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## Dear Members

Assalam-o- Alaikum Warahmatullah  
Wabarakatuh

I have the pleasure of presenting you  
the first ever issue of ADFIMI  
Newsletter. It will regularly be issued  
on a quarterly basis.

In order to serve its purpose of  
increasing co-operation and contacts  
between the members, members are  
requested to appoint a person from  
their institution to feed us with the  
developments in their organisations.  
We need concise accounts of events  
that would be considered as 'news'.  
In addition it is highly desirable that  
such accounts should be  
accompanied by high resolution  
images.

Do not hesitate to send me your  
comments, criticisms

I look forward to your full cooperation  
in order to produce a good quality  
newsletter.

Best regards

Nuri Birtek  
*Secretary General*

“

'Economic activity, because it is  
activity, focuses on the future; and  
the one thing certain about the  
future is its uncertainty, its risks. It  
is no accident that the word 'risk'  
itself in the original Arabic meant  
'earning one's daily bread'; it is  
through risk taking that any business  
man earns his daily bread.'

**Peter F. Drucker**  
*The Practice of Management*

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#### FROM THE CHAIRMAN

Dear members,

The idea of publishing a newsletter was expressed in the 22nd GA. When our new Secretary General Br.Nuri Birtek wanted to initiate the work I did not hesitate. This newsletter, I believe, shall improve communication between our members and provide a forum for exchange of ideas. I would like to thank Br.Birtek and all those who contributed to this first issue.

I would like to seize this opportunity to touch upon an important subject of corporate governance.

Corporate governance, as a multi-faceted subject, means a system of management, a set of managerial processes, a managerial regime, and a complete way of life for corporations and for DFIs being no exception. James Wolfensohn, former president of the World Bank, describes it being "about promoting corporate fairness, transparency, and accountability". However, due to lack of such key elements of ideal corporate governance of honesty, trustworthiness, openness, responsibility, accountability, and commitment to the organisation in those international and multinational corporations have resulted in collapses, bankruptcies. It surfaced especially after the World's Economic Crisis starting initially from Asian Countries in 1997 and resulting in the infamous Enron, WorldCom, Arthur Andersen, Global Crossing, and Tyco cases.

In order to achieve a corporate governance specific institutional structures should be established. According to OECD the corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as; the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance.

This understanding leads us, as DFIs, to become aware of the fact that for a longer and healthier institutional development, it is a must to consider all parts of our institutions inclusive of the shareholders, other stakeholders, board of directors, management, and the customers as a whole.

Corporate governance also includes the relationship of a corporation to the society more broadly. Thus, as DFIs, we must not neglect the social part of the issue. We have commitments to our societies as well. As a matter of fact, our constitutional aim is relevant to this broad meaning of corporate governance. Therefore, development of financial institutions, that is us, means the improvement of our societies and of the world in large scale.

Mehmet Emin Özcan  
(ADFIMI Chairman)  
Member of the Executive Board  
T. C. Ziraat Bankası A.Ş.  
Ankara-TURKEY

## ADFIMI

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

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 55 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 ACTIVITIES IN 2006

## GENERAL ASSEMBLY IN KUWAIT

**A**DFIMI's 22nd General Assembly (GA) convened in Kuwait, State of Kuwait on 27 May 2006. Br. Nuri became the new Secretary General the same day. Over 30 members attended the GA. The 23rd GA will be held in Senegal in 2007.

With resolutions of 21st GA the G.A has accepted for new members: Atabank JSC and Rabitabank JSCB from Azerbaijan and Oman Development Bank from Oman. Atabank JSC, a Joint Stock Company, has 15 branches and its total assets stand at 31,773 Million New Azerbaijani Manats. Rabitabank JSCB has 11 branches and its total assets stand at 33,374.55 Million New Azerbaijani Manats. Oman Development Bank has 10 branches and its capital currently stands at 20 Million Omani Rials.



## CEO FORUM HELD IN KUWAIT

**A**DFIMI's 3rd CEO Forum was held in Kuwait, State of Kuwait on 27 May 2006. The theme of the Forum was "Gearing up for Basel II Implementation" and the lecturers were Br. Murat Maziba from Banking Regulation and Supervision Agency in Turkey and Coşkun Küçüközmen from Central Bank of Turkey.

