



UPCOMING EVENTS

- General Assembly, May 26, 2007, Dakar Senegal
- Seminar on Credit Risk Management, 17-19 March, 2007, Cairo
- Seminar on Project Appraisal and Evaluation, March, 2007
- Seminar on Industrial Credit and Project Financing, April, 2007

New Appointments

ADFIMI congratulates

Br. Ahmed Elbadawi Abd Elazim for becoming General Manager of Financial Investment Bank of Sudan,

Br. Ahmet Ataner for becoming General Manager of Development Bank of Turkish Republic of Northern Cyprus,

Br. Moncef Dakhli for becoming Director General and Chairman of the Board of National Agricultural Bank of Tunisia.

May Allah Almighty give them strength and endurance to succeed in their new positions.

TKB concentrates further on SME Finance



Development Bank of Turkey has signed a technical assistance agreement for the identification of mid to long term investment and finance requirements of SMEs. The Agreement was signed between the Chairman of The Union of Chambers and Commodity Exchanges of Turkey (TOBB) Mr. Rifat Hisarciklioglu and the Chairman of the Development Bank of Turkey (TKB) Mr. Abdullah Celik.



D.G. Abdullah ÇELİK

The agreement is expected to lead to a working environment that would create a synergy arising from the combination of the dynamism of SMEs and the financial experience of TKB. Detailed information on TKB can be found at: www.tkb.com.tr

Islamic Development Bank

▶ Turkish Republic of Northern Cyprus (TRNC) Deputy Premier and Foreign Minister H.E. Turay Avci, and the Chairman of (TRNC) Chamber of Commerce, and accompanying delegation visited the President of Islamic Development Bank. The Bank will provide USD 100,000 grant financing for the organization of an international conference for environment protection on 19-24 February 2007.

▶ The Board of Executive Directors of The Islamic Development Bank (IDB), in its 242nd session approved US\$ 446.3 million towards project financing and trade operations for the new development projects in Azerbaijan, Nigeria, Senegal, Cote d'Ivoire and Sudan, in addition to Line of Finance for three Banks in Uzbekistan, and Technical Assistance for development projects in Indonesia, Lebanon, Niger and Morocco.

Occasional Papers

The Economic Policy & Strategic Planning (EPSP) Department prepares a series of Occasional Papers on topics of general interest to the Bank and its member countries. Here are some of the titles:

- ▶ The Challenges of Poverty Alleviation in IDB Member Countries
- ▶ Role of Zakah and Awqaf in Poverty Alleviation (1425H/2004).
- ▶ Major Issues and Challenges of the New WTO Work Programme for IDB Member Countries (1423H /2002).

Occasional papers can be accessed at www.isdb.org/english_docs/idb_home/Occa_Papers.htm

IDB/IRTI Publications

Islamic Research and Training Institute (IRTI) published valuable research papers.

A selected list appears below:

- ▶ Financing Development in Islam
- ▶ An Estimation of Levels of Development
- ▶ A Survey of the Institution of Zakah: Issues, Theories and Administration
- ▶ Economic Cooperation for Regional Stability

The entire list can be found at: www.irtipms.org/Puballe.asp



Dear Members

Assalam -o- Alaikum Warahmatullah Wabarakatuh

I take great pleasure in introducing the second issue of ADFIMI newsletter. The response I got for the first issue has been very positive which is very encouraging. Let me thank the contributors and all those involved in its realization.

In this issue we emphasise the role of microfinance and public-private partnerships in development financing. Considering that one third of all deaths (corresponding to 18 million people) annually result from poverty related causes, it is only natural that poverty should be at the centre of the development agenda.

Attainment of the First Millennium Development Goal, set in the Millennium Declaration spelled out during the 2000 UN Millennium Summit, of halving the proportion in 1990 of people living on USD 1/day, by half, by 2015 is challenged by many. A recent IMF Working Paper* points out to difficulties in this direction.

Poverty reduction could be attained by pro-poor growth strategies which require prudent macroeconomic management, good governance, competitive markets, vibrant private sector and efficient institutions. DFIs can work on innovative and novel financing techniques to contribute to the effort.

