

Dear Members,

Assalam-o-Alaikum Warahmatullah
Wabarakatuh

It is with the grace of Almighty that
we are able to publish the third issue
of our newsLetter.

We shall soon be meeting in Dakar
inshaAllah for our 23rd General
Assembly where you will be able to
review our work and have your say
in ADFIMI affairs. Your attendance
is most desirable, not only in
constituting the quorum, but more
so, for spelling out your thoughts,
your views so that they can be taken
into account.

You will also have the opportunity
of meeting other members and high
level officials from the IDB Group.

I sincerely hope you can make the
effort to be present in Dakar, and
look forward to meeting you there.

With my best regards,

Nuri Birtek
Secretary General

- » Seminar in Cyprus and Antalya
- » Vision 1440 H/2020
- » Latest From Members
- » OIC – Trade Preferential System



Mehmet Emin Özcan
(ADFIMI Chairman)

Private firms—from farmers and microentrepreneurs to local manufacturing companies are at the heart of

the development process and critical actors in the quest for growth and poverty reduction. Poverty reduction is closely related to growth and firms are the critical actors in achieving growth. Driven by quest for profits, the firms invest in new ideas and new facilities which lead to economic growth and prosperity. On average the firms provide over 90 percent of the employment. Being also the main source of tax revenues they indirectly contribute to financing services like health and education. It is the investment climate that nurtures firms hence drives growth by encouraging investments and higher productivity.

While FDI is considered important for developing countries, domestic firms constitute the bulk of private investments. On average domestic firms contribute three times more to GDP than the FDI.

The contribution firms make to society is mainly determined by the investment climate—the factors that shape the opportunities and incentives for firms to invest productively, create jobs, and expand. Government policies and behaviors play a key role in shaping the investment climate. Governments have decisive influence on the security of property rights, approaches to regulation and taxation the provision of infrastructure, the functioning of finance and labor markets, and broader governance features such as corruption.

A good investment climate in addition to generating profits for firms, improves outcomes for society as a whole. It calls for sharing equitably some costs and risks by firms.

An investment climate that aims at poverty reduction through growth:

- ▶ Recognizes that firms assess investment opportunities and related government policies and behaviors as part of a package.
- ▶ Highlights the forward-looking nature of investment activity since investment is based on expectations about the future. This underlines the impor-

ROLE of INVESTMENT CLIMATE in POVERTY REDUCTION

tance of governments fostering stability and credibility, which are basic tenets of a sound investment climate.

▶ Treats as fundamental the need for policymakers to balance the goal of encouraging productive private investment with other social goals.

In short good investment climate provides opportunities for people to better themselves, and improving the investment climate is the basic element of a development strategy.

A good investment climate drives growth by encouraging investment and higher productivity. It encourages firms to invest by removing unjustified costs, risks, and barriers to competition. As a result of investment climate improvements in the 1980s and 1990s, private investments share of GDP nearly doubled in China and India; in Uganda it more than doubled. In China where we have witnessed one of the most dramatic poverty reductions in history, 400 million people were lifted out of poverty over 20 years. But it is not just the volume of investment that matters for growth—it is the productivity gains that result.

Millions of poor people in developing countries make their living as microentrepreneurs—as farmers, as street vendors, as homeworkers, and in a range of other occupations. They often operate in the informal economy, which accounts for more than half of economic activity in many developing countries. Firms in the informal economy face many of the same constraints as other firms, including insecure property rights, corruption, policy unpredictability, and limited access to finance and public services. Relieving these constraints increases incomes for entrepreneurs and allows them to expand their activities. A good investment climate also increases incentives to become part of the formal economy.

We, the ADFIMI members, should work for the establishment of good investment climates in our countries and continue to provide finance to private firms to pave the way for productive investments which would lift our people out of poverty.

Seminar on “Credit Risk Management”

held at the Dome Hotel

Girne – Turkish Republic of Northern Cyprus
7-9 April 2007.

There were 26 participants from 9 countries.

