

SPEECH BY THE CHAIR OF THE SADC-DFRC BOARD CHAIR, MR CHARLES CHIKAURA, AT THE TENTH ANNIVERSARY OF THE SADC DEVELOPMENT FINANCE RESOURCE CENTRE, 5<sup>TH</sup> DECEMBER 2013, GICC, GABORONE, REPUBLIC OF BOTSWANA.

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His Honour the Vice President of the Republic of Botswana, Dr Ponatshego H Kedikilwe;

Honourable Ministers, invited and here present;

[The Executive Secretary of SADC, Dr Stergomena Lawrence Tax;]

Your Excellences, Ambassadors, High Commissioners and Members of the Diplomatic Corps;

Chairman of the SADC DFI Subcommittee, Ambassador Leonard lipumbu;

CEO of the SADC DFRC, Mr Stuart Kufeni;

Senior Government Officials from SADC Member States;

Senior Officials of the SADC Secretariat;

SADC DFI Network Members;

Distinguished Guests;

Ladies and Gentlemen;

I have singular honor and privilege, on behalf of the Board of Trustees and Management of the SADC Development Finance Resource Centre, to welcome you to the 10<sup>th</sup> anniversary celebration of the establishment of the SADC Development Finance Resource Centre (the DFRC).

This is an important milestone for not only the SADC DFRC, but the entire development finance community in the region. This derives principally from the mandate given to the DFRC, at its founding, but also the major achievements that have been realized in this noble but difficult task of placing development finance firmly on the development agenda of SADC.

We are all aware of the difficult history of development finance institutions (DFIs) in Africa in the 1970s and 1980s, many of which floundered and could not adequately give effect to the development mandate bestowed upon them by the principal stakeholder. The failure of the DFIs in this respect raised important questions about the relevance and value of such institutions as agents of development.

As His Honour has observed, research and investigation clearly demonstrated that the failure of the DFIs arose principally from such factors as poor governance, inadequate capitalization and lack of requisite technical and managerial skills as well as political interference. This resulted in resource misallocation, adverse project selection, inadequate sectoral diversification and overconcentration in particular industries thus bringing into question the relevancy of DFIs as a strategy for addressing the developmental challenges in Africa.

However, in spite of this widespread failure in the first generation of DFIs in Africa, there was still a recognition of the need to develop mechanisms to mobilize resources to fill the gap for much needed long-term finance in vital development projects in infrastructure, small industries development and other strategic economic and social sectors which the private sector could not support because of the perceived high risks, long payback period and the low returns on investments in such projects.

Further, the recognition that the goal of regional integration as a framework for sustainable economic growth and poverty reduction would require significant investment

in regional and cross-border projects, underscored the need for national development finance institutions to play their vital role of resource mobilization for such purpose.

It is against this backdrop of challenges, experiences and pressing priorities that the national DFIs with the blessings of the SADC governments joined forces in establishing a regional Network of DFIs to foster cooperation amongst themselves in resource mobilization, investment and capacity building, and to serve as a repository of technical knowledge and advice to governments and other stakeholders on development finance issues in the region.

To coordinate this process, and as part of the strategy to build a region-specific development finance system, the DFI Network gave birth to the DFRC in 2003 as its secretariat, and as a provider of capacity, policy research and advisory services to member institutions and SADC governments.

The strategic role of development finance in the SADC agenda was recognized in the Regional Inductive Strategic Plan (RISDP), while the SADC Finance and Investment Protocol (FIP) provides for the establishment and recognition of the DFI Network and its DFRC as vital players in the regional development finance agenda.

With a clearly defined mandate, the DFRC embarked on its mission of servicing the development finance community as articulated in successive strategic plans since 2004. The first plan (2004-2009) was aimed at raising awareness of the operations of the DFRC to stakeholders, expanding membership, and building an advanced, responsive and relevant cutting-edge capacity building programme for the DFIs in the region. It also sought to lay out the groundwork for policy research and advisory interventions at the institutional level as well as the national and regional policy levels, particularly with respect to infrastructure and SME development all in line with the tenets of the SADC RISDP.

The second strategic plan (2009-2014) underpinned by a restructured and streamlined institution sought to establish the DFRC as a Centre of Excellence which would efficiently and proactively facilitate and be the first port of call for development finance solutions in the SADC region. This was to be achieved by pursuing excellence in

services, building strong stakeholder relationships and striving for sustainability, through a widely accepted menu of interventions, a strong outreach programme and a good financial performance.

The tenth year of our excellence coincides with the end of the second strategic plan (2009-2014).

I am pleased to report at this stage that through the unflinching support of the DFI Network, the leadership and guidance of successive Boards of Trustees, and the technical and administrative skill and commitment of management and staff that DFRC has recorded significant milestones in its last ten years.

First, the membership of the Network has expanded by over 60% from the original 18 to the current 31, and covering a wide range of sectors, while embracing almost all SADC member states. More DFIs are expected to join the DFI Network as the programme of outreach continues, and the more state-owned institutions are established.

Second, a strong capacity building programme with innovative, state-of-the-art but relevant training and development programmes has been built up offering DFIs staff in the region specialized skills development interventions that are close to their work needs and promote best practice. The subject areas covered include Corporate Governance, Investment Appraisal for Infrastructure and SMEs, Project Finance, Financial Modelling, Project Management, Post Investment Monitoring and Bad Loans Management, and many other programmes.

