



Funding constraints: the role of DFIs

Jorim Schraven - Manager Financial Institutions Africa

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FMO

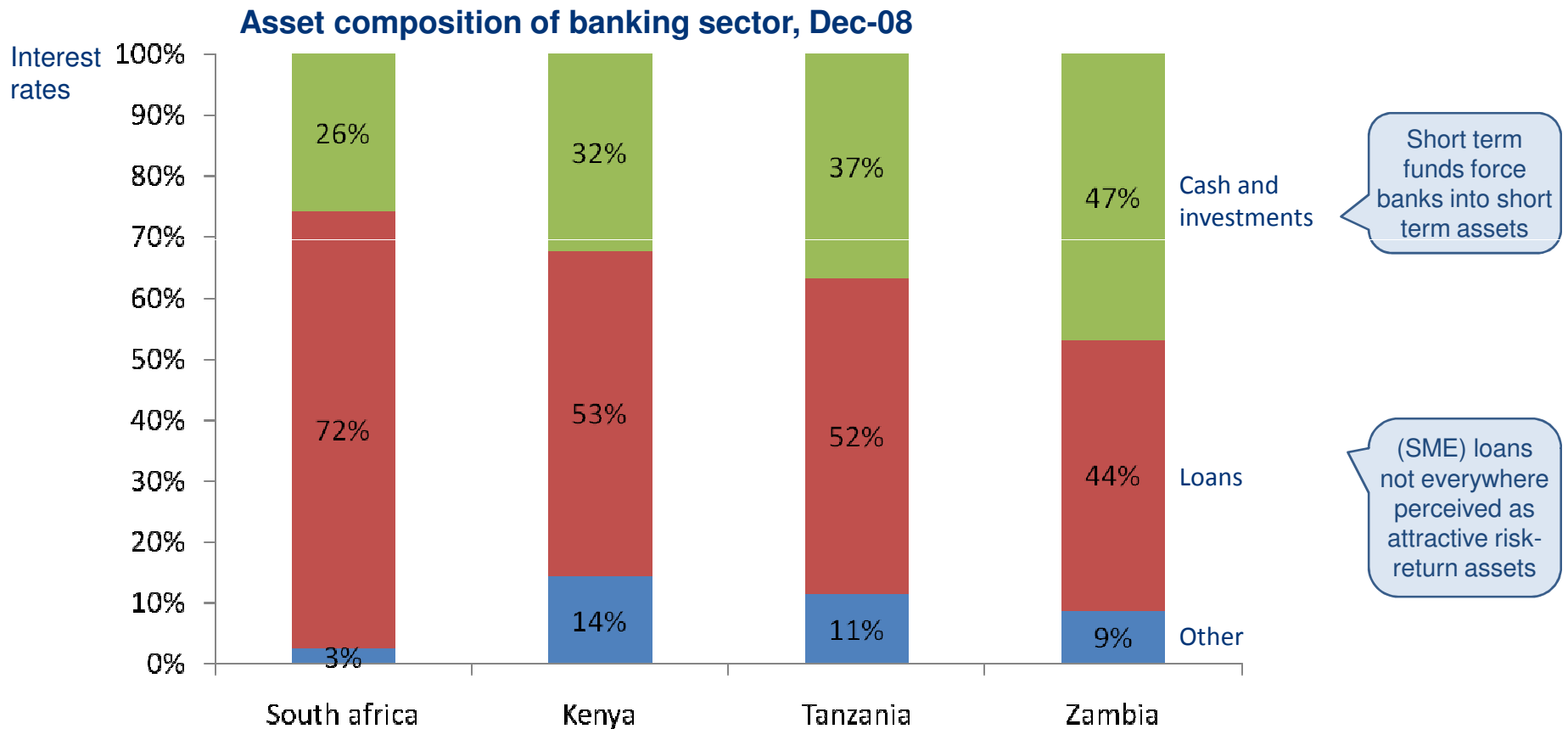
Finance for Development

Agenda

- What constrains Western FIs in servicing Africa
- What can be done to resolve this

