



# ADFIMI newsLetter

ASSOCIATION OF NATIONAL DEVELOPMENT FINANCE INSTITUTIONS

IN MEMBER COUNTRIES OF THE ISLAMIC DEVELOPMENT BANK

January/June 2012 Issue 23-24

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- **ADFIMI – UDBL Joint Seminar: Application of Modes of Islamic Finance, Kampala**
  - **54th ADFIMI Management Committee, Khartoum**
  - **Avoiding Financial Fraud: Cyber-Security best practices”, Istanbul**
  - **28th General Assembly Khartoum**
  - **A comparison of analytical tools used in SME finance, ADFIMI – DBTRNC Joint Seminar, Lefkoşa, North Cyprus**
  - **Pricing and Marketing-Issues in Microfinance, IDB – ADFIMI – Bankers’ Union of Sudan Joint CEO Seminar, Khartoum**
  - **Project Appraisal, ADFIMI – IRTI Joint Seminar, İstanbul**
  - **Annual Meetings of IDB Group, Khartoum**

**THE MANAGEMENT  
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Managing Director SME Bank  
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Cover: Süleymaniye Mosque

Dear Members.

Assalamu Alaikum,

In this issue we report on various ADFIMI seminars and other activities that took place during the 37th Annual Meeting of the IDB Group in Khartoum in April.

Best regards.

Nuri Birtek

Secretary General

**About ADFIMI**

ADFIMI, Association of National Development Finance Institutions in Member Countries of Islamic Development Bank. Established in 1986, ADFIMI is an international non-profit association serving around 50 members in 15 countries with headquarters in İstanbul. The main objective of ADFIMI is to establish networking and solidarity among its members and capacity building of its member institutions. In this context, ADFIMI organizes seminars / workshops / conferences for its members in various cities in its region (like İstanbul, Karachi, Kuala Lumpur, Amman, Cairo, Ouagadougou, Beirut, Sarajevo, Prishtina, Lome, Damascus, Khartoum, Girne, İslamabad, Kuwait City, Kampala, Dubai, Tunis). In its 25 years of existence, ADFIMI has trained over 2500 executives and directors from development finance institutions.

ADFIMI aspires to be “a forum for development”.

## Climate Change Finance

CLIMATE change is one of the most pressing challenges facing the planet. Man-made greenhouse gas emissions from fossil fuel combustion and changes in land use are the predominant causes. The emission of greenhouse gases leads to global warming, smog, and acid rain and adversely affects public health.

But climate change has more than environmental and health consequences. There are likely to be important economic effects as well, given the far-reaching impact of higher temperatures, rising sea levels, and extreme weather conditions on output and productivity not to mention the disasters related to climate change such as floods. Costly policies are needed to mitigate climate change and adapt behavior and production to the new environment. The transition to a low-carbon-emission model will require large investments in alternative, so-called green, energy sources.

IMF proposes to define green investments as the investment necessary to reduce greenhouse gas and air pollutant emissions significantly. There are several ways to reduce gas emissions, and thus green investment may take various forms:

- *Investments that make energy generation less polluting* Green investment involves shifting energy supply from fossil fuels to less-polluting alternatives—either as sources of electricity generation (such as wind, solar, nuclear, hydropower) or as direct sources of energy.
- *Investments that reduce energy consumption* Green investment also includes technologies that reduce the amount of energy required to provide goods and services, which increases energy efficiency. In the electricity sector, there is room to improve efficiency in power generation and in transmission and distribution. There is also potential for efficiency gains in transportation—by using more fuel-efficient and hybrid cars.

### *Towards green energy sources*

Green technologies already play an important role in electricity production. In 2008, about one-third of global electricity was generated from nuclear and renewable sources and two-thirds from conventional, or brown, sources such as coal, gas, and oil. These shares have been relatively stable over time. However, since the second half of the 1990s, green energy generation has shifted from hydro and nuclear power to other renewables.

Over the past decade, many public programmes have been put in place—mostly in the advanced and emerging economies to encourage the production or consumption of renewable energy. These programmes generally have three main goals: reduce carbon emissions and prevent climate change; improve energy security by diversifying the energy mix; and foster growth by promoting competitiveness, job creation, and innovation in new industries.



Renewable green investment has now become a global phenomenon. From 2004 to 2010, Europe and North America quadrupled their investment, while Asia and Oceania increased renewable green investments by tenfold. Investment in renewable energy—solar, wind, biofuels, biomass, and geothermal heat (excluding hydropower projects)—has risen substantially during the past decade, with most of the increase occurring after 2004. Between 2000 and 2010, renewable green investment increased from \$7 billion a year to \$154 billion.

