



Dear Members,

Assalam-o-Alaikum Warahmatullah
Wabarakatuh

In line with my message in the previous issue we have, by the grace of Allah Almighty, successfully concluded our 44th Management Committee and 23rd General Assembly meetings.

In addition ADFIMI's 17th CEO Seminar on 'Microfinance and SME Finance' was organized concurrently with the 32nd Annual Meeting of IDB Group. I am grateful to SME Bank of Pakistan and Basic Bank of Bangladesh for providing the speakers.

Salient points of the 32nd IDB Group meeting, where a poverty alleviation fund has been established, have been given in detail in this issue.

ADFIMI held its first ever seminar in the historic capital of Damascus on 'Strategic Management for Bankers'. Blue Ocean Strategy was discussed in length. Developing countries could derive lessons from this theory through which they can accelerate their development efforts if they don't want to get into "development blues".

Talking of development, a recent article in the Forbes Magazine disputes the utility of existence of two Bretton Woods institutions. Steve Forbes says that it is time for Bretton Woods institutions to "retire". For more information please visit www.adfimi.org

Best Regards,

Nuri Birtek

Secretary General

- » 44th Management Committee Meeting
- » 23rd General Assembly
- » 32nd Annual Meeting of IDB Group
- » Strategic Management Seminar – Damascus, Syria

CORRUPTION AND SUPERVISION IN BANKING

Corruption, as in all sectors, is one of the most significant problems in banking. Almost all institutions in this sector are prone to experience corruption. There are many scandals at the national and international levels. Prevention of corruptions is closely connected with the strength of supervisory services in terms of financial institutions both internally and externally.

One of the well-known corruption scandals is the case of Bank of Credit and Commerce International (BCCI), created in India and moved to Pakistan in 1947 and later spread its services through its branches in Europe, Africa, and Americas. It is claimed that when BCCI was closed on 5 July 1991, some one million small depositors around the world lost their deposits. BCCI and some of its officers were blamed of charges on fraud, money laundering, and falsifying bank records. Due to insufficient auditing and supervisory services, according to one report (*) BCCI committed the following crimes:

- Fraud and money laundering in Europe, Africa, Asia, and the Americas.
- Bribery of officials
- Support of terrorism, arms trafficking, and the sale of nuclear weapons
- Management of prostitution
- Tax evasion, smuggling, and illegal immigration
- Illegal purchases of banks and real estate.

It is asserted that a powerful supervisory authority which directly monitors and disciplines financial institutions can enhance the corporate governance of banks, reduce corruption in bank's individual and institutional lending, and thereby increase the efficiency of the savings. That is, the financial institutions will be able to perform their main fields of activity appropriately.

Prevention of the corruptions is one of the main



Mehmet Emin Özcan
(ADFIMI Chairman)

agenda items of the international organizations. The Basel Committee, IMF, and World Bank promote the development and strengthening of supervisory authorities in every countries.

Bank for International Settlements (BIS) especially focuses on bank supervision. In this context, the Basel Committee on Banking Supervision was formed. The Committee studies various aspects of supervisory services and prepares some documents like "Supervisory guidance on the use of the fair value option for financial instruments by banks" and "Sound credit risk assessment and valuation for loans" in which they indicate measures to be taken for a good bank supervision.

Removal of corruption necessitates measures both at macro and micro levels. In macro level, a suitable environment for supervision should be provided. In micro scale, drastic measures need to be taken in the financial institutions starting from top management to young officials.

Some measures to be taken in macro level are establishment of an independent banking supervision agency and transparency in the activities of both supervisory authorities and financial institutions.

Measures to be taken in micro level are good intention of the owners of the institutions; employment of managers and staff of high moral values; employing auditors who are expert in their fields; and performing auditing in the institution and re-auditing by an external company.

In a nutshell Agha Hasan Abedi's perception of law that "The only laws that are permanent are the laws of nature. Everything else is flexible. We can always work in and around the laws. The laws change." must in all accounts be avoided. The 'rule of law' should always be our guiding principle.

* Lynne Walker, "Corruption in International Banking and Financial Systems", Paper at the Transnational Crime Conference by AIC-AFP-ACS, Canberra, 9-10.03.2000.