The opening ceremony was attended by H.E. Enver Öztürk Minister of Economy and Tourism, Mr. Sinan Bağdatlı Governor of Development Bank of Turkish Republic of Northern Cyprus (TRNC), Mr. Ahmet Ataner Managing Director of TRNC, as well as Mr Nuri Birtek, ADFIMI Secretary General.

In his speech H.E. Enver Öztürk described the difficulties faced by development finance institutions in view of different embargos imposed on TRNC resulting in difficult investment climate. However, despite all the negative factors TRNC has achieved an economic growth of 36% in 2005, which was a world record. Per capita income was

11.000._ USD in the same year. He urged the Development Bank of TRNC to support investors in this high risk environment. Mr. Sinan Bağdatlı and Mr. Ahmet Ataner emphasized the importance they have placed to joint organisation of seminars with ADFIMI. ADFIMI Secretary General thanked the Minister for his presence, the Development Bank of TRNC for hosting the seminar and the participants for the interest they have shown in the seminar. He also commended the Agricultural Bank of Republic of Turkey for providing the resource persons.

The seminar was held in the historical town of Girne and a half-day tour was organized in the capital city of Girne.





The Industrial Development Bank of Egypt

The Industrial Bank was initially established in 1947 as a state owned joint stock company with a capital of LE 1.5 million to provide specialized financing for the industrial private sector. Since its re-establishment in 1976, IDBE was under-capitalized, thus impeding the Bank's capabilities in achieving its objectives of financing small and medium industrial enterprises (SMIEs), since such tasks require long term stable funding. In addition to its core specialized banking business, IDBE extends the following services to its clients: projects evaluation, financial engineering, feasibility studies, disposal of assets on behalf of its clients. Total Assets of the Company amounted to \$440 million at June 30th, 2006 and total approved loans during 2005-2006 was \$96 million. www.idbe-egypt.com



Bank of Industry & Mine

Since its establishment in 1978, Bank of Industry Mine (BIM) has contributed many infrastructural investments directly or indirectly. Financing several cement, steel, transportation and petrochemical projects are some examples. The Bank has approved its contribution in financing SMEs using up to 35% of its internal banking resources in 2006 which is expected to reach 50% during 2007. As of February 2007, the Bank has approved 1096 projects costing 1,630.15 billion Rials. The projects are expected to yield 12576 employment in various regions of IRAN. www.bim.ir



T.C. ZIRAAT BANKASI

Turkey's largest state-controlled bank, Ziraat Bank announced YTL 781 million in gross profits for the first quarter of 2007, which corresponds to net profits of YTL 610 million. The bank's total assets exceed YTL 74 billion and its loans exceed YTL 17.8 billion. Ziraat Bank announced that Ziraat Bank's total agricultural loan volume reached YTL 4 billion SME loans increased by 87 percent in the first three months of 2007 compared to the first quarter of 2006. (1 USD = 1,33 YTL) www.ziraat.com.tr



Phoenix Leasing Co. Ltd changes its name

Phoenix Leasing Co. Limited has changed its name to Phoenix Finance & Investments Limited (PFIL). The company already achieved many milestones since its formation. It has opened its 5th branch named SME branch in Dhaka. Financing of SMEs has the prime aim to generate income through creation of job opportunity and employment towards elimination of poverty. PFIL has increased its authorized capital to Tk.10000.00 Million. The Company is in the process of floating Shares (Initial Public Offering) to the general public for raising further paid-up capital of Tk.125.00 as per directive of Bangladesh Bank(Central Bank) as well as to source a position of the fund for investment from the capital market. The Company has also shifted its headoffice to Dilkusha Commercial Area, Dhaka. www.phoenixleasing.com.bd



Bangladesh Finance & Investment Co. Ltd.

Investment Company Limited (BFIC) provides finance for capital machinery to various industry including construction equipment, energy generating equipment, office equipment, medical equipment and transport. The company also provides term finance and working capital finance to the enterprises as well as professionals. As of 2006, net assets of the company reached 1.33 billion Taka which increased by 95% as compared to 2005.



