

# **ASEAN Conference on Financial Inclusion**

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## **Promoting Access to Finance: The Role of National Development Banks**

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**WORLD BANK GROUP**

# National Development Banks (DBs)

**Promote  
economic  
development**

## Sectors

**Agriculture**  
**Infrastructure**  
**International  
trade**  
**Industry**  
**Housing**  
**Tourism**

## Instruments

**Loans**  
**Guarantees**  
**Advisory  
services**  
**Technical  
assistance**

## Clients

**Households**  
**SMEs**  
**Local  
governments**  
**Large private  
firms**  
**Private financial  
institutions**



# DBs – Demand for Technical Assistance

- What is a good example of an SME development bank, agriculture bank, infrastructure bank?
- How do you make a DB more independent from political cycles?
- How can a DB become financially self-sustainable?
- Should DBs be regulated in the same way private commercial banks are regulated?
- How should the performance of a DB be evaluated?
- Etc.

# Survey Respondents

## 90 DBs from 61 Countries

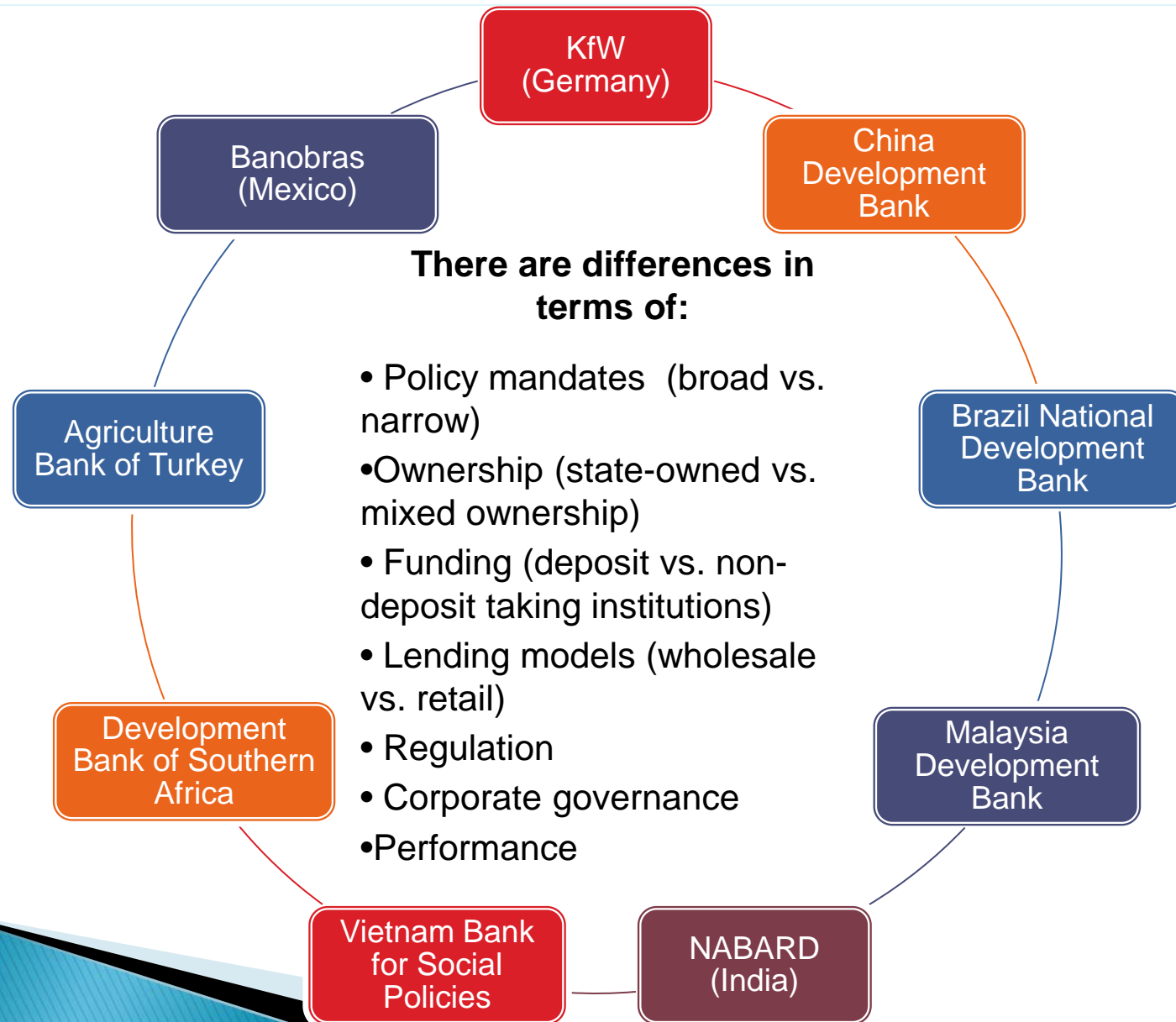
Africa	Americas	Asia	Europe and Central Asia	Middle East and North Africa
1. Angola	12. Antigua and Barbuda	27. Bangladesh	48. Bulgaria	60. Egypt
2. Côte d'Ivoire	13. Bolivia	28. Bhutan	49. Croatia	61. Oman
3. Democratic Republic of Congo	14. Brazil	29. Cambodia	50. Finland	
4. Ghana	15. Canada	30. China, People's Rep.	51. Germany	
5. Kenya	16. Colombia	31. Cook Islands	52. Hungary	
6. Nigeria	17. Costa Rica	32. Fiji	53. Latvia	
7. Rwanda	18. Curacao	33. India	54. North Cyprus	
8. South Africa	19. Dominican Republic	34. Malaysia	55. Norway	
9. Sudan	20. Ecuador	35. Micronesia	56. Poland	
10. Tanzania	21. Guatemala	36. Mongolia	57. Slovakia	
11. Uganda	22. Mexico	37. Nepal	58. Slovenia	
	23. Paraguay	38. Niue Island	59. Turkey	
	24. Peru	39. Pakistan		
	25. Uruguay	40. Palau		
	26. Venezuela	41. Philippines		
		42. Samoa		
		43. Sri Lanka		
		44. Thailand		
		45. Tonga		
		46. Vanuatu		
		47. Vietnam		

