



# AADFI

ASSOCIATION OF AFRICAN DEVELOPMENT FINANCE INSTITUTIONS

## Information Bulletin

No.39 Vol.109, May 2011

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## AADFI TAKES CRITICAL LOOK AT ACTIVITIES AT 36 TH OGA

The Association of African Development Finance Institutions (AADFI) held its 36th Ordinary General Assembly in Abidjan, Republic of Côte d'Ivoire on 25 May, 2010. There were 97 delegates from 45 member-institutions and observers.

In his statement to the Assembly, Mr. Nembelessini-Silue, CEO of Banque National de Cote d'Ivoire (BNI), expressed delight for his institution to play host to the 2010 Annual General Assembly Meetings of the AADFI and hoped that important resolutions would emerge from the deliberations to support the Association's contribution in solving the problems faced by our continent. He further called upon delegates to devise a clear, innovative and pragmatic vision for Africa's development bearing in mind core values such as restraint, discipline and perseverance in efforts, which in addition to the compliance with good governance and management practices would increasingly renew confidence in African DFIs

The Vice-Chairman of AADFI, Mr. Adebayo Jimoh on behalf of the



Special invitees and Participants in the 36th OGA.

Chairman Mr. Mvuleni Geoffrey Qhena, expressed appreciation to the Ivorian Authorities as well as the Management and Staff of BNI for the warm welcome extended to delegates as well as the excellent facilities put at the disposal of the Association for the holding of the meetings in Abidjan.

The Vice-Chairman informed the Assembly of the progress of AADFI's activities especially the first Peer Review of member-institutions using the Prudential Standards, Guidelines and Rating System (PSGRS), the reconstruction of the Association's Headquarters Building, among others and recalled the need for all member-

institutions to pay their € 10,000 contribution towards the construction works.

He also stated that the PSGRS mechanism has been receiving recognition from institutions across the globe, particularly the multinational and bilateral institutions, thus giving the national DFIs a new lease of life in terms of their perception by international financial community. He therefore urged all member-institutions to subscribe to the next Peer review exercise to be conducted in 2011.

As regards training activities, Mr. Jimoh indicated that the recruitment of a Training Officer and the adoption of a new Training Strategy by the Secretariat had led to relative improvement in the Association's effort at capacity-building training

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### THE AADFI ISSUES DIRECTIVES FOR THE 2ND

#### PEER REVIEW OF DFIs USING THE AADFI PRUDENTIAL STANDARDS, GUIDELINES AND RATING SYSTEM (PSGRS)

In line with the AADFI's efforts to strengthen African Development Finance Institutions, and entrench good governance in their operations, the Association's Secretariat in accordance with the resolutions reached during the 1st Peer Review exercise held at the 2009 AADFI CEOs Forum, has announced that the 2nd Peer Review of member - institutions using the AADFI Prudential

Standards Guidelines and Rating System (PSGRS) will take place in 2011. The result of the exercise will be evaluated and presented the 2011 CEOs Forum scheduled for November 2011.

The directives for the Peer Review exercise are as follows:

1) Member - institutions should as a first step, objectively conduct an internal assessment of their institution using the PSGRS. It is advised

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# ASSOCIATION OF AFRICAN DEVELOPMENT FINANCE INSTITUTIONS

## OUR OPTION: SUSTAINABLE DEVELOPMENT

### 77 MEMBERS

The Association of African Development Finance Institutions (AADFI) was established in 1975 in Abidjan (Cote d'Ivoire) under the auspices of the African Development Bank (ADB).

**Objective:** to serve as a medium for technical exchange and cooperation between the continent's development finance institutions and to promote economic ties between African countries with a view to accelerating the regional integration process.

**Means:** the dissemination of technical data through publications, seminars, conferences, round-tables and meetings.

Members: AADFI comprises 77 members including 58 Ordinary members, 13 Special members and 6 Honorary members.

**International Cooperation:** It is a member of the World Federation of Development Finance Institutions (WFDFI). AADFI is a member of the World Federation of Development Finance Institutions (WFDFI), whose membership include sister institutions from Asia (ADFIAP), Latin-America (ALIDE) and Europe (ADRFMI).

The Association nurtures cooperative relations with the African Development Bank (ADB), the Economic Commission for Africa (ECA), the United Nations Industrial Development Organisation (UNIDO), the Giordano Dell'Amore Foundation, the World Association of Small and Medium-Scale Enterprises (WASME), the Nigerian Association of Small and Medium-scale Enterprises (NASME), the African Project Development Facility (APDFI).

