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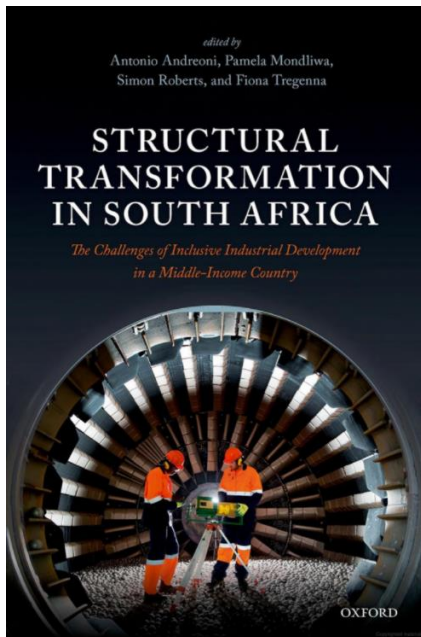
Reframing the developmental financing function in industrial policy making

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Presentation at: *Industrial Policy in South Africa: The Role of Development Finance in Industrial Policy*
16 October 2025

Background: policy imperatives and challenges



Indicator	South Africa	Brazil	Indonesia	Vietnam	Malaysia	Middle-Income	Upper-Middle Income
GDP (constant 2015 US\$ billion), 2023	363	1,955	1,179	377	401	34,701	27,549
GDP growth, 1993-2023	2.3%	2.4%	4.4%	6.6%	4.8%	5.3%	5.4%
GDP per capita (constant 2015 US\$), 2023	5,747	9,258	4,193	3,760	11,430	5,885	9,780
Industry value-added growth, 1993-2023	0.9%	1.4%	3.9%	7.4%	3.9%	5.6%	5.7%
Manufacturing value-added growth, 1993-2023	1.5%	0.7%	4.4%	8.6%	5.3%		
Manufacturing value-added (% of GDP), 2023	13.0%	13.3%	18.7%	23.9%	23.0%	20.7%	22.3%
Manufacturing exports (% of merchandise exports), 2022	37.3%	25.3%	42.7%	85.8%	66.7%	72.5%	75.3%
Growth of exports of goods and services, 1993-2023	2.6%	3.3%	5.0%	13.4%	5.0%		
High-tech exports (% of manuf. exports), 2022	5.5%	9.1%	8.3%	42.7%	58.3%	22.3%	22.7%
Average gross fixed capital formation (% of GDP), 1993-2023	16.3%	18.2%	27.8%	30.1%	26.0%	28.7%	29.3%
Market capitalization of listed domestic companies (% GDP), 2022	288.0%	40.7%	46.3%	41.5%	93.5%	65.8%	65.7%

Notes: Growth rates are all calculated as compound annual growth rates from data in 2015 constant US\$. The gaps in the table are indicators that the World Bank does not calculate for middle-income and upper-middle income groups. Due to missing data, the average gross fixed capital formation for Vietnam is calculated by averaging over the period 1995-2023.

Source: World Bank, World Development Indicators

International context: the Trump shock makes IP even more urgent

Note: The size of each bar represents the **reduction in African output, through the Global Value Chain, due to lower U.S. import for foreign products.**

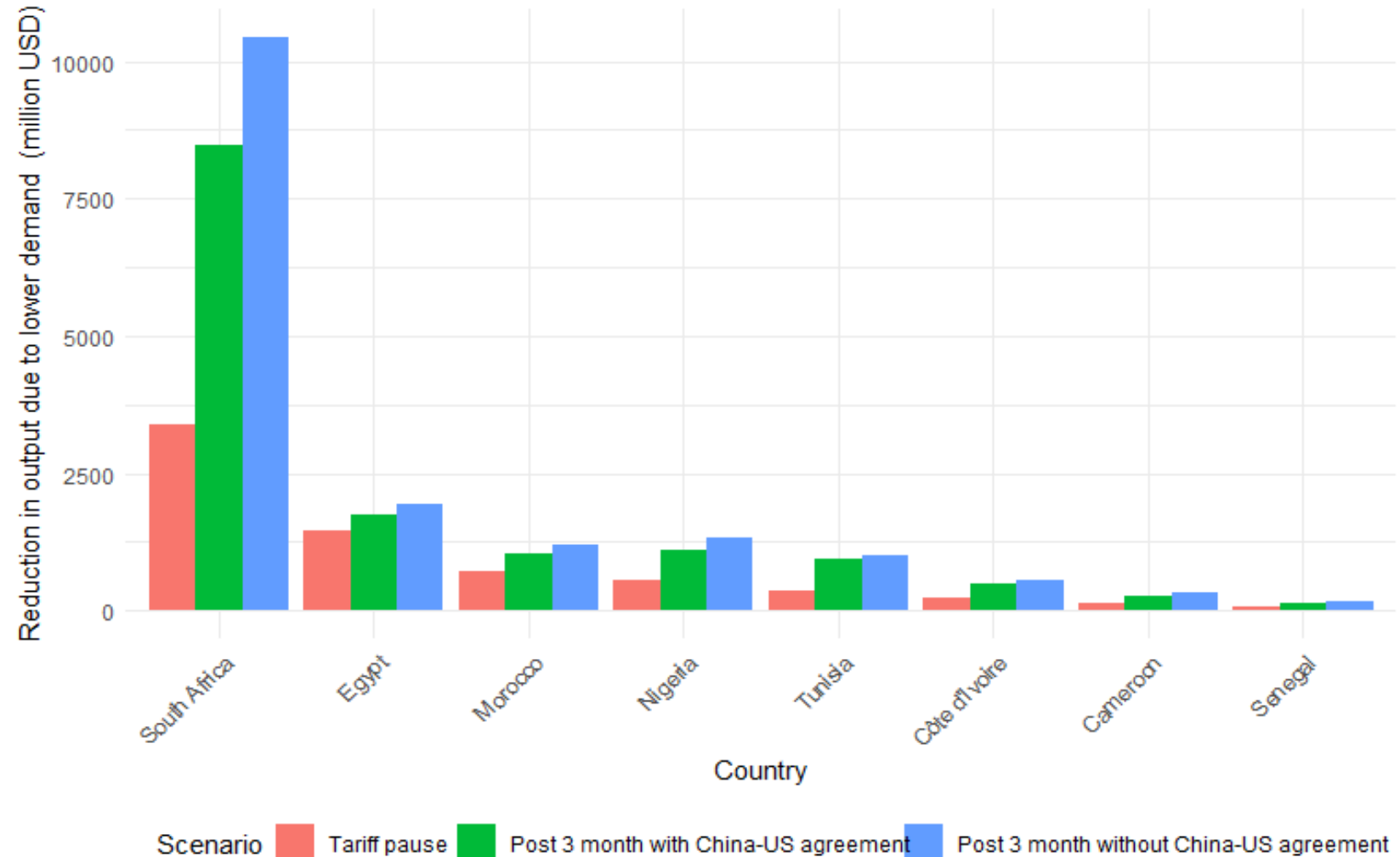
The reduction in import for foreign products due to tariffs is estimated based on historical Product Level Trade Elasticities (Fontagné, 2022).

