WPS5969

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Policy Research Working Paper 5969

Global Survey of Development Banks

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The World Bank
Financial and Private Sector Development
Financial Systems Practice
February 2012

Abstract

Historically, development banks have been an important instrument of governments to promote economic growth by providing credit and a wide range of advisory and capacity building programs to households, small and medium enterprises , and even large private corporations, whose financial needs are not sufficiently served by private commercial banks or local capital markets. During the current financial crisis, most development banks in Latin America, followed by Asia, Africa, and Europe, have assumed a countercyclical role by scaling up their lending operations exactly when private banks experienced temporary difficulties in granting credit to the private sector. Despite the importance of development banks during crisis and non-crisis periods, little is known about them. This survey examines how development banks operate, what their policy mandates are, what financial services they offer, which type of clients they target, how they are regulated and supervised, what business models they have adopted, what governance framework they have, and what challenges they face. It also examines the countercyclical role played by development banks during the recent financial crisis. This survey is based on new data that have been collected from 90 national development banks in 61 countries.

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Produced by the Research Support Team

Global Survey of Development Banks

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Keywords: development banks, banking, emerging economies
JEL Classification: G21, G28, H11, H81
FSE

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Acknowledgements

We wish to acknowledge the invaluable contribution of Octavio Peralta, the Secretary General of the World Federation of Development Financial Institutions (WFDFI), who enthusiastically supported us in all stages of this project and provided us access to the development banks affiliated with the WFDFI. We would like thank all the senior officials of the development banks who participated in this survey and shared their data and valuable insights with us. We express our gratitude to our World Bank colleagues - Mario Guadamillas, Martin Cihak, Cesar Calderon, James Seward, Consolate Rusagara, David Scott, and Roberto Rocha -, as well as to Romy Calderon (Latin American Association of Development Banks), Fernando de Olloqui (Inter-American Development Bank), Enrique Florencio (WFDFI), and Miriam Roemers (European Association of Public Banks) for their comments and feedback. Any errors or omissions in the data or interpretations are only attributable to us.

Introduction

In spite of the wave of privatizations of state-owned financial institutions (SFIs) that has taken place over the past 30 years, SFIs still constitute an important part in the financial system. On average, they account for 25% of total assets in banking systems around the world. In the European Union, for example, SFIs represent 30% of the total financial system (Schmit, 2011). In the so-called BRIC countries alone – Brazil, Russia, India, and China – the market share of SFIs is substantially higher.

SFIs include a wide variety of institutions, such as commercial banks, development banks, postal banks, insurance companies, credit guarantee funds, leasing firms, etc. Development banks (DBs), also called development financial institutions or policy banks, are typically the largest type of SFI. Historically, governments established DBs to provide credit and other financial services to individuals, firms and strategic sectors of the economy that private financial institutions were unable or unwilling to serve to the extent desired by policy-makers.

During the global financial crisis of 2008-2010, most DBs played a countercyclical role by providing credit to private firms that were temporarily unable to access funding from private commercial banks or capital markets. This has renewed the interest of policy-makers in various jurisdictions on the role of DBs during periods of economic distress. Moreover, the financial crisis triggered new debates on the role of the state in the economy and, in particular, the financial sector.

Despite their size and importance, little is known about DBs. Past research on DBs has focused on examining their performance and comparing them to private financial institutions (Hanson 2003, Laporta 2000). Other studies have examined the reasons for the failure of select DBs (Viral, 2011). But apart from few case studies of a small number of individual institutions or specific regions (Rudolph 2009; Schmit, 2011), little is known about how DBs operate, what their policy mandates are, what financial services they offer, which type of clients they target, how they are regulated and supervised, what business models they have adopted, what governance framework they have, and what challenges they face.

The World Bank has received an increasing number of requests for data and new studies about DBs. These requests are motivated by ongoing efforts in various countries to strengthen their own DBs by insulating them from undue political interference, transforming them into more profitable and financially self-sustainable organizations, and adopting innovative governance arrangements.

In response to this demand, the World Bank and the World Federation of Development Financial Institutions (WFDFI) launched a survey to analyze the features and challenges faced by existing DBs, particularly those in low- and middle-income countries. The survey contained 72 questions (see Annex for the full list of questions) grouped into seven specific areas: size, funding, business models and products, profitability and asset quality, corporate governance, regulation and supervision, and challenges. The survey was conducted between January and June 2011 with the members of the WFDFI and the regional associations of development banks in Africa, Asia, Europe, and Latin America.

This report summarizes the key findings of the survey. Although the survey answers some questions and provides new data of DBs, it also raises new questions and concerns. We expect that the findings of the

survey will encourage others to use the database, explore further the issues discussed, and continue to advance our understanding of DBs.

1. Sample and Methodological Notes

For the purpose of this survey, a DB is defined as *a bank or financial institution with at least 30 percent state-owned equity that has been given an explicit legal mandate to reach socioeconomic goals in a region, sector or particular market segment*.

The survey is based on a questionnaire that was sent to the 280 members of the World Federation of Development Financial Institutions and the regional associations of development banks in Africa, Asia, Europe, Latin America, and Middle East. The diversity of DBs that participated in the survey, in terms of size, type, region, and performance suggests that the sampled DBs will likely share important characteristics with all the other existing DBs.

A total of 106 responses were received, however, 16 did not meet the survey's definition of a DB and were therefore excluded. The remaining responses from 90 DBs in 61 countries served as the basis for this report (see Annex for the list of respondent DBs). Participation in the survey was purely voluntary, with no bias against any type or jurisdiction of DB.

Table 1. Survey Respondents by Region and Country

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

With the exception of the Middle East and North Africa regions, from where only two responses were received, a satisfactory response rate was achieved in all other regions of the world. Additional responses may arrive and will be reflected in an updated publication.

There are four important caveats with regard to the data in the survey. First, the data come directly from responses by senior managers of each DB. There was no third-party assessment of the data. These senior managers had the opportunity to review and validate their institution's data.

Secondly, several topics were intentionally omitted from the scope of the survey. For instance, the survey does not explore the effectiveness of DBs in terms of fulfilling their mandates, nor does the survey examine the impact of DBs' operations in the development of local private financial systems. These are all important topics, but given their complexity they should be treated separately using a different methodology.

Thirdly, the distinction between a development bank and a commercial bank is not always clear. A few institutions included in the survey, such as Banco Nacional de Costa Rica which sees itself as a development bank, are considered by some observers as a commercial bank because of the scale of their commercial banking operations. The authors decided to keep these types of institutions in the survey, as long as they complied with the definition of DBs described earlier.

Finally, multilateral, regional, and sub-regional development banks were excluded from the survey in order to concentrate the focus on national development banks, in particular of DBs in low- and middle-income countries.

2. Establishment, Size, and Countercyclical Role of DBs

Historically, DBs have been an important instrument used by governments to promote economic development in practically all countries around the world, regardless of their stage of development. DBs have been established in former socialist economies, advanced capitalist countries and emerging economies to finance the construction of roads, highways, energy plants, dams, and telecommunication infrastructure; foster incipient industries and small and medium enterprises (SMEs); and provide financial services to low-income households.

In emerging market economies, for instance, DBs usually constitute the main source of long term credit, loan guarantees, and other financial services in the infrastructure, housing and agriculture sectors. Even in some advanced economies, where private financial institutions and capital markets satisfy the financial needs of firms and individuals, several DBs continue to play an active role in providing financial services to so called strategic sectors of the economy.[2]

[2] Examples include Kreditanstalt fuer Wiederaufbau (KfW) in Germany, Japan Development Bank, and Business Development Bank of Canada.

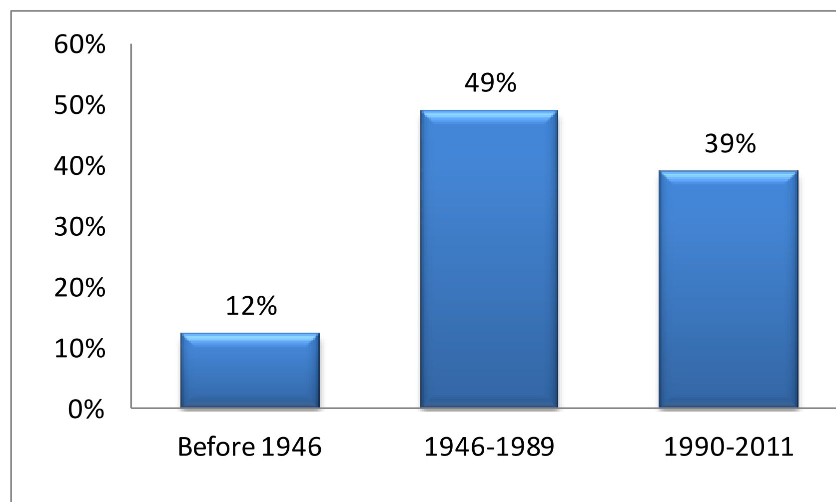
DBs by Year of Establishment

As illustrated in Figure 1, 12% of DBs examined in the survey were established before 1946, 49% between 1946 (after the end of World War II) and 1989, and 39% between 1990 and 2011. These figures reveal two interesting features of DBs.

