

WELCOMING SPEECH BY THE CHIEF EXECUTIVE OFFICER OF THE SADC DEVELOPMENT FINANCE RESOURCE CENTRE, MR STUART KUFENI, AT THE TENTH ANNIVERSARY OF THE 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, here present;

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

Your Excellences, Ambassadors and Members of the Diplomatic Corps;

Mr Charles Chikaura, Chairman of the SADC DFRC Board of Trustees;

Ambassador Leonard lipumbu, Chairman of the SADC DFI Subcommittee

Dr Rosalind Thomas, Former and First CEO of the SADC DFRC;

Chief Executive Officers and Senior Management of DFIs

Senior Government Officials from SADC Member States;

Senior Officials of the SADC Secretariat;

Distinguished Guests;

Ladies and Gentlemen;

It is an honour and indeed a great pleasure to address you on this auspicious occasion, the celebrating the tenth anniversary of the establishment of the SADC Development Finance Resource Centre (the DFRC). On behalf of the management and staff of the DFRC, I would like to welcome you all and to extend to you our sincere gratitude for sharing your time with us tonight.

The DFRC came into being in July 2003 to serve as the secretariat of the SADC Development Finance Institutions (DFIs) Network, the latter having been established in 2002. The two constituted the first building blocks of the regional development finance system of SADC arising from the recommendations of the Development Finance Study

of 1998 which were approved by the SADC Committee of Ministers of Finance and Investment in 2000. The third pillar of the system was the Regional Development Fund which, as most of you are aware, is in the process of being operationalised.

The DFI Network was initially established through a memorandum of understanding and with the coming into force of the SADC Protocol on Finance and Investment, commonly referred to as the FIP, in April 2010, it became a protocol-based SADC structure. The FIP also recognises the DFRC as a SADC institution established under the principle of subsidiarity.

The FIP consists of a number of annexes, twelve of them, and the DFI Network falls under Annex 9 on “Cooperation in Respect of Development Finance Institutions”. Under the FIP, the DFIs are mandated to perform various functions but chief among these being to collaborate on projects and the “pooling of resources in order to mobilise funds for purposes of financing development projects in the region”. This role of DFIs as agents to mobilise resources towards financing projects to underpin the SADC Regional Integration Agenda is further recognised under the SADC Regional Indicative Strategic Development Plan (the RISDP).

Within this framework, the DFI Network established the DFRC to perform a number of functions. Firstly, the DFRC would operate as the secretariat of the Network its principal role being to coordinate its mandated activities, and facilitating networking and cooperation amongst the DFIs. Secondly, cognisant that most Network members faced various skills gaps and institutional weaknesses that militate against their effectiveness in supporting projects, the DFRC was further mandated to facilitate capacity building and policy research and advisory services. These would be guided by best practices and therefore would make it incumbent on the DFRC to put in place cutting-edge capacity building programmes and also position itself as a hub for technical support and advice on development finance.

With a clearly articulated mandate, the DFRC then proceeded to implement it in the form of five-year strategic plans to be rolled out through annual working programmes and budgets. The first strategic plan for the period April 2004 to March 2009 was

expected to showcase the DFRC and raise awareness among stakeholders of its existence while it highlighted the sector focus as infrastructure development, including public-private partnerships (PPP), and small and medium enterprises (SMEs). The selection of these sectors was for obvious reasons as they are key drivers of the regional integration process and the generation of employment.

As the inaugural plan, it also highlighted the governance and institutional structures and staffing of the DFRC. These were critical in putting the DFRC on the map, so to speak, and ensuring the support of key stakeholders, in particular the international cooperating partners and the DFIs, some of which had still to join the Network.

With all key technical staff in place at the end of 2004, and donor support having been secured, programming began in earnest during the first half of 2005 in fulfillment of the mission then of “providing capacity building and policy research and advice to the DFI Network and SADC Governments in support of financial and operational effectiveness and efficiency so as to enhance their contribution to economic growth and development in the SADC region”.

Capacity building programmes were largely informed by consultations with and surveys of DFIs and during the first five years were largely generic, and focused on core and critical areas of development finance such as investment appraisal, risk management, project finance, financial modeling, to mention a few. The generic nature notwithstanding, as a development finance-centred institution it was crucial that the DFRC courses are tailor-made to and therefore relevant for DFIs.