The reduction in demand for foreign products on African output is computed using a **Leontief inverse methodology.**

Data Source: ICIO-OECD, based on last available year 2020.
(12/05/2025)

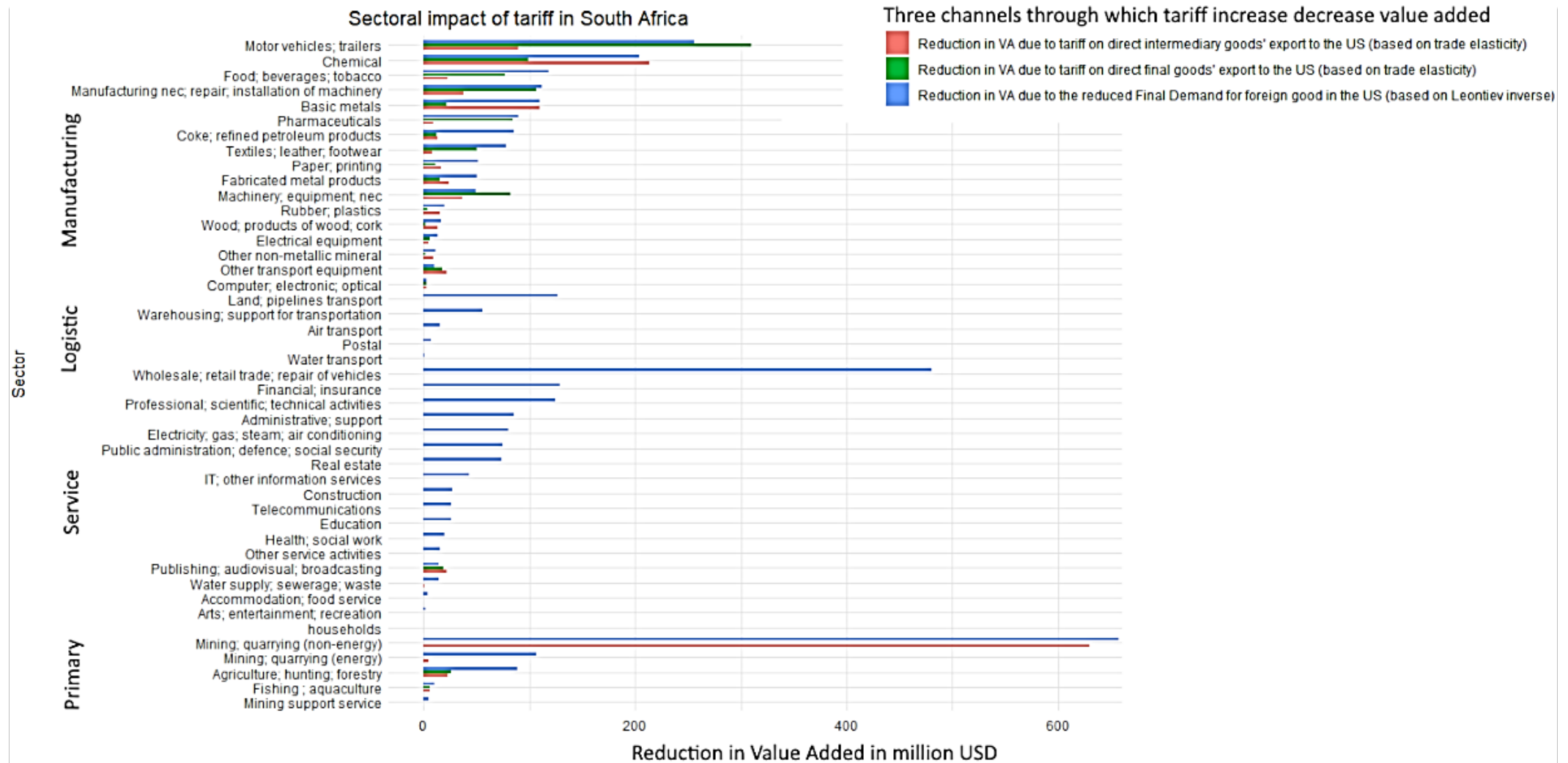
Source: Persenda and Andreoni 2025

Three scenarios for the Reduction in African output from direct and indirect linkages due to lower U.S. import for foreign products (million USD)