At present, North America, Europe, and Asia are the largest markets, but the regional composition has changed dramatically in recent years. Leadership in spending shifted from Europe to Asia, reflecting, to a large extent, differences in economic performance. The European and North American share of global green investment fell to 46 percent in 2010, from 68 percent in 2004, while Asia and Oceania's share increased from 28 percent to 42 percent. Green investment in Asia continued to soar during the global financial crisis, with China accounting for the bulk of the growth. In 2009, China had the highest investment of any country in renewables and in 2010 invested more in renewable energy than all of Europe.

### *Determinants of green investment*

IMF has found that almost all green investment in the world during 2004–10 was made in 35 advanced and emerging economies. Five factors stood out as statistically significant in determining the level of green investment: real gross domestic product (GDP), the long-term real interest rate, the relative price of international crude oil, a variable representing the adoption of feed-in tariffs, and a variable measuring whether a country has a carbon pricing mechanism (carbon tax or cap-and-trade).

### *Lessons*

Green investment has become a global phenomenon and a key driver of the energy sector. Sooner or later every country will have to go green. As DFIs, we need to be prepared in the tricks of the trade so as to contribute to the greener development of our countries. ADFIMI shall work towards this objective.

M. Emin Özcan  
Chairman

# ADFIMI – UDBL JOINT SEMINAR APPLICATION OF MODES OF ISLAMIC FINANCE IN DEVELOPMENT BANKING

Kampala, from 16 to 18 January 2012



The course provided basic details of the concept, principles and major activities of Islamic banking and finance (IBF). Participants were furnished with information on the basic structure of IBF, the core principles that were drivers to the industry and the way Islamic Banking and Islamic Finance products were structured and how they were applied in the retail banking, corporate banking and the treasury department.

The seminar was conducted by Dr. Mustafa Omar Mohammed, International Islamic University Malaysia. An additional lecturer on SME Finance, Dr. Dadang Muljawan was provided by Islamic Research and Training Institute (IRTI).

The Seminar was attended by 40 participants 18 of which came from Development Bank of Uganda Ltd., who co-sponsored the event. Other participants were from local finance institutions and law firms.

There were continuous lively discussions especially on the case studies. The participants required another seminar where details concerning the practice would be delivered.

Dr. Mustafa Omar Mohammed



# ADFIMI SPECIAL SEMINAR AVOIDING FINANCIAL FRAUD: CYBER-SECURITY BEST PRACTICES

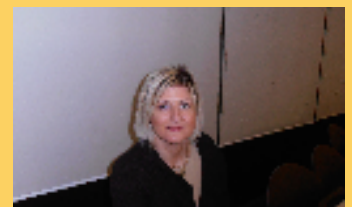
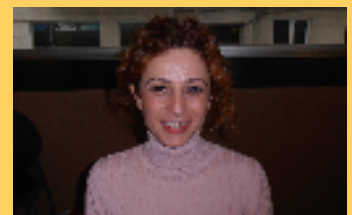
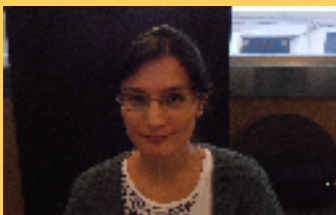
Istanbul from 2-3 February 2012



The seminar was conducted by Mr. Selahattin Karataş, Chief Executive Officer, and Mr. Ali Lazım, Chief Technology Officer, both of SolidPass.

Cyber security is a very important function in banking and financial activities. Ensuring online security is mission critical to the functioning of modern banks and new hack attempts have been aggressively targeting financial institutions. The seminar explored the digital threat landscape and evaluated solutions on how to mitigate it. Different adoption drivers to digital security including regulatory compliance, ISO certification and new attack methodologies were explored. Seminar also dealt with, the new online threats, the new mobile threats, data breach examples, securing transactions and inside jobs with a view to preventing financial fraud.

Mr. Selahattin Karataş



# IDB – ADFIMI – BANKERS’ UNION OF SUDAN JOINT CEO SEMINAR PRICING AND MARKETING ISSUES IN MICROFINANCE

Khartoum, Sudan, 02 April 2012



HE Abdel Rahim Hamdi

Traditional annual CEO Seminar was organized alongside the 37th Annual Meeting of the IDB Group.