At an institutional level, ADFIMI is performing its role by assisting member institutions to improve their efficiency through better equipped human resources.

With my best brotherly regards.

Nuri Birtek

Secretary General

* Dalgaard & Erickson, IMF WP/06/284, Solow Versus Harrod-Domar: Reexamining the Aid Costs of the First Millennium Development Goal

“To me poor people are like bonsai trees. When you plant the best seed of the tallest tree in a flower-pot, you get a replica of the tallest tree, only inches tall. There is nothing wrong with the seed you planted, only the soil-base that is too inadequate. Poor people are bonsai people. There is nothing wrong in their seeds. Simply, society never gave them the base to grow on. All it needs to get the poor people out of poverty for us to create an enabling environment for them. Once the poor can unleash their energy and creativity, poverty will disappear very quickly.”

Dr. Muhammad Yunus

Address to Nobel Foundation on
10 December 2006.

- » 43rd ADFIMI Management Committee
- » Seminars in Khartoum and KL
- » New Members
- » Training Programmes 2007 - 2009

FROM THE CHAIRMAN

Assalam -o- Alaikum Warahmatullah
Wabarakatuh.

It gives me pleasure to address you in this second issue of the NewsLetter which I hope will continue to be printed on a regular basis

Whichever criteria we use to define poverty, it is an undeniable fact that poverty is pervasive in many parts of the world, but particularly in our region. And we need productive employment and decent work to combat poverty. Microfinance has proved to be an excellent vehicle to create jobs hence a good strategy for poverty reduction. It is attractive and often superior to alternative anti poverty strategies because firstly it has rapid, massive and verifiable effects. Secondly, it can be measured and evaluated. Thirdly it can be targeted with precision at the poor. Most important of all, financial resources are recycled and stay in the economy.

A very old concept, microfinance recently gained prominence due to market failure to finance the small entrepreneur – legal status, transaction costs and informative asymmetries. Micro-finance emerged as a financing modality to make the market more accessible to the poor.

In Developing Countries microfinance is now synonymous to provision of financial services to the poor on a sustainable basis and without perpetual subsidies. It has become global over the past 20 years or so with government policies in every part of the World. Nearly 100 countries have established microfinance institutions (MFIs), especially in Latin America and Asia. Globally, around 60 million people benefit from MFIs. Bangladesh and Indonesia lead the

league with over 1 million customers each. In western Africa village banks reach more than 20% of the population. Substantial work is being carried out by NGOs like BRI Unit Desas in Indonesia, Grameen Bank in Bangladesh and on an international basis, by Opportunity International, Accion International and the like.

Although some critics question the utility of microfinancing process, it is an irrefutable fact that it has born fruit in many parts of the World in combatting poverty. A by-product of gross income inequalities in the Global Village, poverty threatens World peace. It is no coincident therefore to see Dr. Muhammed Yunus to be awarded the Nobel Peace Prize for his seminal work on microfinance. I would like to congratulate him for a very well deserved prize.

We should utilize all legitimate sources of finance to develop our individuals and microfinance is surely an instrument that should be given the proper attention it deserves.



Br. Mehmet Emin Ozcan
ADFIMI Chairman
Member of the Executive Board
T. C. Ziraat Bankasi A.Ş.
Ankara-TURKEY



Dr. Muhammad Yunus: Nobel Laureate for peace

Dr. Muhammad Yunus, an economist, is the founder of Bangladesh's Grameen Bank. He is the developer of the concept of microcredit, the extension of small loans to entrepreneurs too poor to qualify for traditional bank loans. To ensure repayment, the bank uses a system of "solidarity groups". These small informal groups apply together for loans and its members act as co-guarantors of repayment and support one another's efforts at economic self-advancement.

By implementing the microcredit system, Yunus has had phenomenal success helping people lift themselves out

of poverty in rural Bangladesh by providing them with credit without requiring collateral.

