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## **SADC DFRC: ROLE IN PROMOTING DEVELOPMENT FINANCE AND CAPACITY BUILDING IN THE REGION**

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## Presentation Outline

1. Background and Evolution: SADC Development Finance System (DFS)
2. DFS: Institutions and Roles
3. Role of SADC DFRC
4. Concluding Remarks

# 1. BACKGROUND: SADC DEV. FINANCE SYSTEM (DFS)

## 1.1 Genesis:

- The DFS of SADC has its foundations in the Development Finance Study of 1998 (DFS98). One of 3 commissioned by the then SADC Finance & Investment Sector Coordinating Unit (FISCU), including Macroeconomic Convergence and Investment.

The DFS98 recommended: a 3-pillar development finance system:

- SADC DFI Network;
- SADC Development Finance Resource Centre (DFRC); and
- SADC Regional Development Fund (RDF)

## 1.2 Evolution of SADC DFS

- DFI Network – established May 2000
- DFRC - established July 2003
- 2003 study on “Desirability and Viability of a SADC Regional Development Fund”
- Study recommended establishment of the Project Preparation and Development Facility (PPDF).
- July 2007: Decision for DBSA to host PPDF.
- DBSA-SADC Secretariat Hosting MoU - 2008.
- The Protocol on Finance & Investment (FIP), signed by Heads of State and Governments in 2006 and ratified April 2010
- FIP, incorporated the SADC DFI Network and the SADC DFRC.
- SADC PPP Network – established 2012 (DFRC Host)

## 1.2 Evolution of SADC DFS (Cont.)

- July 2009, SADC Committee of Ministers of Finance and Investment (COMFI) directed SADC Secretariat and DFRC to undertake a feasibility study on the establishment of the SADC Regional Development Fund (RDF)
- Study was completed in December 2010.
- RDF Agreement on its Operationalization has been finalized and presently undergoing ratification by Member States
- Agreement covers issues of governance, capitalisation, shareholding, hosting, mandate and voting powers.
- Agricultural Development Fund – approved July 2017
- Regional Credit Guarantee Facility – feasibility study to overseen by DFRC

## 2. SADC DFS: INSTITUTIONS & ROLES

### 2.1 THE SADC DFI NETWORK

- Pool resources to mobilize intra- and extra-regional funds for development projects
- Collaborate on cross-border and in-country financing of projects in SADC
- Share experiences & develop common best practices - risk management, corporate governance, project appraisal etc.
- Where viable, take equity in each other's institutions
- Invest jointly in new SADC structures where necessary
- Collaborate on appropriate institutional mechanisms to facilitate cooperation and development finance in SADC
- Strengthen & build creditworthiness of members
- Network Membership – 40 DFIs

## 2.3 PROJECT PREPARATION & DEVELOPMENT FACILITY (PPDF)

- Main function is preparation and development of regional projects, primarily infrastructure, to bankability
- A precursor to the establishment of the SADC Regional Development Fund
- RDF study recommends that PPDF constitutes one of the windows of the SADC Regional Development Fund to complement the Infrastructure lending window.

## 2.4 THE REGIONAL DEVELOPMENT FUND

RDF Windows:

- **Integration and Adjustment Facility** - main purpose is to facilitate the mainstreaming of SADC Trade Integration agenda at the national level – assist challenges associated with implementation of Free Trade Area (FTA)
- **Infrastructure Fund** - main purpose is to facilitate the pooling of private and public resources to fund the development of trade-related regional infrastructure projects
- **Social Fund**, could be considered at a later stage – to incorporate HIV/AIDS fund among others.
- **Industrial Development** – establishment and growth of industry in key development sectors, incl. SMEs.



## 2.5 RDF Vs NATIONAL DFIs

- National DFIs to be largely involved in project identification, preparation, implementation, monitoring and evaluation;
- RDF, when operational, is expected to leverage its balance sheet and raise resources to retail to DFIs through lines of credit, equity, guarantees, co-financing etc..

## 3.0 ROLE OF SADC DFRC

The SADC Protocol on Finance and Development (FIP) defines the DFRC **mandate** to encompass:

- Secretariat of SADC DFI Network
- Facilitator and Coordinator of cooperation in the DFI Network
- Capacity Building and Institutional Strengthening
- Advisory Services and Policy Research
- Regional conduit for development finance policy discourse, formulation and dissemination
- **Vision:** Centre of Excellence for Development Finance Solutions

## 3.0 ROLE OF SADC DFRC (Cont.)

### 3.1 Capacity Building & Institutional Strengthening

- DFRC interventions seek to address primarily the following:
  - Poor Corporate Governance Structures
  - Critical skills gaps
  - Inadequate capital resources
  - Weak regulatory and supervisory frameworks
- Guided by the SADC Regional Indicative Strategic Development Plan – 2015/30 (RISDP)- a regional blueprint for sustainable and inclusive economic development and integration. Aligned to AU Vision 2063. Prioritises Industrial (inclusive of SMEs) + Infrastructure development
- Global Developments – Prioritisation of SDGs and impact of the COVID-19 pandemic on the region and national economies
- Overall Objective: to build capacity to develop a pipeline of bankable projects and to effectively mobilise resources to finance them in line with national and regional development goals.

