Understanding finance to develop people

As peace spreads across Africa, the imperative to develop skills to improve people's lives increases, writes SUE BLAINE.

o improve people's lives means spending money and putting together finance deals in ways which are quite different from those that people in the corporate world are used to, says Prof Wim Gevers, the University of Stellenbosch Business School's associate director: academic.

The World Bank says foreign direct investment inflows worldwide reached \$1,2 trillion in 2006, with about a quarter of that going to developing countries, and developing countries economies are expanding at a steady rate, although that rate is expected to slow – from 2006's 7,3% growth to about 6% in 2009.

This means that, as in almost all things, the developing world needs people with expertise in development finance, something USB academic, Prof Nicholas Biekpe, realised in 2003 when he launched the USB's Master's in Development Finance (MDevF) programme.

"Africa is an emerging continent dominated by secondary markets ... look at the European Union, the African Development Bank, the Development Bank of Southern Africa and the World Bank. They're all development finance institutions and they are very stringent about how they hand out money. Dealing with them requires an understanding of how they work because many African countries depend on these organisations," Biekpe says.

For development to happen in Africa, and other developing countries, financiers and economists have to determine how to bridge the gap between the First World economy and secondary economies, he adds.

"It's a big gap, but, if there is going to be development, then we need to understand how to do that, and we need know-how to use development finance," Biekpe says. For master's student Kiran Gihwala, who works for the Industrial Development Corporation (IDC), a self-financing, national development finance institution established to promote economic growth and industrial development in SA, choosing to follow the USB's development finance programme was easy.

"It made a lot of sense for me to do the MDevF instead of an MBA (Master's in Business Administration), which every second person has. Also, you meet people from all over the continent in class, which is great because you can go to some of these countries and not know your elbow from your nose. It's nice to know someone there," he says.

While people working in development finance need a full understanding of First

"Foreign direct investment inflows worldwide reached \$1,2-trillion in 2006, with about a quarter of that going to developing countries, and developing countries economies are expanding at a steady rate ..."

World corporate governance and ethics, corporate and development finance are completely different animals, says Gevers.

Corporate finance deals primarily in highly

traded, efficient, financial markets using the central concepts of modern finance: arbitrage, net present value, efficient markets, agency theory, options, and the trade-off between risk and return. Development finance, on the other hand, is far broader, he says.

In development finance the issues are far wider ranging than those at stake in corporate decision-making, and the working environment is data sparse. Also, the markets are inefficient markets, owing to the many logistical problems associated with development, he says.

There is a political element too, because working in developing countries – especially those that have recently come out of years of conflict, internal or external – means working in a politically loaded climate, says Gevers.

The political aspect of the programme was another attraction for Gihwala, who says this sets it apart from other master's degrees in the finance field.

"Most other master's programmes are generic. This one, with the political and developmental aspect, is more practical. The IDC has a major focus on developing SMEs (small and medium enterprises) in South Africa and the rest of Africa," he says.

For Africa, a key step on the road to development was the creation of the New Partnership for Africa's Development (Nepad) in 2001, when the five initiating heads of state (Algeria, Egypt, Nigeria, Senegal and South Africa) were given a mandate to draw up a strategic framework to develop an integrated socio-economic development plan for Africa.

"This means African nations themselves are working towards a better future," says Gevers.

One of Africa's largest economies is that of Nigeria, where Tope Toogun recruits students for the USB's MDevF programme.

The Nigerian financial sector has been

undergoing reforms over the past three years, which is pushing banks into new areas of the Nigerian financial sector, such as infrastructure finance and small and medium enterprise (SME) funding, says Toogun.

"Now that the banks are entering those segments, the operatives deployed to man those segments require new sets of skills. We also have interest from individuals in property broking and development and telecommunications management," he says.

USB graduate Alexandre Duroux, who completed his MDevF in March this year, is not working in the field now, but he is still glad to have completed the course.

"My work has nothing to do with development finance yet, but I consider this master's degree as a long-term investment as I plan one day to get involved in large development projects worldwide," he says.

This ambition stems from an attraction to participating in projects that will have a positive impact on people.

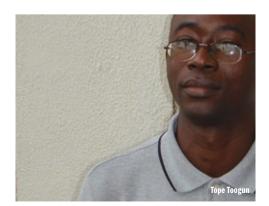
Duroux says the expertise he gained nevertheless does help him in his daily work. He learnt how to assess correctly and mitigate risks when structuring large projects.

"I think that is essential," he says. \Box

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More about the MASTER'S IN DEVELOPMENT FINANCE (MDevF)

The MDevF programme was introduced in 2003 with 35 students enrolling for the first year. First-year enrolments have increased steadily from year to year, with 71 students - the highest number yet - enrolling in 2007.

The programme is presented as a modular programme. It commences on 11 August 2008 and runs through to September 2009.

The programme comprises class attendance, assignments, and a research report.

Prospective students have an opportunity to apply for the 2008 academic year till April.

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Visit: www.usb.ac.za/mdevf

MDevF PROGRAMME Core Modules

Issues in Banking and Finance This module provides insight into the emerging financial markets phenomenon in the context of development finance.

Corporate Governance

This module aids in developing the ability to think clearly and sensitively about complex ethical situations related to corporate governance and maintaining moral and economic values in the workplace.

Quantitative Methods

This module provides basic knowledge and understanding of statistical methods and their application to management decision-making.

Political and Economic Dimensions

of Development in Africa This area of study provides an overview of the significance of human development indicators in Africa, and how these correlate with competitiveness rankings, levels of democracy and FDI attractiveness. The course also demonstrates how globalisation impacts on equality, development and democracy in Africa.

Small-scale Enterprise Development

This module places the small business sector in African economies into perspective and creates an awareness of the sectordifferentiated nature of small-scale enterprises. The course presents critical factors in growth, development and creation of small-scale enterprises.

Project Finance

This course focuses on the theoretical and academic foundations of the financial, national and institutional considerations for project finance.

MDevF for Nigeria and neighbouring countries

From this year, an additional version of the modular MDevF programme will be offered, with contact sessions to be attended in both South Africa and Nigeria.

> Students enrolling for this new version of the MDevF may choose four out of the five core modules offered.

> The first and last contact sessions of this MDevF programme are to be completed in South Africa, and the second and third sessions in Nigeria.

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