



MALTA DEVELOPMENT BANK

Provider of innovative financing
solutions to financial gaps

March 2023



Context

- Over the past decade the EC has urged EU Member States to set up NPBs to facilitate the move away from grant-dependency and make smarter use of EU and public resources by crowding-in private actors and obtain the benefits of financial leverage
- The timing was propitious – critical role played by NPBs during the pandemic
- MDB has already been delegated with implementation tasks by the Managing Authority for a financial instrument funded by Structural Funds (ESF) – the FSMA
- During the pandemic and more recently the war in Ukraine, the MDB was again entrusted with a Government guarantee to act as implementing body
- The allocation of 2/3 of the AFIF budget to NPB's reflects EC's strategy (similar to InvestEU)
- MDB currently going through the Pillar Assessment to become a direct IP under InvestEU

MDB's strategic objectives

- To contribute to inclusive & environmentally sustainable economic growth, and support infrastructural development. In this sense, the MDB is a State financing partner that delivers a positive impact for the economy
- In its role MDB supports productive and viable operations **where the market is unable or unwilling** to accommodate such activities in part or whole
- Aims to **complement** commercial banks to bridge financial gaps in **bankable** investments, thus enhancing investors' access to bank financing. In doing so, the MDB:
 - mobilises bank liquidity to productive activities
 - drives competition and innovation

REMIT & STRATEGIC OUTCOMES

SMEs

Insufficient collateral
Lack of credit history
Higher overall risk

Infrastructure

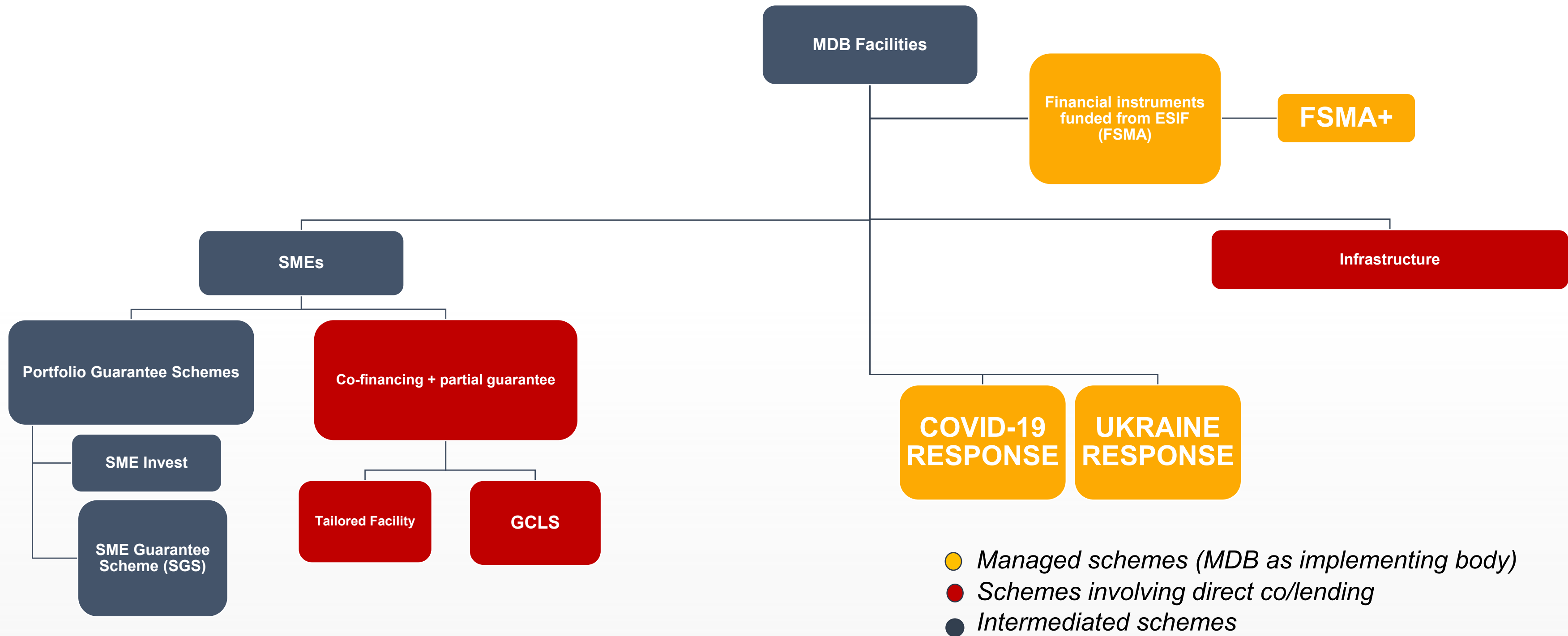
Long gestation period
Size of project - large exposure
Concentration risks
Higher overall risk

