7 Appreciation

7.1 The Forum expressed appreciation to the Government and People of Botswana for the warm hospitality extended to the delegates. It also thanked the African Union Commission and the African Development Bank for their participation and support. Furthermore, the Forum expressed appreciation to the WFDFI, the Guest Speakers and the panellists at the various sessions of the Forum. It thanked the Board and Management of the Citizen Entrepreneurial Development Agency (CEDA) for successfully hosting the event.

Dated: 4th November 2016

AADFI Secretariat