First, a large number of the surveyed DBs were established more than three decades ago and are currently still in operation, despite the strong criticism against DBs in the 1980s and 1990s and the growing role of private financial institutions. This suggests that most governments still see in their DBs a relevant tool to promote economic growth.

Figure 1. DBs by Year of Establishment

(percent of DBs)



Secondly, during the past 21 years, as governments around the world were privatizing state-owned financial institutions, several countries were establishing new DBs. Examples of DBs established in the recent past include: Bulgarian Development Bank, SME Development Bank of Thailand, Financiera Rural (Mexico), Export Credit Guarantee Agency of Oman, Small Industries Development Bank of India, and Banco de Poupanca e Credito (Angola), to name a few. As this report is being written, new DBs are being established in Serbia, Bosnia and Herzegovina, Malawi, and Mozambique, among other countries. Even in the UK, the media has recently reported plans to establish a new development bank.[3]

Size of DBs

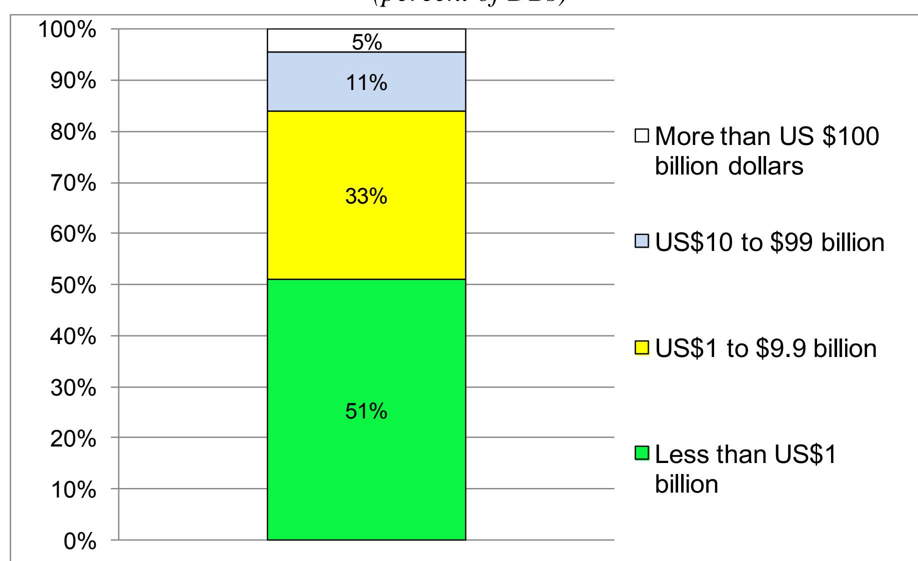
At the end of 2009, the DBs in the survey reported total assets in the amount of US $2.01 trillion dollars and a combined loan portfolio of US $1.59 trillion dollars. Figure 2 groups the DBs into small (less than US$1 billion dollars in assets), medium ($1 to $9.9 billion dollars), large ($10 to $99 billion dollars) and mega-banks (more than $100 billion dollars in assets). So, by the end of 2009, 51% of the surveyed DBs

[3] In the UK, a new "Green Bank" will be established in 2012 to finance environmental projects. In the USA, the Obama administration is discussing the possibility of establishing a new national infrastructure bank.

were grouped as small, 33% medium, 11% large and 5% were megabanks. The megabank group includes China Development Bank, Brazil Development Bank (BNDES), North Rhine-Westphalia Bank (Germany), and Kreditanstalt fuer Wiederaufbfau (Germany). In terms of assets, China Development Bank, Brazil Development Bank and Kreditanstalt fuer Wiederaufbfau (KfW) are larger than the World Bank Group.

Figure 2. DBs by Assets in 2009

(percent of DBs)



From a country perspective, most individual DBs tend to be relatively small institutions, holding a small share of the market in terms of assets. In 80% of cases, individual DBs account for less than 3% of the assets of the banking systems of the countries in which they operate.

There is, however, a small group of DBs that have become large players in their banking systems, particularly in small economies. For example, the Development Bank of the Cook Islands accounts for 11% of total assets in the banking system, Fiji Development Bank for 11%, and Rwanda Development Bank for 12%. In a few large economies, some individual DBs also have a significant share of the market. For instance, T.C. Ziraat Bankasi (Agriculture Bank) in Turkey, Brazil National Development Bank, and Land Bank of Philippines account for 15%, 10% and 9% respectively of the total assets in their banking systems.

Table 2. Market Share of Selected DBs in 2009

(percentage of total assets of their banking systems)

DBs	Market Share
1. Agriculture Bank of Turkey	15%
2. Rwanda Development Bank	12%
3. Fiji Development Bank	11%
4. Brazil National Development Bank	10%
5. Land Bank of Philippines	9%

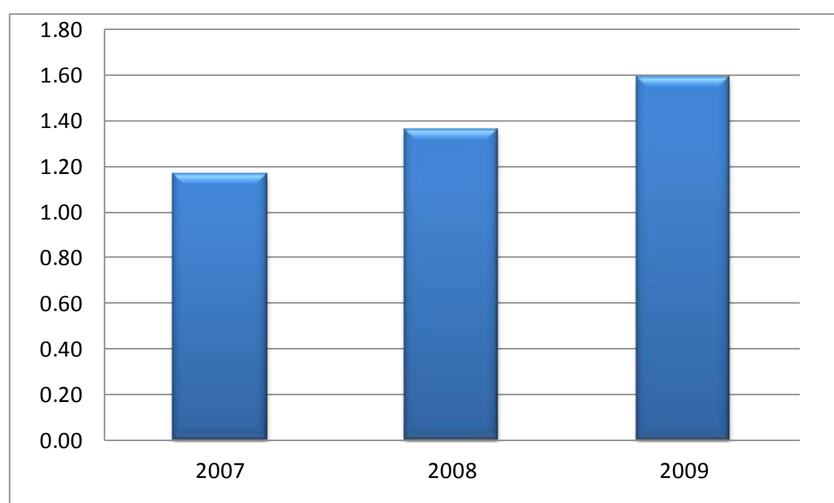
Countercyclical Role of DBs

Another interesting finding is that between the end of 2007 and the end of 2009, the combined loan portfolio of DBs increased from US $1.16 trillion to US $1.58 trillion dollars. In nominal terms, this 36% increase, in just three years, is well above the 10% increase in private bank credit for the countries surveyed during the same period. Most DBs in the survey assumed a countercyclical role by increasing their supply of credit to private firms in their jurisdictions to partially mitigate the credit crunch associated with the global financial crisis (Figure 3).

DBs increased short and long term lending, not only to their existing customers, but also to new customers from private commercial banks which faced temporary difficulties in refinancing their loans or acquiring new lines of credit. Even large multinationals, like the auto-maker Chrysler, benefited from loans provided by DBs in middle income countries.[4] However, it remains to be seen how the new loans will perform.

Figure 3. Loan Portfolio of DBs

(per trillion $U.S.)



As shown in Table 3, between the end of 2007 and 2009, only 16% of the institutions in the survey experienced a negative growth in their loan portfolios; 27% of DBs recorded a loan portfolio growth between 0% and 20%, 33% between 20% and 50%, 15% between 50% and 100%, and 9% of DBs experienced a growth above 100% in their loan portfolios.

[4] In early 2010, NAFIN granted a loan in the amount of $400 million dollars to support Chrysler's operations in Mexico.

Table 3. Credit Growth Rate in DBs (2007-2009)

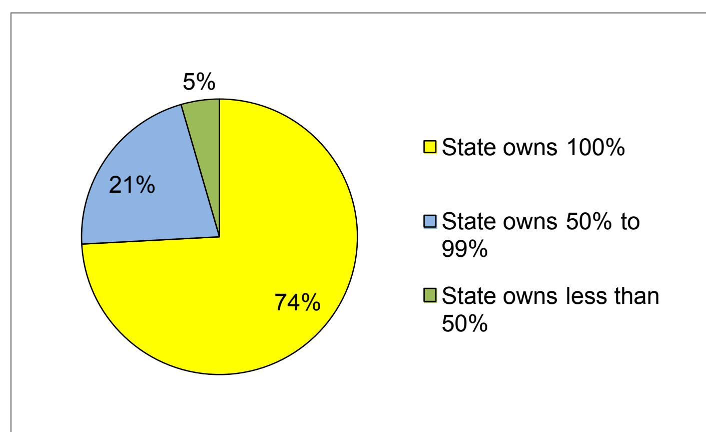
Growth Rate	% of DBs
Negative growth	16%
0 to 20%	27%
20% to 50%	33%
50% to 100%	15%
More than 100%	9%
Total	**100%**

The highest growth rates were recorded by the Bulgarian Development Bank (275%), Corporacion Financiera Nacional of Ecuador (174%), Slovene Export and Development Bank (145%), Agencia Financiera de Desarrollo of Paraguay (128%) and Banco del Estado of Ecuador (122%). Regionally, the loan portfolios of the DBs in Asia experienced the highest growth rate (72%) in this period, followed by Americas (70%), Africa (60%), and Europe (12%).

