THE DEVELOPMENT ROLE OF FINANCING

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The building blocks of development financing have become the foundation for the phenomenal growth of the Asia-Pacific region. Analysts and economic observers have noted the economic growth of the region which is happening at a fast pace. It seems that almost overnight the region has developed into a prime trade and investment center in the world. The economic dynamism of the region has also spilled over in other fields i. e., in science and technology, in arts and culture, in education, and in all fields, which stresses the primacy of people in human development.

To maintain its status as the prime economic area in the global economy, all banks and financial institutions in the region must now join hands to rise beyond profit and consciously fulfill the development role of financing.

Certainly, the wave of development that is now sweeping over most of the Asia-Pacific region did not just happen overnight. There were people and institutions in the region who, over the decades, were quitely planting the seeds of development through financing. Today, some thirty years since development financing was first introduced by the World Bank, people and financial institutions have become conscious that financing has a developmental role.

The first wave of development banking was the creation of DFIs to jumpstart the economic growth of the region providing term financing as the means to spark the development of socio-economic projects. This was then a revolutionary concept. It meant loans with longer maturity. It meant that the development financing institutions had to take greater risks under very uncertain economic conditions. It was a painful pioneering experience. It even meant the demise of some of these institutions in their quest to spur development.

The second wave of development banking was the bringing together of a variety of financial services in the DFIs to better compete in the financial market and become viable institutions of development.

Development banking without profit objective did not seem to make sense to many practical-minded bankers. For them, it was better to forget development and concentrate on commercial banking operations where the profits are more certain. But to the visionaries who formed ADFIAP, developmental thinking made sense because it meant creating industries and enterprises which is building the foundation of a nation. Beyond profits, the mission of development banks after all, is still visionary i. e., poverty alleviation, economic growth, enterprise creation, etc.

When we talked of development banking, we must associate ourselves with development, because this is the purpose of our endeavors. We must think in terms of quality of life which is the ultimate goal of development financing.

Commercial banks likewise, saw the advantages of term lending not only for their banking operations but also for the development of business. From this, the concept of universal banking was formed. Eventually, the number of banks attending to the requirements of financing development reached a critical mass. Thus, the process of development in the region moving very slowly in the beginning has today gained greater momentum as more and more banks participate in financing development.

Today, you find that commercial banks are not required to finance development projects. The word "universal banking" has been coined to bring together both commercial and development banking operations under one roof. Several years ago when this was being discussed, I questioned the wisdom of exposing short term deposits of commercial banks to long term development loans. Only time will tell how well short term public deposits can be insulated from the effects of failing development projects should universal banks really get involved in development project financing.

Now comes the third wave of development banking which is bringing all DFIs and other types of banks and financial institutions into the mainstream of regional development by means of a more purposeful cooperation and collaboration. As we usher in the age of borderless economies, and global information technocracy, the development role of financing across borders becomes imperative. Loan syndications, project co-financing, joint venture promotion, information technology sharing, training, and professional development should be elevated from national to a regional level. If the Asia-Pacific region is to sustain its development, financing can no longer be the concern of one bank but all banks working together.

For the future, therefore, the continuing challenge to development banks and financial institutions is to lead the way in spurring economic growth by way of financing and providing advisory services not only to clients but to national development authorities, as well.

These are some of the development challenges in the 21st century:

- The enormous increasing number of disasters cause by nature i. e., earth quakes, typhoons, volcanic eruptions, deseases which will have to be rehabilitated.

- The magnitude of human suffering caused by the above disasters, poverty and by man's inhumanity to man, genocide, increasing criminality, child abuse, etc., requiring innovative programs to alleviate the effects of human suffering.

- Globalization of business investment and trade requiring global financing and banking responses.

- Renewal of the national economy and patrimony to improve the quality of life, restore the beauty of the environment, health care and small business development.

- Renewal of the human spirit, value sytems, and human responses to changes around us. We need more education, training and moral generation programs.

The development role of financing is thinking globally— in the larger context of sharing information and opportunities in trade and investments, fund mobilization, infrastructure financing, enterprise creation, and in all areas of development. After all, no one bank is large enough to finance development by itself.