## SEMINAR ON ADVANCE CORPORATE FINANCE & PROJECT FINANCE

**A**DFIMI, has organized a seminar on "Advanced Corporate Finance and Project Finance" on 20-22 September 2006 in Istanbul. Both theoretical and practical information on corporate financing and project financing, financial projecting, project evaluation, mergers-acquisitions, privatization procedures, risk management, corporate financing and experiences in project financing. Has given. 16 participants from 9 countries namely Azerbaijan, Bangladesh, Malaysia, Egypt, Pakistan, Sudan, Turkey, Turkmenistan, and Uganda attended the seminar.

The seminar was conducted by Dr. Murat Yülek of PGLOBAL Global Advisory Services with valuable practical contributions from Moazzam Mekan of IFC, Ibrahim Öztöp of Industrial Development Bank of Turkey, and Salih Berberoğlu of Limak Holding.



## T.C. ZİRAAT BANKASI A.Ş. (ZİRAAT BANKASI) – TURKEY



**T.C. ZİRAAT BANKASI** With assets of USD 48.6 billion representing the largest share in Turkish Banking Sector, Ziraat Bankası has targeted to become the leading bank in Turkey by catching the contemporary trends in the evolution of the sector. Established in 1863, it is one of the oldest banks in Turkey. With employees approaching 21,000, Ziraat, gives more importance to financing agricultural businesses with a view of establishing the modern agricultural enterprises. In 2005, a total of 7,539 projects costing USD 284 were financed.

## PHOENIX LEASING COMPANY LIMITED (PLC) – BANGLADESH



**Br. A. Quadir Choudhury**  
Managing Director

PLC, as a limited public company, operates in different sectors, with total assets for USD 51.87 million, employing 62 staff and HQ in Dhaka. The main objective of PLC is to allocate scarce financial resources to capital investment through funding in capital machinery / equipment. It has recently opened a new branch office

at Bogra and offers lease products and services among the people of Northern part of Bangladesh.

## TÜRKİYE HALK BANKASI A.Ş. (HALKBANK) – TURKEY



One of ADFIMI's founding member, Halkbank, established in

1933 as Turkey's premier bank for small to medium-sized enterprises with total assets in excess of USD 20 billion, employing over 11,000 people. A state owned bank, Halkbank, having the fourth largest network in Turkey as of 2005, operates through 553 branches nationwide and disperses loans of Council of Europe Development Bank (CEDB), European Investment Bank (EIB), Agence Française De Développement (AFD), The World Bank (IBRD), totalling €151 million in 2006. Halkbank is presently being assessed by an international company for privatization.

## THE STRATEGIC RESERVE CORPORATION (SRCO) – SUDAN



is presently constructing Rabak silo project, considered as one of big projects to be undertaken by government. SRCO as a governmental institution has the mandate to establish reserves of strategic

commodities and to oversee the storage sector to stabilize market especially for cereals. SRCO also imports cereals to bridge the shortage in food.

## NUROL YATIRIM BANKASI A.Ş. (NUROLBANK) – TURKEY



A privately owned investment bank, NuroBank, is a

member of ADFIMI since 1999, with assets over USD 80 million, and 42 employees. The bank 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. In the past five years, NuroBank has been tested by adverse market and economic conditions, however, it has not only survived but grown stronger and more skillful. Some of the recent success stories of the Bank are as follows: Financial advisor in the privatization of TEKEL in the acquisition for OOO Rockland, Russia; Advisor for selection On-lending Bank under Small Enterprise Loan Programme for Kreditanstalt für Wiederaufbau (KfW); Advisor to Turkish Privatization Administration for Karadeniz Bakır İşletmeleri A.Ş. – Eti Bakır İşletmeleri.

## AZERIGAZBANK – AZERBAIJAN



Azerigazbank had been awarded at the "Caspian Energy Award Ceremony" as the "Best Corporate Bank of 2005 in Azerbaijan". With its 190 staff, Azerigazbank's main activity is financing of production and

trade sector in Azerbaijan Republic. Total cost of its projects approved as of 2005 was USD 7 million and almost all of them have been realized in the industrial sector. Azerigazbank is the only bank in Azerbaijan having two credit lines one from International Finance Corporation, and another from the European Bank for Reconstruction and Development. Azerigazbank successfully continues the program of financing SMEs.