3. Ownership and Funding

Typically DBs are institutions owned, administered, and controlled by the government (state), which provides the strategic direction of the DB and appoints their senior management and board members. The extent of government ownership in DBs, however, can vary. As illustrated in Figure 4, while 74% of the DBs surveyed are entirely government owned and controlled, in another 21% the private sector participates as minority shareholder, holding between one and 49% of the total shares. Some institutions in this category are Credit Guarantee Corporation (Malaysia), Banque de l'Habitat de Côte d'Ivoire, and Finagro (Colombia). In this type of DB, the government maintains control of the institution, while the private sector owns part of its capital. Interestingly, in 5% of these DBs the government owns less than 50% of the capital of the DB. An example of this type of DB is DFCC of Sri Lanka, which, despite being partially privatized and fully managed by the private sector, retains its focus on developmental activities.

Figure 4. Percentage of State Ownership in DBs



Funding

There are different options for DBs to fund their business operations, including (i) taking savings and deposits from the public, (ii) borrowing from other financial institutions, (iii) raising money in the domestic or international capital markets, (iv) using their own equity, and (v) receiving budget allocations from the government. Most DBs combine all these funding options.

Except in situations where the mandate of the DB is to promote savings, some authors (Rudolph 2007) argue that it is undesirable for DBs to take deposits from the general public. Avoiding this allows the DBs to focus on their lending operations while avoiding competition with private banks and, at the same time limit potential taxpayers' exposure to losses. Moreover, the distinction between a development bank and a commercial bank might become blurred when DBs are allowed to offer savings and deposits accounts to the general public. As shown in Table 4, 41% of DBs raise deposits from the public while the other 59% does not. All deposit-taking DBs in the survey are retail lenders, that is, they lend directly to customers; no second-tier institution (DBs that lend through to other private financial institutions to reach end customers) takes deposits from the general public.

Table 4. Funding Features of DBs

Features	Yes	No
Does your institution take deposits from the general public?	41%	59%
Can your institution borrow from other financial institutions or issue debt in local markets?	89%	11%
Does your institution receive direct budget transfers from the government?	40%	60%
Does the government guarantee your institution's debt?	64%	36%

When asked whether they can borrow from other financial institutions or raise money in capital markets, 89% of the DBs surveyed responded positively. Nevertheless, most institutions require governmental approval to do so, particularly if the debt is to be guaranteed by the government. However, there are some interesting findings in the small group of DBs that are restricted from borrowing from other financial institutions or capital markets. For example, Financiera Rural of Mexico, established in 2002, was obliged by law to fund its operations solely through its own capital. In 2002, the Mexican government liquidated its old agriculture development bank and established a new agriculture DB, Financiera Rural, which was banned from borrowing from the market and taking deposits from the public. This end result was to minimize any liability to the government in the event of failure.[5]

Generally, DBs are expected to be profitable and financially self-sustainable, and non-reliant on government subsidies or transfers to (partially) fund their operations. The survey found that 40% of institutions receive government transfers to partially fund their operations. It should be noted that receiving direct transfers from the government does not necessarily mean dependence on government

[5] In 2009, this provision was relaxed, allowing Financiera Rural to borrow from other domestic or international DBs. Prohibition to take deposits from the public and issue debt in local capital markets remain in effect.

funds. Sometimes, DBs – such as KfW in Germany -- receive transfers from the government to fund interest rate subsidies to a particular type of borrower.

Nevertheless, some DBs, like the Vietnam Bank for Social Policies (VBSP), have become highly dependent on government transfers to operate. VBSP prices most of its lending products at interest rates well below market rates. For some of its lending products, interest rates are even lower than the interest rates for its saving products. As a result, it operates with a negative interest rate spread, making it unable to survive without government subsidies. In fact, 18% of the DBs that receive transfers claimed that if transfers were canceled, they would not be able to operate on a sustainable basis.

As government-owned institutions, 64% of all DBs enjoy the support of their governments who explicitly guarantee their debt and other liabilities. Given that 89% of the DBs can borrow from other financial institutions or issue debt, these guarantees allow them to borrow at a relatively lower cost and eventually transfer that lower cost to final borrowers. The provision of guarantees can be regarded as an effective way of funding DBs, provided that the "guaranteed" DBs play a complementary role, that is, they do not compete with the private banks. Otherwise guarantees become a source of unfair competitive advantage.

4. Mandates, Business Models and Financial Products

Mandates

DBs have been established with a wide range of policy or developmental mandates. On the basis of their mandates, DBs can be divided into two groups: (i) institutions with a narrow and specific mandate, which explicitly refers to the sector(s), type of customers or activities that a DB is expected to support, and (ii) institutions with broad mandates that are formulated in general terms without reference to any particular sector or activity. Examples of this type of mandates are *"…to promote the country's economic development" or the "well-being of citizens"*.

Table 5. Mandates of DBs

DBs by Type of Mandate	Market niche	Percent of DBs in the survey
1. Specific		**53%**
	Agriculture	*13%*
	SMEs	*12%*
	International trade	*9%*
	Housing	*6%*
	Infrastructure	*4%*
	Local governments	*3%*
	Industrial and other	*6%*
2. Broad		**47%**
Total		**100%**

As shown in Table 5, 53% of DBs surveyed are institutions with specific policy mandates. They include institutions that were specifically established to support the agriculture sector (13% of all DBs), SMEs through their lending, guarantee or advisory services (12%), export and import activities (9%), housing (6%), infrastructure projects (4%), local governments (3%), and other sectors (6%). Examples of this group are: National Agriculture and Rural Development Bank of India, the Credit Guarantee Corporation of Malaysia, Hungarian Export-Import Bank, Ecuadorian Housing Bank, Banobras of Mexico (which specializes in large infrastructure projects), and Kenya Tourist Development Corporation.

On the other hand, the other 47% of DBs are institutions with broader legal mandates and are expected to support a broader range of activities and sectors. Examples of these institutions include the Development Bank of Philippines, an institution established to "*influence and accelerate sustainable economic growth through the provision of medium and long-term resources for the continued well-being of the Filipino people*", Uganda Development Bank, which was established to "*provide financial support to short, medium, and long term projects geared toward economic development of the nation*", Fiji Development Bank, Development Bank of Turkey, and Development Bank of China.

There are pros and cons in adopting narrow versus broad mandates. On the one hand, narrow mandates encourage institutions to adhere to their original mandates and gain specialization in their target market. Monitoring and performance evaluation becomes easier in DBs with a narrow rather than a broad focus. However, institutions with narrow mandates do not have the flexibility to target various sectors, in some cases limiting their ability to manage risk through diversification.

On the other hand, institutions with broad mandates provide flexibility to DBs to finance a wide range of activities and sectors deemed important by the government. However, if not properly managed, DBs might quickly lose focus and effectiveness, be subject to different and competing demands from different Ministries and other government institutions, or simply have its policy mandate crept into diffuse tasks and activities.

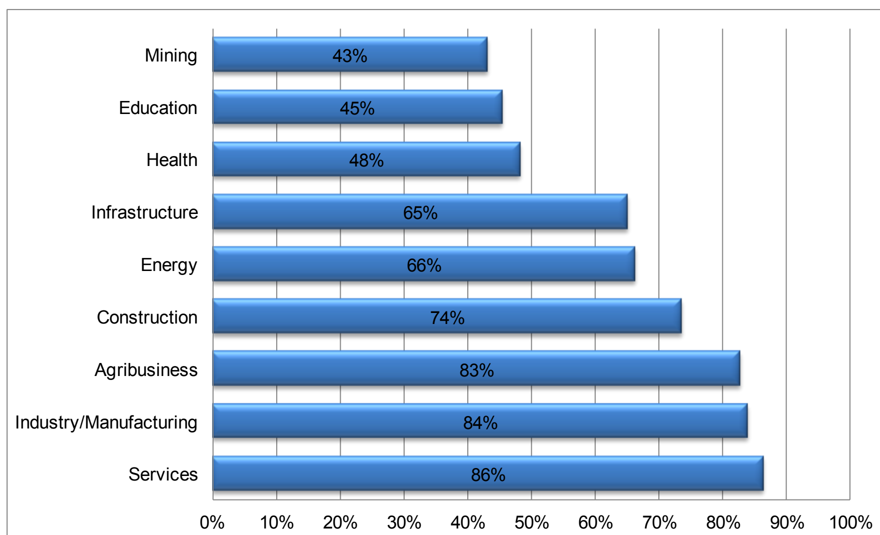
Economic Sectors and Clients Targeted by DBs

The surveyed DBs operate in several sectors of the economy and serve different types of clients, creating a wide range of intervention modes through which governments provide credit and other financial services in the economy. A DB specializing in SME lending, for example, may target a wide range of sectors in the economy as long as its clients remain SMEs. A specialized agriculture bank may target all types of clients (smallholder farmers, SMEs, large private corporations, and even other state-owned enterprises), provided that they operate in the agriculture sector. The survey tried to examine the operations of DBs from both sectoral and client perspectives.