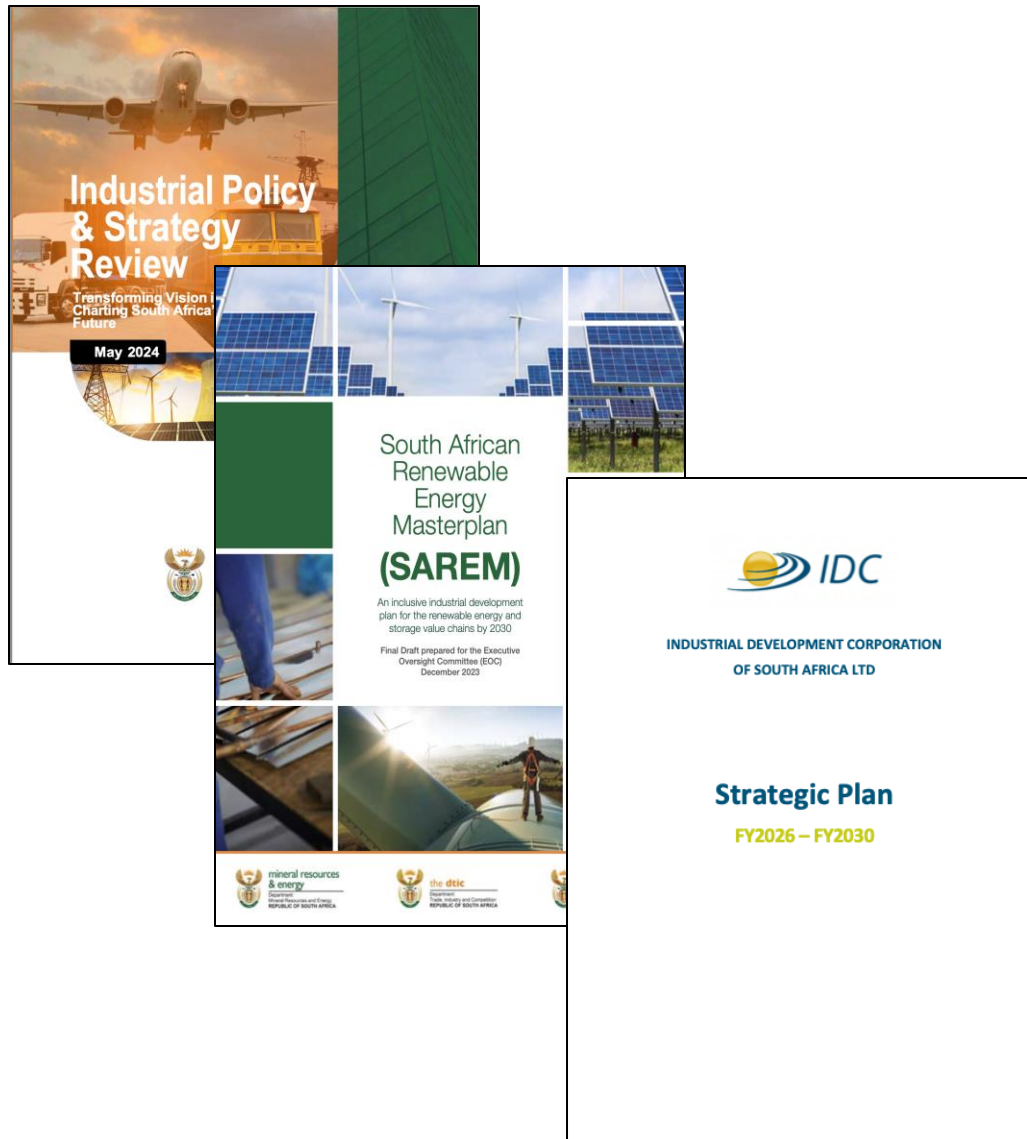


International context: the Trump shock makes IP even more urgent

Three scenarios for the Reduction in African output from direct and indirect linkages due to lower U.S. import for foreign products (million USD)



Industrial policy, masterplans and strategic investments: are 3Ds enough?



7th Administration Priorities

1. Drive inclusive growth and job creation > 3Ds
 - *Diversification*
 - *Decarbonisation*
 - *Digitalisation*
2. Reduce poverty and tackle the high cost of living
3. Build a capable, ethical and developmental state

Multiple-level of strategies and policy planning processes have been in place, **however**

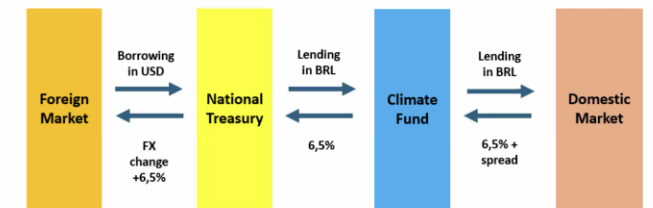
- **PRIORITISATION**: To what extent these strategies effectively **prioritise, understand and sequence means and ends**?
- **FUNCTIONAL POLICY DESIGN**: Given multiple independent goals, are there **appropriate and a sufficient number of instruments** to achieve them?
 - Missing industrial policy functions?
 - Adoption of pre-fixed institutional ‘forms’?
 - Understanding of functional equivalents and multifunctionality?
 - Lack of / challenges in functional coordination?
- **CREDIBILITY**: To what extent there are **capabilities and credibility** to move **from strategies to coordinated implementation** (and enforcement)