## THE INDUSTRIAL DEVELOPMENT BANK OF EGYPT (IDBE) - EGYPT



Shahin Serageldin  
Chairman

IDBE, an autonomous specialized financial institution focusing on providing structured finance to the newly emerging private sector industrial projects, operates with total assets of USD 436 million, employing 872 people. Realizing the importance of the industrial sector, especially SMIEs, as a catalyst for

invigorating the national economy, IDBE has always been a fore-runner in financing SMIEs. This was complemented by extending a variety of technical, marketing and financial services.

## BANK KESHAVARZI-IRAN



Sayed Hassan  
Chairman and Managing  
director

With its total assets of around USD 130 million, Bank Keshavarzi, operates in different sectors particularly agriculture and industry. By the end of 2005 the total cost of projects approved has reached USD 5.5 million of which USD 4 million was agricultural targets. Bank Keshavarzi has an important

role in financing SMEs, employing its qualified over 15,000 professional staff. Bank Keshavarzi, continued its rapid transformation into a modern, effective financial institution, more than doubling its net profits in the year to March 2005 and winning the bank of the year award for the third year in a row. The Bank was also awarded as the best bank in Iran as well by Euromoney.

## IŞ LEASING-TURKEY



Iş Leasing, initially established as a partnership of the World Bank, Türkiye İş Bankası, Türkiye Sınaf Kalkınma Bankası, Sınaf Yatırım Bankası and Societe

Generale in 1988, Türkiye İş Bankası (Iş Bank) purchased all the shares of foreign partners in 1995 after a successful partnership period. Through Iş Bank's country wide dispersed branches, Iş Leasing has been one of the biggest and most reliable

companies in the rapidly growing Turkish leasing sector. It is publicly owned by around 42 % as of 2006. With its USD 546 million total assets as of end of 2005, employing 103 people, Iş Leasing has undersigned many important projects, with a continuously growing and increasing business volume. As a strong business partner, Iş Leasing will continue to support investors, providing fast, accurate and effective evaluation to investment projects.

## SAUDI-BANGLADESH INDUSTRIAL AND AGRICULTURAL INVESTMENT COMPANY LTD. (SABINCO) - BANGLADESH



SABINCO, activating especially in industrial and agricultural sectors, has the total amount of assets for USD 61 million as of 2005 and employs 43 personnel. SABINCO has dispersed its whole loans for USD 2.29

million to nine projects in the industrial sector as of 2005. The Bank has line of leasing with IDB as well. The amount of IDB financing facility is ID 2.04 million.

## PAK OMAN INVESTMENT COMPANY LTD. (PAK OMAN) - PAKISTAN



Pak Oman is the first DFI to gain the status of a Public Limited Company, thereby paving the way for its listing on the stock exchanges of both Oman and Pakistan.

With its total assets for USD 200 million, employing 81 people, Pak Oman has approved many projects in Industrial sector by providing financial source for USD 49 million. Some of recent achievements of the institution are as follows: Its Treasury Department is the first DFI to establish a dedicated corporate desk. It has retained its long term credit rating of AA (plus) for the third year running. It recently set up the nation-wide 'Pak Oman Microfinance Bank'. It has a nationwide presence with offices in Karachi, Lahore, Islamabad, and Gwadar. It is the only Joint-Venture Company with an overseas branch in Muscat, Oman. It is the first DFI to advise and arrange a Commercial Paper issue in Pakistan.



## TÜRKİYE VAKIFLAR BANKASI T.A.O. (VAKIFBANK) – TURKEY



Vakıfbank, a joint stock company, established in 1954, is one of ADFIMI's founding members.

Although its initial purpose was management of cash derived from revenues and expenditures of the charitable foundations set up during the Ottoman Empire, Vakıfbank, today, executes general banking functions, such as, inter alia, commercial lending and deposit collection, a wide range of banking services and making equity investments and SME financing. Vakıfbank, with total assets of USD 24 billion as of 2005, employing 7,164 personnel, is one of the leading banks in Turkey.

