



ADFIMI newsLetter

ASSOCIATION OF NATIONAL DEVELOPMENT FINANCE INSTITUTIONS

IN MEMBER COUNTRIES OF THE ISLAMIC DEVELOPMENT BANK

April – June 2014 Issue 31

CEO SEMINAR ON “FINANCIAL INCLUSION”

30TH GENERAL ASSEMBLY

“GREEN FINANCE” CONFERENCE IN ISTANBUL

UGANDA DEVELOPMENT BANK LTD: FINANCE PRACTICES

58TH MANAGEMENT COMMITTEE



IDB'S 40TH ANNIVERSARY

THE MANAGEMENT COMMITTEE MEMBERS

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Vice Chairman of Vakıfbank
Turkey

Br. Datuk Mohd Radzif Mohd Yunus
ADFIMI Vice Chairman
Managing Director of SME Bank
Malaysia

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Chairman & Managing Director
Bank of Industry & Mine
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Br. Musa Shiadeh
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CEO
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Bank Kerjasama Rakyat Malaysia
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Br. Muhammad Mohsin Ali
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COVER: A VIEW FROM JEDDAH

Dear Members.

Assalamu Alaikum,

In this issue we report on various ADFIMI events and IDB Group's 39th Annual Meeting that took place in the second quarter of 2014.

As requested by the Management Committee members, ADFIMI will promote specific instruments/financing modes of its members in an attempt to share good practices and increase networking among members. In this issue we continue with the Development Bank of Uganda.

Members are encouraged to send the secretariat their exemplary and novel practices for publication. Text should not exceed 1000 words and any photos or graphic material should not be less than 300 dpi.

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 over 50 members in 19 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, Baku, Cairo, Ouagadougou, Asghabat, Beirut, Dakar, Sarajevo, Prishtina, Lome, Dushanbe, Damascus, Khartoum, Dhaka, Girne, Islamabad, Kuwait City, Antalya, Kampala, Dubai, Maldives, Tunis).

ADFIMI aspires to be "a forum for development".



IDB at 40: The exemplary role of Dr. Ahmed Mohammed Ali

It was a joyous occasion to be in Jeddah for the 39th Annual Meetings of IDB Group.

Islamic Development Bank has commemorated its 40th Anniversary this year with thousands of participants from all over the world from 22 June to 26 June.

H.E. Prince Salman Bin Abdulaziz, the Crown Prince, Deputy Premier and Minister of Defense of the Kingdom of Saudi Arabia was the chief guest of honour and presented Dr. Ahmed Muhammed Ali, the President of IDB for his dedicated services to the Muslim Community with the “Scarf King Abdulaziz Second Class” on behalf of H.E. King Abdullah Bin Abdulaziz, a most deserved designation.

It is a Commonly Accepted fact that in its 40 years of existence, IDB has achieved monumental work in OIC member countries, in four continents. It is also a commonly accepted fact is that this work was primarily a brainchild of Dr. Ahmed Mohammed Ali, its president, a living legend of our times.

IDB was founded in Maccah Al-Mukarrama in 1974 during the time of most beloved King Faisal Bin Abdulaziz Saud for the realization of Islamic Solidarity which he considered to be essential to fulfil its aspirations toward

achieving progress and prosperity. May Allah Almighty’s blessings be upon him, King Faisal has allocated his Royal Office “Qasr Niaba” to become temporary office of the IDB.

IDB has been on a constant move. IRTI was established in 1981, Adahi Project in 1982, Scholarship Project in 1983. ICIEC came in to existence in 1994, ICD in 1999, Islamic Solidarity Fund in 2007 and ITFC in 2008. IDB also had AAA ratings since 2002 and was awarded Zero Risk – Weight by Basel Committee on Banking Supervision and the EU.

Besides thousands of projects financed (which has exceeded USD 100 billion) and founding of institutions (like IRTI, ICD, ITFC, ICEC), IDB is the founder of Islamic Finance and its premiere proponent. Among the innumerable activities, its scholarship programme is one of the most notable which is ongoing in 107 member and non-member countries. So far 14,500 persons have benefited from this programme for which IDB has spent USD 156 millions.

