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Dear Members

Assalamu'alaikum

In this Issue, we report on the ADFIMI International Development Forum organised in Istanbul on “SME Finance and Development in the Age of Digitalization” and a regional seminar in Amman on “SME Finance & Development”. ADFIMI is grateful to Halkbank, VakıfBank, Ziraat Participation Bank and Islamic Development Bank for sponsoring the Forum and Jordan Islamic Bank (JIB) for jointly organizing the latter in Amman.

In our routine coverage, you will find information on ADFIMI's 67th MCM held at the JIB HQ in Amman, Kingdom of Jordan. ADFIMI appreciates the hospitality provided by JIB.

This issue also provides information on the Agricultural Credit Corporation (ACC) of Kazakhstan, a new member of ADFIMI.

Best Regards

Nuri Birtek

Secretary General

About ADFIMI

Established in 1986, ADFIMI, Association of National Development Finance Institutions in Member Countries of Islamic Development Bank, is an international non-profit association serving around 45 members in 18 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, Tehran, Baku, Cairo, Ouagadougou, Astana, Asghabat, Beirut, Dakar, Sarajevo, Prishtina, Lome, Dushanbe, Damascus, Khartoum, Dhaka, Girne, Islamabad, Kuwait City, Antalya, Tirana, Kampala, Dubai, Almaty, Maldives, Tunis).

ADFIMI is “A Forum for Development”

Dear Colleagues

We are living through times where global financial and monetary system is at a crossroads. Although the world economy was showing signs of recovery last year, when a cautious optimism was prevalent; it faded away as the year progressed. Both the IMF and World Economic Forum (WEF), project a slowdown in the world economy in 2019. Deceleration will not only be in the advanced economies but also in the emerging markets and the world economy will register a growth of 3.1 percent as opposed to 3.2 percent last year.

A major risk is a great fall in the global world trade growth from 5 percent annually to zero percent in 2019 mainly as a result of trade wars. Combined with rising interest rates, volatile commodity prices as well as a huge Global Debt/GDP ratio of 318 percent (USD 244 Trillion), global economy will probably be vulnerable to shocks but unlikely to go into recession in 2019.

While decline of labour share of the income threatens inclusive growth, a recent OXFAM report claimed that 26 wealthiest persons owned the same as the 3.8 billion people in 2018, which accordingly was a clear sign of plutonomy ruling the world economy. On the other hand WEF adopted Globalization 4.0 as its theme for 2019 which it claims to shape a new global architecture in the age of Fourth Industrial Revolution. Of the five of its characteristics “digitization” is at the top of the list as it gives unlimited mobility to an economy.

Impact of digital forces on financial services will increasingly continue in 2019. Payment disintermediation, Bigdata and AI, Distributed Ledger Technology (blockchain) being the three major forces. Replacement of fiat money by cryptocurrencies, changing of traditional bank business models also bring with them challenges of regulation. According to one source, Fintech investments recorded a great jump in 2018, reaching



USD 56 billion. Last year also witnessed the issuance of world's first blockchain bond by the World Bank (Bond-1) and the first blockchain based bank loan by Spanish Banking Group BBVA. A Distributed Technology Research (DTR) that includes MIT, Stanford and University of California is set to create a new digital currency called Unit-e to process as many as 10,000 transactions per second as opposed to 3.3 to 7 transactions per second for Bitcoin.

ADFIMI tries to follow up these developments in its activities and had organised three meetings in 2018 on digitalization, the largest being the Development Forum on “SME Finance & Development in the Age of Digitalization” held in September 2018, which is reported in the following pages. ADFIMI will continue be part of and inform its members on these developments in 2019.

I wish a happy 2019 for all our members.

Metin Özdemir
ADFIMI CHAIRMAN
CEO of Ziraat Participation Bank

ADFIMI International Development Forum, SME Finance & Development in the Age of Digitalization

Istanbul, Turkey, 11-12 September 2018

In the context of the international development agenda, promoting SME development globally considered an important priority. However, access to finance remains a key constraint to SME development. The phenomenon of digitalization has recently opened new venues and opportunities to SMEs and SME finance institutions. The forum attempted to examine the impact of digitalisation on SME development and finance.