DBs were asked to select which economic sectors they target from a list of nine sectors - services and trade, industry and manufacturing, agriculture, housing and construction, infrastructure, energy, health, mining, and education. As shown in Figure 5, 86% of DBs targeted the trade and services sectors, 84% industry and manufacturing, 83% agriculture, 74% construction and housing, 66% energy, and 65%

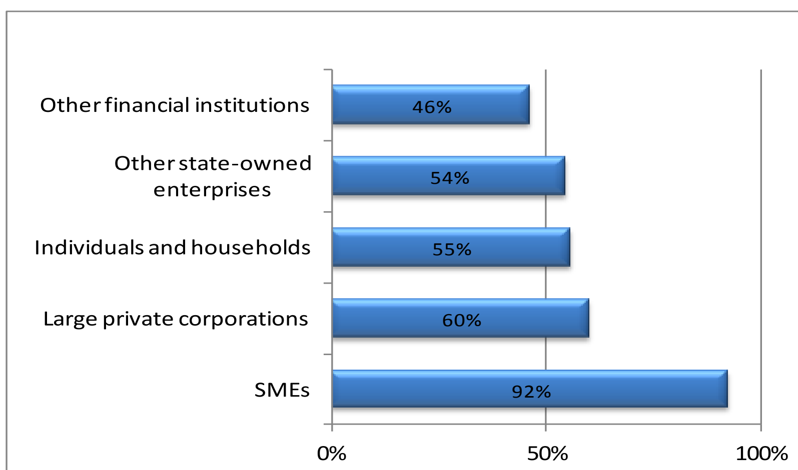
infrastructure. On the opposite side, only 48% of the DBs targeted the health sector, 45% education, and 43% mining.[6]

Figure 5. Economic Sectors Targeted by DBs
(percentage of DBs targeting each sector)



Similarly, DBs were asked which type of clients they target: 92% of DBs responded that they target small and medium enterprises, 60% large private corporations, 55% individuals and households, 54% other state-owned enterprises (SOEs) and 46% private financial intermediaries. It is interesting to note that for most DBs, regardless of their size or mandate, SMEs constitute the type of client they are trying to serve and support. This is not a surprise, since for most low- and middle-income countries; access to finance by SMEs remains one of the key challenges for the financial sector. Even in high-income countries, such as Germany and Canada, DBs surveyed in those jurisdictions also target the SME sector.

Figure 6. Types of Clients Served by DBs
(percentage of DBs targeting each type of client)



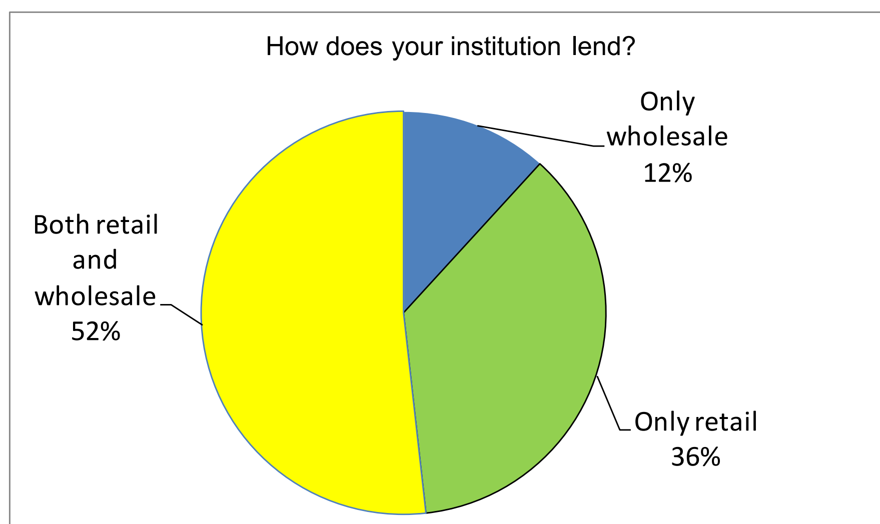
[6] The survey did not collect data on the factual allocation of credit by sectors. This will be done in a revised version of the survey.

Lending Models: First-Tier and Second-Tier Lending

In practice, DBs have developed and adopted different business models to carry out their lending operations. A total of 52% of DBs lend through a combination of first-tier (lending directly to end-customers) and second-tier operations (lending to other private financial institutions which subsequently on-lend to end-customers), while 36% of DBs in the survey only lend through first-tier (or retail) operations and 12% of DBs only through second-tier (or wholesale) operations.

Examples of "first-tier-only" DBs include Al-Amanah Islamic Investment Bank of the Philippines, Bank Pembangunan Malaysia Berhad, Bhutan Development Finance Corporation, Nepal Industrial Development Corporation, Slovak Guarantee and Development Bank, and SME Development Bank of Thailand. Interestingly, a large number of "second-tier-only" DBs are located in Latin America, and include among others BNDES (Brazil), FIRA (Mexico), Ecuadorian Housing Bank, COFIDE (Peru) and FINAGRO (Colombia). Outside Latin America, "second-tier-only" institutions are National Bank of Agriculture and Rural Development (NABARD) of India, and KfW of Germany (for domestic customers).[7]

Figure 7. DBs' lending models



There are various advantages and disadvantages of first versus second-tier lending. Under the first-tier (retail) lending model, DBs deal directly with the end-customers. Often, this requires the DB to have a large number of branches to access its target customers. This can pose enormous pressure for agriculture, housing, and SME banks whose clientele is usually large and geographically dispersed throughout a country. In this model, the interest rate offered to end-customers can be lower, other things being equal, because resources are not intermediated through other financial institutions. In addition, the credit risk stays completely with the DB.

[7] For international customers, KfW lends through retail and wholesale operations.

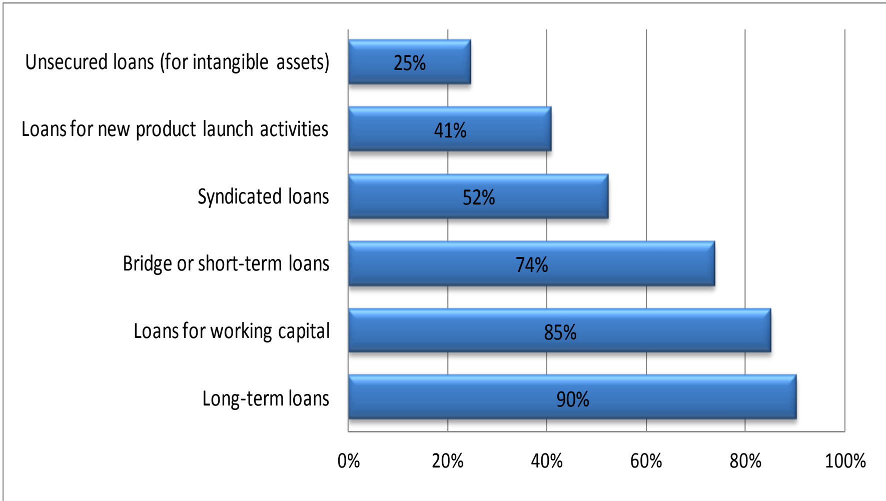
Under the second-tier (or wholesale) lending model, DBs tend to have lower operating costs because financing is provided by the DB to private financial institutions which subsequently select and assess the loan applications of end-customers. Under this model, the DB can reach more end-customers and cover more locations without incurring high operating costs. This model also promotes the growth of private financial intermediaries that become the arms of DBs that reach under-served sectors and clients. Moreover, the credit risk is partially absorbed by the private financial institution that intermediates the DBs' funds. As discussed below, second-tier DBs tend to report lower non-performing loan ratios than first-tier DBs. However, interest rates for end-customers tend to be higher because private financial institutions pass on to them their cost of financial intermediation plus any other margins.

Lending Products and Maturity of Loans

The survey also inquired about the types of lending products that DBs offer to their customers. As illustrated in Figure 8, the majority of loans offered by DBs are long-term loans (90%) followed by working capital loans (85%), whereas syndicated loans consisted of 52% of all DBs, and unsecured loans 25%.

Figure 8. Lending Products Offered by DBs

(Percentage of DBs offering each product)



The survey examined the maximum maturity of the long-term loans that DBs offer to their customers. Often, the lack or limited availability of long-term financing in developing countries has been a strong justification for the existence of DBs. As shown in the following table, only 13% of DBs offer loans with a maturity of more than 20 years whereas for most DBs, the maximum maturity is less than 20 years.

Table 6. Maximum Loan Term Offered by DBs

Maximum loan term	Percent of DBs
Up to 5 years	16%
6 to 10 years	29%
11 to 15 years	19%
16 to 20 years	22%
21 to 25 years	7%
26 to 30 years	6%
Total	**100%**

Use of subsidized interest rates

The provision of credit at subsidized interest rates by DBs has been a controversial issue. For some authors, this practice might undermine the solvency and profitability of DBs and distort the competitive environment. For others, the use of subsidized interest rates might be justifiable to support nascent enterprises provided that subsidies are transparent and used for their intended purposes (Scott 2007).

The provision of credit at subsidized interest rates is a practice adopted by 50% of DBs covered in the survey. In this category, 66% of DBs fund these subsidies using transfers from their respective governments. In some countries however, this practice has become unsustainable given the large fiscal pressures it causes. Other means of funding subsidies include cross-subsidization from profitable areas of business and also access to cheaper funds from large international financial institutions, such as the World Bank, European Investment Bank or any of the regional development banks.