To date approximately three thousand participants from the DFIs and associated institutions have gone through the over 100 programmes offered. Most of the participants, as acknowledged by their institutions, have recognized the value of these programmes through the high quality of training materials, the international standard of tuition and the high quality exchange of experiences of DFI senior staff.

These programmes are supplemented by an international exchange programme for DFI staff to promote regional harmonization of practices, benchmarking and skills development amongst the DFIs.

Third, the DFRC has through technical assistance and advisory missions sought to identify major challenges and problems faced by individual DFIs and to develop consultative solutions to promote efficiency and effectiveness in operations. This has ranged from introducing new systems and procedures to restructuring operations as well as setting up of new development finance institutions altogether.

Fourth, there has been an effort to stimulate debate on the experiences and policies of development finance within the SADC region, and to devise policy options based on our own experiences, and that of other regional national communities. This informs the development of our institutions and the evolution of policy at national and regional level on development financing consistent with widely-accepted best practice.

Fifth, the DFRC as a technical institution has been actively involved in providing technical advice in the setting up of the regional development finance architecture, particularly the Project Preparation and Development Facility (PPDF), which is now operational, and the SADC Regional Development Fund (RDF), which is at the advanced stage of development. These two structures, together with the DFRC and the DFI Network, constitute the pillars of the regional development finance system of SADC tasked to promote resource mobilization towards regional infrastructure development, industrialization and development of social infrastructure.

In addition to the foregoing, I also wish to draw your attention to three major developments with respect to the DFRC which will have major implications for the growth, development and effectiveness of our institutions.

First, the progressive shift of focus of the DFRC from regional training programmes to country-based and institution-focused programmes based on national DFI cluster will engender efficiency and responsiveness to the specific needs of the countries and DFIs, while capturing the regional dimension of the DFRC's work. A recent example of this was the launching in October 2013 of the Zimbabwe Development Finance School which is a series of executive development programmes of special interest to a particular cluster, but which is of relevance to other DFIs in the region. It is our hope and our intention to replicate this to all countries, so that the special needs of all countries

and DFIs are catered for while sharing lessons and experiences with other member DFIs.

Second, the DFRC has recently completed the institutionalization of the Prudential Standards, Guidelines and Rating System (PSGRS) of the Association of African Development Finance Institutions (AADFI) within the SADC DFI Network, while integrating it within the broader continental processes. This PSGRS is a self-assessment tool, which is externally verified to assess compliance with the best practice in three areas namely; governance, finance and operations, to arrive at a composite score, which is a guideline to stakeholders on the quality of stewardship of the development finance institutions. The assessment for 2013 was completed in October, and included in the African league tables.

In this assessment, I am pleased to report that 17 of our DFIs participated and of these, 7 (41%) of them scored grade A, which makes them eligible to receive certificates of recognition by the AADFI. It is also noteworthy that of the top 20 DFIs (in the A category) on the African continent, 35% were members of the SADC DFI Network. This shows that the SADC DFIs are performing significantly well, especially in relation to other African DFIs.

However, this should not make us oblivious to the observations and cautionary tale from the PSGRS that more work is required in SADC on issues of capitalization, resource mobilization and corporate governance if the DFIs are to achieve and sustain higher scores, and improve their standing with international financiers, donors, governments and other stakeholders.

The third achievement has been the recognition, and incorporation of the role of the private sector in financing public infrastructure, through the establishment of the Public Private Partnerships Network within the DFRC.

The purpose of this Network is to enhance the capacity of the public sector to develop and package PPP deals with the private sector, and to develop the ground rules and policy framework for the effective partnership of the public and private sectors at

national and regional levels, while recognizing the role that the Development Finance Institutions, as agents of government, can play in this process.

It is clear from the foregoing that the DFRC has scored enormous successes for the regional development finance sector in the SADC region. I am not left with any doubt in my mind that our investment as DFIs and governments in the DFRC has been worthwhile and fully justified, and has started yielding dividends.

However, this notwithstanding, a lot of challenges still remain to be tackled, to bring our DFIs to a level where they can fully and effectively play their mandated developmental role, both at national and regional levels. In this regard, it is important that the DFI environment is regularly reviewed and assessed with a view to identify and prioritize these challenges and put in place requisite policy, institutional and regulatory frameworks in line with best practice to ameliorate or address them completely.

It is in view of this that as DFIs we welcome the ongoing scan by the DFRC of all SADC development finance institutions and their operational environment, with a view to identifying the pressing challenges and impediments, and to identify options for action, so that the DFIs can contribute meaningfully to the development of their respective countries and the regional development agenda.

Based on these achievements outlined above and the consensus that will emerge from the scan, it is our hope as the Board that this will lay the foundation for further cooperation amongst the DFIs; and that it will form the basis for the crafting of the next strategic plan of the DFRC to define its future range of interventions aimed at pushing the SADC DFIs to a higher developmental stage where they are capable to raise resources at domestic and international markets towards critical investments in our economies and the region at large.

In conclusion, I am persuaded by the collective commitment of the DFIs, the experiences and successes hitherto, and the support of the SADC governments, the SADC Secretariat and our international cooperating partners that we have achieved a lot so far, and have the great potential to bring about even greater and far reaching

changes in the regional development finance system, which will catalyze the development process in the region.

I therefore wish to appeal to all our stakeholders to continue supporting the work of the DFRC in its next phase of development, and in its quest to enhance the capacity of our development finance system to deliver on its mandate, and contribute towards the realization of a better standard of living for the people of SADC.

Thank you