ADFIMI is proud to have Dr. Ahmed Mohammed Ali as its Honourary Member and wishes him a long, healthy and useful life. ADFIMI also congratulates and thanks the past and present distinguished IDB teams who contributed to this monumental work.

M. Emin Özcan
Chairman



FINANCING PRACTICES OF UGANDA DEVELOPMENT BANK LTD

1.0 Background of Uganda Development Bank Ltd

Uganda Development Bank Ltd (UDBL) was established under degree No. 23 of 1972 as Uganda Development Bank (UDB); with the mandate of financing development projects in the various sectors of Uganda's economy. The bank was the designated development finance institution ("DFI") in the country. The bank is 100% owned by the government of Uganda. UDB was mandated to finance projects that were technically feasible, commercially and economically viable and socially desirable.

The financing practices of the Bank is guided by the Bank's lending and Investment policy, with detailed procedures laid down in the lending and investment manual and are both reviewed from time -to-time as determined by the changing market conditions and approved by the Bank's Board of Directors.

2.0 UDBL Credit Management Process

The day-to-day administration of the credit function of the Bank is undertaken by the Development Finance Department of the Bank headed by the 'Head of Department' and the department is structured into three (3) units

- i) The Business Development Unit: Responsible for business origination and packaging the project concept. The unit is also responsible for monitoring, supervision and reporting of all projects financed by the Bank.
- ii) Credit Analysis Unit: Responsible for further analysis of the project paper, as it is an independent check in ensuring that the project is viable and worth financing by the Bank.
- iii) Collection and recovery Unit: Responsible for the day-to-day collection of loan principals and interest that has fallen due and those that are overdue for recovery.

The credit analysis process also flow through the Risk Management Unit that is tasked with the identification and assessment of risk associated with each and every project financed by the Bank

In addition, Legal due diligence is carried out on every project prior to its financing to ensure all legal risks are addressed and adequate documentation is in place to protect the Bank from possible future legal challenges.



Patricia Adongo Ojangole – CEO, UDBL

3.0 UDBL Credit approval process

The credit approval structure of the Bank's credit facilities covers the following:

- i) Departmental Credit Committee (DCC): This is a committee of middle level managers in the Development Finance Department who meet to discuss whether all the issues surrounding the project (s) are clearly brought out and addressed prior to presentation of the project papers to the Management Credit Committee.
- ii) Management Credit Committee (MCC): This committee is composed of senior management of the Bank who meet to discuss all projects proposed for financing by the Bank. This committee ensures that all risks and legal issues surrounding the project are adequately addressed.
- iii) Board Credit Committee (BCC): For projects equal to or above \$20,000 or Uganda Shillings 500,000,000, the final approval rests with the Board Credit Committee.

4.0 Sector Financed by Uganda Development Bank

Uganda Development Bank's policy is to diversify its portfolio by distributing its financing among the various sectors falling within its key priority areas. This enables the Bank to effectively manage risks associated with projects/ entities and sectors

In line with this, the Bank categorizes the economic sectors into five (5). The 5 sectors in order of priority include:

- i)-Agriculture, Agro-processing & Other Manufacturing Activities,
- ii)-Social Infrastructure, Construction and Real Estates;
- iii)-Education, Health & Hospitality;
- iv)-Education, Health & Hospitality;
- and v)-Extractive Industry and other services.

The Bank's sets sector cap in relation to the sum of the Bank's share capital and non-current liabilities. The Bank's priority sectors include Agriculture, Agro-processing & other manufacturing, Education, Health & Hospitality and Social infrastructure, construction & real estates.

5.0 Financial products offered by UDBL

The main products and their features are hereby summarized.

a) Long-term loans: Long-term loans are project loans that are intended for projects of long-term nature and with long repayment periods. Long term project loans must come with a detailed implementation schedule, which should not exceed 24 months from initial disbursement date.