Developmental financing function(s)

- **Developmental financing needs and industrial policy functions**
 - Financing at scale
 - Financing with long-term maturity
 - Financing at low cost
- **Different types of institutional financing mechanisms**
 - Concessional finance (e.g. role of central banks / climate fund)
 - De-risking (e.g. guarantee mechanisms; finance blending)
 - Specialised finance (e.g. export finance; dedicated finance for investment pipeline development)
 - Private equity (and the management public ownership / portfolio)
 - Public venture capital
 - ...
- **Different sources of finance / capital structures and the need for domestic resource mobilization**
 - SWF
 - Capital markets
 - Pension funds

Example: BNDES Climate Fund financing form

Funding in foreign currency and lending in domestic currency

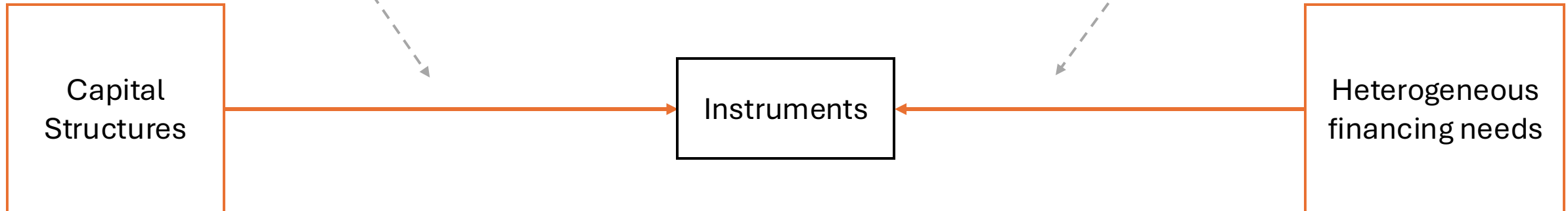


The Brazilian National Treasury transfers its international financial cost to the Climate Fund, assuming the gains or losses from exchange rate fluctuations.

DFIs as industrial policy mechanisms: constraints and enablers

How do DFIs' capital structures affect the range of instruments they can deploy?

How do different instruments shape possibilities for meeting heterogeneous financing needs?

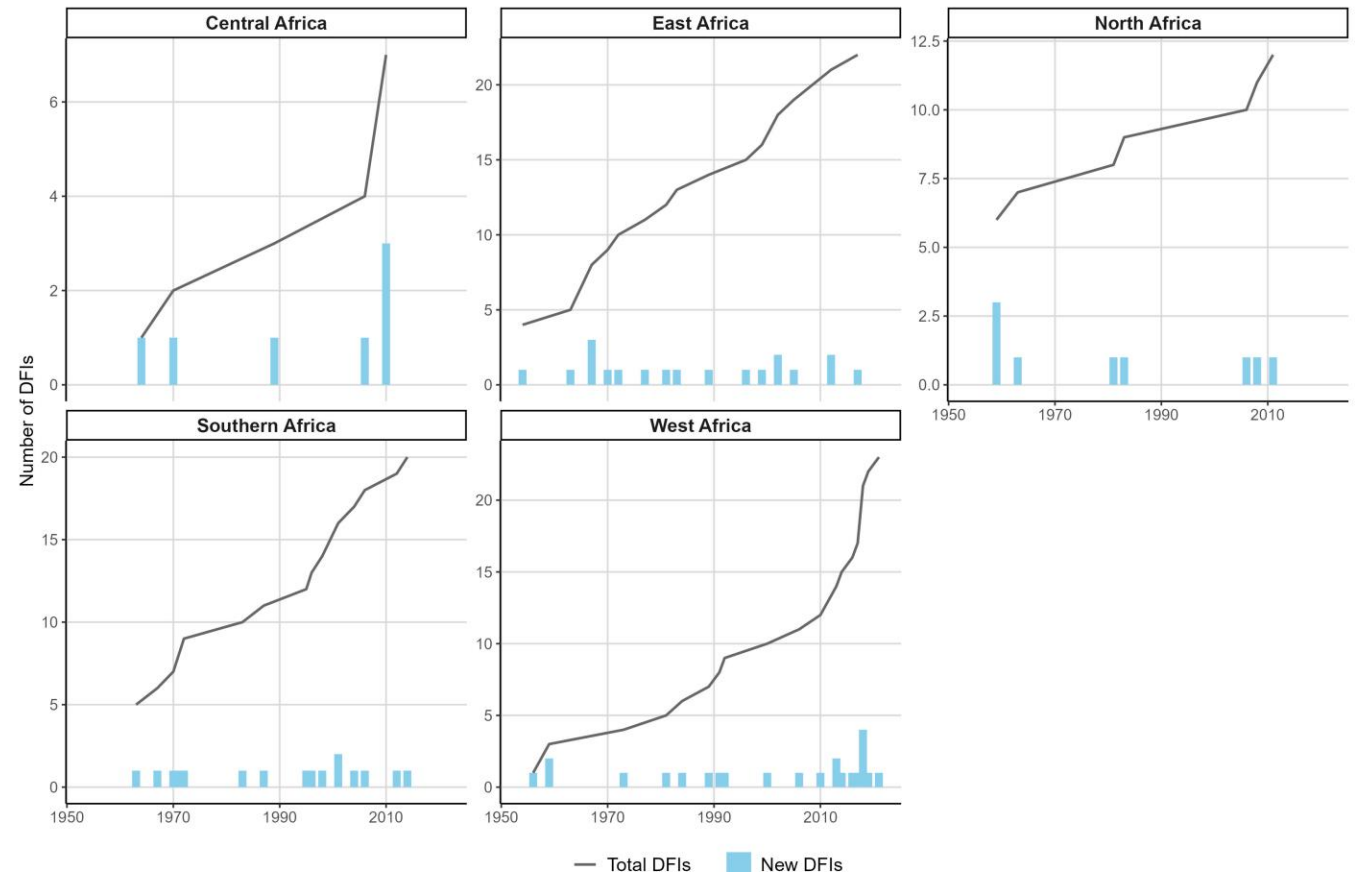


Landscape of DFIs in Africa

Trends:

- Increase in DFIs **since 2010 with 23 new NDB creations** (Attridge et al., 2021)
 - Especially in West African countries: four banks were established in 2019 alone (Benin, Burkina Faso, Côte d'Ivoire, and Guinea), and two more were added over the 2019-2021 period (Banque Agricole du Faso and Development Bank of Ghana)

Number of DFIs by year and region

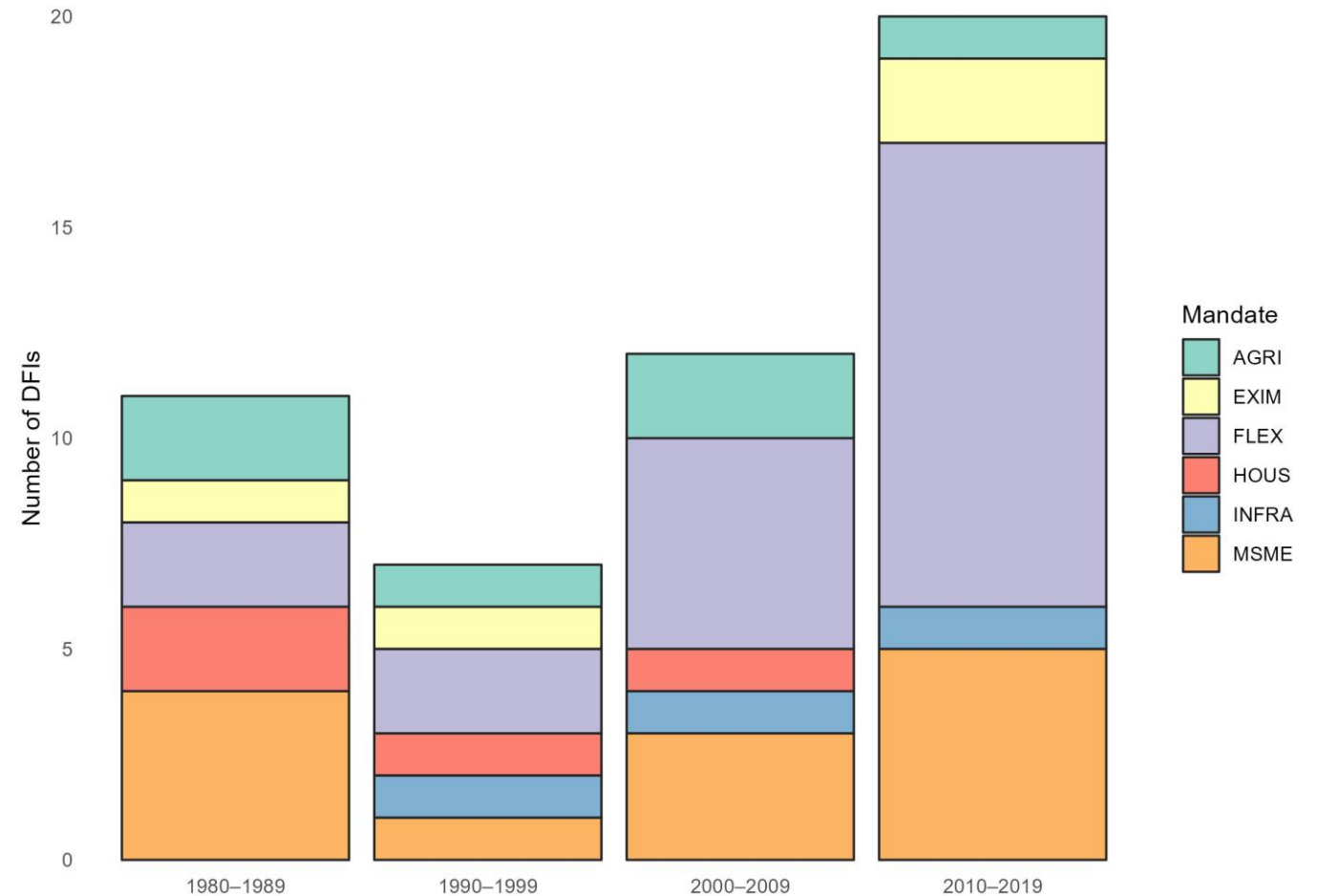


Source: Global Database on Public Development Banks and Development Financing Institutions (Xu et al., 2021)

Trends:

- Different mandates, with '**Flexible**' DFIs as the main type

Number of DFIs by period and mandate



Source: Global Database on Public Development Banks and Development Financing Institutions (Xu et al., 2021)

Landscape of DFIs in Africa

Top 10 DFIs (2021)