#### EXECUTIVE COMMITTEE

##### BUREAU

Chairman: Mr Geoffrey Qhena (South Africa)  
1st Vice-Chairman: Mr Adebayo Jimoh (Nigeria)  
2nd Vice-Chairman: Mr Admassu Y. Tadesse (South Africa)

##### REGIONAL REPRESENTATIVES

###### Southern Africa

Representative: Mr Stanley Matsebula (Swaziland)  
Alternate: Vacant

###### Central Africa

Representative: Ms Maria de Fatima D.H. Silveira (Angola)  
Alternate: Mr Constantin Mbengele Kwete Thamuk (Congo)

###### East Africa

Representative: Mrs Peter E.M. Noni (Tanzania)  
Alternate: Vacant

###### North Africa

Representative: Vacant  
Alternate: Vacant

###### West Africa

Representative: Mrs Felicity Acquah (Ghana)  
Alternate: Mr Arfang B. Daffe (Senegal)

##### REPRESENTATIVE OF THE SPECIAL AND HONORARY MEMBERS

Representative: Mr Michael Adende  
Alternate: Vacant

SECRETARY GENERAL: J.A. Amihere

##### Ordinary Members

1. Banque Algérienne de Développement (Algeria)
2. Banco de Poupanca & Credito (Angola)
3. Banque Nationale de Développement Economique (Burundi)
4. Banque de Développement des Comores (Comoros)
5. Banque Nationale d'Investissement (Côte d'Ivoire)
6. Banque de l'Habitat de Côte d'Ivoire (Côte d'Ivoire)
7. Banque pour le Financement de l'Agriculture (Côte d'Ivoire)
8. Fonds de Promotion de l'Industrie (Democ Rep. of Congo)
9. Fonds de Développement Economique de Djibouti (Djibouti)
10. Industrial Development and workers Bank of Egypt (Egypt)
11. National Bank for Development (Egypt)
12. Principal Bank for Development and Agricultural Credit (Egypt)
13. Development Bank of Ethiopia (Ethiopia)
14. Banque Gabonaise de Développement (Gabon)
15. Agricultural Development Bank (Ghana)
16. Eximguaranty Co (GH) Ltd (Ghana)
17. National Investment Bank (Ghana)
18. Agricultural Finance Corporation of Kenya (Kenya)
19. IDB Capital Limited (Kenya)
20. Industrial and Commercial Development Corporation (Kenya)
21. Kenya Industrial Estates (Kenya)
22. Kenya Tourist Development Corporation (Kenya)
23. Lesotho Agricultural Development Bank (Lesotho)
24. Liberian Bank for Development and Investment (Liberia)
25. Libyan Arab Foreign Bank (Libya)
26. Malawi Development Corporation (Malawi)
27. Banque Nationale pour le Développement Economique (Morocco)
28. Caisse Nationale de Crédit Agricole (Morocco)
29. Development Bank of Mauritius (Mauritius)
30. Gapi (Mozambique)
31. Société Nigérienne de Banque (Niger)
32. Bank of Industry Ltd (Nigeria)
33. Ibile Holdings Ltd. (Nigeria)
34. New Nigerian Development Company Ltd (Nigeria)
35. Federal Mortgage Bank of Nigeria (Nigeria)
36. Leasing Company of Nigeria Ltd (Nigeria)
37. National Economic Reconstruction Fund (Nigeria)
38. Nigerian Agricultural Co-operative and Rural Development Bank Ltd (Nigeria)
39. Nigerian Export-Import Bank (Nigeria)
40. Odu'a Investment Company Ltd (Nigeria)
41. Banque Rwandaise de Développement (Rwanda)
42. Banco Commercial Do Equador (Sao Tomé & Principe)
43. Caisse Nationale de Crédit Agricole du Sénégal (Senegal)
44. Development Bank of Seychelles (Seychelles)
45. National Development Bank Ltd (Sierra Leone)
46. Industrial Development Corporation (South Africa)
47. Development Bank of Southern Africa (South Africa)
48. Agricultural Bank of Sudan (Sudan)
49. Industrial Development Bank (Sudan)
50. Swaziland Development Finance Corporation (FINCORP) (Swaziland)
51. Swazibank (Swaziland)
52. Social Action Trust Fund (Tanzania)
53. Tanzania Investment Bank (Tanzania)
54. Société Tunisienne de Banque (Tunisia)



55. Banque Nationale Agricole (Tunisia)
56. Uganda Development Bank (Uganda)
57. Development Bank of Zambia (Zambia)
58. Zambia State Financing Company Ltd. (Zambia)