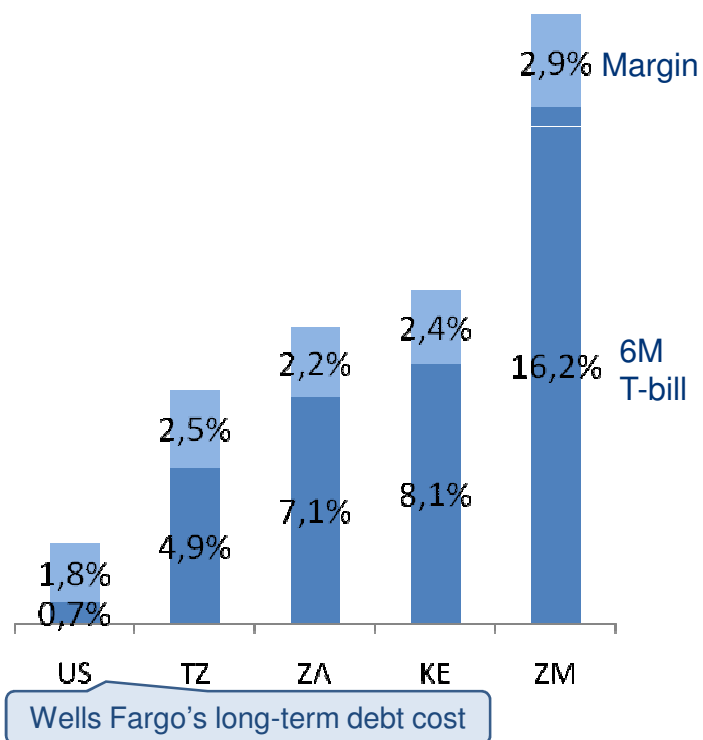


Low demand: The African phenomenon of 'Arm chair Banking'