44th Management Committee Meeting

The 44th Management Committee Meeting was held in Dakar Senegal on 25 May 2007 under the able leadership of ADFIMI Chairman Br.M.Emin Özcan. The Committee has made an amendment in the Constitution, re-organised the threshold levels for annual subscription fees and decided to establish a non-resident 'Advisory Council'. The Council is expected to provide additional perspective and contribution in various areas including ADFIMI strategy, products and activities; to expand ADFIMI influence basin with other DFIs, NGOs, academia, international institutions through strategy formulation, developing position on specific points, updating training topics, help determine and develop training topics, financial support, identification of resource persons for training and advisory services. The council will initially have five members and meet twice a year.



17th CEO Seminar

17th CEO Seminar was held on 26th of May 2007 in Dakar Senegal during the 32nd Annual IDB Group Meeting. The seminar was chaired by ADFIMI Chairman Br. M.Emin Özcan.

During the 17th CEO Seminar Br. Md. Mosaddiqur Rahman from Basic Bank of Bangladesh an Associate Member of ADFIMI gave a seminar on "Microfinance in Bangladesh". Br. Rashid Akhtar Chughtai, the CEO & President of SME Bank of Pakistan gave a lecture on "SME Finance in Pakistan". Both were attended by an audience exceeding 40 representatives from member and non-member institutions. After the presentations there were lively discussions on both presentations.

(Both seminar texts are available on www.adfimi.org)



invitation to 17th ADFIMI CEO seminar

Dear Brother / Sister,
You are cordially invited to attend ADFIMI's 17th Annual CEO Seminar on

Micro Finance in Bangladesh and SME Finance in Pakistan

Venue: King Fahd Complex, Member Resident Hotel, CIB / COE Level (D)
Date/Time: 26. May 2007, 14:30 - 20:45 hrs.
During the 32nd Annual Meeting of IDB Group to be held in Dakar, SENEGAL.

Md. Mosaddiqur Rahman
CEO, Basic Bank of Bangladesh

Rashid Akhtar Chughtai
CEO & President, SME Bank of Pakistan

Microfinance in Bangladesh
Following countries will be covered:
Ministry of Agriculture in Bangladesh
Credit Guarantee & Investment Facility, Credit Support
Trustee Committee Association, Promoting Self-help
and Small Business, Export Credit
Ministry Development Programme
Food Development Programme and Microcredit
Programme in Bangladesh
Both of the Donor Bank and Bangladesh of
Microfinance Bill
Loan portfolio and recovery rate
Legal and Regulatory Framework
Risk assessment in the economy and its loan
recovery strategies.

SME Development & Finance in Pakistan
The Government is now on SME development in an
integral part of Poverty Reduction Strategy. The strategy
focuses on strengthening institutional culture and creating
enabling for the growth of existing enterprises. The
government will provide:
An understanding about the ability to compete
in the international market of SMEs in terms of growth
the profits and sustainability of SMEs and
will receive their current status. The new structure and
development partners.
The new structure leads to SMEs in Pakistan
including the business environment, access to credit,
government regulations, financing, etc.
Pakistan's for handling its competitive
environment and the growth of SMEs and
will receive their current status. The new structure and
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IDB GROUP MEETS: 10 Billion USD Islamic Solidarity Fund Launched

IDB Group's 32nd Annual Meeting took place in the capital of Senegal, Dakar on the west coast of Africa, 29 – 30 May 2007. Hosted by H.E. Abdoulaye Wade, President of the Republic of Senegal, a large number of events took place both during and prior to the meeting.



H.E. Abdoulaye Wade
President of the Republic of Senegal



Prof. Ekmeleddin İhsanoğlu
Secretary General of OIC



Dr. Ahmad Muhamed Ali
President of IDB

- Probably the most important outcome has been the launching of the US\$ 10 billion Islamic Solidarity Fund for Development designed to combat poverty and its causes in member countries as a Waqf fund. So far, 28 IDB member countries have pledged to contribute an overall amount of US\$ 1.6 billion of which US 1\$ Billion was generously donated by Saudi Arabia.

- An "International Islamic Financial Policy Forum" was also proposed to be established. The IDB's Board of Executive Directors will finalize the studies and consultations required to establish the Forum and will then submit its recommendations to the Board of Governors at its next meeting.

- The IDB Governor for Bahrain was elected Chairman of the Board of the 33rd session.

