

Dialogue on future of development finance for private sector

70 development finance experts participated on 24 May in EDFI's Annual Meeting, hosted by DEG in Cologne, to discuss the trends and hot topics surrounding the shifting development finance architecture. CEOs from DFIs met with senior representatives from the government institutions that own the DFIs, alongside executives from EIB, OPIC, FinDev Canada, the OECD DAC, the European Commission and others.

Bold development goals challenge DFIs to grow investment in emerging economies. DFIs are scaling up their own efforts and devising innovative financing strategies to mobilise more private finance to achieve the SDGs. The EU has also pushed the private sector to the centre of its development finance priorities and is putting a strong emphasis on its new guarantee programme to drive more sustainable public and private investments. "Our institutions are and will be faced with huge challenges to carry out their mandate and contribute to the SDGs. Hence, we are very pleased to offer a platform to our shareholders and our partners to discuss how we can work more closely to address these changes", said Nanno Kleiterp, EDFI Chair.

Strategic issues on the agenda

During a roundtable, facilitated by DEG, each participating institution shared the key issue on their agenda for the next 3-5 years. Some noteworthy topics emerged:

- intensifying involvement in the poorest and most difficult countries;
- securing a growing pipeline of bankable projects;
- further strengthening the development effectiveness when selecting, shaping and monitoring investments;
- client-orientation;
- commercial approach to private sector investments;
- improving consistency in the use of blended concessional finance.

Fostering mutual understanding and stronger cooperation

There was a strong commitment in the group to work together to foster mutual understanding. "We each have our own specific goals but we also strive towards the same common purpose, which is working for a better and fairer world", comments Bruno Wenn, Chair of the Management Board at DEG. The DFIs explored ways to strengthen their cooperation and the exchange of information and lessons learned.

Mobilisation of private investment

In the afternoon, the first panel discussion focused on the trends and future strategies in mobilisation. Mobilisation of private co-financing is well on its way to becoming a cornerstone of modern global development policy. Donor governments are studying the topic thoroughly. Private institutional investors are also exploring their role in achieving the SDGs. Moreover, it is the first year that EDFI reports on mobilisation of private co-finance. The panellists were asked to provide their perspectives on the innovative financing strategies and how DFIs can adapt and respond to these developments. Charlotte Petri, chair of OECD

DAC, cited the still ongoing distrust towards the private sector as a major hurdle, and the need to enhance the monitoring and evaluation of blended finance. Linda Broekhuizen added: “Money is not a problem: we should determine how to use blended finance in projects that take time. We need better agreements on how to use public money to show we maximise efficiency and leverage of private money.” The discussion showed how difficult it is for DFIs to balance concerns about a quantity and quality in private capital mobilisation. Ideally, large amounts of capital would be mobilised to the most underserved markets. But in practice that is often difficult to achieve.



From left to right: Søren Peter Andreasen, Charlotte Petri, OECD DAC Chair, Linda Broekhuizen, acting CEO of FMO, Sony Kapoor, Managing Director of Re-Define, and John Morton, Senior Fellow of the Atlantic Council

The shifting development finance architecture

The meetings ended with a keynote speech by Werner Hoyer, President of EIB, and a second panel discussion on how DFIs can adapt to new initiatives/institutions, while achieving complementarity and better results. Mr. Hoyer explained EIB’s proposal to create a subsidiary to invest outside the EU. He clarified the role and mandate of the new subsidiary and reassured colleagues about the approach that EIB was taking. He also highlighted the need to strengthen Europe’s financial architecture for development, to produce synergies with external partners, and to move from a donor relationship to a donor partnership. His conclusion was that everyone must work together to increase Europe’s visibility in development finance. He also extended an invitation for an even stronger cooperation with EDFIs. Suzanne Gaboury explained how Canada seeks to join forces to establish a new innovative world-class DFI that strongly favours a close cooperation with the other bilateral DFIs. Kay Parplies added that, with the EFSD, the EC is also opening a new global window to support investments in the private sector. Bruno Wenn brought the exchange to a close by concluding that the DFIs’ main challenge is to communicate on their track record and their contribution to SDGs.



From left to right: Werner Hoyer, President of the EIB, Kay Parplies, Head of Unit, EC DEVCO C.3, Suzanne Gaboury, CIO of FinDev Canada, and Bruno Wenn, Chair of the Management Board of DEG

DFIs are showing the way: new EDFI-OPIC partnership and G7 gender initiative

New international initiatives were also launched at the meeting. The [EDFI and OPIC memorandum of understanding](#) on private sector investment, was signed by Nanno Kleiterp and David Bohigian, EVP at OPIC, in front of the audience. The agreement details how the DFIs will deepen collaboration on investments and exchange of knowledge on issues such as impact measurement and monitoring, as well in discussions with the OECD, multilateral development banks and private sector institutions. Colleagues from DFIs in G7 countries also introduced a new initiative to support investments that enhance women's economic advancement, called 2X Challenge, to be launched at the [G7 Summit in Québec](#). With these developments, DFIs are showing the way in international cooperation and initiatives in private sector with high impact.

The dialogue will continue...

A significant shift is under way in development finance towards support for private sector growth as the engine for improving people's lives. DFIs are scaling up their own activities and seek to mobilise private investors at a large scale. Donors are also challenged to get maximum leverage of their ODA through blended finance strategies. Almost all major institutions in development finance have launched ambitious proposals to respond to these challenges. With all those complex and rapid changes, there is a need for a broad discussion between the different institutions, to ensure a consistency and complementarity of the new and existing initiatives and instruments. EDFI's initiative to host these discussions was welcomed by the participants, who enjoyed meeting with other experts and being offered a forum to share their experiences and the opportunities they see in the new development finance landscape.



Participants in the EDFI meeting at the top of Cologne's LVR Turm.