Doing Business with the African Development Bank

Part 2

Nairobi, Kenya

October 02 - 04, 2017

Crowne Plaza Hotel
## Key Challenges to Financial Sector Development

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Bank Agenda - Possible Solution</th>
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<tbody>
<tr>
<td>Governance gaps</td>
<td>- Harmonize of regulatory requirements</td>
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<td>- Strengthen regulatory &amp; supervisory capacity</td>
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<td>- Create regional financial infrastructure &amp; ecosystem</td>
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<td>Limited access to financial services and high informality</td>
<td>- Financial Inclusion initiatives</td>
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<td>Evolving banking and financial institutions</td>
<td>- Strengthening of financial institutions</td>
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<td>- Develop new financial products and services</td>
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<td>Small, fragmented capital markets</td>
<td>- Bond and equity markets with high depth/liquidity</td>
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<td>- More Institutional investors &amp; Diversified capital market products/ services</td>
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BANK'S FINANCIAL DEVELOPMENT STRATEGY

Vision

Pillar I
Increasing Financial access to the underserved

Pillar II
Broadening & Deepening of Africa’s financial systems

Financial Stability and Governance

Innovation
Lead in promoting technology for universal access and innovative products/services

Partnership
With MDBs, regional devpt. banks and bilateral institutions
1. Increase access to the underserved and Poor - Universal access to financial services for individuals and MSMEs esp. to women and youth

2. Accelerate deepening of banks and NBFIs - Focus on high potential growth-oriented SMEs [SME financing gap estimated at USD 140-170bn could theoretically be closed in 5-7 years].

3. Mobilize finance for transformational sectors via Africa’s largest commercial banks can expand retail banking operations and lending to fast-growing SME’s, transformative sectors such as infrastructure and agriculture

4. Deepen Domestic Capital Markets to Mobilize Long-term Capital
   - The weakest link in Africa’s financial sector
   - Savings in pension funds/ insurance companies/ asset managers vs tenor mismatch in banking systems

5. Financial System Governance – stakeholders’ dialogue for transparency and shared commitment
• Products and Initiatives designed to complement efforts of stakeholders e.g. peer DFIs, MDBs, etc
• Help ease financial constraints facing SMEs, manufacturers, infrastructure, agriculture, etc

Transformative sector projects, Technical Assistance
Strategic Alignment
- Country’s economic & Social priorities
- ADB Strategic fit

Commercial Viability
- Market Fundamentals
- Financial Structure
- Sponsor’s experience & Financial Strength
- Rate of Return

Development Outcome
- Employment
- Local content
- E & S Impact
- Govt. revenue
- Foreign exchange

Additionality
- Deal structuring
- Crowding-in of Commercial Investors
- Political & Financial risk mitigation

KEY GUIDING PRINCIPLES – DEAL SELECTION CRITERIA