## ROLE OF SADC DFRC (Cont.)

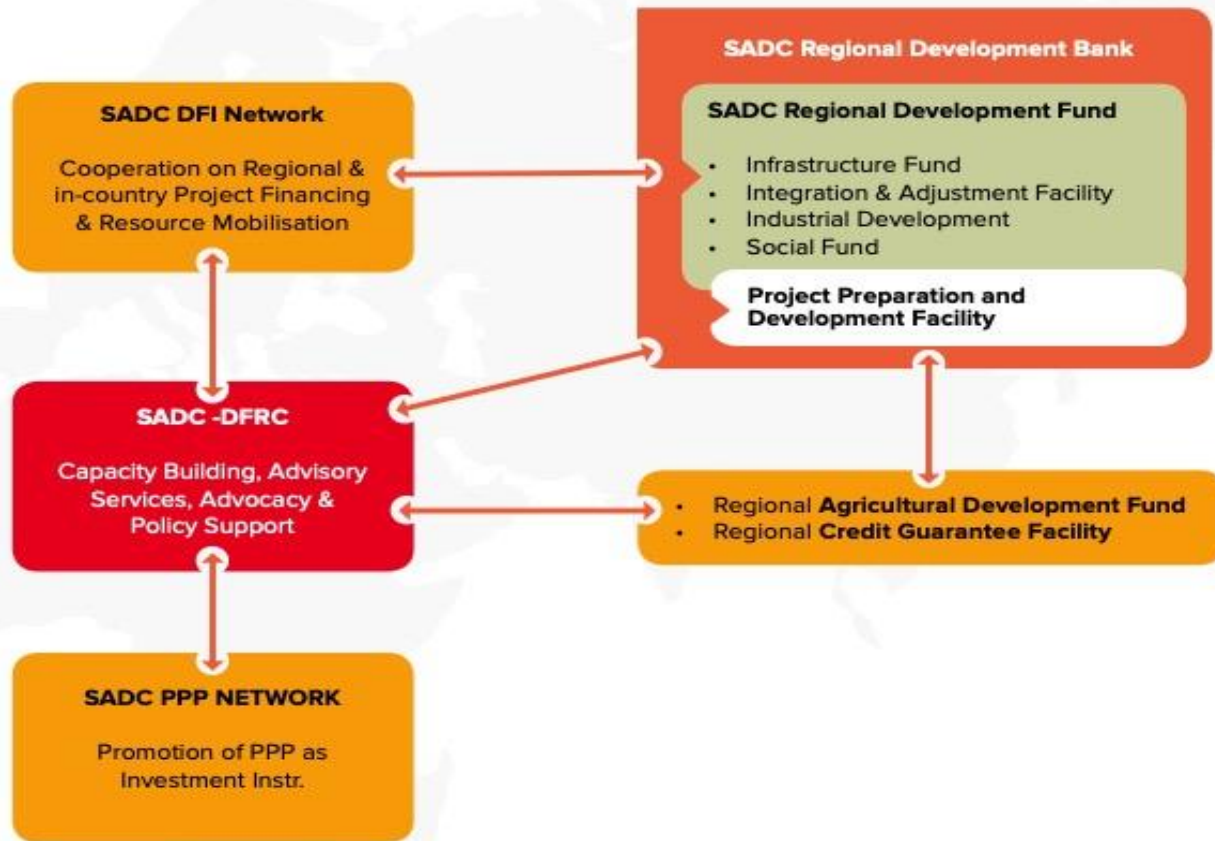
### 3.2 Policy Research and Advisory Services

- Main objective: to improve policy, institutional, supervision and regulatory environment for development finance and investment in general.
- Stimulate capital markets development and deepening
- Participate in Regional Initiatives and Institutional Development
  - RDF, PPP Network, PPDF, Financial Inclusion, among others.
- Promote enabling legislation for DFI cross-boarder investment activities.
- Promote best practice regulatory, operational, financial and governance practices for DFIs.
- Provide services to SADC Member States on PPPs, establishment DFI systems, including DFIs and regulatory frameworks.
- Platform for information, knowledge + experience sharing and peer learning through forum, workshops and conferences.



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## SADC DEVELOPMENT FINANCE SYSTEM



## 4. CONCLUDING REMARKS

- SADC DFRC, though not a lending institution, it plays a catalytic and facilitative role in the SADC development finance space by, among other things:
  - Promoting cooperation among major players in the SADC DFS;
  - Providing DFIs the requisite skills to identify and develop projects to bankability;
  - Advocating for a conducive regulatory and policy environment for DFIs and the DFS as a whole;
  - Assist DFIs adopt best practice corporate governance, operational, and financial prudence structures;
  - Assist DFIs better their creditworthiness and to enhance their resource mobilization capacity;
  - Provide a platform for development finance for information, knowledge and experience sharing and peer learning; and
  - Facilitate interface between DFIs, other DFS institutions and the regional structures, including SADC Secretariat, for regional development policy and goal cohesion.

**THANK YOU**