The event was organised with the generous sponsorships of Vakıfbank, Halkbank, Ziraat Participation Bank and Islamic Development Bank (IsDB). The two-day event hosted around 150 participants with 28 speakers and 8 moderators from over 20 countries and 8 international organisations.

Some of the pertinent messages were:

- Annual SME finance gap is over 5 billion USD per year for the formal sector.
- SME finance by banks is difficult because, SMEs are cash businesses and require excessive workforce which makes it unprofitable for NDFIs.
- With digitalization, SMEs could provide digital assets instead of mortgage or land as collateral.



Mr. Metin Özdemir, Chairman, ADFIMI; CEO of Ziraat Participation Bank, Welcomes participants

- Digitalization in that respect also offers new opportunities for Islamic finance to be active in SME financing.
- Creation of a digital environment or ecosystem like the one in China, exemplified by Ant Financial of Ali Baba Group, seems imminent in the future.
- Present era is payment led and not credit led, due to the developments in digital environment.
- Fintech disrupts SME lending status quo.
- Platforms may be the future of financing.
- Blockchain is destined to replace the swift system for cross border money transfers.



- Financial system should be built to be conducive to meeting the needs of SMEs.
- ICD has planned to provide USD 2 Billion to Islamically finance 10,000 SMEs in the period 2018-2020.
- SMEs are crucial in achieving the SDGs especially SDG8 and SDG9 are related to SMEs and 5 out of 12 targets of SDG8 are directly related to SMEs. SDG2, 3, 4, 6 and 7 also have some targets related to SMEs.
- IsDB proposes a shift of paradigm from “financing for development” to “empowerment for development” and introduced “Inclusive Economic Finance Facility (IEFF)” to promote partnership and to foster development.
- International cooperation on regulatory frameworks for Fintech is necessary.
- Islamic finance for SMEs in Jordan has caused financial inclusion to reach 32% of population, registering an increase of 10 % in two years.



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Post Forum Report available at: <http://adfimi.org/userfiles/files/user/EDU%20IDF%202018.pdf>

Presentations available on request from adfimi@adfimi.org

Introducing:



of Kazakhstan

Agrarian Credit Corporation JSC was founded in 2001

Nowadays, the Corporation is a large financial organization operating in the AIC development area, implementing the lending programs in priority areas of the agricultural industry development as determined by the State Program of Agro-Industrial Complex Development of the Republic of Kazakhstan for 2017 – 2021 approved by Order of the President of Kazakhstan No. 42 dated February 14, 2017.

The mission of the Corporation is to promote the sustainable development of the agro-industrial complex of the Republic of Kazakhstan by establishment of a comprehensible and efficient financing system through engagement of private financial institutions and improved competences of AIC entities.

The Corporation is a part of a group of companies of KazAgro National Management Holding and takes extensive operational efforts via 15 branch offices and 2 representative offices in all regions of Kazakhstan under direct supervision of the Holding.

Since 2001 193 credit partnerships have been established in Kazakhstan to unite about 17,000 agricultural producers. The farmers have been provided with more than 40,000 loans for an amount of 288B KZT via the credit partnerships for 17 years.

Lines of operation:

- banking lending transactions under a relevant license;
- participating in implementation of programs to support the agricultural sector through lending;
- attracting domestic and foreign investment;
- participating in development and implementation of investment projects in the agro-industrial complex;
- leasing activities;
- holding activities; and
- funding financial institutions.

In addition, in order to improve the efficiency of the use of the public funds, reduce credit risks of agricultural projects and ensure stability of borrowers' business the Corporation will provide informational, consulting, methodological and educational support to the AIC entities and financial institutions as a part of its efforts to improve the institutional maturity of the financial institutions and AIC entities.



