

**INTER-AGENCY TASK FORCE ON FINANCING FOR DEVELOPMENT**  
**Expert Group Meeting on: Development banks' role and risk management**  
**United Nations, New York, 6 December 2018**  
**Organised by UN DESA and ECLAC**

**Concept note and agenda**

**Mandate**

At the 2018 ECOSOC Forum on Financing for Development follow-up (FfD Forum), Member States asked the Inter-Agency Task Force on Financing for Development (Task Force)<sup>1</sup> to examine existing frameworks and best practices with regard to approaches to risk management by development banks and related financial institutions and to report its findings in its 2019 report.<sup>2</sup> To fulfill this request, UN DESA and ECLAC will convene an expert group meeting, under the auspices of the Task Force, building on on-going work in this field, including the World Bank's periodic survey of NDBs. The expert group meeting will involve researchers and practitioners to try to better understand the situation and spell out potential options for Member States.

**Background**

The Addis Ababa Action Agenda on Financing for Development, agreed as a global framework in 2015, emphasizes the role that well-functioning national and regional development banks can play in financing sustainable development. This can include in boosting financial inclusion, and financing small and medium enterprises (SMEs), infrastructure, agriculture, climate change mitigation and adaptation, or other areas.

Well-functioning national development banks (NDBs) can play at least three valuable functions in sustainable development financing: (i) intervening in cases of market failure and where there is insufficient private long-term financing, such as investments with positive social and environmental externalities; (ii) mobilizing additional financial resources to support development, for example by leveraging private sector resources; and (iii) providing counter-cyclical finance. Countries have many different models of NDB activity. NDBs can, for example, be sector focused. Improving alignment of these institutions with sustainable development objectives may require changes in their strategies, governance, reporting and risk management. NDBs also face the same challenges as other development financing institutions in measuring their development impact and using impact to shape the internal incentives for their investment.

The Addis Agenda calls on national and regional development banks to expand their contributions to sustainable development and urges relevant international public and private actors to support such banks in developing countries. While such support, to date, has been relatively small, recent discussions, including within the context of blended finance, have increasingly addressed international financial or technical support for development banks in countries with limited resources or capacities.

In its 2018 report, the Task Force noted that while national development banks (NDBs) have an effective sovereign guarantee, they often borrow from capital markets, and thus need to signal to the markets that

---

<sup>1</sup> The Inter-Agency Task Force on Financing for Development is comprised of almost 60 agencies and international institutions and is coordinated by the Financing for Sustainable Development Office of UNDESA.

<sup>2</sup> E/FFDF/2018/L.2, para. 26

they are effectively managing their risks. While NDB liabilities are contingent liabilities of the State, some countries also apply commercial bank regulatory standards (e.g., risk based capital adequacy requirements) to their NDBs. A recent survey, published in May 2018, found that 78 per cent of responding NDBs are required to comply with the same standards of prudential supervision as private commercial banks or other private financial institutions.<sup>3</sup> However, as noted in the Task Force's 2018 report, the use by NDBs of commercial-bank-oriented financial risks management standards, which impose higher capital cost on riskier activities, make it more expensive for NDBs to engage in exactly the types of activities that they are meant to be undertaking.

More analysis on different types of NDB investment strategies, sustainable development impact, risk management, and methods of strengthening governance can help build international support for these institutions. Key questions for the meeting will include:

- *What are the key contributions NDBs can make to financing the 2030 Agenda for Sustainable Development?*
- *What national or international standards for NDBs can best incentivise the banks to serve the roles envisioned by the Addis Agenda while still maintaining financial sustainability?*
- *What standards can best encourage probity and reduce conflicts of interest while also incentivising the banks to lend for sustainable development? What monitoring and transparency are needed?*
- *Are there systemic implications of NDB financial risk management, and if so how can those risks be managed?*
- *What policies and actions can better support investments in NDBs and their contributions towards financing sustainable development?*

## Draft Agenda

Venue: Conference Room 9, UNHQ, New York

9:00-9:30 Welcome and introductions

- Mr. Navid Hanif, Director, Financing for Sustainable Development Office, UN DESA
- Mr. Daniel Titelman, Director, Economic Development Division, ECLAC

**9:30-10:45 *Session 1 – Understanding NDBs' role in financing sustainable development (part 1)***

This session will examine the opportunities NDBs have. It will explore the unique niche for NDBs, the roles they can play and the potential market failures that NDBs can address. This understanding of purpose should inform the discussion for the rest of the day on how NDBs can contribute to financing sustainable development.