##### Special Members

59. Fonds Africain de Garantie et de Coopération Economique (Benin)
60. SADC-DFRC (Botswana)
61. Banque de Développement des Etats de l'Afrique Centrale (Congo)
62. Banque Africaine de Développement (Tunisia/Côte d'Ivoire)
63. Fonds d'Entraide et de Garantie des Emprunts du Conseil de l'Entente (Côte d'Ivoire)
64. African Export and Import Bank AFREXIMBANK (Egypt)
65. Economic Commission for Africa (Ethiopia)
66. Fonds de Solidarité Africaine (Niger)
67. PTA Bank (Kenya)
68. Arab Bank for the Economic Development of Africa (Sudan)
69. Banque Ouest Africaine de Développement (Togo)
70. Groupe de la BIDC/ECOWAS Bank (Togo)
71. East African Development Bank (Uganda)

##### Honorary Members

72. Exim-Bank of India (India)
73. World Association of Small and Medium Enterprises (India)
74. Giordano dell'Amore Foundation (Italia)
75. Banco Portugues de Investimento (Portugal)
76. Banque Internationale pour la Reconstruction et le Développement (USA)
77. International Finance Corporation (USA)

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The AADFI Newsletter is published quarterly by the Secretariat of the Association of African Development Finance Institutions. Please send all articles/contributions, preferably with photos, to us before the end of the second month of each quarter.

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**37 TH GENERAL ASSEMBLY OF THE AADFI**  
**LISBON, REPUBLIC OF PORTUGAL,**  
**Executive Committee Meeting**

**Date:** 7 June 2011  
**Annual Workshop:** 7 June 2011

**2011 ADB GROUP ANNUAL**  
**MEETINGS, LISBON,**  
**REPUBLIC OF PORTUGAL**

**Date:** June 9-10



*Delegates of the 2010 OGA in a group photograph, seated in the front row included Invited HE Ambassadors, Messrs Ahoutou, and Moyo respectively representing the Ivorian Minister of Finance and AfDB President*

**(OGA 36:Contd from p.1)**

activities for member-institutions and stakeholders.

He also mentioned that the Association has signed a number of MOUs with some strategic partners such as the SADC-DFRC and nurtured close working relationships with DBSA Vulindlela Academy in delivering training programmes, and encouraged all member-institutions to support these initiatives by sending their staff to the programmes to enable the Association's training activities to achieve desired goals.

On his part, Mr. Nkosana Moyo expressed the satisfaction of the President of the African Development Bank for inviting him to address the Opening Ceremony of the 36th Ordinary General Assembly of AADFI. The Representative of the AfDB President emphasized the need for African countries to put in place far-reaching reforms to address the current challenges faced by the continent. To this end, African countries should pursue the adoption of policy reforms and engage dialogue with all the stakeholders with a view to revisiting their strategies to match with needs.

Mr. Moyo also elaborated on the global financial crisis and cautioned delegates about the complacency of Africans in analyzing the continent's resources earmarked for financing development projects. "Although for Africa this crisis appeared to be shorter than scheduled, there was a need to stay focused and learn from what had been some of the dangers that came along with by revisiting our countries' development strategies", he stated.

He further requested African DFIs to engage in new directions in perceiving their overarching role for the continent's development and see how their strategies sat side by side with other development finance institutions. In this regard, he saw the need to look at regional perspectives through promoting regional integration, to critically change the way DFIs were run, to review the concept of State-owned DFIs and ensure the connectivity of African economies to the global economy.

Finally, Mr. Moyo encouraged African DFIs to demonstrate that they could work properly as role models to justify their credibility in mobilizing increased resources for the development of their respective countries.

Declaring the 36th Assembly Meeting open, Mr. Emmanuel Koffi Ahoutou, Principal Secretary at the Ministry of Economy and Finance, on behalf of the Government and People of Côte d'Ivoire, welcomed all the delegates to Abidjan. He urged African DFIs to draw useful lessons from the financial crisis and design new strategies and options so as to fulfill their mission more effectively. To this end, Mr. Ahoutou wished that the 36th General Assembly would provide the opportunity for each AADFI member-institution to adequately use the conclusions of the reflections to design realistic and credible solutions for sustained development finance in Africa.

He also commended the Association for the relevance and timeliness of the theme of the Annual General Assembly, and urged delegates to resolutely address the problems of development finance and enable

African DFIs to raise adequate resources in support of their activities.

Finally, he called upon national public authorities and AADFI member-institutions to act in synergy to coordinate actions in the design of macroeconomic and financial policies for achieving sustainable economic growth in African countries.

In its deliberations, the 36th Ordinary General Assembly:

- \* Adopted the Summary Record of the 35th OGA held in Dakar, Republic of Senegal.

- \* Approved the 2009 Annual Report.

- \* Approved the Financial Statements of the Association for the period 1st January to 31st December 2009.

- \* Took note of the Association's 2010 Training Programme.