Yunus has received several international awards including, the ITU World Information Society Award, Ramon Magsaysay Award, the World Food Prize and the Sydney Peace Prize. He has recently been awarded the Nobel Peace Prize.

ADFIMI congratulates him for his achievements.

MANAGEMENT COMMITTEE MEETS IN KHARTOUM

43rd Management Committee (MC) Meeting was held in Sudan from 10 to 11 December 2006 at the HQ of Agricultural Bank of Sudan, a member of MC.

All together there were 5 members present. Three members were represented by their proxies. The MC has approved the membership of two institutions; The First Credit and Investment Bank Limited of Pakistan and Bank Respublika of Azerbaijan.

MC also considered an interim report of the auditors, concerning the state of affairs of ADFIMI as of end of May 2006.

MC instructed the Secretariat to work on the formation of an advisory committee.



Seminar on "Strategic Management for Bankers"

National level seminar on "Strategic Management for Bankers" was held in Sudan from 12 to 14 December 2006 and jointly organized by ADFIMI and Agricultural Bank of Sudan. The event was financed through participant fees. IDB, however, contributed by providing the resource person Dr. Osman Babiker Ahmed. He covered the topics on Corporate Governance in Banking, Corporate Governance in Islamic Banking, Challenges Facing Banks, Managing Bank Risk, Hedging in Banking,

Deposit Protection in Banking, Short-term Asset Concentration in Banking and Factors Affecting Performance and Profitability of the Banks. There were 22 participants from 11 banks five of which were ADFIMI members. The lectures were interactive and the participants showed enormous interest. The seminar was considered a success by the participants and the need for the repetition of the seminar was voiced by the participants.





SEMINAR ON “COMPETENCY BASED HUMAN RESOURCE MANAGEMENT AND ORGANIZATIONAL LEARNING”
 Kuala Lumpur 25-27 December 2006



Training Programmes 2007 - 2009

- Hedge Funds
- Human Resource Management
- Time Management
- Human Resource Management and Development
- Training of Trainers
- Advanced Corporate Finance and Project Finance
- Industrial Credit and Project Financing
- Advanced Finance Statement Analysis
- Internal Audit Issues & Challenges
- Asset Liability Management in Banks
- Islamic Modes of Financing
- Basel II
- Rehabilitation of Problem Projects
- Role of DFIs in Poverty Alleviation
- Corporate Banking
- Corporate Governance
- State of the Art in Sustainable Development and DFIs
- Credit Risk Management
- Entrepreneurship Development
- Financial Analysis for Corporate Finance
- Strategic Management for NDFIs
- Financial Risk Management
- Team Building
- Financing of SME Projects
- The Project Seminar (Project Appraisal & Evaluation)
- Labour Standards in Development Finance
- Basic Foundation Course for NDFIs Newly Gained/Recruited
- Management Information Systems
- Micro Finance
- Branch Management
- Money Laundering – Risk Management
- Budgeting and Financial Control
- Negotiation Skills
- Change Management
- Problem Solving and Decision Making
- Computer Spreadsheet Analysis for Banking Operation
- Project Management

ADFIMI organized a three day seminar on "Competency-Based Human Resource Management and Organizational Learning" in Malaysia from 25 to 27 December 2006. The seminar was inaugurated by H.E. Barlas Özener, Ambassador of Turkey to Malaysia. There were 11 participants from five countries: Turkey(1), Bangladesh(2), Pakistan(2), Uganda(1), Malaysia(4) and IDB(1). Participants evaluated arrangements as "excellent" but requested the duration to be extended at least for one more day. There were three resource persons, Dr. Osman Bayraktar (Turkey), Br. Kannan Gopalan (Malaysia) and Br. Zainal Abidin Alang Kassim (Malaysia). The participants provided active participation in the lively discussions. There was a city tour and a dinner at KL Tower, one of the tallest in the world.