On the other end, policy research and advisory services, were largely demand driven and lacked sufficient resources at the beginning. However, a number of DFIs benefitted from technical advice particularly in restructuring their operations and feasibility studies as in the case of Tanzania, Zambia and Malawi. These would be augmented by policy and regulatory consultations and conferences aimed at improving the general operational environment of DFIs.

With poor governance structures still endemic to some DFIs, partly on account of historical factors, the demand for courses on good corporate governance best practices

has been and remains one of the flagship courses of the DFRC, together with investment appraisal and risk management.

As a lean organisation, it was also important that the DFRC identify prospective donors to sponsor its programmes as well as strategic technical partners in our mandated areas of operation as well as sectors of focus. Sponsors were not readily available in the first few years, partly due to our novice status, and as such the programme delivery fell short of the pent up demand for training from member DFIs. However, overtime as we became known and particularly during the second five-year plan this situation improved significantly.

The second strategic plan for the period April 2009 to March 2014 saw the DFRC consolidate on the outcomes of the first five years while seeking excellence in services; committing to enhancing stakeholder relationships; and striving for financial sustainability as major pillars of the strategy. The overarching strategic objective was to position the DFRC as a centre of excellence that efficiently and proactively facilitates development finance solutions in the SADC region.

While the DFRC's capacity building interventions, particularly training, did not change much during this plan period in terms of identified skills gaps to be addressed, there was a fundamental and significant shift in the approach to programme delivery. Whereas training tended to be generic in the earlier phase, this time around the focus was on individual institution training needs, and where these were shared by other DFIs within a country, a cluster approach would then be utilised. This ensured that individual DFIs received training tailor-made to address their specific skills gaps, but which training was also informed by regional and international experiences and best practice. The DFRC thus envisages the continuation of a capacity building programme characterized by an incremental increase in generic programmes, and a rapidly evolving institutional and country based cohort of programmes.

Today, ten years later, over 100 training courses and in excess of 3,000 trained staff under our belt, the DFRC has continued to grow in strength and stature and to expand its foot print in the region.

The establishment and operationalization of the PPP Network within the DFRC in the first quarter of 2012, thanks to the funding from GIZ and DBSA and the technical support of the World Bank Institute, saw the DFRC extend its outreach to encompass more PPP-specific interventions over the past one and half years. The number of beneficiary stakeholders was also expanded as the courses were largely directed at enhancing the capacities of governments to engage in PPP to improve delivery of social and economic infrastructure such as transport, energy and water, health and sanitation.

Significantly, through the technical input of the DFRC, and a wide ranging and in-depth consultative process with governments, donors and other technical experts, the first regional policy on PPP was developed, and subsequently approved by the SADC Committee of Ministers of Finance and Investment.

During the course of the years, the DFRC has notched a number of achievements besides training and these include:

- a) Increased the DFI Network membership from 18 to 31;
- b) Developed a state of the art, cutting-edge and relevant DFI-focused capacity building programme, dealing with high-level governance, managerial and technical issues, and supported by a network of highly-qualified and seasoned non-resident experts from within the Network, the region and beyond;
- c) Instrumental, through rendering of technical advice, in the establishment of SADC development finance structures – the Project Preparation and Development Facility (PPDF) and currently, the SADC Development Fund;
- d) Established the SADC PPP Network under the DFRC and the subsequent development of the SADC PPP Framework which was recently approved;
- e) Introduction and the adoption of the AADFI Prudential Standards, Guidelines and Rating System to improve the governance and management of DFIs, and enhance their ratings by lenders, donors, regulators and other stakeholders;

- f) Built a cadre of reputable strategic partners for quality and effective programme and technical delivery to stakeholders among these, DFIs, Governments and State-owned enterprises (SOEs); the DFRC has, and continues to work with leading international institutions like the African Development Bank, the Global Corporate Governance Forum of the International Finance Corporation, the World Bank Institute as well as reputable universities in the region and beyond, in the development and implementation of its interventions;
- g) Developed strategic alliances with cooperating partners and similar DFI-oriented regional organisations such as the Association of African DFIs and the Association of DFIs in Asia Pacific (ADFIAP);
- h) Held various conferences to stimulate debate on current and critical development finance matters, including credit rating of DFIs, DFI relevancy and effectiveness, impact of the global economic and financial crisis, and many others;
- i) Conducted regular DFI CEOs Fora for purposes of high-level transfer of knowledge and sharing of best practice policy, operational and institutional experiences; and
- j) Developed a Data base for DFIs in SADC for research, consultancy and advisory services.

