



AFRICAN DEVELOPMENT FINANCE INSTITUTIONS (DFIs) PERFORMANCE SURVEY 2025

Assessing Financial Performance, Operational Effectiveness, and Development Impact

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EXECUTIVE SUMMARY

Introduction

AADFI presents findings from a survey of 37 African Development Finance Institutions (DFIs) out of eighty-five (85) contacted, assessing their financial performance, operational models, and development impact for the 2024 fiscal year. The survey highlights how African DFIs are evolving to address financing gaps while balancing development objectives with financial sustainability.

Rationale

The survey is driven by the need to address the limited empirical evidence on African DFI performance, as most existing studies focus on commercial banks using traditional profitability metrics. Given that DFIs prioritize development impact over profit maximization, this survey offers a more appropriate framework for evaluating DFIs performance using both financial and development indicators. It also serves as a benchmarking tool to support policy decisions and institutional improvement.

Methodology

The study adopted a mixed-methods approach, utilizing both quantitative and qualitative data collected from 37 DFIs over a seven-month period through structured questionnaires. The distribution of the respondents includes four (4) regional DFIs and thirty-three (33) national DFIs comprising one (1) from central Africa, eleven (11) from East Africa, one (1) from North Africa, ten (10) from South Africa, and ten (10) from West Africa. Data collection was conducted using both electronic and paper-based methods, followed by validation with participating institutions. The data for the study were based on the 2024 fiscal year. The analysis employed descriptive statistics, including means and proportions, to present findings.

Key Findings

The results show that 51% of DFIs are incorporated, 38% are established through Acts of Parliament, and 8% are established by both Acts of Parliament and Incorporation. Results of DFI ownership showed that government/state owned 65% of the DFIs' in the study, MDB/International Financial Institution owned 29% of the DFIs' in the study while private sector owned 5% of the DFIs' in the study. 50% of the DFIs operate hybrid (wholesale and retail) lending models with 89% of the DFIs being multi-sector focused. DFIs' financing shows that 20% and 16% is directed toward agriculture and manufacturing respectively, with 32% and 30% of the DFIs engaging in social sectors such as health and education respectively. 75% of DFIs consider gender equity finance, though only 7% allocate above 30% of their portfolios to gender equity finance. About 28% and 61% of the DFIs provide guarantees and a combination of loans, equity, and savings respectively, with advisory support (35%) and technical services (33%).

Furthermore, 86% of the DFIs have adopted climate and environmental goals, and 83% have integrated sustainability practices and climate change mitigation measures into the projects they finance. DFI funding was gotten from a combination of sources including development partners/MDBs (19%), retained earnings (19%), government (16%), and equity (2%).

Financial performance was moderate, with average ROA at 2.1%, ROE at 5%, and LRR at 77.2%. 73% of the DFIs reported strong (75%–100%) loan repayment rates, although 20% of the DFIs had NPL ratios above 40%. 67% of the DFIs maintain NPL below 20% while the average NPL was 22.3% when pooled, 20.1% for national DFIs, and 37.5% for regional DFIs. 71% of the DFIs made

profits while 29% recorded losses during the 2024 financial year. Importantly, an overwhelming majority (94%) of DFIs report positive development impact, demonstrating their effectiveness in driving inclusive growth with an average of 54,000 direct jobs created between 2022 and 2024. The findings highlight that financial sustainability remains the most pressing challenge for DFIs, reflecting the ongoing balance between achieving development impact and maintaining financial viability. Key operational gaps persist, particularly in risk management and loan recovery, raising concerns about portfolio quality. Institutional capacity issues are also evident, including difficulties in attracting skilled staff and strengthening governance and transparency.

The results further suggest that strong government support is critical to DFI performance, particularly through capital injections and dedicated intervention funds, and concessional financing. DFIs also rely significantly on development partners for concessional funding, technical assistance, and co-financing to scale their operations and manage risks. On the regulatory side, most DFIs demonstrate strong compliance with prudential standards, indicating sound financial discipline and stability. Supervision structures are diverse but largely robust, with oversight mainly provided by central banks and ministries of finance in host nations. Additionally, there is strong engagement with industry best practices, as reflected in participation in peer review frameworks. However, uptake of external credit ratings remains mixed, suggesting varying levels of market maturity and readiness to attract international investment.

Conclusion

The survey confirms that DFIs play a critical and evolving role in Africa's development, with strong evidence of impact despite operating under challenging conditions. While most DFIs demonstrate financial stability and effective development outcomes, constraints related to limited capitalization, high-risk exposure, and operational challenges persist. Summarily, DFIs are progressing and improving, but they require strengthening to scale their impact.

Recommendations

Some of the recommendations include enhancing performance and sustainability. DFIs require increased capitalization, with 20% of respondents citing government support and 18% citing concessional funding. 19% recommend strengthening risk management and improving loan recovery, which is also critical. The study recommends that DFIs should expand resource mobilization, including the use of blended finance instruments, to deepen private sector participation and scale investments in climate and gender finance. Furthermore, regional and national DFIs should be adequately capitalized to stem the tide of undercapitalization which is one of the sustainability challenges faced by African DFIs compared with other continents. Additionally, there is a need to strengthen institutional capacity, improve governance, and enhance participation in frameworks such as the Association of African Development Finance Institutions Prudential Standards Guidelines and Rating System (PSGRS), which 73% of DFIs subscribe to. Strengthened partnerships with development partners for technical assistance and co-financing will also be essential. Reinforcing financial capacity, institutional frameworks, and strategic partnerships will position DFIs to play a more transformative role in addressing Africa's development financing needs.