- Moderator: Ms. Shari Spiegel, UNDESA
- Ms. Stephany Griffiths-Jones, Institute for Policy Dialogue
- Mr. Régis Marodon, IDFC

---

<sup>3</sup> World Bank (2018), *2017 Survey of National Development Banks*, <https://openknowledge.worldbank.org/handle/10986/29815>.

- Mr. Matthias Thiemann, SciencesPo
- Ms. Eva Gutierrez, World Bank

10:45-11:00 *Coffee break*

**11:00-12:30 *Session 2 – Understanding NDBs’ role in financing sustainable development (part 2)***

This session will continue the morning discussion, delving deeper into understanding the opportunities for NDBs and trends in the growing role of South-South cooperation for NDBs. Case studies will explore the uniqueness of the environment for different NDBs based on their national context, size, sectoral focus, market role and governance arrangements.

- Moderator: Mr. Peter Chowla, UNDESA
- Mr. Rogerio Studart, Nonresident Senior Fellow, Global Economy and Development, Brookings Institution
- Mr. Daniel Titelman, Director, Economic Development Division, ECLAC
- Ms. Paola Arias, Banca de las Oportunidades

12:30-13:30 *Lunch break*

**13:30-15:45 *Session 3 – Understanding risk management at NDBs***

Starting with examining the data and trends from surveys of NDBs activity, this session will focus on the risk management practices at NDBs and the use of Basel capital standards. It will also look at how financial risk is related to trends and drivers in NDB profitability and how NDBs address climate risks. This session will include regional initiatives to develop standards for DFIs and NDBs and case presentations. Presenters should draw out conclusions on what these risk management practices have meant for the development impact of the NDBs’ operations.

- Moderator: Ms. Shari Spiegel, UNDESA
- Mr. Michael Mahmoud, consultant to African Association of Development Finance Institutions
- Mr. Thomas Tan, Bank Negara Malaysia
- Ms. Lavinia Barros de Castro, BNDES

15:45-16:00 *Coffee break*

**16:00-17:00 *Session 4 – Strengthening governance***

While financial risks are inherent in banking, some risks are unique to NDBs. This session will focus on drawing out lessons from regional/country cases to understand good practices on the ground in relation to aligning NDBs with long-term development priorities. It will try to elaborate the mechanisms or institutions that can be applied to appropriately balance opportunities with risk management and governance, while also incentivizing the NDBs to fulfill the roles envisioned for them in the Addis Agenda.

- Moderator: Mr. Daniel Titelman, ECLAC
- Mr. Felix Okoboi, Uganda Development Bank
- Ms. Eva Gutierrez, World Bank

### **17:00-17:30 Closing**

The closing session should bring together the discussions from the earlier sessions to spell out the implications of the evidence and cases discussed. It will review the initial ideas of policies already presented for the Task Force to consider for inclusion in the 2019 *Financing for Sustainable Development Report*.

- Moderator: Ms. Shari Spiegel, UNDESA

### **Participation and logistics**

The meeting will take place on 6 December at UN Headquarters in New York in Conference Room 9, which is equipped for video call-in. In light of the complex topic, the meeting will extend for the full day, with a video or phone-in option for those interested to participate online, keeping in mind that an afternoon session will be difficult for some participants due to time differences.

The meeting will be organized by DESA in conjunction with ECLAC and will build on the experience and on-going work of the Inter-Agency Task Force on Financing for Development (IATF) members. In addition to interested members of the IATF, UN DESA will invite selected experts in this area, including researchers and practitioners.

As per the already established practice, the meeting would be held under Chatham House rule to promote a free exchange of views. The Financing for Sustainable Development Office will prepare a summary note on the meeting to inform the 2019 Financing for Sustainable Report. To guide the discussions a background paper will be prepared and distributed before the meeting.