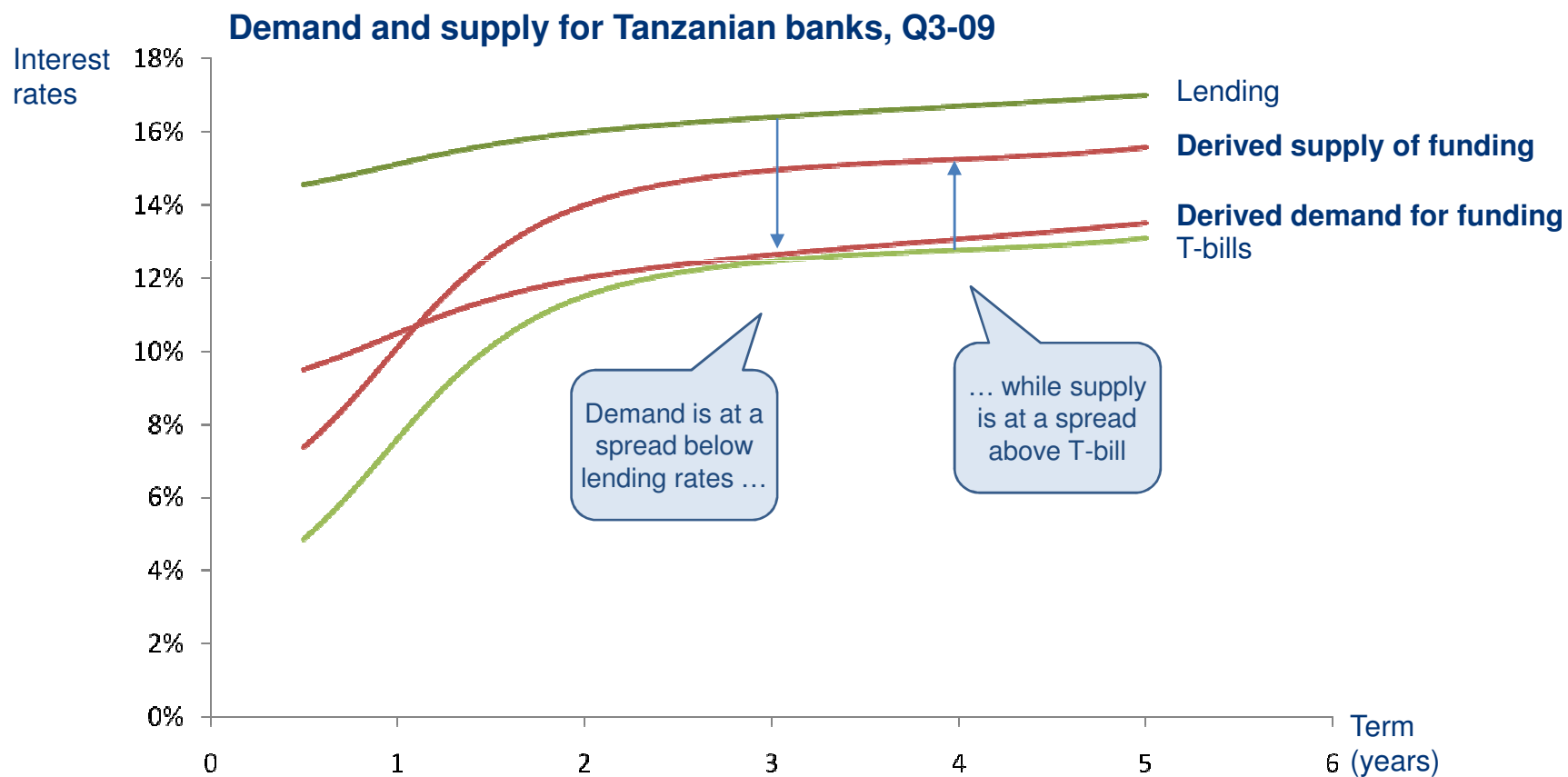


Low Supply: Required base rates and margins are high

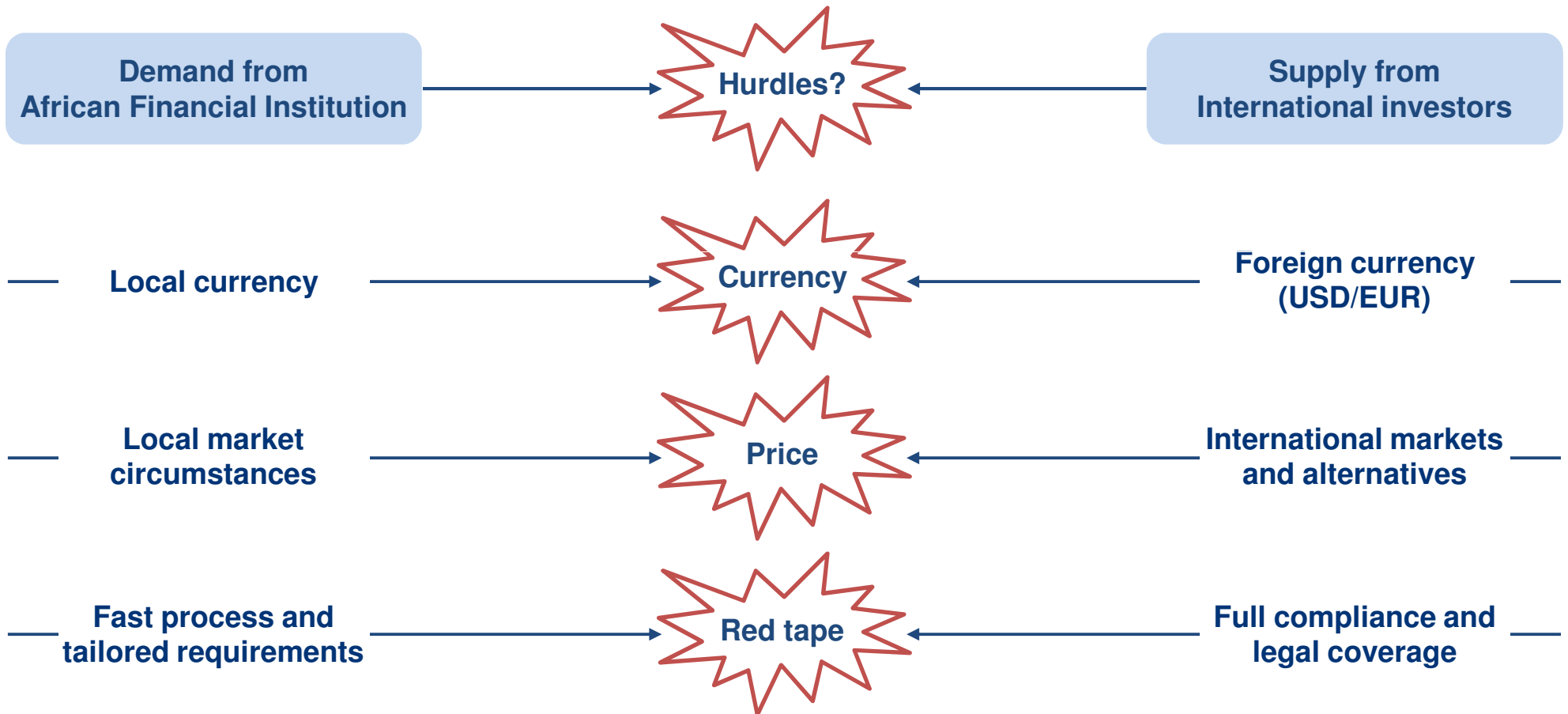
The dollar margin of an AA bank
Increases with the T-bill rate