After a recitation from the Qur’an Dr. Ahmet Tiktik, Vice Chairman, Corporate Services has chaired the meeting in the opening session. The seminar was thereafter chaired by ADFIMI Chairman Br. M. Emin Özcan together with Dr. Abdel Hameed Jameel (on a behalf of Bankers’ Union of Sudan). HE Abdel Rahim Hamdi, Former Minister of Finance, Sudan was the chief speaker on the subject of “Microfinance practices and issues in Sudan” which was attentively followed by a the large number of audience. (over 80 persons). This was followed by three presentations that covered Pricing and Marketing Issues in Microfinance in the Arab Region, Central Asia and South Asia respectively

by the following distinguished speakers:

- Br. Motaz El Tabaa, The Executive Director of the SME Projects, Alexandria Businessmen Association (ABA) Egypt;
- Br. Shabbir Ahmed Chowdhury, Director, Training Division, BRAC, Bangladesh;
- Sr. Bakhyt Sayakova, Head of Budgetary Planning Division, JSC “Fund for Financial Support of Agriculture”, Astana, Kazakhstan

There was a lively dialogue session afterwards.

Thanks to the financial contribution of IDB and local support by the Bankers’ Union of Sudan, the event was extremely successful.



Sayakova



El Tabaa



Chowdhury





# 54TH ADFIMI MANAGEMENT COMMITTEE MEETING

The HQ of Agricultural Bank of Sudan  
Khartoum, Sudan  
31 March 2012



54th ADFIMI Management Committee Meeting was held at the HQ of Agricultural Bank of Sudan, Khartoum, Sudan at 16.00 hrs on 31 March 2012. The Chairman Br. M. Emin Özcan thanked Br Awad Osman, the CEO of Agricultural Bank of Sudan for allocating the board meeting room for the 54th MCM. The Committee considered nine items on its agenda which included selection of programmes for 2013-15; selection of an auditor, adoption of a new composition of the MC, identification of new members of the MC, approval of the auditors' report and financial results for the year 2011 and the first quarter of 2012, the revised budget for 2012, reinstatement of the membership of Cooperative and Agricultural Credit Bank of Yemen, and submitted its decisions to the 28th GA to approve of their advice. In addition the MC has selected Development Bank of Turkey as the new member of the MC in accordance with Article 11.1.i of the Constitution.

# 28TH ADFIMI GENERAL ASSEMBLY

The Omdurman Hall Al Sadaka Convention Centre  
Khartoum, Sudan  
01 April 2012



The General Assembly (GA) convened under the chairman Br M. Emin Özcan the GA unanimously approved some constitutional amendments, re-appointment of Mr. Nuri Birtek as SG for three more years, the suspension of the memberships three members in accordance with Article 7.1 of the Constitution, the revision of the allocation of permanent seats in MC, the revised budget for 2012 in order to support the initiative to increase membership, thirty three programmes proposed by the MC as a guideline for the

ADFIMI programmes covering the 2013-2015 period, the selection an audit firm to audit ADFIMI's 2012 accounts, the selection of three new members to the MC, the reinstatement of the membership of Co-operative and Agricultural Credit Bank (CACBANK) of Yemen, the waiver of the conferment of honorary membership this year, the Audit Report for 2011 accounts of ADFIMI, the accounts for 2011 and the first quarter of 2012 and authorized MC to sign minutes, resolutions and other documentation on its behalf.

## NEWS FROM MEMBERS



**Bank Pembangunan Malaysia Berhad Announces 23% Increase in Pre-Tax Profits Of RM618**

### Million in 2011

The Group's loans, advances and financing grew by 6.6% with a total of RM4.4 billion. As a result of the improved performance, total equity of BPMB Group increased further to RM7.4 billion as at 31 December 2011. Earnings per share climbed 15.63 cent, compared to 13.67 cent as recorded a year ago.



### SNI Cameroon

The National Investment Corporation is a state owned financial corporation positioning itself as a reference in the creation of wealth in view of Cameroon economic development. Its current activities focus on three areas: venture capital, development capital and buyouts.

The bank recently concluded a bankable feasibility study on a Co-Ni-Mn Project. The project has a 23 year Project life with average annual production for the first eleven years of full production of 6,100 tonnes of cobalt, 3300 tons of nickel and 65,000 tons of manganese carbonate. It will cost usd 707 mill with an after-tax internal rate of return ("IRR") of 22% .



**SME Bank Malaysia announced a much improved 2011 financial performance with a pre-zakat and tax profit of RM146.2 million after two consecutive years of losses.**

Malaysian SMEs, were on course to achieving the 40% target of contribution to GDP by 2020, as opposed to the current figure of 33%.