ADFIMI WELCOMES TWO NEW MEMBERS

Bank Respublika

size faydali

Commenced its activities in 1992 and presently with 90 million USD assets, Bank Respublika is one of the leading banks in Azerbaijan. Two German financial institutions, DEG Investment Corporation, a member of the KfW banking group, and Sparkassen International Development Trust, a member of the Sparkassen Finanzgruppe, holds a "25%+1share" of the capital of Bank of Respublika.

Bank Respublika also operates with various credit lines of more than 45 million USD, including 10 million USD for European Bank for Reconstruction and Development and 4 million for Asian Development Bank.

Bank Respublika provides finance to industry, communication, telecommunication, engineering, construction, transport, agriculture, trade and

AZERBAIJAN

service. It has 11 branches, 2 services points in 6 cities.

By July 1, 2006 the total equity of Bank Respublika had exceeded 12.3 million USD and total assets had exceeded 90 million USD. Bank Respublika is among leading banks in Azerbaijan and strengthens its position in the bank market every year.

On December 11, 2006 Bank Respublika received the highest rating from international rating agency Moody International Service. Bank Respublika has got long-term ratings of B2 level for deposits in national and foreign currency and short-term ratings of NP level for deposits in national and foreign currency. All ratings are forecasted as "stable". For more information:

www.bankrespublika.az

First Credit and Investment Bank Limited

PAKISTAN

FCIB (First Credit and Investment Bank Limited), providing investment finance services, is a joint venture sponsored by Water & Power Development Authority (WAPDA) and National Bank of Pakistan (NBP). It was incorporated on August 31 1989 as a private limited liability company.

FCIB's major activities include development of secondary market of the securities. It has been mainly concentrating on fixed income securities as well as trading in equity stock. It has been continuously engaged in planning and development of innovative products and services in the form of

financial and technical assistance. With total assets of 29.5 million USD (as of the end of 2005), FCIB employs around 30 people and presently manages around 15 million USD loan to industry.

It will strengthen its position in the market by providing a full range of investment finance services by capitalizing on its market knowledge and dedicated efforts for its employees. FCIB will maintain strategic and organizational flexibility to meet the challenges of the changing financial landscape. FCIB can be reached at:

www.fcibank.com.pk

RUPALI BANK LIMITED PRIVATIZED



Rupali Bank Limited

Rupali Bank, a public limited banking company where the government previously held 93.26% of the shares, has entered into the process of privatization by selling 67% of the government shares to Saudi Prince Bander Bin Abdel Rahman Al-Soud. Rupali Bank has nearly 500 branches and it expects to attain international standards with a view to opening fifty new branches abroad. Rupali Bank can be reached at: <http://www.rupali-bank.com>



Established in 1993, JSCB Rabitabank is a universal bank in Azerbaijan with its 12 branches. With a total assets of 43 million USD, it has been cooperating with international financial institutions since 2004.

At the end of 2006, Rabitabank JSCB signed USD 3 million credit line with European Bank for Reconstruction and Development (EBRD) to finance new projects. Half of this credit line will be used to finance projects from micro and small businesses and another half is going to be directed to small and medium enterprises. For more information visit: www.rabitabank.com



Bangladesh Finance and Investment Company Limited (BFIC), with a paid up capital of 3.4 million USD, provides lease and term finance in diversified sectors. Credit portfolio of BFIC reached 14.3 million USD by the end of 2006, including SME financing. Individuals constitute over 77% of the shareholders. Among the institutional shareholders Anwar Steel owns over 5% of the shares. There no single shareholder dominance and the company is expected to go for public offering by April 2007.



Bank Keshavarzi provided 1163.5 million USD credit to the private sector for the implementation of 230 projects out of FOREX Reserved Fund. The projects were implemented in : Agro-food Industry (119 projects), Stone Industry (19 projects) , Agriculture (18 projects), Heavy Industry (9 projects) and other sectors. Detailed information about Bank Keshavarzi is available at: www.agri-bank.com



National Development Agency of Indonesia visited Turkish Eximbank on a project sponsored by the Islamic Development Bank on Capacity Building and Technical Assistance. Indonesian Delegation headed by Br. Delthy S. Simatupang was met by Br. Osman Aslan, Deputy General Manager of Eximbank. Eximbank can be reached at: www.eximbank.gov.tr

ADFIMI is an Association of National Development Finance Institutions (NDFIs) in Member Countries of the Islamic Development Bank (IDB). It is one of five such institutions in the world established under five major regional development banks.