- \* Decided to renew the appointment of the Compagnie Internationale de Conseil et Expertise (CICE) as External Auditor of the Association for a third mandate to audit the Association's accounts in 2010.

- \* Decided to endorse the recommendation to construct a Block of Offices at the AADFI Headquarters by the end of the year 2010 to accommodate the AADFI Secretariat as a first step to constructing the main Headquarters Building.

- \* Elected Mr. Adebayo Jimoh (Nigeria), Mr. Admassu Y. Tadesse (South Africa), Mr. Peter E. M. Noni (Tanzania) and Mr. Michaël Adande (Congo), respectively 1st Vice-Chairman, 2nd Vice-Chairman, Alternate Representative for East Africa and Representative for Special and Honorary Members.

- \* Decided to approve the admission of the Southern African Development Community Development Finance Resource Center (SADC-DFRC) as a Special Member of the Association.

- \* Expressed its sincere thanks and appreciation to the Secretary General and Management of ADFIAP for the strong support of ADFIAP in the organization and management of the Study Tour Program in Malaysia.

- \* Adopted the Report of the 1st Peer Review Exercise held in Swaziland and decided to hold the 2nd Peer Review Exercise in 2011.

- \* Requested all member-institutions to submit independent assessment for the next Peer Review Exercise to be held in 2011.

- \* Decided to hold its 37th Meeting in Lisbon, Republic of Portugal

**EDITORIAL**

**GOOD GOVERNANCE AND WIDE RANGING COOPERATION**

The 36th Ordinary General Assembly held in Abidjan (Republic of Cote d'Ivoire) in May 2010 was characterized by the obvious willingness of the Association's member-institutions to make good governance and cooperation the two pillars sustaining their corporate strategies.

Consistently concerned about the application of good governance principles, the AADFI embarked upon the flagship project of Prudential Standards, Guidelines and Rating System (PSGRS) whose 1st Peer Review of member-institutions was held at the 2009 CEOs Forum in Swaziland in November 2009. An exercise reflecting perfectly the commitment of African DFIs to comply with international best standards and practices aimed at enhancing services provided and strengthening the financial system in our respective countries.

The success recorded by the 1st Peer Review Exercise and the recognition received by the PSGRS mechanism from the multilateral and bilateral institutions are therefore strong indications to all member-institutions which should spare no effort to proceed with their internal assessment using the Association's PSGRS and submit the validated or certified result to the AADFI Secretariat not later than 30th June, 2011 for the 2nd Peer Review Exercise planned for the next CEOs Forum to be held in Kinshasa in November 2011.

From now on, African DFIs have tasted the nectar of good governance and would have no valid excuse to miss this important exercise (the Peer Review in this instance), which will enable them to identify their weaknesses and strengths, apply corrective measures in relation to their shortfalls and recharge their batteries according to best international practices. Thus, DFIs need to be deeply rooted into these best practices to cope with stiffer competition in the global financial environment.

Such orientation could never be brought about in isolation, and this necessarily implies the implementation of an active cooperation policy both at bilateral and multilateral levels. The OGA rightly accepted to make the Study Tour Program (STP) an annual event in AADFI Calendar.

**2010 OGA EXAMINES NEW STRATEGIES & OPTIONS FOR SUSTAINABLE DEVELOPMENT FINANCING**

The 2010 OGA Workshop was held on the 24th May 2010 at the Conference Hall of the Ivetel Hotel, Abidjan - Cote d'Ivoire. The workshop marked the commencement of the 36th Ordinary General Assembly of the Association of African Development Finance Institutions (AADFI). The theme of the workshop was "Sustaining Development Finance Momentum in the Light of the Global Credit Crunch: New Strategies & Options for African DFIs". The objective was to provide opportunity for delegates to reflect on the current development financing environment in Africa, and how DFIs can sustain their operations in the light of the global credit crunch.

The workshop was attended by over 80 delegates including CEOs and Senior Management Staff of DFIs, Banks and Finance Institutions, Bilateral and Multilateral Development Finance Institutions, Members of the Diplomatic Corps, Ministers and Senior Representatives of African countries.

**PLENARY SESSIONS**

Two papers were presented at the workshop by Mr L. Paul Morisho Yuma, Operations Manager, Group Challenge S.A, and Mr James Ochami, Managing Director, IDB Capital Ltd Kenya and AADFI

In this vein, the Memorandum of Understanding signed between the Secretariats of the Association of Development Finance Institutions in Asia and the Pacific (ADFIAP) and AADFI remains an important surety for nurturing co-operation between both organizations as well as strengthening co-operation among African and Asian DFIs, as evidenced by the Study Tour to Best DFIs & SMEs organized in Malaysia in 2010. Moreover, the 2010 CEOs Forum held in December in Dar-Es-Salaam (Tanzania) also focused on the need for DFIs to form stronger partnerships among themselves and with other stakeholders to reduce transactional costs and enhance impact on development.