## BANK PEMBANGUNAN MALAYSIA BERHAD (BPMB) – MALAYSIA



BPMB, as one of ADFIMI's founding

members, is owned by the Malaysian Government through the Minister of Finance. The Bank is mandated to provide medium to long term financing to capital-intensive industry, which include infrastructure projects, maritime, and high technology sectors. In addition to the provision of financing, the Bank has also made a number of strategic investments in various sectors. With its total assets for USD 5 billion, employing 460 staff, the BPMB approved in terms of sectors are; 42 projects in maritime industry for USD 60 million; 9 projects in high technological area for USD 27.6 million; and 25 infrastructural projects for USD 1,254 million. BPMB, as an indicator of its successes, received "Infrastructure Development Award" and "Development Finance-Led Poverty Alleviation Award" from the ADFIAP in 2005.

## BANGLADESH SMALL INDUSTRIES AND COMMERCE BANK LIMITED - BANGLADESH



BASIC Bank Limited is a state-owned institution, however, it has not been nationalized; therefore operates like a private bank. The Bank was established as the policy makers of the

country felt the urgency for a bank in the private sector for financing small scale industries (SSIs). With its assets totaling USD 382 million as of 2005, employing 607 people, BASIC Bank Limited provides term loans to small scale enterprises; provides full-

fledged commercial banking services; gives technical support to small scale industries; and provides Micro credit to the urban poor.

## EXPORT CREDIT BANK OF TURKEY (EXIMBANK) – TURKEY



Eximbank, a fully state-owned bank, is promoting

Turkey's exports through diversification of exported goods and services by increasing the share of Turkish exporters in international trade, finding new markets for traditional and non-traditional export goods and providing exporters and overseas contractors with support to increase their competitiveness and to ensure a risk-free environment in international markets. As a means of aiding export development, Eximbank offers specialized financial services through a variety of credit, insurance and guarantee programs. Eximbank, with total assets for USD 2.6 billion, employing 371 personnel, approved 3 major projects in industrial sector; two of them totalling for USD 8 million, and the third one for € 2.1 million in 2005. The Bank extended a credit line of € 15 million to Banca Nacional de Cuba in 2005 as well. It has a close relation with IDB and number of the approved operations has reached 82, totaling USD 420 million.

## PAKISTAN INDUSTRIAL CREDIT & INVESTMENT CORP. LTD. (PICIC) – PAKISTAN



As one of the first development finance institutions established with the World Bank Group assistance

In 1957, PICIC has been actively playing its due role towards economic development of the country. PICIC is primarily engaged in catering to the financial needs of large and medium size industrial projects in the private sector. This assistance is provided within the framework of the industries which are covered under the Industrial Investment Schedules issued by the Government of Pakistan from time to time. PICIC, with its total assets for USD 675 million as of 2005, employs 777 staff, has been focusing on industrial sector essentially. Number of the projects approved as of 2005 was 1202, totaling USD 150 million. TKB occupies an important role as a development

## TÜRKİYE KALKINMA BANKASI (TKB) – TURKEY



and investment bank for its contribution to the financing of industry, tourism, education, health and energy sectors. Besides supplying loans in medium and long-terms to the above mentioned sectors, TKB has

now an effective role in other activity fields like project assessment, leasing, rehabilitation, equity participation, fund management, banking operations, and training activities. TKB has total assets for USD 514 million as of 2005, and employs 709 people. The Bank approved 77 projects in industry, tourism, services, and energy sectors totalling for USD 125.4 million in 2005. In 2005, Fitch ratings raised the Bank's National Long Term Rating from A-(tour) to A(tur) and declared its standing as "stable". TKB has been awarded by ADFIAP in 2006 for its two local economic development (LED) projects.

## TURKMEN TURKISH JOINT-STOCK COMMERCIAL BANK (TTCB) – TURKMENISTAN



TTCB, as being first foreign capital joint-venture corporation in Turkmenistan, came into force in 1993. The bank has total assets of around USD 13 million, and employs 48 people. The Bank, as one of

ADFIMI's associate members since 2001, activates in commercial fields and finances SMEs.