Kuzey Kıbrıs Türk Cumhuriyeti Kalkınma Bankası

Development bank of Turkish Republic of Northern Cyprus announced their 2006 results where total assets have increased by 53.3% from 123.9 million YTL in 2005 to 193.7 million YTL in 2006. Profits in the same period increased by 20.8% to 54.5 million YTL. www.kktckb.org


İŞ LEASING

İş Leasing

Playing an important role in expanding leasing

services and having direct access to customers through extensive distribution channels, İş Leasing is leader in providing tailor-made financial leasing solutions to small and medium-sized enterprises (SMEs), an achievement further consolidated in 2006. Maintaining its position in the face of intense competition, İş Leasing successfully achieved a 20% portfolio growth in 2006. The Corporation was established in 1988 and completed 2006 with \$683 million asset with 103 employees.

www.isleasing.com.tr



El-Nilein Industrial Development Bank of Sudan

El-Nilein Industrial Development Bank of Sudan (NIDBG) was constituted in 1993 with share capital %99 owned by Bank of Sudan. The main objectives of the Bank is to promote industrial development as well as attract local and foreign investments to all sectors of the economy according to Shariaa principles. NIDBG Network comprises about 42 banking branches inside Sudan. As of the end of 2005 total assets of the bank amounted to S.D64.9 billion compared to S.D 44.3 billion in 2004 with an increase of 46.5 percent. The finance portfolio constituted the largest deployment of assets and with an amount of S.D 18.9 billion. www.nidbg.com.



Bank Kerjasama Rakyat

Bank Kerjasama Rakyat Malaysia Berhad (Bank Rakyat) was incorporated in 1954. As the largest co-operative bank in Malaysia, Bank Rakyat provides complete Islamic Banking facilities for the co-operative movement in addition to being a stable financial institution capable of providing a full range of banking and financial services not only to its co-operative members but also for the general public. As of the end of 2006, total assets of Bank Rakyat reached \$7.9 billion, which increased by 14.6% as compared to the previous year with its 111 branches. www.bankrakyat.com.my



Halkbank Launches its IPO

Halkbank, Turkey's number two state-owned bank began its initial public offering (IPO).

The government hopes to raise at least \$1 billion from the sale, which could be the prelude to a strategic sale. Some 25 percent of Halkbank, Turkey's fifth largest bank by market share and nationwide presence, is being sold in the IPO. Its privatization by a block sale earlier had attracted strong interest from abroad. However, the block sale plan was dropped in favor of the IPO approach. Foreign demand for Halkbank shares was 8.7 times higher than the offered amount, while domestic demand was around triple actual availability of shares. Total demand had been over USD 12.5 billion and this illustrated the high interest in the public offering. 70 percent of sales had been made to foreigners and the remaining 30 percent went to domestic investors. At USD 1.85 billion Halkbank's IPO was the highest in Istanbul Stock Exchange (IMKB) history, also the highest public offering for a bank in Europe since 2004. Founded in 1938, Halkbank still focuses most of its operations on the small and medium business sector. www.halkbank.com.tr



Industrial Development Bank of Sudan

Industrial Development Bank was established in 2005 to render comprehensive banking & financial services to the transformational industry sector. The shares of the bank is held by The Ministry of Finance (75 percent) and the Central Bank of Sudan (25 percent). As of end of 2006, the total assests of the bank has reached \$270 million.

www.idb-sudan.com



Nurol Yatırım Bankası A.Ş.

Since its establishment in 1999, Nurobank offers investment advising, factoring, leasing, corporate finance, risk management, financial consulting, and project finance. Loans are made available to select corporate clients to finance operations, technological improvements, real estate, trade and various projects. The Bank employs 42 staff with its assets for about \$80 million. www.nurobank.com.tr



Seminar on “PROJECT FINANCE and INDUSTRIAL CREDIT” held at Porto Bello Hotel Antalya – Turkey, 18-20 April 2007.



There were 18 participants from 8 countries.

The opening session was attended by Mr. Ibrahim Turgutalp, Director of Antalya Region for Agricultural Bank of Turkey, who so kindly contributed to the organisation of the Seminar in Antalya. Br. Turgutalp welcomed the participants to Antalya. Mr. Nasuh Boztepe, Member of the Board, Antalya Water and Wastewater Administration, emphasized

the importance of NGOs in development and wished participants a warm welcome.