Other financial and non-financial services

Supplementing their lending operations, DBs also offer a wide range of financial and non-financial products to their customers. In terms of financial products, the survey found that 73% of all DBs offer loan guarantee products to partially offset the losses faced by a private financial intermediary when a customer defaults. The guarantees usually take different modalities in terms of coverage and pricing, that were not explored in the survey. However, an interesting point is that most DBs see this type of financial product as a useful instrument to encourage private commercial banks and other financial institutions to lend with their own resources to the same clients and sectors that DBs target. For some DBs such as FIRA, loan guarantees have become almost as important in terms of value as their own lending portfolios. A useful exercise beyond the scope of this survey, would be to compare the different modalities of credit guarantees and assess their impact, pricing and financial sustainability.

Of the DBs surveyed, 30% offer leasing services and 16% factoring services. A well known factoring program is provided by NAFIN of Mexico (see Klapper 2006) which offers online reverse factoring services to a large number of SMEs. Securitization services are also offered by 16% of the institutions.
In terms of non-financial products, the survey found that a large number of institutions offer several advisory services, capacity building, and training programs for their existing and prospective clients. In most cases, the costs of these services are absorbed directly by the DBs. In practically all second tier institutions, the scale of these offerings is quite large. They include a wide range of activities to support

their own network of private financial intermediaries that borrow from them to lend to their end customers. These customers can then use the funds to finance new business development, capital enhancement, training for staff, interest rate subsidies, IT equipment, etc. The scope and performance of advisory services provided by DBs could be the topic of a separate study.

5. Asset Quality and Return

A common criticism against DBs is they are institutions that are prone to experience asset quality problems. DBs are often portrayed as institutions with a limited capacity to assess borrowers' capability and willingness to repay their loans. They are also portrayed as having a limited capacity for debt collection on loans, resulting in a high amount of non-performing loans, debt forgiveness programs, and financial losses that are ultimately borne by taxpayers.

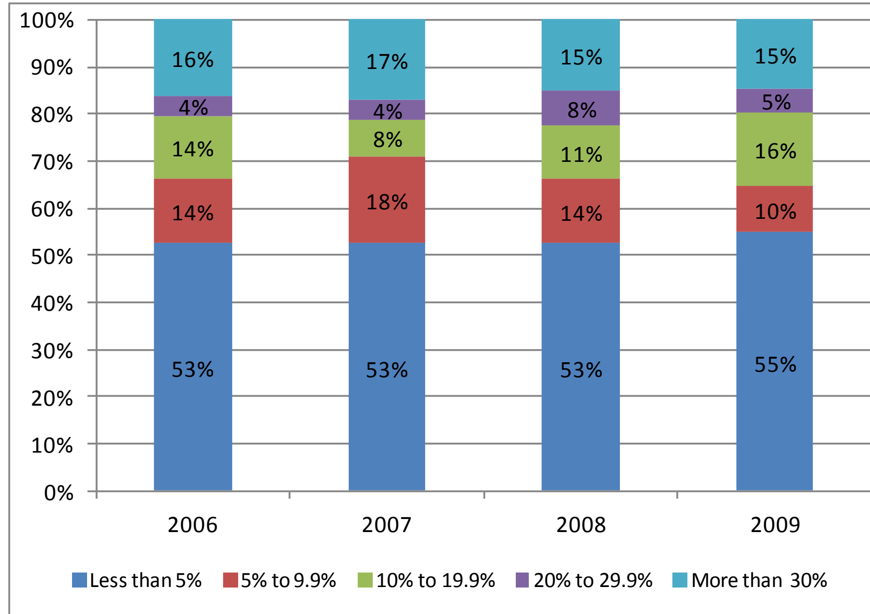
The survey collected data on the non-performing loan (NPL) ratios of DBs. As shown in Figure 9, at the end of 2009, 55% of DBs reported NPL ratios of less than 5%; 30% of DBs reported NPL ratios between 5% and 30% and 15% of DBs reported ratios of more than 30%. This distribution remained almost unchanged over the 2006-2009 period.[8] Second-tier-only DBs reported lower NPL ratios than "retail-only DBs". Indeed, all "second-tier-only" DBs fell within the less than 5% bracket while only 27% of "retail-only" DBs were in this bracket.

A comparison of the NPL ratios of DBs with the NPL ratios of their respective banking systems[9] shows that 39% of DBs exceeded the national average in 2009, while the other 64% of DBs was below the national average. For the years 2006 and 2008, the percentage of DBs with NPL ratios below the average in their banking systems was 57%, and in 2007 it was 58%.

[8] Rules for the definition and classification of NPLs differ across countries. Therefore, one should be cautious when interpreting and comparing them.
[9] Average NPLs of banking systems were obtained from the International Financial Statistics online database.

Figure 9. Distribution of DBs by levels of NPLs

(Percentage of DBs in each NPL range)

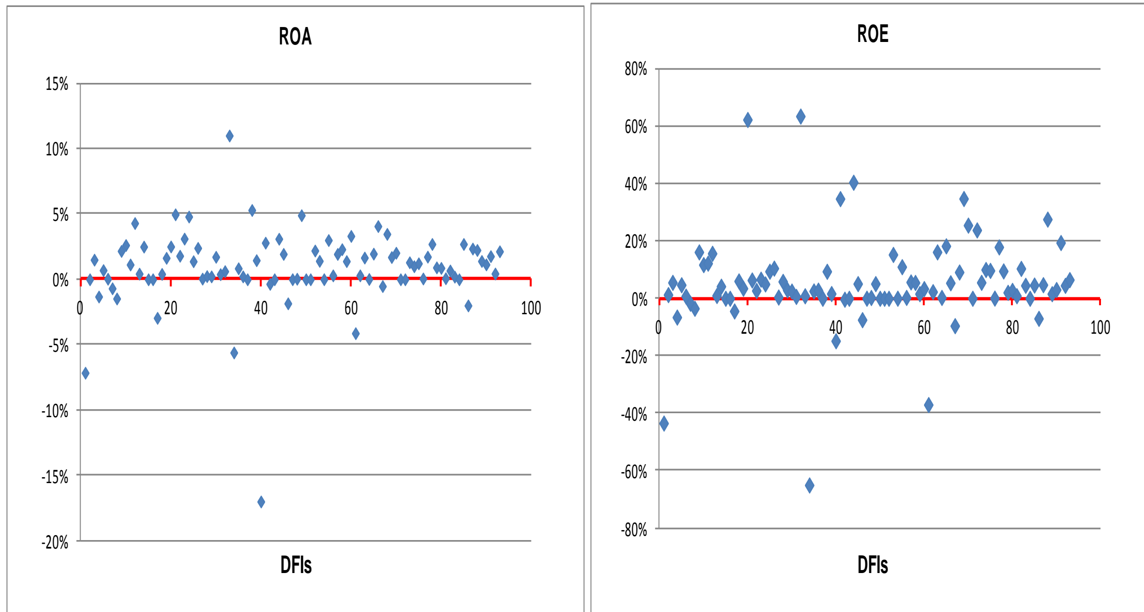


The survey found that in 2009, 14% of the surveyed DBs reported losses. The remaining 86% were profitable or broke even. The percentage of DBs reporting losses in 2006, 2007 and 2008 was 15%, 8%, and 9%, respectively.

Given that profit maximization is not the main objective of DBs, their returns tend to underperform the average return of the banking system. In 2009, 53% of the surveyed DBs had a Return on Assets (ROA) exceeding the average of their banking systems. This was up from 42% in 2006 and 2007, and 46% in 2008. In terms of the Return on Equity (ROE), 19% of DBs exceeded the national average in 2009 (up from 15% in 2006, 13% in 2007, and 18% in 2008).

Figure 10. Return of Assets and Equity

(percentage, 2009)



6. Corporate Governance Arrangements

Good corporate governance is a critical component for the success of DBs. In broad terms, corporate governance refers to *"…the process and structure for overseeing the direction and management of a corporation so that it carries out its mandate and objectives effectively*".

The governance in a DB can be more challenging than in private financial intermediaries. To begin with, the structure of DB ownership and control can be more complex, involving a large number of governmental institutions (ministries of finance, agriculture, housing, trade, labor, etc.), and sometimes even the legislature. These entities all have their own legitimate (and sometimes conflicting) expectations regarding the goals the DB should accomplish.

When the mandate of the DB is stated only in general and broad terms, senior government officials or elected politicians have more room to influence the direction and activities that a DB pursues. Unless the institutional framework of a DB is strong enough to withstand undue political pressure, a DB can become vulnerable to political interference or be captured by interest groups exerting pressure on it to take excessive credit risks, thus causing future financial losses for the DB.

Moreover, as government owned institutions, DBs rarely face the risk of takeover. This, combined with the absence of a sound monitoring and evaluation framework, can cause the board and management of DBs to become progressively tolerant with DBs' inefficiencies and weak performance.