Better, the Study Tour Program

Representative for East Africa respectively on the topics "Re-engineering DFIs towards Innovative Resource Mobilization: Strategies & Options" and "African DFIs in a Post - Credit Crunch Era: Reinventing Strategies for Survival". There were also brief interventions by Mr Jean-Louis Ekra, President African Export -Import Bank (Afreximbank), and Dr. Michael Mah'moud, a Financial Consultant.

**NOTES AND OBSERVATIONS**

Following exhaustive discussions and contributions by delegates at the workshop, it was noted as follows:

1. That the global economy particularly the advanced countries and most economies in transition were beginning to recover from the impact of the global financial crisis; however, the picture remains gloomy for African countries especially Sub - Saharan Africa with deteriorating socio - economic development indices compounded by the crisis.

2. That the Sub - Saharan Africa was projected to miss the MDGs of Poverty Alleviation target by over 9% point. This indicated a huge developmental challenge besetting most African economies.

3. That there existed a huge financing gap for real economy development in most Africa countries which had been worsened by the

*(Cont on p.5)*

recently organized in Seoul (South Korea) from 4-8 April, 2011 resulted in a proposal for establishing an "Afro-Korean Partnership Fund" under the auspices of the Korean Investment Center (KVIC).

Obviously, the AADFI given the efforts sustained at strengthening African DFIs towards achieving their development objectives, has the merit to definitively launch them into the orbit of performance-based results with the strong support of the two fundamental pillars that are good governance and the implementation of a wide-ranging co-operation. Only these factors could enable African DFIs to ensure unflinching credibility and restore their image so as to win the confidence of investors in the international markets.

## AADFI CONDUCTS A STUDY TOUR OF SME FINANCING & DEVELOPMENT IN SOUTH KOREA

In the continuation of AADFI's effort in providing a platform to learn from and build partnership with successful institutions and development agencies in other continents, the Association conducted a Study Tour of SME Financing and Development in South Korea from April 4 to 8, 2011.

The objectives of the Study Tour to Korea were to familiarize with and share best practices in DFIs and SMEs in South Korea; learn the country's approach and strategies for financing development and SMEs, and the various support systems available to these agents of development; learn operating modalities and linkages between

(NEW STRATEGIES: Contd from p.4)

effects of the global financial crisis. The effect of the crisis had also continued to reduce trade and capital flows, slowed down private sector lending, contracted foreign reserves and increased fiscal deficits within the continent.

4. That the financial crisis had precipitated acute shortage of capital and investment funds for real economy development purposes. As such, Africa remained vulnerable to long-term impacts of reduced investment and broken private investors commitments.

5. That for Africa to be relevant in the post global economy recovery, it required to urgently address fundamental development financing structures that could support long-standing development in the continent.

6. That the crisis had shown that DFIs were very relevant instrument for catalytic development in African economies.

7. That there was an upsurge on DFIs to provide financing to fill the gap created by missing commercial financing after independence in most African countries.

8. That for DFIs to be relevant in the present financial circumstances, they must re-define strategies for survival, which involved diversification, identifying new options, establishing a more collaborative platform, strengthen south-south cooperation and internal governance.



Participants in the STP in South Korea. In the middle row is Mr Qhena, Chairman of the Association and leader of the STP delegation

Multinational Companies and SMEs in South Korea. In addition, the STP pro-

9. That there was need to continually build the capacity of development finance practitioners in order to cope with the dictates of the fast changing financial environment.

### RECOMMENDATIONS

At the end of their discussions and deliberations, the workshop made the following recommendations:

- i. The urgent need to recapitalize National and Regional DFIs to strengthen them so that they could access capital from local, regional and international markets without respective governments' guarantees.
- ii. DFIs needed to diversify their operational portfolio, adopt good governance structures, accounting and reporting system, as well as practicing suitable resource mobilization methods.
- iii. DFIs should adopt a strategy for survival revolving around: strategy for resource mobilization, profitability strategies, and strategy for internal capacity-building of their staff. The strategy should also be progressive to tap into international markets.
- iv. There was need to ensure that DFIs fully embrace the AADFI Prudential Standards Guidelines and Rating System (PSGRS) as a mechanism for strengthening their internal operations.
- v. DFIs needed to form stronger synergy and develop South-South partnership in trade relationship, investment, capacity-building and finance syndication

vided opportunity for networking and sharing of experiences among the delegates

The tour was led by Mr. Geoffrey Qhena, AADFI Chairman and Chief Executive Officer of the Industrial Development Corporation of South Africa (IDC), and also comprised of 25 other delegates including CEOs, Board Members and Senior Management Staff from various African National DFIs.