Br. Birtek has expressed his pleasure with the level of attendance and congratulated Br. Fouzul Kabir Khan for a well prepared seminar.

The first day and the last day ADFIMI has hosted two dinners outside the hotel when examples of local cuisine were served.

The seminar came to a close on Friday at 20 April 2007 around midday and a certificate ceremony was organized which was attended by Br. Ibrahim Turgutalp, Br. Fouzul Kabir Khan and the Secretary General. Br. Ekbal Hossain gave note of thanks on behalf of the participants.



The Organization of the Islamic Conference (OIC)

The Second Session of the Second Round of Trade Negotiations for Trade Preferential System TPS-OIC held in Ankara, March 27 - 30, 2007.

The TPS-OIC, as a COMCEC project, has been on the agenda of the OIC since mid-1980s. The was adopted by COMCEC and presented to the signature of the member countries in early 1990s.

The first round of trade negotiations for the establishment of the TPS-OIC was undertaken between April 2004 - April 2005, in Antalya outcome of which was the Protocol on TPS-OIC, which is a trade agreement with specific tariff reduction rates and a time-table.

The second round, also hosted by the Government of Turkey, was launched on November 24th, 2006, in Istanbul. Trade Negotiating Committee (TNC), as the name implies, is a forum for negotiating terms and conditions of TPS. The TNC, in its second session, considered the rules of origin and other trade-related issues for the preparation of the necessary ground in order to make the TPS-OIC operational by January 1st, 2009. The move represents a very important step towards the realization of the 10-Year OIC Programme of Action objective of increasing the intra-OIC trade to 20% of total trade of Member Countries.

ABOUT the OIC

The Organization of the Islamic Conference (OIC) is an inter-governmental organization grouping fifty-seven States. These States decided to pool their resources together, combine their efforts and speak with one voice to safeguard the interest and ensure the progress and well-being of their peoples and those of other Muslims in the world over.

The Organization was established in 1969 when the First meeting of the leaders of the Islamic World was held in this city in the wake of the criminal arson perpetrated on 21 August 1969



by Zionist elements against Al-Aqsa Mosque. The Conference secretariat is in Jeddah. And acts in accordance with its Charter of the Organization adopted in 1972.

The Islamic Conference is composed of

- **The Conference of Kings and Heads of State and Government**, also known as the Islamic Summit Conference, is the supreme authority of the Organization which meets once every three years to lay down the Organization's policy and elects Chairman of the Organization who holds office until the next session.

- **The Conference of Foreign Ministers**, which meets once a year to examine a progress report on the implementation of its decisions taken within the framework of the policy defined by the Islamic Summit

- **The General Secretariat**, which is the executive organ of the Organization, entrusted with the implementation of the decisions of the two preceding bodies

Present Secretary General is Dr. Ekmeleddin Ihsanoglu.

So far ten Islamic Summit Conferences and thirty-three Islamic Conferences of Foreign Ministers (ICFMs) have been held. The Tenth Islamic Summit elected Malaysia as the current Chairman of the Organization. Since assuming the Chairmanship Malaysia has initiated the Capacity Building Programme for poverty alleviation in the least developed and low-income OIC Member States. The objective of this Programme is to assist in formulating appropriate projects to strengthen capacity building to enhance human resources development, institutional, organizational, managerial skills, including the development of infrastructures.

It has five Standing Committees and 7 Subsidiary Organs of which () is located in Ankara, Turkey and () is located in Casablanca, Morocco.

Islamic Development Bank is one of four Specialised Organs of the OIC.

OIC recently adopted a 10 Year Action Plan which can be reached at summit/english/10-years-plan.htm

New Books

Two books arrived at ADFIMI HQ. The first is co-authored by Br **M. Fouzul Kabir Khan**, the Chief Executive Officer of Infrastructure Development Company Limited (IDCOL),

Bangladesh, who was the resource person in the successful ADFIMI seminar on project financing recently held in Antalya.