Some key highlights of the 2011 financial performance included:

- Portfolio growth of 8.7% in 2011 from 4.3% in 2010
- 1380 approved customers in 2011 from 635 in 2010
- Improved Loan Quality - Weighted Average Risk Rating of 4.7 (5.0 in Dec 2010)
- Higher Recovery Income at RM 42.8 million (RM 32.8 million in 2010)



# ADFIMI – TRNC DEVELOPMENT BANK JOINT SEMINAR A COMPARISON OF ANALYTICAL TOOLS USED IN SME FINANCE & MICROFINANCE FINANCIAL ANALYSIS

Hotel Merit, Lefkoşa, North Cyprus, 20-22 February 2012



HE Sunat Atun



Iqbal M. Khan

ADFIMI – TRNC Development Bank Joint Seminar on “A comparison of analytical tools used in SME finance & Microfinance financial analysis” seminar was held at Merit Hotel in Lefkoşa, Capital of Turkish Republic North Cyprus from 20 to 22 February 2012.

The seminar was conducted by Prof. Iqbal M. Khan, former Assistant Secretary General of ADFIMI,

presently Director of Sure Institute of Lahore, Pakistan.

There were 21 participants. The meeting was graciously inaugurated by H.E. Sunat Atun, Minister of Economy & Energy.

Several social programmes were arranged for the overseas participants to historical places in Girne, Gazi Magosa and the capital, Lefkoşa.



## ADFIMI – IRTI JOINT SEMINAR PROJECT APPRAISAL

Point Hotel, Taksim  
07-09 May 2012

The seminar was organized jointly with Islamic Research and Training Institute (IRTI) of Islamic Development Bank. Costs and revenues were shared among the institutions.

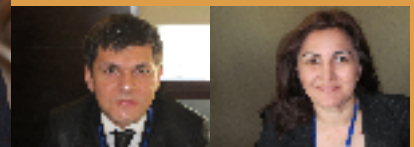
There were 26 participants from 14 institutions. Prof. Fouzul Kabir Khan, Prof. of Economics and Finance at North South University, Chairman and CEO, Keystone Business Support Company Limited was the resource person for the subject matter seminar.

The seminar proceeded as planned with a registration session. SG Nuri Birtek, after welcoming remarks, introduced Br. Mehmet Emin Özcan, Chairman of ADFIMI who also welcomed the participants and thanked IRTI and ADFIMI for the organization of the programme. It was followed by opening remarks by Br. Faisal Slama, IRTI.

Course director Prof. Fouzul Kabir Khan focused on general topics related to Project Appraisal techniques (like NPV, PV, FV, and IRR). On the final day six presentations were made on the project appraisal practices of the following institutions: Türkiye Sınai ve Kalınma Bankası, Türkiye Kalkınma Bankası, ECO Trade and Development Bank, Türkiye EXIMBANK, FAF-Development Company, and Ministry of Finance of Pakistan.



Prof. Khan



# 37TH IDB GROUP MEETING

Al Sadaka International Conference Centre  
Khartoum, 03 April 2012



Addressing the opening ceremony Dr Ahmed Muhammed Ali, President of IDB expressed gratitude and appreciation to H.E. President Omer Hassan Ahmed Al-Bashir for

the hospitality extended. He then elaborated on the centrality of Sudan in the history of world civilisation. He said Sudan was the cradle of the Nubian civilisation, the oldest civilisation in history. This land gave birth to writing. This is how the people of Sudan inherited the love of knowledge which has distinguished them among nations. With reference to his meeting with the former president of the World Bank in the mid-nineties he underlined the two advantages the IDB had over the World Bank. The first was operating in countries to which other international development institutions have turned their backs for no logical reason. The other was the introduction of a cultural dimension to development work.

He then touched upon two recent trends in development economics. The first was involving the vulnerable and victims of crises in development activity. The second brought knowledge and ethics to be considered as resources in the economy.



Pointing out the fact that the previous IDB Group Meeting took place 31 years ago at the same premises, made one reflect on the developments that have taken place in three decades. There have been huge economic transformations, which the international economic system has failed to understand. They could be categorized as 'constant' and 'changing'.



Basic change since 1981 was that today the era of knowledge has emerged. Investment in knowledge, ethics and social accountability had increased. Today the world was characterized by aid, synergy and exchange of interests were on the increase and the emerging economies, had become part of the solution. In that period the IDB went through the most critical phase of its growth, and managed to receive AAA, the highest credit rating from all international agencies.



When it came to constant, it was is that the IDB was born with the genes of change. This had helped it to adapt to the changing and growing needs of member countries. Another constant was that IDB continuously provided tailored responses. Among the challenges was educating the world about Islamic finance and its contribution to economic management .