Many of the problems that commonly afflict state financial institutions, such as weak performance, financial problems, diffuse mandates, unfair competition with the private sector, capture by interest groups, etc. can be associated with, if not attributed directly to, weaknesses in corporate governance.
The survey tried to examine a few characteristics of the corporate governance framework of DBs, keeping in mind that an extensive review of this topic is beyond the scope of this survey. First, participating DBs were asked about the size and composition of their boards. The results show that, on average, the boards of DBs are composed of 8 members, with 22% of DBs having more than 10 members on their boards.

Results also show most boards consist of government representatives, including members representing ministries of finance, labor, trade, housing, social affairs, and even the central bank. Interestingly, 75% of DBs allow the participation of independent (non-government affiliated) members. In 30% of those cases, such as Bank of Cook Islands or Credit Guarantee Corporation of Malaysia, independent members constitute the majority of the board. In a few cases, such as Slovak Guarantee and Development Bank and Antigua and Barbuda Development Bank, boards are comprised entirely of independent members.

Examining governance issues in DBs can lead one to question whether public servants should serve on the boards of DBs. Arguments can be made for and against this issue. The main argument in favor of this is that as representatives of the government public servants can provide strategic direction and ensure the DB fulfills its mandate in an efficient and effective manner. The main argument against this is that public servants might be seen by other board members as having inordinate powers, and therefore be in a position to inappropriately influence the decisions and direction of the board. While the issue remains unresolved, there is a general consensus that when public servants are appointed to the board, their numbers should be limited, they should meet the necessary qualifications and they should have the same obligations and roles as any other board member (Scott, 2007).

The survey found that a large percentage of DBs have adopted a series of minimum requirements for board members. As much as 91% of DBs require that board members have a minimum level of education, 87% require minimum technical qualifications in the banking field, and 75% require board members not to have bankruptcy records. In all the DBs the government retains the ultimate power to appoint and remove board members and CEOs.

Transparency
Effective corporate governance depends on the flow of accurate, timely and relevant information within the DB, and externally to the government, legislature and the public. The survey looked at the transparency of DBs with regard to the information disclosed to the public in select areas. Table 7 shows that 96% of DBs prepare and publish their annual reports, most of which are available online on their own websites; 93% also disclose their audited financial statements. However, only 71% of DBs disclose off-balance sheet items, when applicable. A smaller percentage of DBs (63%) disclose their governance and risk management framework, and 64% their regulatory capital and capital adequacy ratio (CAR).

Table 7. Transparency of DBs

Disclosed Information	Percentage of DFIs
Annual report	96%
Audited financial statements	93%
Off-balance sheet items	71%
Governance and risk management framework	63%
Regulatory capital and capital adequacy ratio	64%

The capacity of DBs to identify, measure, and manage their risks is a critical element for adequate governance and overall performance. A total of 88% of DBs indicated they have in place risk management units. Their effectiveness is a measurement that needs to be done separately. Of those DBs that have risk management units, only 53% have procedures allowing them to report directly to the Boards.

To encourage DBs to remain financially sound some DBs are legally obliged to achieve a minimum return on capital, such as:

- Maintaining real capital constant (earn a return not lower than inflation), such as Financiera Rural of Mexico and Credit Bank of Turkey
- Achieving a rate of return not lower than the government's long-term borrowing cost, such as the Business Development Bank of Canada.
- Explicit return on capital (ranging from 7% - 11% annually), such as the Development Bank of Samoa, Samoa Housing Corporation, the EXIM Bank of India, Tonga Development Bank, and Kommunalbanken of Norway.

7. Regulation and Supervision of DBs

There is a broad international consensus that DBs and other financial institutions owned or controlled by the government or state, should have the regulation and supervisory standards of private financial institutions.[10] By doing so, DBs will be subjected to the same solvency, liquidity, governance, accounting, and transparency standards of private sector institutions, whenever applicable. Moreover, in the event of financial problems in DBs, the regulator is expected to act and take the same preventive or remedial actions normally undertaken with private financial institutions.

The survey found that 76% of DBs are in fact regulated and supervised by the same institution that supervises private commercial banks in their countries, such as the central bank or the bank supervisory agency. The remaining 24% are supervised by the same ministries and government agencies providing their strategic direction, such as the Ministries of Industry, Trade, Housing, Agriculture, Energy, Labor,

[10] See Basel Core Principles for Effective Bank Supervision.

etc. Examples of DBs supervised by ministries include National Development Bank of Palau, Samoa Housing Corporation, Export Credit Guarantee Agency of Oman, SME Development Bank of Thailand, and Uganda Development Bank.

Prudential supervision by the ministry providing the strategic direction raises multiple problems. First, the ministry or agency exercising the supervisory function usually does not have the same expertise to monitor and assess the risks associated with the business of the DBs under their umbrella as a central bank or bank supervisory agency. Secondly, it is frequently the case that conflicts of interest arise, and in the event of financial problems the supervising institution becomes forbearing, delaying prompt corrective action or even the simple recognition and disclosure of problems.

The results show 78% of DBs indicated they are required to comply with the same standards of prudential supervision (minimum capital, minimum capital adequacy requirements, loan classification and provisioning, etc.) of private commercial banks or any other private financial institution. The remaining 22% are subjected to other standards, which are usually more lenient than the standards applicable to private banks. For example, some DBs in Africa (e.g. the Uganda Development Bank) indicated that they follow the prudential standards of the African Association of Development Finance Institutions. Deposit-taking DBs (98%) tend to comply more with the same prudential standards as commercial banks than non-deposit-taking DBs (68%).

In complement to a sound and effective regulatory system, 45% of DBs in the sample are required to be rated by an internationally recognized rating agency. The remaining 55% are not. Most of the unrated DBs tend to be small in terms of assets, although that does not constitute a strong argument against the need for a rating. Almost all DBs (97%) reported that they are legally required to be audited by a professional external auditor.

8. Challenges for DBs

Table 8 shows some of the main weaknesses and challenges being faced by DBs. For 71% of DBs the most important challenge was the need to improve their risk management capacity. This reflects the difficulties they face throughout the entire lending cycle, which includes the assessment of their prospective clients' creditworthiness, the way they assess risks, the type of credit policies they follow, and the capability they have to collect on loans or execute collateral, whenever applicable.

Table 8. Challenges Faced by DBs

What are the most important challenges facing your institution going forward?	Percentage of DBs
Improve risk-management capacity	71%
Become financially self-sustainable?	59%
Improve corporate governance and transparency	50%
Acquire more flexibility to hire and retain highly qualified staff	40%
Reduce undue political interference	31%

As many as 59% of the DBs indicated that the need to become a financially self-sustainable organization was a key challenge, reflecting perhaps a need to reduce their reliance on governmental budget transfers and to improve their own profitability. Moreover, 50% saw the need to improve corporate governance and transparency as a major challenge; 40% need more flexibility to hire and retain highly qualified staff and 31% felt that reducing undue political interference was another major challenge.

Conclusions

Historically, DBs have been an important instrument of governments to promote economic growth by providing credit, loan guarantees, other financial services and a wide range of advisory and capacity building programs to low-income households, SMEs, and even large corporations whose financial needs are not sufficiently served by private commercial banks or local capital markets.

Even in advanced economies, where private financial institutions and capital markets cover the financial needs of households and enterprises, DBs continue to play an active role in the economy by providing credit to select sectors and fostering new investments in priority activities such as clean energy, biotechnology, and environmental projects, as well as traditional sectors and activities.

The ongoing global financial crisis has given DBs an exciting new role. The survey has shown that in most countries in Asia, Latin America, Africa, and Europe, DBs have assumed a counter cyclical role by scaling up their lending operations exactly when private banks experienced temporary difficulties in granting credit to the private sector. This has helped private firms refinance or roll over their liabilities and even access additional lines of credit.

Despite the importance of DBs during both crisis and non-crisis periods, so far, little is known about the role they play. The survey's results reveal that the universe of DBs is heterogeneous and, as a result, they cannot and should not be treated as a uniform group of institutions. DBs differ among themselves in various areas, such as:

- Ownership structure (fully vs. partially owned by government)
- Policy mandates (narrow vs. broad mandates)
- Funding mechanisms (deposit taking vs. non-deposit taking institutions)
- Target sectors and clients (narrow vs. wide focus)

- Lending models (first-tier vs. second-tier)
- Pricing of lending products (subsidized vs. market interest rates)
- Regulation and supervision (special regime vs. same regime applicable to private banks)
- Corporate governance (independent vs. government controlled boards)
- Transparency standards (wide vs. limited disclosure)

Across countries and regions, DBs exhibit various differences and patterns. Specialized and profitable DBs with a strong commercial orientation coexist with other DBs that are highly dependent on government subsidies. They pursue multiple and sometimes conflicting economic and social objectives. New generations of DBs characterized by high standards of transparency, accountability, and operational autonomy coexist with institutions that continue to operate under the powerful influence and interference of single individuals and politicians. Deposit-taking DBs with large branch networks coexist with DBs that are only funded through capital markets and lend only through second-tier operations.

In practice, the different institutional features and modalities adopted by individual DBs do matter, because they can determine to a large extent a DB's ability to become financially-self-sustainable and, more importantly, fulfill their objectives and policy mandates in an efficient manner.