During the 5 day tour, the delegates studied various DFIs and SMEs in South Korea, their role in development and Korea's policy issues regarding the promotion of SMEs and socio-economic development. Particularly, among the institutions visited were the Korea Credit Guarantee Fund, Korea Finance Corporation, Korea Development Bank, Korea Venture Capital Association and the Korea Venture Investment Corporation. Further-more, the Samsung Electronics and the Tera Semicon were projects visited. The visit was also spiced with Korean socio-cultural activities.

During the Study Tour Program, the Korean Investment Centre (KVIC) proposed partnership with members of the Association to invest in Africa. In pursuant to this objective, Mr Chang Kim, one of the invited guests at the STP meeting at the KVIC, has addressed a letter to the Secretariat proposing the establishment of "Afro-Korea Partnership Fund". The Chairman has instructed that member-institutions list priority projects they

(Cont on p.8)

**DFI-CEOs TAKE STOCK OF 50 YEARS DEVELOPMENT FINANCING IN AFRICA**  
**FINAL COMMUNIQUE OF THE 2010 CEOs FORUM**

The 2010 Annual AADFI Forum for CEOs of African Development Banks and Finance Institutions on the theme "Development Financing in Africa - 50 Years and After: Achievements, Challenges and Perspectives for African DFIs", was held at the White Sands Hotel & Resort, Dar-Es-Salaam, in the United Republic of Tanzania on 1 - 3 December, 2010. The Forum was attended by 72 participants from 21 countries comprising CEOs and Senior Management Staff from African National Development Banks and Finance Institutions, Regional and Sub-Regional Finance Institutions, as well as officials from the Ministries of Finance and Planning, the Central Banks and other development finance institutions in Africa.

The Forum was organized in collaboration with Tanzania Investment Bank (TIB) as Host Institution; and the African Development Bank (AfDB) as Associate. The 2010 CEOs Forum coincided with the celebration of the 40th Anniversary of Tanzania Investment Bank (TIB) held in the presence of His Excellency the President of the United Republic of Tanzania, Honorable Jakaya Mrisho Kikwete as the Guest of Honour and attended by the CEOs and participants in the Forum to re-launch the TIB as a Development Finance Institution.

The objective of the 2010 Forum was to provide opportunity to CEOs of Development Finance Institutions (DFIs) to review the performance of African development finance institutions as models for financing development in the past 50 years, celebrate their achievements and identify challenges militating against their efficiency with a view to building strategies for greater future performance.

**B. OPENING CEREMONY**

The Opening Ceremony was graced by Mr. Lila Hemedi Mkila, Deputy Governor of the Bank of Tanzania, representing the Governor; and by Mr. Diko Jacob Mukete, AfDB Resident Representative in Rwanda, representing the AfDB President at the Forum.

**C. PLENARY SESSIONS**

The Plenary Sessions were chaired by Mr. Mvuleni Geoffrey Qhena, the



*Participants in the 2010 CEOs Forum*

AADFI Chairman and witnessed Keynote Addresses delivered by Mr. Diko Jacob Mukete, AfDB Resident Representative in Rwanda, representing the AfDB President at the Forum and by Mr. Yuma Morisho, Consultant, Group Challenge on the "The Growing Role of DFIs in Current National Development Efforts".

There were also presentations by Mr. Peter E. M. Noni, Managing Director of TIB on "Implementing Successful Reforms and Transformations in DFIs: Lessons from some African National DFIs", showcasing the experience and achievements of Tanzania Investment Bank (TIB) as the country's major DFI; and by Mr. Lumkile Patriarch Mondli, Chief Economist & Divisional Executive of IDC on "Learning from a Successful DFI Model: The Case of IDC of South Africa".

Two other presentations were delivered by Mr. Frank Hasuerus Kamthunzi, Senior Officer Project & Infrastructure Finance, PTA Bank and by Mr. Arezki Houacine, Director of Finance Department, Arab Bank for Economic Development in Africa (BADEA) on "Prospects for Cooperation and Synergy for Strengthening African DFIs". The various presentations are reproduced and available as download on the AADFI website at [www.aadfi-ci.org/download](http://www.aadfi-ci.org/download).

**D. DELIBERATIONS**

After discussions and deliberations on the various presentations, the Forum agreed on the following observations and conclusions presented by Dr. Michael Mah'moud, an

Independent Development Analysis and Management Expert and a Former Staff of AfDB as the way forward.