Established in 1986 as an autonomous international organization with its headquarters in Istanbul, ADFIMI is commemorating its 20th Anniversary this year.

It has 57 members in 20 countries, geographically spread to three continents and it has trained some 1500 officers and senior executives of its member NDFIs.

ADFIMI basically provides training to its member organizations on subjects related to development finance and serves as a global forum on development.

ADFIMI is governed by a Management Committee and is headed by a Secretary General. The Association is supported by membership fees, by voluntary donations and by co-sponsorship of its members.

ADFIMI

ASSOCIATION OF NATIONAL
DEVELOPMENT FINANCE
INSTITUTIONS IN MEMBER
COUNTRIES OF THE ISLAMIC
DEVELOPMENT BANK



From the Former Chairman Muhammed Rashid Zahir

My long association with ADFIMI is a matter of pride for me. It is heartening to see that over the years, ADFIMI has

made valuable contribution in enhancing in the effectiveness of its member DFIs through development of the human resource for sustainable economic development.

I feel that ADFIMI should place increased emphasis on current topics in development financing such as sustainability of economic growth, risk management, private-public sectors partnership, implementation of Basel II etc. This will make the efforts of ADFIMI more relevant and meaningful. It is also the need of the hour that standards of

excellence are developed for evaluation the performance of the managers and financial institutions.

The future holds enormous potential for ADFIMI as it would engage itself in the task of institution building and capacity building in the fields of publications, research studies and advisory services. ADFIMI will have to look for new initiatives in order to enhance its usefulness to the members and at the same time strengthen its financial base by enlarging its membership base and seeking financial support from multilateral institutions.

I would like to convey my good wishes to the new Secretary General and the members and pray to Allah Almighty for success in their mission.



by **Moazzam A. Mekan**
IFC, DUBAI

Privatizations to Public Private Partnerships

The drive toward privatization and concession-based project financing in the early 1990s was seen by many governments as a model for new infrastructure investments without budgetary implications. The belief was that project finance could infuse new capital and better management practices into poorly maintained and overutilized infrastructure systems. The initial efforts of the 1990s were promising, but they soured throughout the emerging-market countries as the full cost of the private infrastructure services was passed to the consumers without any consideration given to the abilities of the consumers to pay for the better quality services. The result was catastrophic: With the public sentiment against the privatizations, the private investment in infrastructure nearly disappeared by 1997. It is only now that there are some signs of recovery, albeit under a different rubric: Public-Private Partnerships.

PPPs, as is now the universal nomenclature, stem from the realization for a need of a better risk allocation between the private and public sectors. Thus while cost recovery and profitability may still be the ultimate objectives, the road to their achievement may be much longer than originally thought. For the governments, however, the provision of better infrastructure remains priority and thus there is more willingness on the part of the governments to share

the burden with the private sector in terms of acceptance for gradual rationalization of tariffs over time and thus the need for continuation of budgetary support. This also calls for better targeting of subsidies. As such, the discussion is no longer whether the governments should continue with subsidies or not but rather who should be subsidized and how.

The PPP model offers a much more sustainable approach to that utilized by BOTs and other variations of similar types in the earlier cycle. Better targeting of subsidies to vulnerable populations continues to evolve newer and innovative products for such purposes. One of such techniques is the Performance-based Aid or Output-based Aid introduced by the World Bank Group. Under this scheme the subsidy is provided directly to the consumer of the service based on its actual delivery. For example, again quoting from the water sector example, this would mean that if the aim is to extend the services in an underserved area, the government contribution would come as a payment towards every household connection made. This means that the utility has to first provide the service and then get compensated for the certain class of customers rather than the old and still the most prevalent system in which the governments provide the financing up front to the utility to extend the services.