# **DBs in the WB Survey by Assets in 2012**

*(percent of DBs)*

**On average, DBs account for 20% of total assets in the banking system.**

# Features of Development Banks



# Typology of DBs

## Poor performance

- High dependence on government funds
- Recurrent financial losses
- Conflicting social and economic objectives
- Limited economic impact
- Vulnerable to undue political interference

## Satisfactory performance

- Profitable institutions
  - Well-administered
- ...but there is room to improve:
- Policy mandates
  - Corporate governance
  - Risk management

## High performance

- Financial strength
- High innovation capability (financial products, outreach target market in collaboration with private financial institutions)
- Right combination of financial and advisory services
- High standards of corporate governance and accountability

# Key Challenges for DBs

- ▶ The key challenge is to continuously balance two competing objectives:

Policy  
Objectives

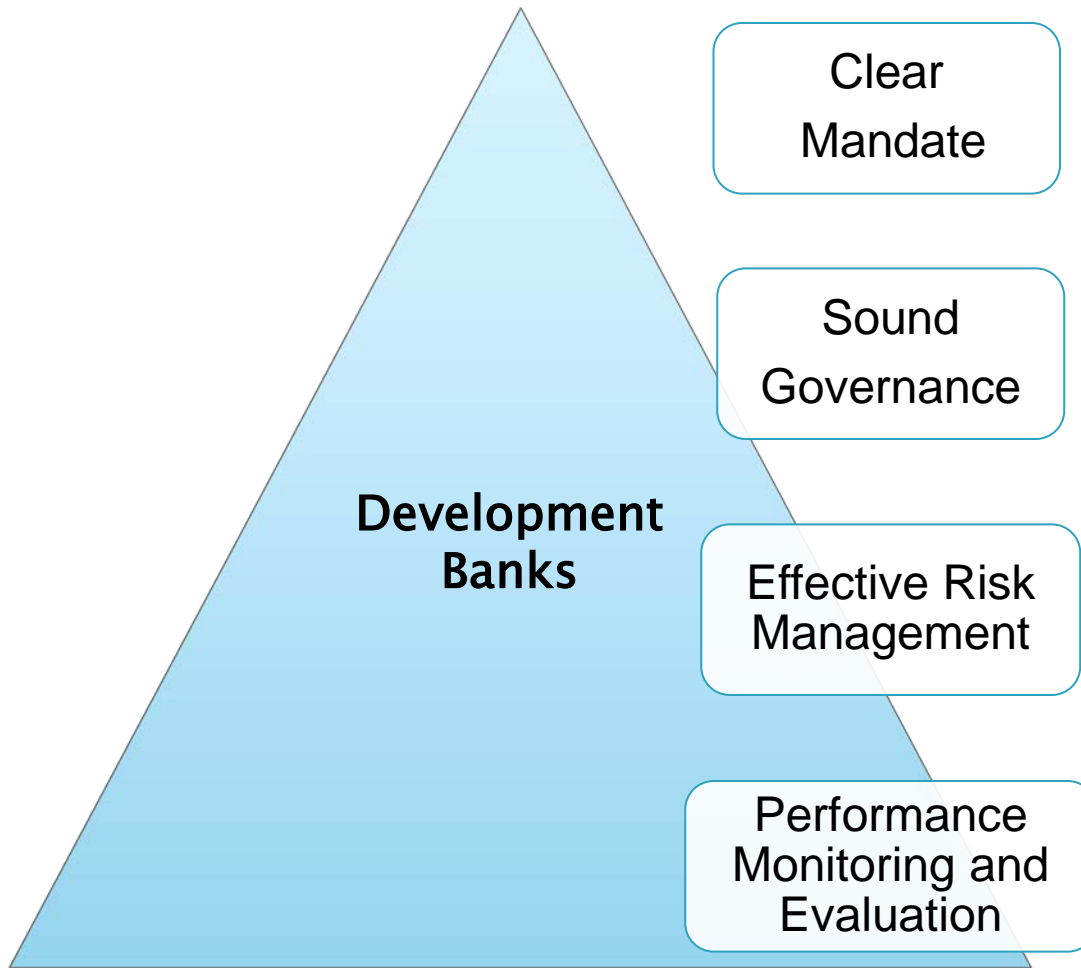
Financial  
Sustainability

## **Failure to balance this two objectives has resulted in:**

- High dependence of DBs on government budget and transfers
- High NPLs with ultimate failure in the long-run.
- Broad, unfocused and conflicting mandates of DBs.
- DBs competing with private financial institutions and undermining the development of a private financial system.
- Limited economic impact.



# Areas of Opportunity for DBs



**Thank You!**