- \*Expanding DFIs' Role and Refocusing their Niche
- \*Need for Operational and Institutional Reforms and Capacity-Building
- \* Strengthening Partnerships

**1) Expanding DFIs' Role and Refocusing their Niche**

The Forum observed that most National DFIs in Africa faced operational difficulties especially in the 1980s and 90s as a result of financial reforms during that period which did not support the DFIs strategy. This adversely affected DFIs performance and led to build up of non-performing assets.

It observed that the growing reliance of African Governments on DFIs in the implementation of their development agenda underscored the relevance and value of DFIs in unlocking entrepreneurship in high-potential sectors and industries in the future prosperous outlook of the African economy.

The Forum pointed out that DFIs now operated in a new economic and business environment marked by new opportunities, challenges, economic reforms, regionalization, globalization and innovative technological developments. Therefore, DFIs should expand their capacities to meet growing demand arising from the expanding African economies and opportunities created by the outward-oriented policies pursued in African countries.

It noted that there were growing opportunities not only in the tradition-

al areas of agriculture, industry and housing as a result of expanding economies of African countries, but also in new areas brought by environmental and climate changes (environmental sustainability projects, irrigation, mechanization in agriculture); rural-urban drift, booming housing industry, infrastructure (roads, energy, water and sanitation, and ICT) as well as private sector and value-chain promotion SMEs, agro-processing, etc.

There were also increasing challenges in the face of new opportunities especially in terms of resource mobilization. Quite apart from challenges of resource mobilization in the African financial markets that lacked capacity to provide the type and levels of financing, there were difficulties related to absence of sovereign ratings, lack of incentives for private investors, regulations, procedures as well as current challenges of the international financial markets. Ongoing financial sector reforms had sharpened the competition between new financial institutions and commercial banks, microfinance organizations and NGOs. However, the DFI concept was still relevant because of the gap in meeting medium and long-term resource needs. The business environment was still not conducive to medium and long-term business. Other factors were vulnerability to exogenous shocks and weak creditor rights.

In this regard, the IDC's presentation gave several examples of areas where DFIs might operate, but the key was to make the effort to study their respective environments and dynamics i.e. what was changing around them and how best to respond? The starting point was to develop a corporate strat-



*Participants in the 2010 CEOs Forum in a group photograph*

egy as well as sector strategies. The elements for such strategies should include identifying a niche, institutional and operational reforms, capacity-building and enhancing partnerships.

**2) Institutional and Operational Reforms and Capacity-Building**

The Forum further observed that there was a tendency now for most DFIs to go universal as that was not easy to resist but circumstances differed. However, the presentation of TIB and IDC showed that there were viable alternatives that could help DFIs grow in their traditional role, notably in areas such as catalytic, medium & long-term financing and advisory services.

**\* Institutional Reforms**

In terms of transformation, DFIs needed not go totally universal banking but could have a dual system if able to negotiate properly with their Governments and owners. The challenge was to be able to have two supervisory systems for one organization.

**\* Operational Reforms Funding**

There was need for DFIs to diversify their sources of funding. In that wise, Government support was important, but experience indicated that it would not last forever, nor would it be adequate even when it lasted. Other funding sources (like in the case of IDC) included borrowings, balance sheet income, mature investments and retained earnings.

**Corporate Governance Reforms**

The objective was to improve resource mobilization and lending by reducing risks. At the forefront were issues flagged by the IDC presentation, such as broad-based transformation, board composition, alternative dispute resolution, business rescue, sustainable development, accountability, transparency, audit and reporting, etc. In this regard, the AADFI Prudential Standards, Guidelines and Rating System (PSGRS) are relevant.

**Credit Policy**

This implied the selection of projects, merits, credit limits, minimum and maximum loan limits, lending terms, collateral requirements, industry/area.

**Operational Process**

This entailed pre and post-investment processes, including initial screening and basic assessment, due diligence investigation, internal peer reviews.

**Advisory/Client Support**

This should include business support, advisory and training. There should be an approach towards clients in distress.

**\* Capacity-Building**

This should incorporate training in order to upgrade skills; recruitment to improve skills mix and institutional development for technological and infrastructure improvements. The Forum at this juncture reiterated its request to the AfDB for a grant for

*(Contd on p.8)*



*Participants in the 2010 CEOs Forum*

capacity building training in strategic areas of DFIs operations.

### 3) Enhanced Partnerships

There was need to improve partnership with regional and municipal DFIs at the vertical level and with other national and sector DFIs at the horizontal level. Areas of partnership should include the following: co-financing, syndications, information sharing, representations/agents for monitoring, staff attachments to other DFIs and resource mobilization referred to in the BADEA and PTA presentations.

