

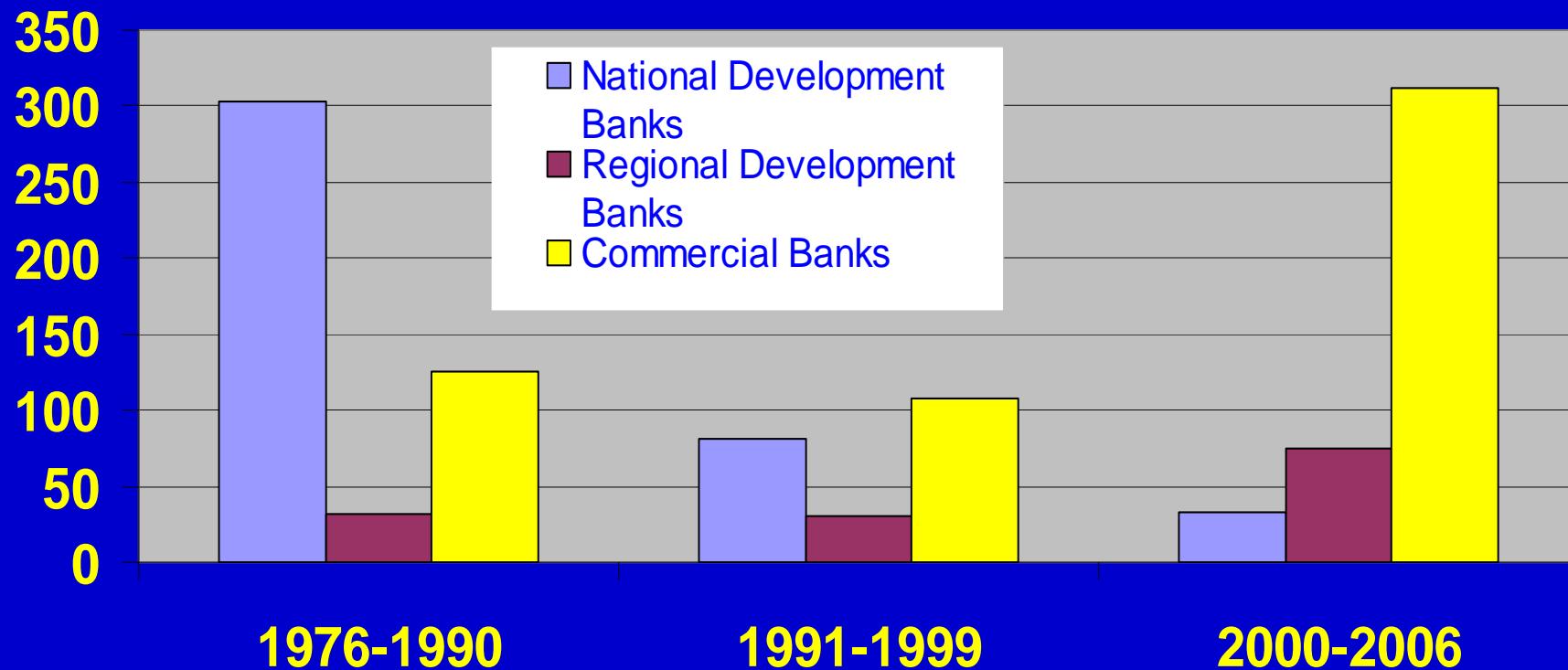
**Regional Consultation**  
**“Rethinking the Role of National Development  
Banks”**

**Paris, 27 & 28 June 2006**

**EIB Support to Development Banks  
in Africa**



# EIB Lending to Financial Institutions in Sub-Saharan Africa (million EUR)



## EIB support to NDBs in Africa: 1970s & 1980s

NDBs seen as effective response to financial (and other) market imperfections.

Support from multilateral and bilateral development finance agencies.

EIB support aimed at two market imperfections:

- ✓ access to finance of SMEs
- ✓ provision of long term financial instruments

Loans, equity and quasi-equity

## Weak performance of NDBs in 1980s:

- ✘ Weak management, governance problems.
- ✘ Misguided directed lending policies.
- ✘ Insufficient credit and risk culture.
- ✘ Ill equipped to deal with equity operations.

Retreat from lending to NDBs since early 1990s.

# New strategy since turn of century : RDBs and especially commercial banks

## Achievements:

- ✓ Better quality of firms financed
- ✓ Long term lending, mostly through RDBs

## Unresolved problems:

- ✗ Access to credit of SMEs
- ✗ Prevalence of short term lending (commercial banks)

## Market imperfection still there

- ✘ Can be partially addressed by RDBs.
- ✘ Can suitably designed/reformed NDBs play a useful role?
- ✘ A few encouraging examples.
- ✘ EIB now considering to support establishment of NDBs in a number of African countries.

## Challenges

- ✘ Case specific intervention, beware of general prescriptions.
- ✘ Setting priorities & realistic assessment of tasks.
- ✘ Technical assistance: useful but not panacea.
- ✘ Governance and institutional framework: the lessons of conditionality.
- ✘ Commitment to proper institutions and governance essential.