- The 7th meeting of the Supreme Council of the Al Aqsa and Al Quds Funds under The Chairman of the Supreme Council of the Funds indicated that so far US\$ 705 million has been disbursed. The Funds have helped to build tens of thousands of houses, roads, schools and to install water pumps and electrical lines. They have helped to provide health care and education to the people greatly affected by Israel's acts of aggression.

- 18th IDB Annual Symposium "Capacity Building for the Promotion of Trade and Investment in Africa" was another important event which called for greater exchange of expertise and information as well as capacity building for networking and for syndicated financing. And the best way of ensuring success is to forge strategic partnership for geographical expansion and market penetration.



SENEGAL

Population : **11 Million**
 Area : **200.000 Km2**
 Capital : **Dakar, 2 Million inhabitants**
 GNP Per Capita : **790 USD – 2005**
 Economic Growth : **5,5% – 2005**
 Currency : **CFA Franc** (1 Euro = 655,957 CFA)
Member of OIC, IDB, UEMOA and ECOWAS

PRIZES:

IDB Prize for Islamic Economics to the renowned academic, His Excellency Dr. Abdussalam Alabadi, former Minister of Awqaf and Religious Affairs, in recognition of his outstanding research work on how to develop Islamic economics.

Prize for Science and Technology was awarded to three academic institutions, namely, the National Agricultural Research Institute of Rabat for its outstanding effort in socio-economic development in Morocco, the Higher Institute in Political Science Studies of Zanjan in Iran in recognition of the Institute's effort in political science development and the Food Technology Institute of Dakar in recognition of the Institute's outstanding effort in the development of food technology in Senegal.

New prize called **“Women’s Contribution to Development”** was jointly awarded to two Sudanese ladies (Individual Category), namely, Mrs. Wafia Bashir Al Tahir Issa and Mrs. Alawiyya Omar Ahmed Alusti in recognition of their effort in the promotion of girls’ education in poor rural areas all over Sudan. As for women’s non-governmental organizations, the winners were the Wafa Charity Society of Saudi Arabia and the Child and Women Development Society of Yemen in recognition of their efforts to improve women’s socio-economic conditions in both countries.

- An IDB symposium was also held on roll back malaria in member countries. It was attended by the Minister of Health of Senegal and the IDB Governors for the ten member countries covered by the first phase of the Bank’s fifty million-dollar emergency roll back malaria programme.
- The 14th annual meeting of the Board of Governors of the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) and the 7th General Assembly of the Islamic Corporation for the Development of the Private Sector (ICD) were also held during the same period.
- The General Assembly of the International Islamic Trade Finance Corporation (ITFC) increased, at its second meeting, the subscribed capital of the ITFC to US\$ 750 million (from US\$ 500 million) in a bid to enable the ITFC boost member countries’ efforts to finance and promote trade.
- IRTI has organized a symposium on “Islamic Microfinance Development: Challenges and Initiatives” which attracted a large audience
- There were also other symposia on knowledge economy, on youth and women unemployment: challenges and solutions, on private sector development in Africa.

“Strategic Management For Bankers” seminar was held in Damascus



Mr. Ee Kow Keang

The Strategic Management For Bankers seminar was held in Damascus from 11 to 13 June 2007. There were 10 participants from 6 countries. The participants spent a very fruitful 3 days discussing and sharing their experiences on the many challenges faced by bankers today and what they have to do to meet these challenges.

The seminar was facilitated by Mr. Ee Kow Keang from Malaysia. The discussions focused more on the changes affecting banks and bankers today and what they can and should do to not only manage the changes but also benefit from them. He also discussed some of the more important concepts and principles of strategic management as well as popular and useful planning models and tools.

An area where considerable time was spent discussing was the pre-requisites for strategic planning. It was highlighted that to plan strategically, one must first “think strategically”, which, among other things, requires one to:



- a) see the “big picture” of things, to not lose sight of the forest for the trees,
- b) have a sense of reality, to see the situation as it is and not as what he or she wishes to be,
- c) have a business sense, to intuitively bring a commercial perspective to important issues,
- d) dare to challenge the rules of the game, to not be afraid to ask “Why not?” and
- e) be creative and innovative, to think “out-of-the-box”, to see things differently from how they have always been seen.