In the words of Kenneth J. Arrow, Nobel Laureate and Professor of Economics at

Stanford, this book is a clear and thorough primer, explaining the complex steps and analyses needed in the finance of large, stand-alone projects. The book was printed in March 2003 and can be purchased from amazon.com

ADFIMI also received with thanks a Compendium on **Banking and Finance** prepared by Br. **Nasiruddin Ahmed**, Executive Vice President, Mutual Trust Bank Ltd, Dhaka, Bangladesh. The book can be purchased from The Pioneer Printing Press.



Upcoming Events

- ▶ 44th ADFIMI Management Committee, 25 May 2007, Dakar, Senegal
- ▶ General Assembly, King Fahd Complex, Meridien President Hotel, Dakar, Senegal, 26 May 2007, 10:00-11:30
- ▶ Annual CEO Seminar, SME Finance in Pakistan and Microfinance in Bangladesh, King Fahd Complex, Meridien President Hotel, Dakar, Senegal, 26 May 2007, 14:15-15:45
- ▶ ADFIMI's Seminar on "Strategic Management for Bankers", Damascus - Syria, 11-13 June 2007.
- ▶ IDB-ADFIMI Workshop on "Financing SMEs for Export Promotion for the Benefit of Central Asian Republics (CARs)" in Baku from 2 to 3 July 2007.
- ▶ IDB-ADFIMI Training Workshop on "Successful SMEs Practices for Arabic Speaking Member Countries", Cairo, September 2007
- ▶ IDB-ADFIMI Workshop on "Introducing ADFIMI in Africa", November 2007

New Appointments:
We congratulate!



Br. Mohammed Abbas Agab for becoming the General Manager of El-Nilein Industrial Development Bank, The Sudan.



Br. Rashid Akhtar Chughtai for being appointed as the President and CEO of SME Bank of Pakistan



Br. Zekai Işıldar for being appointed as the Deputy General Manager of Development Bank of Turkey.

IDB 1440 H(2020) Vision Initiative

The Islamic Development Bank (IDB), mandated by its charter to foster socioeconomic development of its Member Countries and Muslim communities has developed a shared long-term vision for the Bank by consulting widely and intensively, for the first time, with the stakeholders. The vision exercise was undertaken to provide a clear sense of direction for the Bank's activities, to complement existing works and initiatives, to chart its future course and responsibilities, and to take into account external challenges that could impact its mission and operations. Called "IDB 1440H (2020) vision" it was prepared under the direction of a Vision Commission headed by H.E. Tun Dr Mahathir Muhammed, former legendary prime minister of Malaysia and was issued in March 2007.

In the words of Dr. Mahathir "This is the first time in the history of the IDB and the Muslim world in recent time that a definitive statement on the Islamic Vision of Development is advocated. This Vision stresses upon the Deen or Faith, as an important compass for the IDB Member Countries and Muslim communities as well as the world to have a second revisit of what Islam stands for in its totality. The Vision document "has identified several means for realising good social governance, achieving economic and social development in member countries



as well as those which would be required of the IDB. But this is only a blueprint. It remains for the management and the stakeholders of this institution to make it a reality.

Undoubtedly, the IDB is one of the most successful institutions of the Ummah. To remain relevant, it is imperative for the Bank to reinvent itself in order to meet the mounting expectations of the Ummah during a period when the wealth of the community has grown tremendously but paradoxically much of the Ummah wallow in extreme poverty and backwardness. The IDB must play a bigger role in stimulating a more equitable redistribution of wealth through acceptable social and commercial activities so that poverty will be reduced in a sustainable manner while wealth should continue to grow undiminished. The Commission would like to dedicate this document to you, the members of the billion Muslim community of the world. Muslims can yet be a force for the good of mankind in the 21st Century. Muslims have to decide, and remember that Allah Subhanahuwa Ta'ala will not change our destiny unless we put in the efforts to change it ourselves."

ADFIMI congratulates IDB and H.E. Tun Dr Mahathir Muhammed for this seminal work and wishes every success to IDB in its implementation.