These are but some of the achievements of the DFRC besides facilitating regular networking among DFIs and other development stakeholders and keeping abreast with the changing environment of development finance both at regional and international levels through workshops and conferences.

The DFRC would not have grown to its current status as a reputable centre for capacity building and its growing stature as a technical hub in the development finance space in the region where it not for the critical support of strategic and international cooperating partners at the most critical moments as we were trying to get our feet on the ground.

In this regard, with your indulgence, I wish to pay tribute to the following strategic partner organisations and international cooperating partners for their invaluable support, both technical and financial during the formative and consolidation phase of our development:

- Danish International Development Agency (DANIDA)
- European Union (EU)
- Deutsche Gesellschaft fuer Internationale Zusammenarbeit (GIZ)
- Japanese International Cooperation Agency (JICA)
- European Public Private Partnership Expertise Centre (EPEC)
- Association of African Development Finance Institutions (AADFI)
- The World Bank Institute (WBI)
- Global Corporate Governance Forum (GCGF)
- African Development Institute (ADI, African Development Bank)
- Public-Private Infrastructure Advisory Facility (PPIAF, World Bank)
- African Capacity Building Foundation (ACBF)
- United Nations Office for Procurement and Services (UNOPS)
- Development Bank of Southern Africa (DBSA)
- Industrial Development Corporation (SA)
- Canadian International Development Agency (CIDA)
- Centre for the Development of Enterprise (CDE)

While the interventions of the DFRC to capacitate national DFIs by up skilling staff and institutionally strengthening them have significantly improved their effectiveness as agents of development, still a number of impediments lie in their way particularly in the area of resource mobilisation, especially in view of the huge demands for infrastructure development under the SADC Regional Infrastructure Development Master Plan (RIDMP).

It is for this reason that the DFRC is presently undertaking a Scan of SADC DFIs that would not only highlight the status of DFIs and development finance in general but would also bring out existing policy, institutional, regulatory and operational gaps that would require redress such as lack of regional mandates for cross-border investments if the DFIs are to function efficiently and effectively in executing their national and regional developmental mandates. The DFRC, therefore, looks forward to the findings and recommendations of the study as these will provide a basis for the formulation of the DFRC's next strategic plan for the period April 2014 to March 2019.

The role of the DFRC as facilitator and catalyst of development through support to the DFI Network and SADC governments is clearly outlined under the Protocol on Finance and Investment. Thus, the DFRC will continue to address skills, policy, regulatory and

institutional gaps and to contribute technically to the regional development agenda discourse under the guidance of SADC.

We therefore see the policy and advisory function of the DFRC expanding as its capacity building interventions stabilize overtime and it gains brand status as a fully-fledged centre of excellence and port of first call for development finance issues in the region.

Moreover, the outreach of the DFRC will over the next phase likely to extend beyond the regional stakeholders, especially in view of the growing demand for collaboration with other regional DFI-centred entities. The experience of SADC and Africa, both pitfalls and triumphs, can be used as learning points for the world-wide community of development finance institutions, as the role of the DFI is clearly defined and fully integrated in our development processes.

In marking our achievements to date, it would be remiss of me not to recognize some of the key players that have made our challenging journey manageable, interesting and fulfilling. Our appreciation goes to the successive Boards of the DFRC over the years for their strategic and policy guidance; the members of the DFI Network that have rendered their unwavering support to the work of the DFRC.

The mother institution, the SADC Secretariat, has been instrumental in laying the groundwork and policy framework for the institutional development, and providing the technical and financial support as well as guidance and leadership on the regional development agenda.

Last but not least, I also pay tribute to the management and staff of the DFRC for their teamwork, commitment and hard work, beyond the call of duty that have enabled the institution to weather the passing storms and rise to the challenge faced by the institution in the last decade.

Thank you.