There was also considerable interest in and discussion on the “blue ocean strategy” advocated by W. Chan Kim and Renee Mauborgne (whose book *Blue Ocean Strategy* was recommended by Mr. Ee as a “must read”). According to Professor Kim and Professor Mauborgne, the business world is divided into two instinct kinds of space – the red and blue oceans. Red oceans represent the existing market space where companies try to outdo one another by grabbing a larger share of the existing demand. As the competition intensifies, growth slows, profits are trimmed and the “water turns bloody”. Blue oceans, on the other hand, represent the new and unknown market space free of competition and where demand is created rather than fought for. The blue ocean strategy, thus, suggests that companies should create uncontested market space for themselves and make the competition irrelevant rather than to continue trying to beat the competition in their existing red oceans.

P.S For seminar notes go to www.adfimi.org



The 23rd General Assembly

The 23rd General Assembly (GA) meeting convened in Dakar, Senegal with Br. Mehmet Emin Özcan in the chair.

The GA has accepted four new members one each from Pakistan and Azerbaijan and two from Sudan and elected Bank Pembangunan of Malaysia as the new member of MC for a three-year tenure and decided to extend tenures of Ziraat Bank of Turkey and Bank Keshavarzi of Iran for three more years. GA has re-organized the threshold levels of annual subscription fees.



New Appointments: We congratulate!

Mr. Iqbal Hassan for being appointed as the President / CEO of PICIC Ltd of Pakistan.

Br. Murat Çetinkaya for being appointed as the Deputy General Manager of Halkbank of Turkey.



Moody's Assigns AAA Long-Term and Prime-1 Issuer Ratings to IDB on 06 June 2007

The Islamic Development Bank (IDB) has received AAA long-term and Prime-1 short-term issuer ratings from Moody's Investors Service for the second year in a row. Moody's, a major world credit rating agency, described IDB outlook on the ratings as 'stable'. According to Moody's Vice President, despite a risky operating environment inherent in its role as a development bank, the IDB's operational assets continue to perform well, with a very low level of impairment. He also stated that the Bank enjoyed a high level of liquidity and a very low level of debt, partly because of the Islamic, asset-based nature of its operations that is unique among Multilateral Development Banks.

Commenting on the report H.E. Dr. Ahmad Mohamed Ali, IDB President pointed out that the new ratings complements the same level of rating assigned to IDB by Standard & Poor's for the five consecutive years.

Upcoming Events

- ▶ IDB-ADFIMI Workshop on "Successful SME Practices for the Benefit of Arabic Speaking Member Countries", Cairo, 2-3 September 2007.
- ▶ ADFIMI's Seminar on "Project Appraisal & Evaluation", Islamabad, October 2007.
- ▶ IDB/ADFIMI Workshop on "Introducing ADFIMI in Africa", Yaounde, Cameroun, 19-20 November 2007.
- ▶ Seminar on "Islamic Capital Markets; Sukuk Structures and Issuance", Istanbul, 5-6 November 2007
- ▶ Seminar on "Renewable Energy Finance", Cairo, 4-5 December 2007.

Pak Oman Appointed as Primary Dealer



State Bank of Pakistan (SBP) has on July 2007 reappointed Pak Oman Investment Company as Primary Dealer for the financial year 2007-08. This reappointment is based on the active role played

by Pak Oman in the development of primary and secondary markets of government securities in accordance with instructions issued by SBP. Pak Oman has the distinction of being the only DFI to be selected by the State Bank of Pakistan.



National Investment Corporation of Cameroun (SNI)

Set up in 1964, the National investment Corporation (SNI) is a state owned institution. Its main objective is to actively promote productive investment with high growth potential and profitability in all economic sectors both at the national and the international level.

SNI specialises in venture capital and provides strategic counselling to the State and assists private investors in designing productive investment. With an Equity Capital of 22 Billion F CFA (Circa USD 46 Million) and accumulated investment of 368,6 Billions F CFA (Circa USD 772 Million), it currently has about thirty enterprises in its portfolio. These enterprises operate in such diverse sub-sectors as agribusiness, fishing and stockbreeding, timber and paper pulp, food industry, textiles and dressmaking, building materials, metalwork and electro-mechanical engineering, chemicals, energy, hotels, tourism, advertisement and banking.

www.sni.cm