Demand and supply struggle to meet each other on pricing



Currency, price and process: main hurdles to match demand and supply



First step to solve the currency hurdle is further developing hedging markets

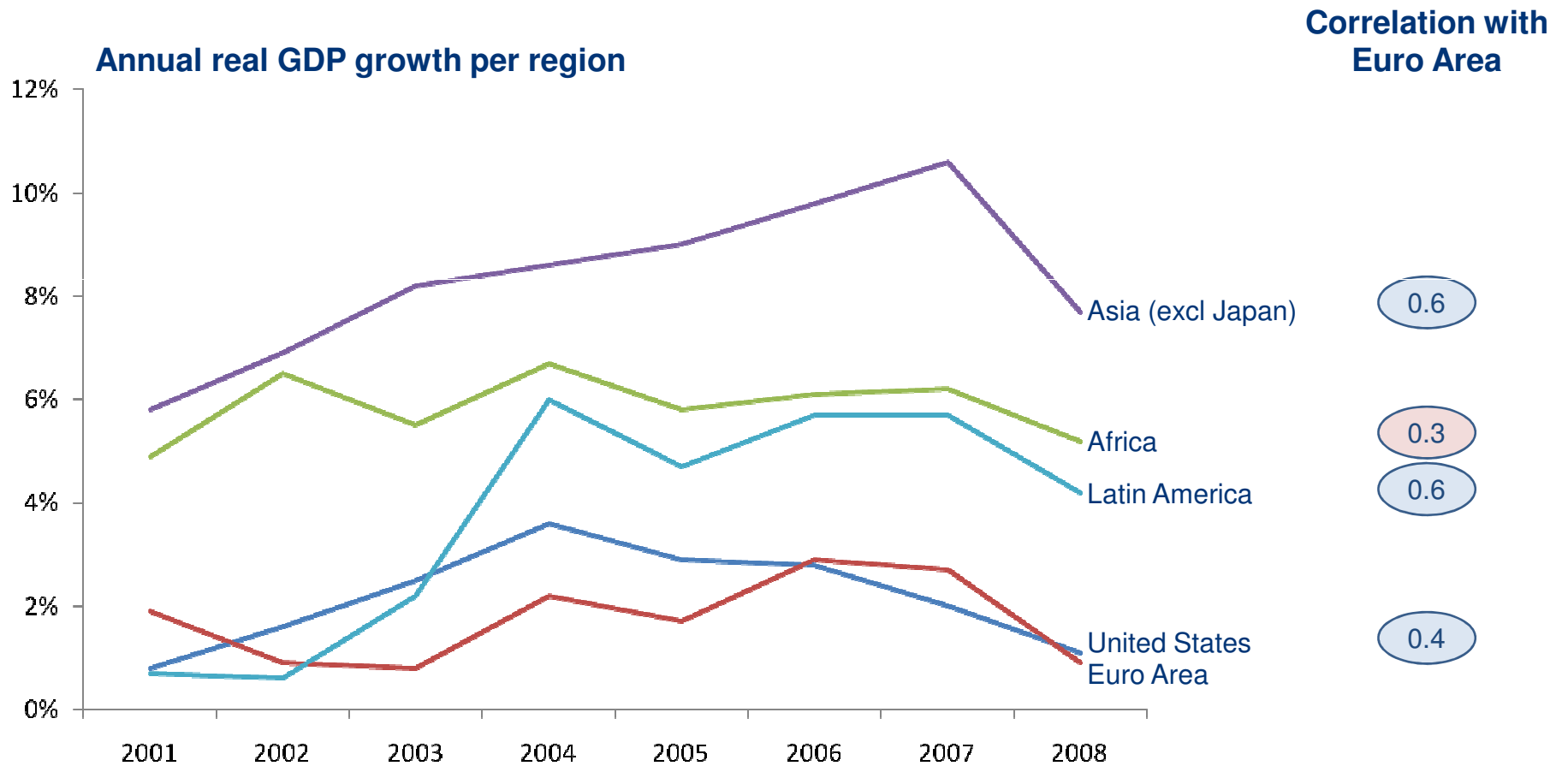
Hedging market should further developed



- TCX offers hedging
- TCX not able to offer hedging (yet)