Narmukhan Sarybayev Chairman of the Management Board JSC "Agrarian Credit Corporation"

Narmukhan Sarybayev was appointed as a Chairman of the Management Board of JSC "Agrarian Credit Corporation" in May 2017.

Prior to that, he was the Chairman of the Management Board of JSC "KazAgroProduct" from 2016 to 2017. From 2012 to 2016 he held the position of the Chairman of the Board of JSC "Fund of financial support of agriculture". In the years from 2009 to 2012 he managed Departments of investment projects, crediting and Project departments of "KazAgro" National Management Holding. In addition, he was working as the Deputy director for investments the state entity "Direction of special economic zone "Ontustik" in 2006-2009. He started his career as a manager for international trading at "Cotton union" LLP and, subsequently, managed logistic division at "Kazakh cotton corporation" in the years 2001-2004.

Mr. Sarybayev holds a degree in Economics of international economic relations from South-Kazakhstan state university named after M. Auezov.

For this purpose, the ACC-based Agribusiness Support Center (hereinafter referred to as ASC) is being established in 2018 based on the principles of a design office pursuant to EBRD models for SME tested in Kazakhstan and to the model of Turkish Economic Bank (TEB) for Turkish farmers.

The main activities of ASC include:

- 1) arranging training seminars to improve the industrial competence of the AIC entities and employees of financial institutions (STB, CP, MFO, LC, etc.);
- 2) arranging consulting support for the projects of agricultural producers by single-discipline experts for the business development purpose;
- 3) arranging training of trainers, including among employees dealing with project technical examination to improve the industrial competence of the AIC entities and employees of financial institutions;
- 4) interacting with international and domestic



development institutions, associations, designated organizations and experts having required experience and competences in AIC and financial sector, etc.

In order to provide nonfinancial support to the AIC entities and financial institutions via ASC ACC will cooperate with financial and technology partners, investors, educational institutions, international and domestic development institutions, entrepreneurship support organizations.

World Federation of Development Financing Institutions (WFDFI) Board of Governors Meeting



**City of Girne
Turkish Republic of Northern Cyprus**

**ADFIMI's Session at
the World Social Science Forum:
Integrating and mobilizing local cultural
perspectives into financing of 2030
Agenda: Security and equity for sustainable future**



Fukuoka, Japan, 26.09.2018

67th Management Committee Meeting, Jordan Islamic Bank (JIB) Headquarters

Amman, Jordan, 31 October 2018, 14.00-16.00

On routine matters, The Management Committee (hereinafter MC) has unanimously adopted the Provisional Agenda, approved the minutes and resolutions of the 66th MC Meeting and the Extra Ordinary MC Meeting, both held in Tunisia, 2018 and the circular resolution dated 23 May 2018, accepting PT Sarana Multi Infrastruktur (PERSERO) of Indonesia to membership as well as the Report of the Secretary General (SG).

The MC discussed possible subjects to be proposed to the IsDB for the traditional CEO Seminar at the 44th Annual Meeting of the IsDB Group to be held in Morocco, in April 2019 and unanimously decided to propose to IsDB:

- i. Financial literacy and financial inclusion, or,
- ii. Islamic finance for development: the state of the art,

as the theme of the joint CEO Seminar and it would be held if the IsDB would agree to meet the travel, and accommodation expenses of the speakers.

On the filling of the vacant permanent seat of Malaysia in the MC; the Committee unanimously decided to leave this seat vacant till the next MC Meeting and authorised the Chairman to apply Article 11.1.j of the Constitution on behalf of the MC if an opportunity would arise for filling in the vacancy.

Upon an invitation extended by G20 SME Finance Forum, IFC, members unanimously agreed ADFIMI to be an Industry Partner of G20 SME Finance Forum.

Having examined the potential list of programmes for 2019 the MC decided that regional programmes be limited to four in 2019 and, authorised the Chairman to select the time and venue of the events.