Size of DFIs

DFI	Country	Asset value (USD million)	Asset value over GDP (%)
Caisse de Dépôts et de Gestion du Maroc	Morocco	35,061.0	28.24
Agricultural Credit of Morocco	Morocco	14,102.4	11.36
Industrial Development Corporation	South Africa	11,908.5	3.36
Development Bank of Southern Africa	South Africa	6,841.9	1.93
Export Development Bank of Egypt	Egypt	4,919.4	1.16
Bank of Industry	Nigeria	4,155.2	0.80
Caisse des Dépôts et Consignations Tunisia	Tunisia	3,373.8	7.18
Municipal Equipment Fund	Morocco	2,867.4	2.31
Development Bank of Ethiopia	Ethiopia	2,815.5	2.80
Zambian Investment Holding	Zambia	2,807.7	11.29

Bottom 10 DFIs (2021)

DFI	Country	Asset value (USD million)	Asset value over GDP (%)
Tanzania Agricultural Development Bank	Tanzania	157.5	0.25
Export Development Fund	Malawi	114.1	1.00
National Development Bank	Botswana	96.0	0.58
TAMWILCOM	Morocco	94.9	0.08
Guarantee Fund for Private Sector	Mali	92.0	0.56
Development Bank of Seychelles	Seychelles	66.3	3.93
Infrastructure Development Bank of Zimbabwe	Zimbabwe	56.9	0.28
Housing Finance Company	Seychelles	52.5	3.11
National Bank for Economic Development	Burundi	48.0	1.45
Mali Mortgage Guarantee Fund	Mali	15.4	0.09

Source: Global Database on Public Development Banks and Development Financing Institutions (Xu et al., 2021)

Opportunities for domestic resource mobilisation: public institutional investors

Public institutional investors (pensions funds, sovereign wealth funds) (PIIs) are a unique source of long-term funding

Investment profile seeks low-risk financial assets...

... to the extent that some PIIs engage in **reverse maturity transformation**

Pension funds, assets over GDP (blue) and percentage of long-term assets in funds' portfolios (green), by region



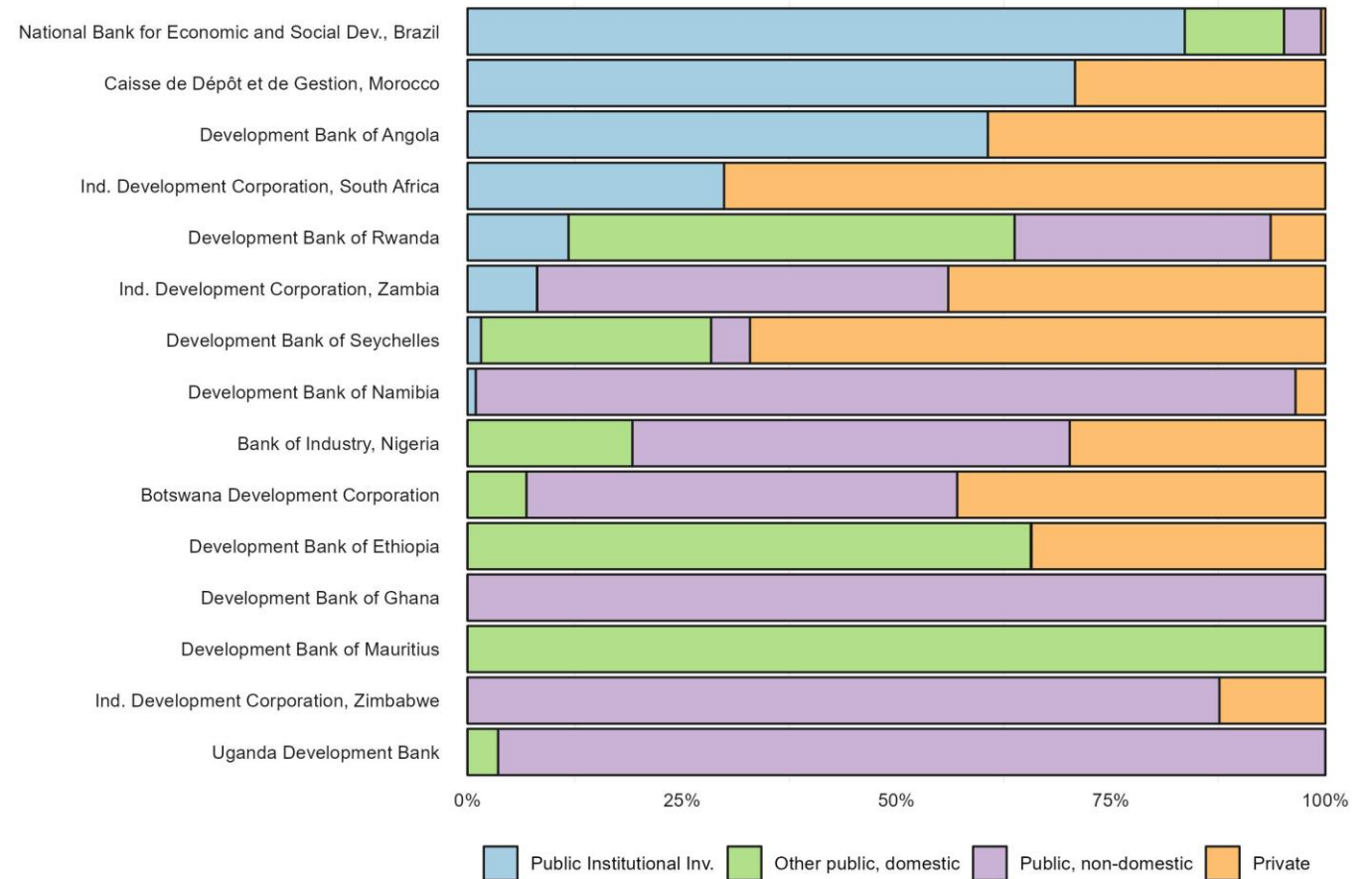
Source: authors based on the Africa Long-Term Finance Initiative database (AfDB, 2017)