### NDFIs: Challenges In Changing Times

Much has changed since the modern day national development finance institutions (NDFIs) first appeared in roughly the second half of the last century. To name a few of these changes from a factual rather than normative point of view:

- ✓ World trade and capital flows has increased sharply; and in the event, official capital flows became dwarfed by private flows.
- ✓ Private sector became recognized as the prime force of economic growth and privatisation became widespread.
- ✓ East Asian experience showed economists that developing countries can manage to grow sustainably and fast.
- ✓ Before many poor countries started a systematic path of industrialization, China, India and ex-Soviet Republics got integrated in the world economy with relatively lower labor costs and flooded world markets with low cost products.
- ✓ Technological breakthroughs accelerated while digital divide has emerged and rapidly widened.

Under rapidly changing global and national surroundings what are some of the most important challenges that the NDFIs face? Below is not an exhaustive list but pretty much covers most of the major challenges:

- ✓ **Sustainability** is still one of the prime challenges of NDFIs and translates into many sub-challenges such as governance, independence from political whims, control and quality of man power.
- ✓ **Concentrating, creating and monitoring impact;** positive economic and social impact is what counts at the end of the day.
- ✓ **Effective cooperation with private players,** be them formal DFIs or not, as well as supporting successful public-private partnerships.
- ✓ **Development or adoption of new and market-friendly instruments** well tailored to local needs. Plain vanilla term lending is still the name of the game at many NDFIs.
- ✓ **Widening / zooming the scope**
  - Whether and how to address **infrastructure development needs**
  - Addressing the needs of **smaller borrowers** which directly impacts poverty and unemployment. A related challenge is whether and how to develop (viable) microfinance windows.
  - **Whether and which sectors to target?** NDFIs may function as an effective industrial policy tool that can combat market failures. But that is a risky call as that route may quickly lead to unsustainability.
- ✓ **Mobilizing adequate capital** enhances the resources of the NDFIs but it also imposes a market discipline on them.

## Training Programmes 2007 - 2009

- 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
- 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
- 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)
- Hedge Funds
- Human Resource Management
- Time Management
- Human Resource Management and Development
- Training of Trainers



IDB has for the fifth consecutive year been rated in the highest category in the international credit risk rating at AAA for long term and A1+ for short term by Standard and Poor's. IDB also obtained for the first time in 2006 the highest credit rating from MOODYS of AAA for the long term and P-1 for the short term. IDB has increased its authorised capital to 40 billion USD and subscribed capital to around 21 billion USD. IDB also established the Poverty Alleviation Fund with resources amounting to 5 billion USD. In compliance with the resolutions of Tenth Islamic Summit IDB has established, with the 43 IDB Member States approving the articles of association, the International Trade Financing Corporation (ITFC). The Corporation has an authorised capital of 3 billion USD and will be in charge of all trade financing activities. Cumulative financing total credited by IDB Group has reached 49 billion USD for over 4980 operations.

## UPCOMING EVENTS

- Management Committee Meeting 10 - 11 December 2006, Khartoum, The Sudan
- National Level Seminar on "Strategic Management for Bankers" 12 - 14 December 2006, Khartoum, The Sudan
- Seminar on "Competency Based Human Resource Management and Organisational Learning", Kuala Lumpur 25-27 December, 2006
- General Assembly May 26, 2007, Dakar, Senegal. CEO Seminar May 26, 2007, Dakar, Senegal.

### We congratulate

- Br. Abdelrahman Hassan Abdelrahman** for becoming the General Manager of Omdurman National Bank, Sudan in October 2006.
- Dr. Anthony K. Appiah** as CEO of Uganda Development Bank Ltd, effective from 1 November 2006.



22.nd Meeting of the Standing Committee for Economic and Commercial Co-operation (COMCEC) was held in Istanbul 21-24 November 2006. SG of ADFIMI attended the meeting which was chaired by HE The President of Turkey. There were high level officials from 48 countries with 22 ministers. Secretary General of OIC, Prof. Dr. Ekmeleddin İhsanoğlu and IDB President Dr. Ahmad Muhamed Ali were among the speakers at COMCEC. Trade Preferential System negotiations (PRETAS) among OIC member countries took place immediately after the COMCEC for two days.



Atabank and Unibank Representatives at the 4th Turkey, Caspian and Central Asian Banking and Finance Summit



SG Addressing 4th Turkey, Caspian and Central Asian Banking and Finance Summit