The MC had also unanimously agreed for ADFIMI to organise an executive training programme on Fintech in İstanbul in 2019 and to approve the implementation of Revised Budget for 2018 as of 3rd Quarter of 2018 and the subscription fee collections as of 18 October of 2018 as they appeared in the Working Documents.



MC in Session



MC Members Group Photo at JIB



Mr. Musa Shihadeh welcomes MC members in his Office



Mr. Musa Shihadeh (left) receives a memento from Chairman Mr. Metin Ozdemir (right) in appreciation of his generous hospitality extended to MC Members.

ADFIMI – Jordan Islamic Bank Joint Regional Seminar on SME FINANCE & DEVELOPMENT Amman, Jordan, 30-31 October, 2018

The event took place as planned and according to the schedule. Mr. Musa Shihadeh on behalf of Jordan Islamic Bank (JIB) and Mr. Metin Özdemir on behalf of ADFIMI gave opening remarks by thanking H.E Dr. Ziad Fariz, Governor of the Central Bank of Jordan (CBJ) for his patronage and welcomed all the distinguished guests and participants.

However, H.E Dr. Ziad Fariz was unable to attend and the Deputy Governor of the Central Bank of Jordan H.E. Dr. Maher Hasan delivered the inauguration speech in his stead. He expressed his pleasure for being part of the seminar and for talking about the SME Finance and Development, a subject which was close to his heart. He highlighted the condition of SMEs in the region and particularly in Jordan and mentioned that the condition of SMEs were much better in Jordan as compared to its neighbours, but lacked far behind when compared to the rest of the developing world. He also explained the role of the Central Bank of Jordan in achieving financial stability, financial inclusion and consumer protection as well as the inclusive growth and ease of doing business to encourage the SMEs.

The second inauguration speech was delivered by Mr. Abdelilah Belatik Secretary General, CIBAFI. He highlighted the global level feedback, which they get from Islamic banks around the world. He discussed the importance of SMEs on global level, with their contribution to GDP and also talked about the initiatives taken in the MENA region with regards to SMEs and highlighted the importance of regulatory reforms, in sharing responsibilities between regulators and banks.

After the inauguration speeches there was a photo session where all the guests and participants came together for a group photo (below).



H.E. Dr. Maher Hasan, Deputy Governor of the Central Bank of Jordan Inaugurating the seminar on behalf the governor (CBJ)



Mr. Bilal Rabah Al-Sugheyer, Resident Mission in the Hashemite Kingdom of Jordan, International Finance Corporation (IFC), delivering his Keynote Address

In Session 1 the Keynote Address was delivered by Mr. Bilal Rabah Al-Sugheyer Resident Mission in the Hashemite Kingdom of Jordan, International Finance Corporation (IFC), the World Bank Group. The theme of his address was “Two hundred billion and counting: State of Small & Medium Enterprises Development in MENA”. He explained the growth and finance of SMEs, and urged that preventing SMEs from reaching their full potential would be detrimental to addressing pressing economic challenges. He also explained



that access to finance was a major driver of growth and access to finance affected SMEs disproportionately and 90% of IFC experts expected the share of SME financing in their markets to increase over the next years, to more than 20%.

In Session 2, there were four speakers. The first was Dr. Mohammed Al-Jafari Director General of the Jordan Loan Guarantee Corporation, who gave a presentation on the status of legislative and facilitative aspects of SME Development. He shared his experiences in understanding the SMEs and the factors affecting its financing, particularly in the MENA region.

The second speaker was Dr. Maher Al-Mahrouq who spoke on SME lending; Education and training aspects, and explained the challenges SMEs were facing in obtaining financing.

The third speaker of the session was Mr. Adi Ghuneim, who highlighted and tried to answer some of the questions raised by the previous speakers. He also explained the role of Jordan Enterprise Development Corporation (JEDCO) in helping SMEs in their capacity building and enhancing SME financing.

