

Finance in Common: Coalition for a sustainable and inclusive recovery for the private sector

12 November 2020

The statement will be issued on the occasion of the Finance in Common Summit's High-Level Event on solutions for a sustainable recovery for the private sector, with a particular focus on the response to the COVID-19 crisis and critical role of inclusive finance for micro, small- and medium- sized enterprises (MSMEs) in Africa. The statement is supported by a coalition of the under-signed public development banks (PDBs) and development finance institutions (DFIs) that focus on finance operations in support of private sector development in low- and middle-income countries.

Preamble

The COVID-19 pandemic is causing an unprecedented global health and economic crisis. We, as public development banks (PDBs) and development finance institutions (DFIs), have a critical role to play in supporting the crisis response in vulnerable countries. Our institutions provide financing and technical assistance to help save businesses and jobs at a time when private financial flows have come to a sudden stop. Supporting recovery efforts in developing countries will be a primary focus of DFIs in the years to come.

Our collective portfolio of nearly USD 90 billion is committed to private sector operations in low- and middle-income countries, supporting more than 12 million direct jobs, with over 40% of this in Africa. Our institutions are focused on investing in vulnerable countries where COVID-19 now jeopardises decades of achievements with regard to private sector development, job creation and poverty reduction. Although responding with great resolve, African economies face the first continent-wide recession for a quarter of a century, which will lead to major setbacks in terms of unemployment, inequality and poverty. Other regions, such as Latin America, also face severe health impacts and negative economic and social shocks. While many private sector enterprises have proven resilient, continued access to finance will be necessary to help them survive, to protect jobs, and to recover. DFIs play an important role in providing financial solutions and leading private investors back into these markets on the other side of the crisis.

MSMEs are the economic lifeblood of emerging and frontier economies. In developing countries, formal SMEs contribute to more than one third of gross domestic product and account for 52% of formal employment.¹ Improved access to finance for MSMEs will be critically important to boost growth and the prospects of the 450 million young Africans projected to join the labor market by 2050. The viability of MSMEs is under acute pressure and efforts to expand inclusive financial solutions are an important part of the crisis response.

As DFIs, we provide a large portion of the development finance for the private sector and we are stepping up to play this important role. Our cooperation has been crucial to help our clients: we have shared information, coordinated and moved fast to increase the flexibility and efficiency of our operations. This cooperation will continue as we tackle the challenges of serving existing and

¹ OECD SME Ministerial Conference 2018

new clients in the current environment. We can only deliver an adequate response through strong coordination.

Commitments of our coalition of DFIs and PDBs

That is why we, as DFIs and PDBs, are guided by the following priorities in our individual and joint crisis responses:

We will deepen cooperation among our institutions:

We will continue to deepen DFI and PDB collaboration by exchanging information, facilitating co-investment operations between our institutions and cooperating more on policy dialogue and market development activities that will be essential to speed up the recovery.

We will focus on inclusive financial solutions for the private sector

We will boost the capacity of emergency financing facilities aimed at supporting inclusive investments that build resilience: protecting employment for vulnerable populations by financing MSMEs via financial intermediaries and workers in the informal economy through microfinance institutions, including with local currency solutions; and partnering with firms and growing businesses that support high-quality jobs essential for the economic recovery in affected sectors such as agricultural supply chains, manufacturing and services.

We will support clients with technical assistance and advisory solutions when needed

Where relevant, we will enhance our developmental impact and complement our investment activities with technical assistance (TA), grants and advisory support to increase access to finance for MSMEs, and to support those businesses to build back better, more resilient, green, inclusive and ready for a digital future. We are committed to collaborate and develop sustainable and additional TA programmes and/or partnerships with a range of stakeholders and institutions to create the conditions for enterprises to flourish.

We will join a challenge to dedicate at least USD 4 billion for African MSMEs by the end of 2021

To demonstrate our resolve, our coalition of DFIs will launch a challenge to step up inclusive finance and support for MSMEs in Africa: We intend, across our coalition, to dedicate at least USD 4 billion by the end of 2021 through a wide range of financial instruments and in partnership with local financial intermediaries and governments, in order to help MSMEs face the crisis.

The response to COVID-19 and the economic recovery efforts highlight more than ever the need for cooperative action to support sustainable development and a focus on inclusive approaches and the most vulnerable countries. These are the challenges that our coalition of PDBs and DFIs is determined to tackle.

Signatories to the statement

Salomon Quaynor, Vice President Private Sector, Infrastructure and Industrialisation at AfDB (African Development Bank)

Serge Ekué, President of BOAD (West-African Development Bank)

Ken Kember, Interim Chief Executive Officer of the Development Finance Institute Canada (DFIC) Inc. ("FinDev Canada")

Adam Boehler, Chief Executive Officer of the U.S. International Development Finance Corporation (DFC)

Ayman Sejiny, Chief Executive Officer of the Islamic Corporation for the Development of the Private Sector (ICD)

Bruno Wenn, Chairman of EDFI – the Association of European Development Financial Institutions on behalf of all of its member institutions: BIO (Belgium), BMI (Belgium), CDC (UK), Cofides (Spain), DEG (Germany), Finnfund (Finland), FMO (The Netherlands), IFU (Denmark), Norfund (Norway), OeEB (Austria), Proparco (France), Sifem (Switzerland), Simest/CDP (Italy), Sofid (Portugal), Swedfund (Sweden).