Adopting the best possible institutional design for DBs is important since they operate in difficult and challenging environments. DBs are expected to serve clients and segments of the market with a high risk profile that are usually not being served by private financial institutions. At the same time, as government-owned and controlled institutions, DBs could be vulnerable to undue political pressure, unless strong safeguards are put in place.

In the past, international experience has revealed that only DBs with clearly defined mandates, high corporate governance standards, strong risk management capability, proper regulation and supervision, and a strong management team have been successful. In fact, in the past several DBs around the world have failed due to poor lending decisions, high amount of non-performing loans, undue political interference, capture by interest groups, and lack of well-defined mandates.

The survey revealed that there is enormous room to improve the performance and effectiveness of DBs:

- 18% of DBs that receive government transfers claimed that if these transfers were canceled, they would be unable to operate on a sustainable basis.
- 24% of all DBs are under-supervised and without the reporting standards applicable to private financial institutions.
- 36%% of DBs do not disclose their regulatory capital on a regular basis.
- 25%% of DBs do not include independent members in their boards.
- 15% of DBs reported NPL ratios of 30% or more.
- 13% of DBs do not have minimum requirements in terms of technical skills
- 25% do not require board members and senior management to demonstrate lack of bankruptcy records.

- 78% of DBs have recognized the need to improve risk management as one of their key challenges going forward.

At the same time, the survey found that in various jurisdictions innovative procedures have been put in place to help DBs operate in an effective manner. For instance, some DBs are legally obliged to achieve a minimum return on capital, measured in terms of the inflation rate or the government's cost of borrowing. Moreover, certain DBs have been partially privatized and the management has been transferred to the private sector under management contracts. Certain governments have also adopted legislation that prevents them from bailing out DBs in case of failure. In other jurisdictions, DBs lend only through second-tier operations and share with the private sector the risk of lending to underserved segments of the market. Some DBs are also governed by boards fully comprised of independent members. It is worth exploring all these innovations as they may be part of the solutions needed to strengthen those weak institutions covered in the survey, in particular those operating in difficult institutional environments.

Because of their strong focus on SMEs and individuals not served by other financial institutions, DBs are clearly an essential part of the financial inclusion agenda. They play an important role in serving new clients directly or through a network of private financial intermediaries, mitigating credit risks, and even developing innovative financial instruments to finance promising business ventures.

As this report is being finalized, the global financial crisis continues to pose major risks for the world economy. There might be a role for DBs to play again as turbulence in financial markets continues and the ability and cost of borrowing of firms is seriously affected. Thus, in the short or medium terms, there are strong reasons for governments to continue modernizing their DBs and giving them tools to become more effective and successful in fulfilling their policy mandates.

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Annex

Questionnaire

I	General Information	Answers
1	Name of your institution	
2	Address (Street, Number, City and Zip Code):	
3	Country	
4	Website	
5	When was your institution established (year)?	
6	Under which Act or Law is your institution incorporated?	
7	What is your institution's mission or policy mandate, as defined by your law?	
8	What was your institution's ownership structure at the end of 2009?	(in percent)
8.1	State/Government	
8.2	Foreign States/ (specify)	
8.3	Domestic private sector	
8.4	Foreign private sector	
8.5	Individuals	
II	**Size**	
9	Total assets of your institution at the end of:	(in $US million)
9.1	2006	
9.2	2007	
9.3	2008	
9.4	2009	
10	Market share of your institution in terms of total assets in the banking system in 2009 (in percent)	
11	Total equity at the end of:	(in $US million)
11.1	2006	
11.2	2007	
11.3	2008	
11.4	2009	
12	Total gross loan portfolio at the end of:	(in $US million)
12.1	2006	
12.2	2007	
12.3	2008	
12.4	2009	
13	Number of branches at the end of 2009	

14	Number of subsidiaries at the end of 2009	
15	Number of staff at the end of 2009	
III	**Funding**	
16	Does your institution take deposits from the general public? Please mark with "X" the appropriate box	
17	What was the number of deposits accounts at your institution at the end of?	
17.1	2006	
17.2	2007	
17.3	2008	
17.4	2009	
18	What was the outstanding amount of deposits at the end of?	(in $US million)
18.1	2006	
18.2	2007	
18.3	2008	
18.4	2009	
19	Can your institution borrow from other financial institutions or issue debt in local markets?	
20	Does your institution receive direct budget transfers from the Government?	
21	If Government transfers were canceled, would your institution be able operate on a sustainable basis with its own generated income and profits?	
22	Has your institution received government funds, subsidies, or transfers to cover losses or strengthen its financial situation in the past five years?	
23	Does the government guarantee your institution's debt?	
IV	**Business Model and Products**	
24	How does your institution lend? (Please mark with an "X" in the appropriate box)	
24.1	Wholesale (through other financial institutions)	
24.2	Retail (directly to final customers)	
24.3	Both wholesale and retail	
25	To which subsectors does your institution lend? (Please mark with an X in the appropriate boxes)	
25.1	Agribusiness	
25.2	Construction	
25.3	Industry/Manufacturing	
25.4	Services	
25.5	Mining	
25.6	Infrastructure	
25.7	Energy	

25.8	Education	
25.9	Health	
25.10	Other (please specify)	
26	What is your institution's target market? (Please mark with an "X" in the appropriate boxes)	
26.1	Individuals and households	
26.2	Start-ups	
26.3	Micro, small and medium enterprises	
26.4	Large private corporations	
26.5	Other financial institutions	
26.6	Other state-owned enterprises	
26.7	Other (Please specify)	
27	What lending products does your institution offer?	
27.1	Loans for start-up activities	
27.2	Loans for working capital	
27.3	Bridge or short-term loans	
27.4	Loans for new product launch activities	
27.5	Unsecured loans (for intangible assets)	
27.6	Long-term loans	
27.7	Syndicated loans	
27.8	Other (please specify)	
28	What is your average annual interest rate on loans?	
29	Does your institution provide loans at subsidized interest rates (below the market interest rates)?	
30	If subsidized interest rates are offered, how are they funded? (Please mark with an X in the appropriate box)	
30.1	Government transfers	
30.2	Cross-subsidization (using profits from profitable business lines)	
30.3	Other (please explain)	
31	What is the maximum loan term (maturity) offered by your institution?	
32	What was the average loan amount granted by your institution in 2009? (in $US)	
33	What other financial products/services does your institution offer? (Please mark with an X in the appropriate boxes)	
33.1	Loan Guarantees	
33.2	Trust Services	
33.3	Money Transfers	
33.4	Microinsurance	
33.5	Savings Accounts	
33.6	Deposit accounts	
33.7	Securitization	

33.8	Debt Collection	
33.9	Initial Public Offerings and Mergers and Acquisitions Services	
33.10	Corporate Bond Issuance	
33.1	Derivatives Trading	
33.12	Foreign Exchange Trading	
33.1	Environment initiatives (e.g. carbon credits)	
33.14	Property/ Assets Selling or Brokering	
33.2	Leasing	
33.16	Factoring	
33.2	Private Equity or Venture Capital	
33.18	Other (Please specify)	
34	If your institution offers private equity and/or venture capital, please specify (mark with an "X") the stages your institution is involved in.	
34.1	Pre-seed stage	
34.2	Seed stage	
34.3	Start-up stage	
34.4	Expansion and later stages	
34.5	Quasi-equity (subordinate or mezzanine)	
34.6	Venture capital funds or funds of funds	
34.7	Other private equity stages (specify)	
35	If your institution is involved in trade finance, please mark with an "X" the instruments you offer.	
35.1	Export credits	
35.2	Import credits	
35.3	Factoring	
35.4	Forfeiting	
35.5	Interbank buyer's credit	
35.6	Guarantees (specify what kind)	
35.7	Insurance (specify what kind)	
35.8	Other (please specify)	
36	If your institution is involved in infrastructure financing, please specify the instruments you offer	
36.1	Loans (specify type)	
36.2	Guarantees (specify type)	
36.3	Equity (specify stages)	
36.4	Quasi equity (subordinate or mezzanine)	
36.5	Venture capital and private equity funds	
36.6	Insurance (specify type)	
36.7	Private Public Partnerships	

36.8	Other (please specify)	
37	What non-financial services does your institution offer?	
37.1	Consulting	
37.2	Networking / business matching	
37.3	Training	
37.4	Other (please specify)	
V	**Profitability and asset quality**	
38	What was your institution's Return on Assets (ROA) at the end of?	
38.1	2006	
38.2	2007	
38.3	2008	
38.4	2009	
39	What was your institution's Return on Equity (ROE) at the end of?	
39.1	2006	
39.2	2007	
39.3	2008	
39.4	2009	
40	What was your institutions non-performing loan ratio at the end of?	
40.1	2006	
40.2	2007	
40.3	2008	
40.4	2009	
41	Is your institution required to comply with a minimum Capital Adequacy Ratio (CAR) like commercial banks?	
42	If so, what was your CAR at the end of 2009?	
43	Is your institution required by the State/Government to achieve a minimum rate of return on your capital or equity?	
44	If so, what is the minimum rate of return you are required to achieve?	
VI	**Corporate Governance**	
45	How many members compose your institution's board?	
46	How many board members are independent (not affiliated with government agencies)?	
47	How many board members are non-executive, i.e. not involved in the daily management of the institution?	
48	Who chairs the board of directors?	
49	How often does the board of directors meet per year?	