Concerning countries experiencing difficulty like Tunisia, Libya and Egypt, IDB was in contact with the political leaders, economists and average citizens all concerned about defeating unemployment and poverty.

In order to reduce the gap between visions and actual achievements, the IDB Group had adopted Member Country Partnership Strategy.

He said” We, in the eastern wing, are looking forward that transoxiana would be a bridge between orient and occident, in an atmosphere of building and good example in managing abundance and scarcity, water, energy, passages and crossings.”





## NEWS from IDB

- 37th Annual Report of the IDB for the year 1432H (2011 revealed that the Bank's total approvals for the year 1432H (2011G) amounted to US\$ 8.2 billion for the financing of about 398 operations in member countries and Islamic communities in non-member countries. This brought the cumulative total approved by the Bank Group until the end of 1432 H, to approximately US\$ 78 billion.
- The President of the Islamic Development Bank Group, Dr. Ahmad Mohamed Ali, lauded Singapore for the commitment it has shown towards the Islamic financial industry as illustrated by the issuance of the required laws by the Singapore authorities and by the country's active membership in the Islamic Financial Services Board.
- United Nations Secretary General, Ban Ki-moon, paid a visit to the IDB Group where he expressed pleasure over his first ever visit to the Islamic Development Bank Group and emphasized the active and close cooperation between the Bank and the United Nations Organization.
- The 283rd meeting of the Board of Executive Directors of IDB, approved US\$ 260.6 million for financing development projects in member countries and Muslim communities in different parts of the world.
- IDB in partnership with the Asian Development Bank (ADB) has signed a US\$133 million agreement for long-term lease finance (Ijara) facility for the development of two wind power projects in the Sindh province of Pakistan.
- At the IDB Group – Malaysia Investment Forum that concluded in KL, Malaysian Prime Minister Dato' Sri Haji Mohammad Najib bin Tun Haji Abdul Razak, invited IDB Member Countries and the private sector to invest in his country.
- The Islamic Development Bank Group hosted an international conference on Islamic Microfinance aimed at promoting financial inclusion and creating business opportunities.
- "Islamic Economics, a Way Out of the Crisis": Prof. Khurshid Ahmad, chairman of the Islamic Foundation, UK and winner of the 2011 IDB Prize in Islamic Economics for over four decades of contribution to the field. He underlines the importance for Islamic banks to shift from a "Shari'ah-compliant position" to a "Shari'ah-based position".
- IDB, and the International Finance Corporation, IFC, are investing up to \$100 million to support the construction of major infrastructure projects across the Middle East and North Africa, part of an effort to stimulate economic growth in the region.
- The annual symposium on Inclusive Development held on the occasion of the 37th Annual Meeting of the IDB declared that no nation could aspire to achieve balanced, sound and sustainable economic growth without inclusive development of its citizens regardless of their racial, religious, tribal and ethnic divides.
- Mega Islamic Bank with US\$ 1billion Capital Goes on Stream : a tripartite memorandum of understanding for the establishment of a Mega Islamic Bank with a capital of one billion dollars. The MoU was signed between the State of Qatar, the Islamic Development Bank and Dallah Al Baraka Group. The bank will be headquartered in Doha.
- IDB has approved a 25% participation in the equity capital of Al-Ebda'a Microfinance Institution, Sudan, and has approved US\$ 10 million participation in the equity capital of IRADA Microfinance Institution, Sudan.
- Tan Sri Dr. Zeti Akhtar Aziz, Governor of Bank Negara Malaysia, was declared the winner of the IDB Prize in Islamic Banking and Finance for the year 1433H (2012) in recognition of her substantial contributions to the development of Islamic banking and finance.

## UPCOMING EVENTS

### International Development Forum

05-06 July 2012 Kuala Lumpur

### Asset Securitization

September 2012 İstanbul

### Overview of project finance vis á vis corporate finance

October 2012 Dhaka

### Bank Financial Analysis (Assessment of a bank's performance for the purpose of extending credit)

November 2012 Antalya

### Credit risk management for banks and financial institutions & Basel II

December 2012 Karachi

### 38th IDB Group Meeting

18-22 May 2013 Dushanbe, Tadjikistan



WB/IMF Spring Meetings were held in Washington DC 20-22 April 2012 with Civil Society Forum beginning earlier. Concurrently ALIDE organised a two - day Workshop on "The Role of National Development Banks in Mobilizing International Climate Finance " in Washington, D.C., April 18-19, 2012 and invited ADFIMI to the workshop. It was extremely successful.