Opportunities for domestic resource mobilisation: public institutional investors

PII engagement varies across DFIs both in **breath** (number of DFIs with PII funding) and **depth** (the specific financial instruments used)

In most cases this funding indeed contributes to improve their **long-term lending conditions** although that depends on (i) specific form of financing provided by PII, and (ii) DFI position within domestic resource mobilisation configuration

Sources of *external* (non-equity) finance: the role of PIIs (2023)

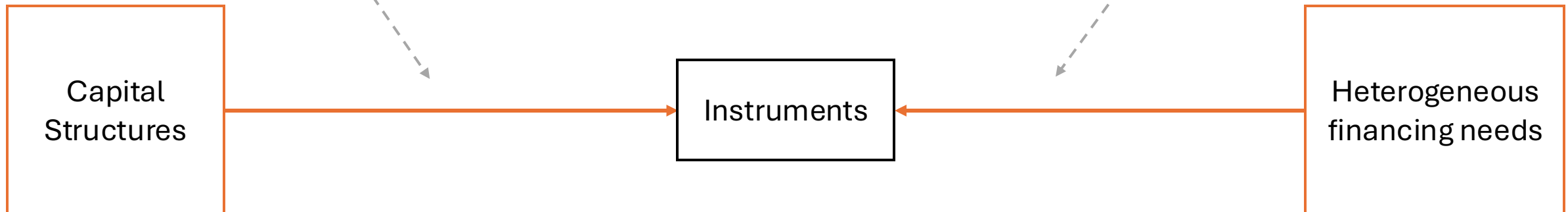


Source: authors from banks' financial statements

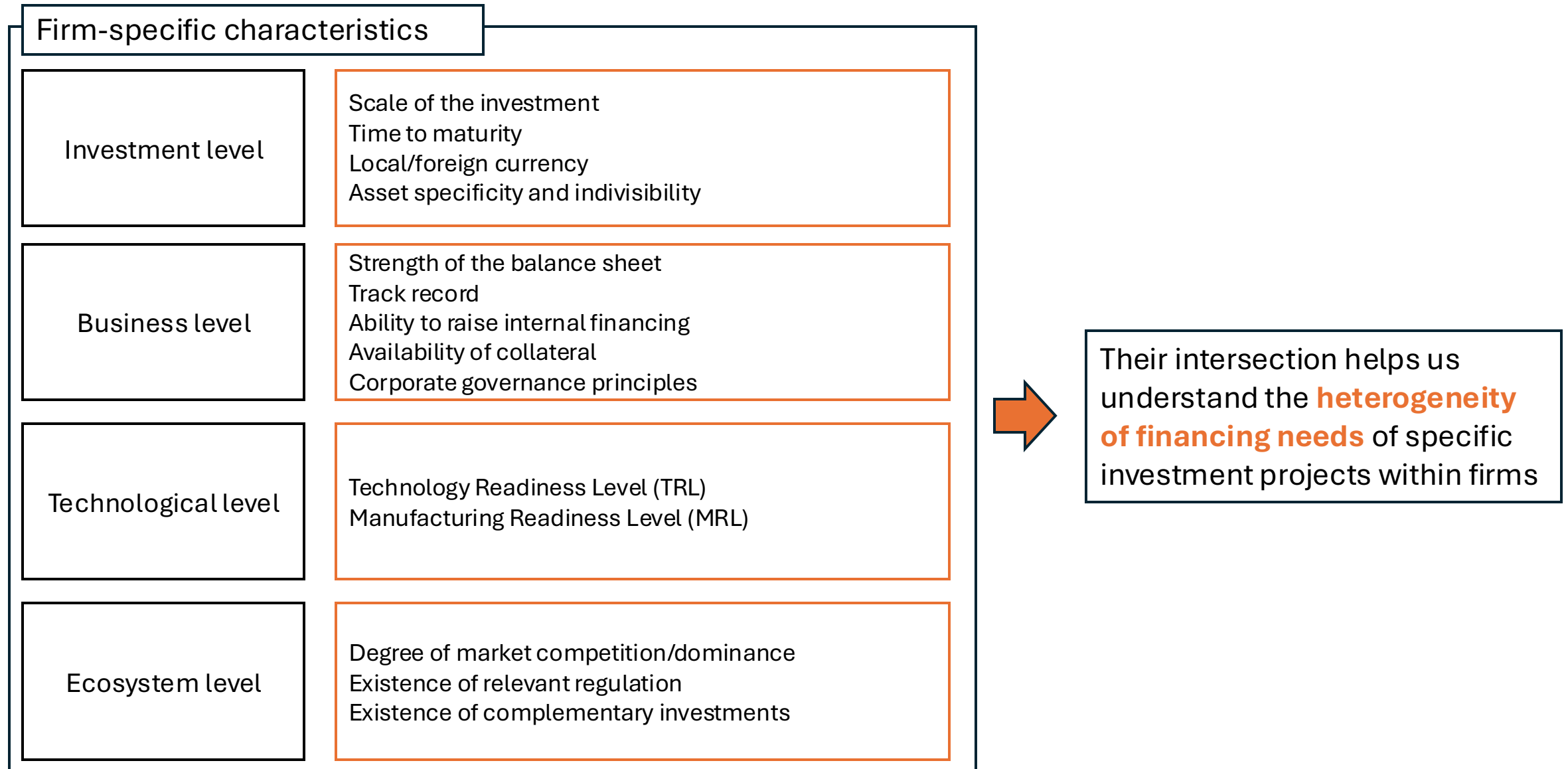
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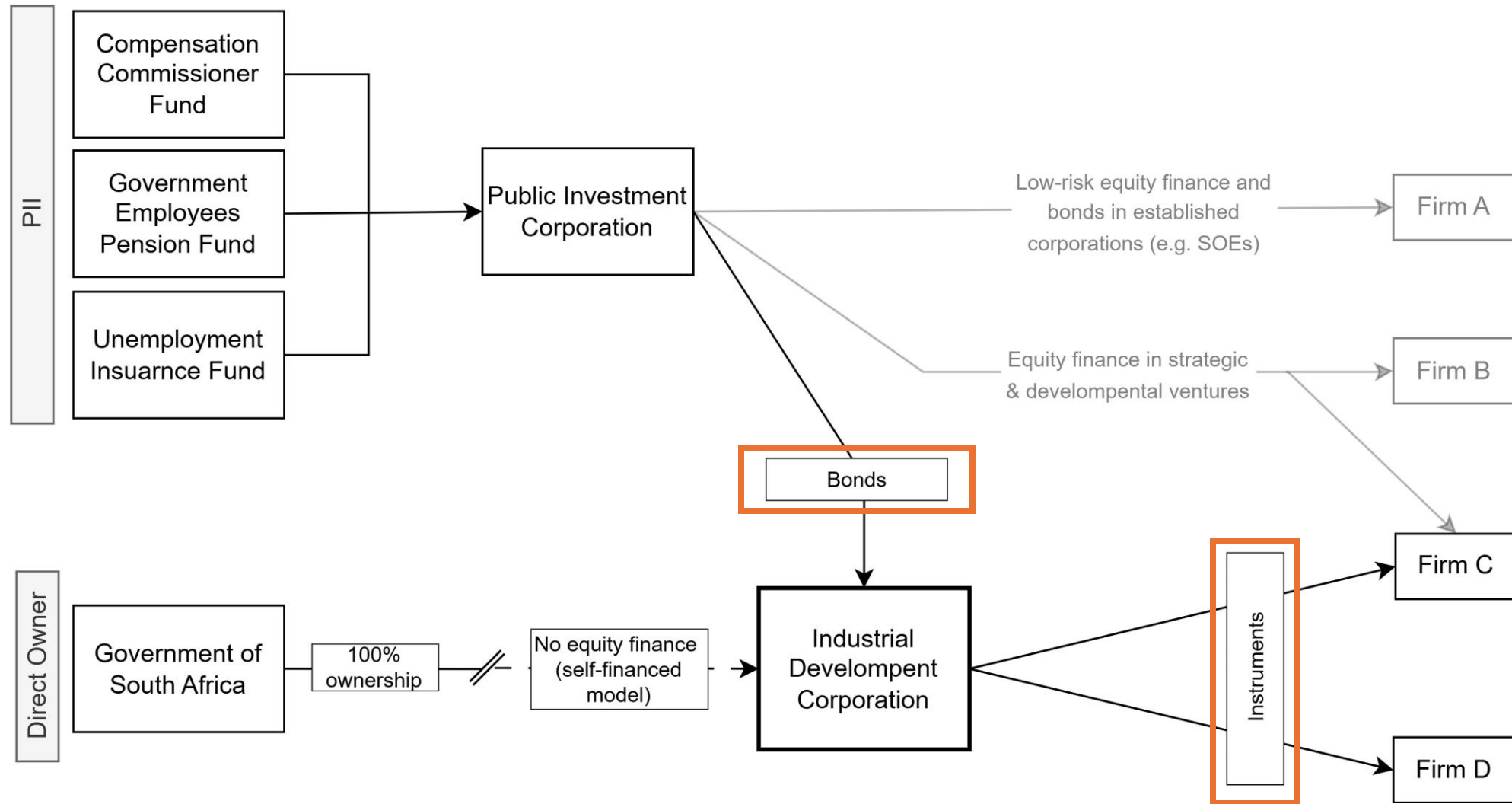
How do different instruments shape possibilities for meeting heterogeneous financing needs?



Meeting heterogeneous financial needs: why firms need different types of instruments?



DFIs public funding configurations: funding sources vis-à-vis instruments



CSST ongoing work and collaborations with DFIs (MoU)



From Dormant to Catalytic

Mobilising Domestic Resources for Structural Transformation
by Connecting Public Institutional Investors with Development
Finance Institutions in Africa

Adria Rius and Antonio Andreoni

Working paper
NUMBER | 011

SEPTEMBER | 2025





Centre for Sustainable
Structural Transformation
SOAS UNIVERSITY OF LONDON

reimagining and
promoting structural
transformation in an
age of ecological and
social crises through
industrial policy that
is long-term-oriented
and frame-shifting.



Centre for Sustainable Structural Transformation, Department of
Economics & College of Development, Economics and Finance

Business models

This research focuses on understanding the emerging business models and how innovation, including in the area of venture capital investments, can promote sustainable structural transformation in Africa.



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Critical minerals

This research focuses on how African economies should manage the relationships with international mining companies promoting socio-economic development.



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Energy transition

This research approaches the issue of energy transition in Africa, investigating the existence of feasible opportunities to realise green industrialisation in Africa.



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Industrial policy

This research focuses on how governments can reshape industries creating new markets and building productive coalitions, to direct the economy towards sustainable prosperity.



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Infrastructure development

This research focuses on how government and private sector can cooperate in building the infrastructure for sustainable energy system and mobility system.



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Restructuring of supply chains

This research focuses on how supply networks should be re-organised and developed for development of mobility- and energy-related industries in Africa.