



**MFW4A Partnership Forum**  
**New Frontiers in African Finance**

**10 – 12 June, 2014**  
**King Fahd Palace Hotel**  
**Dakar, Senegal**

**Concept Note**

## 1. Background

The African financial landscape has changed in recent years. Many African countries have undertaken structural and legal reforms, and regional organizations are working towards further harmonizing legal and regulatory frameworks across countries. Emerging advances in technology-based financial solutions such as mobile banking, have made a positive impact on access to finance for some African countries, with others looking to adopt this technology in the near future. Moreover, a more accurate and detailed set of data measuring the status of financial sector development on the continent is continuously being developed, allowing for more informed policy actions.

Despite this clear progress, the full benefits of broader, deeper, more inclusive and cheaper finance have yet to be fully realized. Many African financial systems remain small, fragile, and inefficient, impeding their intermediation function. The cross-border expansion of regional banks, despite potential benefits, also poses risks to regional financial stability. Furthermore, banks that are heavily geared towards the short end of the market dominate financial systems. Sources of long-term finance are under-developed, in most cases small and illiquid. These challenges undermine the effectiveness of the financial sector as an engine of growth in Africa.

## 2. The 2014 MFW4A Partnership Forum Context and Format

It is against this backdrop that the Making Finance Work for Africa (MFW4A) Partnership is organising its flagship event, the MFW4A 2014 Partnership Forum, a platform for African opinion leaders, financial sector stakeholders and development partners to take stock of progress in Africa's financial systems and discuss the opportunities and challenges ahead.

This year, the MFW4A Partnership Forum, in its 3<sup>rd</sup> edition, will be held from **June 10 – 12, 2014**, in **Dakar, Senegal** under the theme **New Frontiers in African Finance**.

This comprehensive two-day platform will comprise of sub-themes that will explore the issues at the frontiers of financial sector development in Africa including:

- **'Second Generation' Development Finance - Innovative Approaches to Closing Gaps in Financial Intermediation;**
- **Mobilising Domestic Capital for Long-Term Finance;**
- **Making Cross-Border Banking Work for Africa;**
- **The Role of Regulation in Financial Sector Development; and**
- **Avoiding the Resource Curse and Consequences for the Financial Sector.**

These sub-themes will be complemented by a mix of breakout sessions, which will allow for deeper discussions about how to fill the financial intermediation gap in Africa. The Success Story sessions and the exhibition space will give our participants the opportunity to showcase innovative products and services<sup>1</sup>.

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<sup>1</sup> Complementing the core agenda will be a number of side meetings convened before the Forum on **June 10<sup>th</sup>, 2014**, reserved for members of the MFW4A networks and governance bodies.

## **‘Second Generation’ Development Finance - Innovative Approaches to Closing Gaps in Financial Intermediation**

While ‘mainstream’ finance has benefitted from over a decade of implementation of stability-oriented macroeconomic policies in the majority of African countries, financial systems in Africa remain both highly bank-centric and narrowly focused on large ‘bankable’ enterprises within the formal sector. Huge gaps continue to exist in the provision of finance throughout Africa predominantly in MSME finance, rural/agricultural finance and infrastructure finance. In all three areas however, there are encouraging signs of experimentation. A plenary session will explore new approaches to filling the intermediation gap in Africa drawing on lessons from the successful implementation of ‘second generation’ development finance in Africa and elsewhere.

This plenary will be supported by parallel breakout sessions on Agricultural and Rural Finance, Gender and Finance, Trade Finance, SME Finance, Insurance and Housing Finance.

### **Mobilising Domestic Capital for Long-Term Finance**

Recent pension reforms in many African countries have created private pension systems, which are rapidly accumulating assets under management. This growth brings opportunities and challenges. A breakout session will focus on how domestic capital markets can contribute to funding some of the most important local and regional infrastructure projects and thereby contribute to closing the identified financing gap. Specifically, given the limited ability of local banks to provide long-term funding, can project sponsors turn to domestic institutional investors?

This long-term finance theme will be complemented by a session on Islamic Capital Markets, aimed at providing an understanding of the potential benefits as well as the constraints and impediments for accessing global Sukuk<sup>2</sup>, and additionally for establishing Sukuk at a local level.

### **Making Cross-Border Banking Work for Africa**

There has been a significant expansion of cross-border banking in Africa in the last 10 to 15 years. While banks from Western European countries continue to have a significant presence in Africa, recent growth in cross-border banking has been led by banks from within Africa, predominantly from South Africa, Morocco, Nigeria, and Kenya. The expansion of these African banks has led to a significant increase of their geographic footprint and the size and nature of their operations has made them systemically relevant in a number of host countries. There are several concerns relating to this development, from the management of the fragility risks associated with the mushrooming of pan-African banking groups and as to the extent of the engagement of these new players in the financial deepening process.

A plenary session will explore prospects of cross-border banking in reducing banking costs and thereby contributing to financial deepening and outreach. It will further offer a platform to

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<sup>2</sup> Sukuk (plural of sakk) are certificates with each sakk representing a proportional undivided ownership right in tangible assets, or a pool of predominantly tangible assets, or a business venture (such as a muārabah). These assets may be in a specific project or investment activity in accordance with Shari‘ah rules and principles.

discuss the reform agenda for upgrading supervisory cooperation and increasing crisis management and resolution frameworks.

### **The Role of Regulation in Financial Sector Development**

A key challenge for policy makers in Africa, particularly in low-income countries, is to encourage the development of a financial system that supports inclusive growth, and at the same time avoid the building up of systemic risk that could lead to fiscally and developmentally costly crises. A plenary session will discuss these issues, building on analysis of four project case studies (Ghana, Kenya, Nigeria and Ethiopia), countries with very different economic structures and financial systems, while also referencing experience of the rest of Sub-Saharan Africa and of emerging economies.

### **Avoiding the Resource Curse and Consequences for the Financial Sector**

The number of countries in Africa with a sizeable contribution to GDP and exports deriving from the exploitation of natural resources is already large, and it is rising with a pipeline of 'newcomers', such as Ghana, Uganda, Mozambique, and Kenya. Managing resource wealth poses challenges to governments inside and outside Africa. This session aims to discuss the impact of natural resource wealth on macroeconomic absorption and thereby financial sector development.

## **3. Objectives**

Specific objectives of the Forum are:

- a) To provide a platform for financial sector practitioners to share experiences and analyse current policies in African finance;
- b) To foster dialogue and promote the exchange of innovative ideas amongst stakeholders, the donor community and government officials; and
- c) To present innovative good practices in financial sector development.

## **4. Expected outcomes**

The expected outcomes of the Forum will include:

- a) Contributing to maximizing synergies between African financial sector stakeholders and development partners;
- b) Stimulating research efforts and knowledge sharing on financial sector development issues in Africa; and
- c) Strengthening engagement with African financial sector stakeholders to adopt and implement best practices.

The MFW4A Secretariat will produce and disseminate to the wider audience, a Forum Report, comprising of a summary of the key set of messages and recommendations generated by the Forum.