**COUNTERCYCLICAL ROLE – ENABLES GOVERNMENT TO ACHIEVE
FINANCIAL LEVERAGE ON STATE FUNDS**

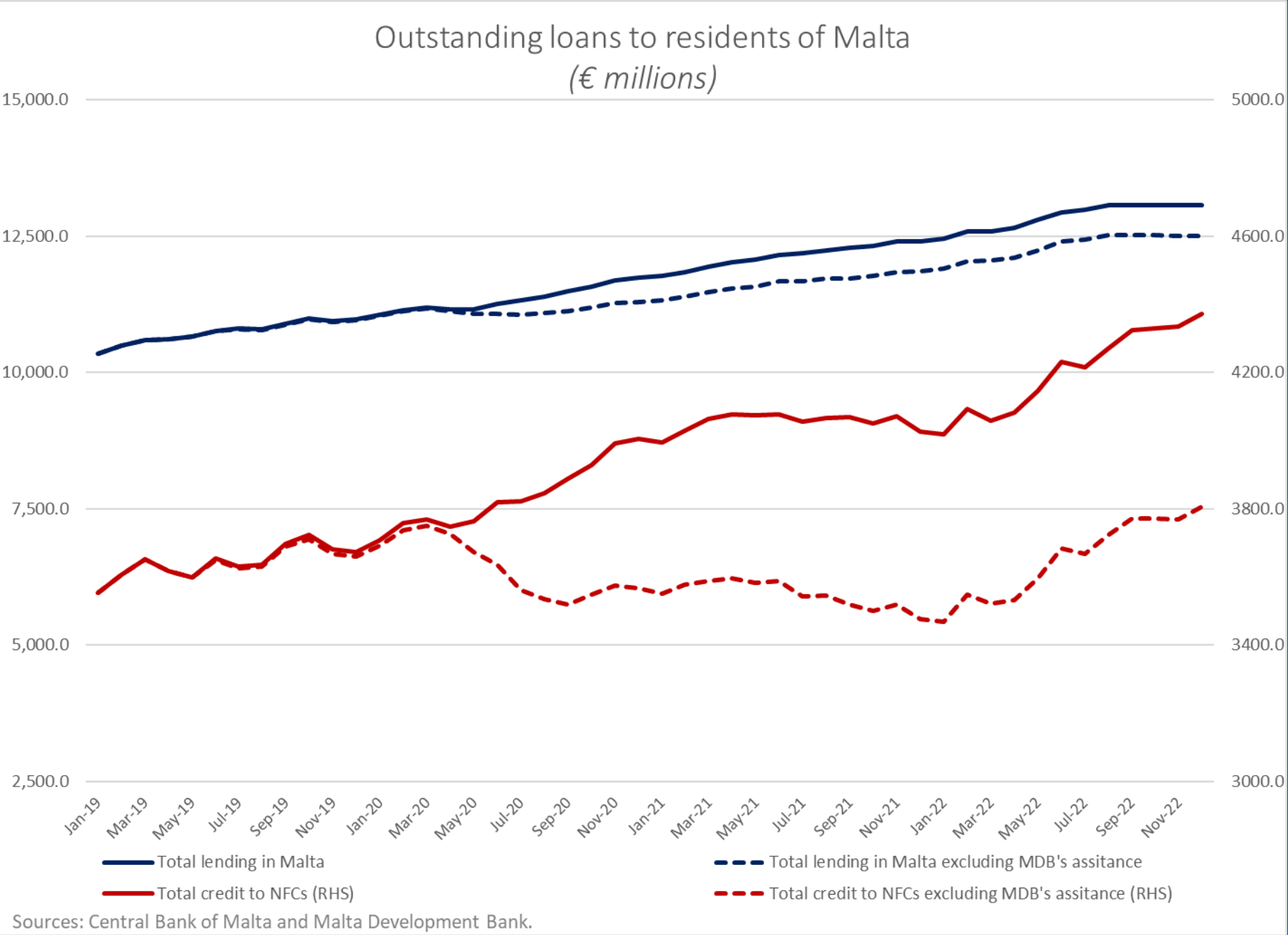
**CROWDING-IN PRIVATE RESOURCES & LIMITING BURDEN ON
GOVERNMENT DEBT**

LEVERAGING EU RESOURCES

MDB product portfolio



IMPACT



As at end December 2022, loans supported by the MDB account for 12.9% of the total business loans in Malta.

Peak impact - business lending in 2020 expanded by an annual rate of 9.0%, whereas without MDB's intervention, such lending would have contracted by 2.5%.

Concluding remarks

- The MDB has developed a robust operational capacity and expertise in the design and implementation of **financial instruments** and in **project financing**
- The MDB enables the public sector to unlock funding and achieve the benefits of financial leverage, hence doing more with less
- The MDB offers:
 - *Lower interest rates*
 - *Lower collateral requirements*
 - *Longer repayment period*
 - *Better access to more financing*
 - *Risk absorption capacity to crowd-in commercial banks and act as catalyst for the syndicated loan market in Malta*

Thank you



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