50	Who appoints the members of the board?	
51	Who appoints the Chairman of your institution's board of directors?	
52	Are the board members appointed for fixed terms (i.e. certain number of years) or indefinitely?	
53	Who has the power to remove the Chairman of the board?	
54	Who appoints the Director General or Chief Executive Officer of your institution? (Please mark with an X in the appropriate box)	
54.1	The President of your country	
54.2	The relevant Minister	
54.3	The relevant Minister and with the consent of Parliament	
	Other, please explain	
55	Does the legal framework governing your institution include the following qualifications for the Director General or Chief Operating Officer of your institution? Please mark with "X" the appropriate boxes	
55.1	Minimum level of education or technical qualifications	
55.2	Minimum level of financial or banking experience	
55.3	No bankruptcy record	
55.4	Lack of conflict of interests	
56	Is the Director General appointment for a fixed term?	
57	If so, for how many years is the appointment?	
58	Does your institution publish its annual report?	
59	Does your institution disclose to the public, at least once a year, the following information? (Please mark with an"X' where applicable)	
59.1	Audited financial statements	
59.2	Off-balance sheet items	
59.3	Governance and risk management framework	
59.4	Regulatory capital and capital adequacy ratio	
60	Is your institution subject to specific state-owned enterprises/financial institutions corporate governance guidelines or requirements? If so, which?	
61	Which ministry/government entity represents the state/government as a shareholder in your institution?	
62	Do you need approval from the government in order to …? (Please mark with an "X" applicable cases)	
62.1	Determine your annual budget and operating expenses	
62.2	Modify the interest rates or prices of the financial products you offer to your clients	
62.3	Hire and fire senior staff	
62.4	Define and modify salaries and benefits structure of staff	
62.5	Define your organizational structure	
62.6	Modify your business plan	
62.7	Obtain funding from non-deposit sources	

63	Does your institution have a risk management unit, or equivalent unit, responsible for identifying, monitoring, managing and mitigating risks faced by your institution?	
64	If yes, to whom does the chief risk officer report to? Please mark the appropriate box	
64.1	Board or Board Committee	
64.2	Director General	
64.3	Other senior official in your institution	
VII	**Regulation and Supervision**	
65	Who supervises your institution?	
	The same institution that supervises private commercial banks	
	Other, please explain	
66	Does your institution comply with the same prudential rules (capital adequacy ratio, loan classification, loan provisioning, etc.) as commercial banks?	
	If you answered "no", please explain existing differences	
67	Is your institution rated by an international rating agency?	
68	If rated, what is your institution's latest rating?	
69	Is your institution legally required to be audited by a professional external auditor?	
70	Is your institution limited in its lending to a single borrower or a group of inter-related borrowers	
71	If yes, what is the limit as a percentage of your bank's capital?	
VIII	**Challenges**	
72	In your view, what are the most important challenges for your institution going forward? (Please mark with an X in the appropriate boxes)	
72.1	Become financially self-sustainable?	
72.2	Improve corporate governance and transparency	
72.3	Reduce undue political interference	
72.4	Improve risk-management capacity	
72.5	Improve loan recovery ratio	
72.6	Acquire more flexibility to hire and retain highly qualified staff	
72.7	Diversify business operations (please explain)	
72.8	Other (please explain)	

List of DBs that Participated in the Survey

Development Bank	Country
1. Banco de Poupanca e Credito	Angola
2. Antigua & Barbuda Development Bank	Antigua and Barbuda
3. Saudi Bangladesh Industrial and Agricultural Investment	Bangladesh
4. Bhutan Development Finance Corporation	Bhutan
5. Banco de Desarrollo Productivo (BDP)	Bolivia
6. Banco Nacional de Desenvolvimento Econômico e Social (BNDES)	Brazil
7. Banco Da Amazonia (BASA)	Brazil
8. Banco Do Nordeste DO Brasil	Brazil
9. Bulgarian Development Bank	Bulgaria
10. Rural Development Bank	Cambodia
11. Business Development Bank of Canada (BDC))	Canada
12. China Development Bank	China, People's Rep. of
13. Banco De Comercio Exterior de Colombia	Colombia
14. Fondo Para El Financiamiento del Sector Agropecuario (FINAGRO)	Colombia
15. Bank of the Cook Islands	Cook Islands
16. Banco Nacional de Costa Rica (Bncr)	Costa Rica
17. Banque de l'Habitat de Côte d'Ivoire (BHCI)	Côte d'Ivoire
18. Croatian Bank for Reconstruction and Development (HBOR)	Croatia
19. Curacao Development Corporation (Korpodeko)	Curacao
20. FPI - Industrial Promotion Fund	Democratic Republic of Congo
21. Banco De Reservas De La Republica Dominicana	Dominican Republic
22. Banco del Estado (BEDE)	Ecuador
23. Banco Ecuatoriano de la Vivienda (BEV)	Ecuador
24. Corporación Financiera Nacional del Ecuador (CFN)	Ecuador
25. Industrial Development and Workers Bank of Egypt	Egypt
26. FSM Development Bank	Federated States of Micronesia
27. Fiji Development Bank	Fiji
28. Finnvera plc	Finland
29. Thüringer Aufbaubank (TAB)	Germany
30. North Rhine-Westphalia Bank (NRW Bank)	Germany
31. Kreditanstalt fuer Wiederaufbau (KfW)	Germany
32. National Investment Bank Limited	Ghana
33. Crédito Hipotecario Nacional de Guatemala	Guatemala
34. Hungarian Export Import Bank	Hungary

35. National Bank for Agriculture and Rural Development (NABARD)	India
36. Export-Import Bank of India (Exim Bank)	India
37. Small Industries Development Bank of India	India
38. Industrial and Commercial Development Corporation (ICDC)	Kenya
39. Kenya Tourist Development Corporation (KTDC)	Kenya
40. IDB Capital Ltd	Kenya
41. Mortgage and Land Bank of Latvia	Latvia
42. Bank Pembangunan Malaysia Berhad	Malaysia
43. Bank Perusahaan Kecil & Sederhana Malaysia Berhad	Malaysia
44. Credit Guarantee Corporation Malaysia Berhad	Malaysia
45. Sabah Credit Corporation	Malaysia
46. Banco Nacional de Obras y Servicios Públicos (BANOBRAS)	Mexico
47. Nacional Financiera (NAFIN)	Mexico
48. Financiera Rural (FR)	Mexico
49. Fideicomisos Instituidos en Relación con la Agricultura (FIRA)	Mexico
50. The Microfinance Development Fund	Mongolia
51. Nepal Industrial Development Corporation Ltd.	Nepal
52. Nigerian Export-Import Bank (NEXIM)	Nigeria
53. Niue Development Bank	Niue Island
54. TRNC Development Bank	North Cyprus
55. KBN Kommunalbanken Norway	Norway
56. Export Credit Guarantee Agency of Oman	Oman
57. First Credit & Investment Bank Limited	Pakistan
58. Pak Oman Investment Company Limited	Pakistan
59. National Development Bank of Palau	Palau
60. Credito Agricola de Habilitación (CAH)	Paraguay
61. Agencia Financiera de Desarrollo (AFD)	Paraguay
62. Banco Nacional de Fomento de Paraguay (BNF)	Paraguay
63. Banco Agropecuario (Agrobanco)	Peru
64. Corporación Financieras de Desarrollo S.A. (Cofide)	Peru
65. Banco de la Nación (BN)	Peru
66. Al-Amanah Islamic Investment Bank of the Philippines	Philippines
67. Development Bank of the Philippines	Philippines
68. Philippine Postal Savings Bank, Inc.	Philippines
69. Philippine Export-Import Credit Agency	Philippines
70. Land Bank of the Philippines	Philippines

71. Bank Gospodarstwa Krajowego (BGK)	Poland
72. Rwanda Development Bank BRD)	Rwanda
73. Development Bank of Samoa	Samoa
74. Samoa Housing Corporation	Samoa
75. Slovak Guarantee and Development Bank	Slovakia
76. Slovene Export and Development Bank	Slovenia
77. Development Bank of Southern Africa	South Africa
78. DFCC Bank	Sri Lanka
79. The Agricultural Bank of Sudan	Sudan
80. Tanzania Investment Bank Limited	Tanzania
81. Small and Medium Enterprise Development Bank of Thailand	Thailand
82. Tonga Development Bank	Tonga
83. Export Credit Bank of Turkey (Türk Eximbank)	Turkey
84. T.C. Ziraat Bankası A.Ş.	Turkey
85. Development Bank of TURKEY	Turkey
86. Uganda Development Bank Limited	Uganda
87. Banco de la Republica Oriental del Uruguay (BROU)	Uruguay
88. Vanuatu Agriculture Development Bank	Vanuatu
89. Banco de Dearrollo Economico y Social de Venezuela (BANDES)	Venezuela
90. Vietnam Bank for Social Policies (VBSP)	Vietnam