The fourth speaker of the session Dr. Qasem Hamouri, gave an academic perspective of SME Finance and development and suggested that, the Islamic banks should in collaboration with academia, think of and find creative solutions to challenges facing SMEs.

The Second Day began by Session 3, with Mr. Fatih Kazan. His subject was Islamic Finance as a Catalyst for Access to Finance. He shared information on the state of MSMEs in selected Muslim countries, developments in Islamic finance and Fintech in Islamic finance for financing MSMEs.

In the fourth and last session of the seminar Prof. Dr. Ahmet Faruk Aysan, talked on “How Digitalisation affected SME Development Finance”, and included detailed information about SMEs, Digital economy, Opportunities for SMEs and Challenges for SMEs.

Mr. Reza Ismail was the last speaker of the seminar who spoke on Blockchain in SME Finance. He shared the basic concept of blockchain, and explained that Cryptocurrencies were in their very early stages of blockchain technology utilisation. He also explained how the blockchain could be utilised in SME finance.

All the speakers were presented tokens of appreciation on behalf of ADFIMI by Mr. Metin Özdemir and other members of the Management Committee present.

There were altogether 40 participants from six countries.



Mr. Abdelilah Belatik Secretary General, CIBAFI receives a memento from Chairman Mr. Metin Özdemir

Prof. Dr. Ahmet Faruk Aysan receives a memento from Mr. Abdelilah Belatik Secretary General, CIBAFI



Mr. Fatih Kazan, Acting Supervisor, World Bank receives a memento from Mr. Musa Shihadeh

Mr. Reza Ismail, CEO, SysCode SDN BHD receives a memento from Mr. Suat Ince



H.E. Dr. Mohammed Al-Jafari, Chairman, ISSF, receives a memento from Chairman Mr. Metin Özdemir

Dr. Qasem Hamouri receives a memento from Chairman Mr. Metin Özdemir



Mr. Adi Ghuneim receives a memento from Chairman Mr. Metin Özdemir

Dr. Maher Al-Mahrouq, Executive Manager of Jordan Chamber of Industry receives a memento from Chairman Mr. Metin Özdemir



ADFIMI Congratulates:

- Mr. Aria Putera Ismail for being appointed as the CEO of SME Development Bank Malaysia Berhad, Malaysia
- Dr. Humayon Abbas Dar for being appointed as the Director General of IRTI
- Mr. Ayman Amin Sejiny for being appointed as the CEO and General Manager of ICD
- Mr. İbrahim Halil Öztop for being appointed as the CEO of Development and Investment Bank of Turkey

and wish them all continued success in their new positions.



Mr. Aria Putera Ismail



Dr. Humayon Abbas Dar



Mr. Ayman Amin Sejiny



Mr. İbrahim Halil Öztop

Upcoming Events:

- ADFIMI - Qatar Development Bank Joint workshop on “Sharia Compatibility of crypto-assets”, March 11, 2019, Doha, Qatar.
- ADFIMI-BIM Joint Workshop on “The state of the art in the use of local currencies for cross border transactions”, Tehran, Iran, 23 April 2019.
- ADFIMI 35th GA & 68th MCM, Morocco, 03 April 2019, (tentative).
- IDB-ADFIMI CEO Seminar, “Islamic Financial Inclusion and Financial Literacy”, Morocco, 05 April 2018, (tentative).
- ADFIMI Executive Training Programme on Fintech, İstanbul, 17-20 June 2019, (tentative).

ADFIMI is an industry partner of



SME FINANCE
FORUM



Kalkınma
Türkiye Kalkınma ve Yatırım Bankası A.Ş.

Revision of the Status of the Development Bank of Turkey

Turkish Development Bank (TKB) has recently undergone through legislative and structural changes by a parliamentary act. The scope of its activities have been revised to enable it to make efficient use of capital and funding resources.

The Development Bank of Turkey (TKB) has thus been renamed the Development and Investment Bank of Turkey “TKYB”.

ADFIMI wishes every success to TKYB management in its future endeavours.