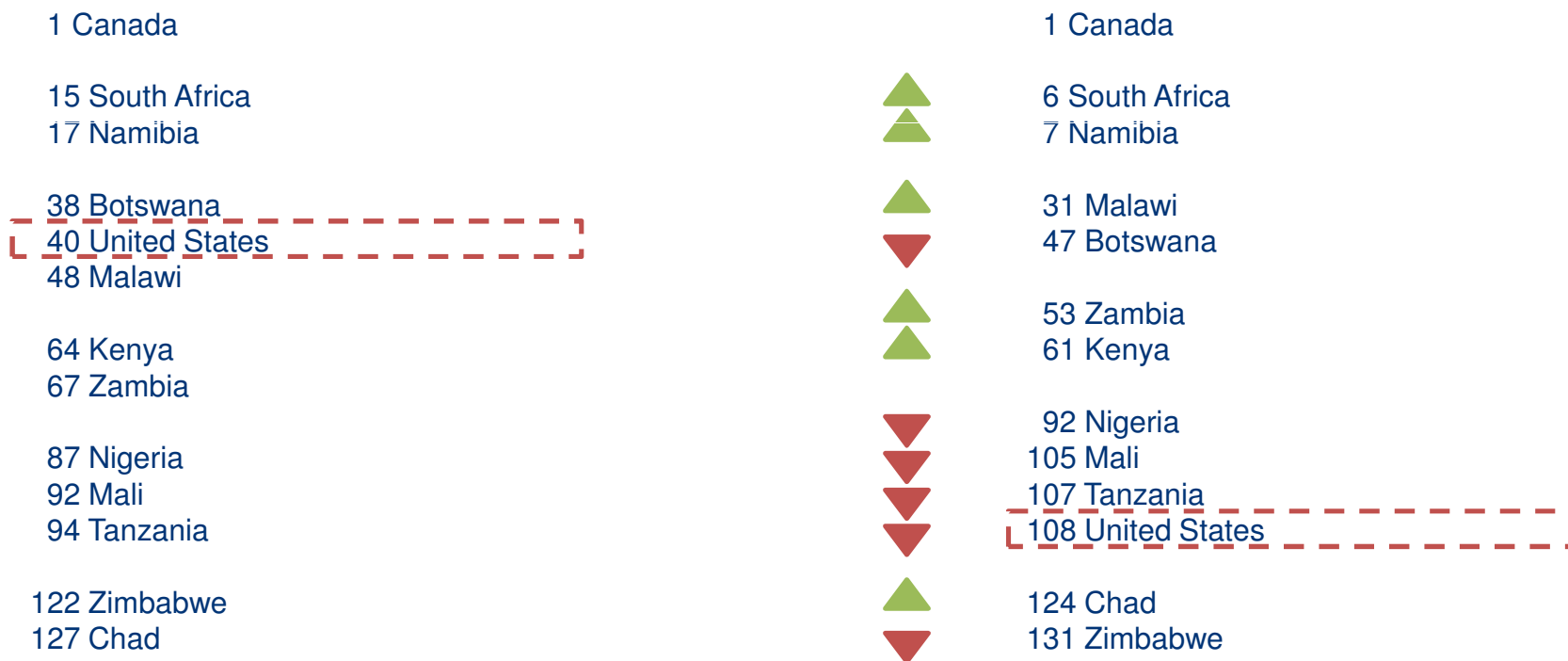
Pricing: For Africa specifically there may be a diversification advantage



Pricing: first align investors' perception of risk and actual risk

WEF Global competitiveness indicator - Soundness of banks 2008

WEF Global competitiveness indicator - Soundness of banks 2009



Overcoming the investment hurdles



Currency

Further develop hedging market
Leverage portfolio diversification



Price

Take diversification advantage into account
Align risk perception with reality
Take the required risk to earn a return



Red tape

Adjust compliance requirements to fit the individual institution
Align reporting requirements to local circumstances





Thank you!