### E. KEY STEPS ON THE WAY FORWARD

First, there was need to bring major shareholders on board on how DFIs should proceed. For many DFIs, the majority shareholder was the Government and they should be able to manage the political expectations. To this end, DFIs should enlist the support of the AfDB for that kind of dialogue with Governments. Though African Governments were aware already that the business models had to change, there was still the need to sensitize them to facilitate the change, as major shareholders. To support this, the AfDB should develop a corporate strategy towards the DFIs.

Second, there was need to formulate a corporate strategy on how DFIs

should change and the key elements to take into consideration.

Third, there was need to enhance partnerships. DFIs cannot go individually, because no institution does that now. AADFI should continue to provide a platform for enhancing partnerships across the continent and pursuing new areas of partnerships with the AfDB.

### RECOMMENDATIONS

The forum recommended as follows:

1. Given the increasing expectation on DFIs to fulfill their developmental mandates, and the challenge of dearth of long term funds, depletion in most DFIs capital structure, it was recommended that there was urgent need to re-capitalize DFIs that have adopted transformational strategy. This would enhance their ability to attract more development funds, thus expand their ability to offer loans at rates that are economical for borrows. The Forum advised DFIs to bring their major stakeholders on board in formulating their transformational strategy.

2. DFIs should set out clear transformational strategy and employ business plan as an approach to reforming to best operating institutions. Weak DFIs were encouraged to learn from the successes of some African DFIs.

3. DFIs should expand their risk mitigation activities and increase capacity for public-private institutions relationship as a means to address some of the challenges they were confronted.

4. DFIs should adopt sound governance principles. DFIs should clearly define operational policies and procedural manuals for their operational areas. They should implement best risk management practices. This should be reviewed and updated in line with developments.

5. DFIs should develop and implement policies and procedures to ensure that their credit portfolio was adequately diversified. Such policies should establish target for portfolio mix as well as set exposure limits.

6. DFIs should diversify their sources of funding and products to make them sustainable and resilient to economic shocks.

7. DFIs should form stronger partnerships among themselves and with national development agencies and other stakeholders to reduce transactional cost and enhance developmental impact.

8. DFI should also strengthen synergy as a success strategy in the areas of co-financing arrangements, syndication, resource mobilization, capacity-building among others

#### Study Tour: Contd from p.4)

would like to partner with KVIC for implementation in their respective countries.

At the end of the tour, delegates were fulfilled with lessons learnt; an indication that their expectations from the tour were met. Of interest to note were the recognition of DFIs as catalysts for development and the huge supports -including financial- these institutions have continued to enjoy from the Korean government. These deliberate actions have led to the vibrant growth of SMEs sector in Korea.

In all, 25 participants from Botswana, Côte d'Ivoire, Ghana, Kenya, Liberia, Nigeria, Tanzania, South Africa and Uganda attended the Study Tour was facilitated with the support of the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) based in Philippines, and the AJU IB Investment of Korea. It will be recalled that the Association had conducted a similar tour to Malaysia in 2010

#### PSGRS: Contd from p.1)

that the last audited account of the institution be used for the assessment.

2) The Result of the self -assessment should be submitted to the External Auditor or Supervisory Department in the Central Bank of the institution concerned or as applicable for validation/ or certification.

3) The validated or certified result should then be submitted to the AADFI Secretariat not later than June 30, 2011.

4) The received results from member - institutions will be compiled and reviewed by the PSGRS Consultant.

5) The final result of the 2nd Peer Review would be announced in November 2011 CEOs Forum.

An Award has also been instituted for the best performing 5 DFIs based on the result of the exercise.

It will be recalled that the essence of the PSGRS and the Peer Review exercise were to assist member - institutions in identifying their areas of weaknesses and strengths with a view to applying corrective measures to address identified weaknesses, thereby ensuring that African DFIs operate under international best practices.

The PSGRS mechanism is directed at assessing DFIs in the following three (3) key areas: (i) Governance Standards, (ii) Financial & Prudential Standards, and (iii) Operational Standards.

In 2009, 34 AADFI member - institutions subscribed to the exercise. Out of which the following five (5) institutions scored above 80% mark and were ranked as best performing in the following order: Industrial Development Corporation of South Africa (IDC); African Export - Import Bank (Afreximbank), Ibile Holdings Ltd, Nigeria; National Investment Bank Ltd, Ghana; and Swaziland Industrial Corporation (FINCORP), Swaziland. Therefore, with the successes recorded and enthusiasm in the implementation of the PSGRS in member - institutions, it is expected that all member - institutions will be part of the current exercise.

A copy of the PSGRS document comprising the Background information, Instructions manual, Rating questions and Worksheets is available for downloading from the AADFI website at [www.adfi-ci.org](http://www.adfi-ci.org)