The Purpose is for provision of long-term loans to finance acquisition, construction, expansion, modernization and installation of fixed assets, with a duration ranging from 5-10 years.

b) Medium Term Loans: The Medium-term loans are project loans that are intended for projects with a capital expenditure component, including expansion of facilities, refurbishment of facilities, and re-equipment as well as establishment of new projects with cash flows. The purpose is for provision of medium-term loans to finance acquisition, construction, expansion, modernization and installation of fixed assets, with duration of 2-5 years.

c) Short-term Loans: Short term- loans are for purchasing either raw materials / productive inputs needed in the day to day operations of an entity or acquisition of assets with a cash flow that allows a loan repayment period of at most 18 months from initial disbursement. It may be for the working capital component & assets of a green project or for an existing project.

ii) Equity Investment: The Bank's direct equity investment is in both start up and existing projects or enterprises, in partnership with private co-investors. The project may be initiated by the Bank and/or private investor. The Bank's exit from the project should leave the project ongoing and successful.

In this case, the Bank may wish to hold such equity for a limited period of up to when the business has attained profitability and is sustainable. In any case, such investment should be held for a period not exceeding 10 years and the purpose is for promotion of

investments in industries and sectors that is strategic to the growth and development of the economy.

iii) Trade Finance Loans: Trade Finance loans are loans granted by the Bank against a lien on goods in commercial or bonded warehouse. Other forms of collateral may also be provided as security for the loans.

Trade Finance loans may cover the financing of: Trade services (import/export, Letters of credit, Bank Guarantees and Bills on collection), Structured trade and commodity finance, Warehouse receipt system, Tax & Freight finance, Pre & Post shipment export finance and Invoice/ Receivable finance. The duration for Trade Finance loans stretches for a period from 1 to 24 months from initial disbursement date.

iv) Asset Financing: This is a mode of financing where UDBL acquires and provides productive assets for use by the borrower/customer for an agreed period of time in return for a periodic repayment over a specified period. This requires a contract between the Bank and the customer.

The purpose is for financing start-ups and SMEs that in most cases do not have a track record or significant asset base for collateral.

v) Lease Financing: Lease Finance by UDBL will be a contract between UDBL and the customer that involves the Bank purchasing and supplying productive assets for use by the customer for a specified period of time in return for specified periodic lease payment during the lease period.

The purpose is for financing start-ups and SMEs that in most cases do not have a lengthy history or significant asset base for collateral.

vi) Products under special funds/grants: These are projects financed by special intervention funds targeting specific sectors in the economy such as value chain financing in agricultural sector. Trust funds by government of Uganda and other support grants granted under special conditions and the purpose is for the promotion of strategic sectors in the economy

This where the Bank finances agricultural value chains that include farmer groups and cooperative societies involved in the production and processing of strategic crops for both local and export markets..



Victorious Education Centre

Victorious Education Centre is one of the educational facilities constructed by Uganda Development Bank as a way of promoting literacy level in the country. It is one of successful education projects financed by the Bank with over 1000 secondary students, both boys and girls. It is a mixed secondary school located in Rubaga division, Kampala.

School children of Victorious Education Centre in the class learning



MUTUMA Commercial Agencies Ltd

The surgical cotton wool processing plant belonging Mutuma Commercial Agencies Ltd financed by UDBL loan. Mutuma Commercial Agencies Ltd is one of the leading cotton ginners in Iganga region and is also involved in the production of surgical cotton wool edible oil and cotton cake. Its operations impact the lives of a sizeable number of local cotton farmers. The loan facilities acquired from Uganda Development Bank were used to acquire the Cotton ginning machines and other equipment.



30TH GENERAL ASSEMBLY

HILTON HOTEL, JEDDAH, KSA, 22 JUNE 2014

Ensuing the Quran recitation, Mr. M. Emin Özcan, ADFIMI Chairman, called the meeting to order. He congratulated IDB on its 40th Anniversary and commended on the excellent arrangements made.

The GA has adopted all the recommendations of the 58th Management Committee. The highlights were:

- Constitutional amendments,
- Discount on subscription fees to members from LDMCs,
- Acknowledgement of the membership of six NDFIs,
- Selection of Jordan Islamic Bank to MC Membership
- Selection of Audit Board members,
- Conferment of Honourary Membership on H.E. Sheikh Abdullah Bin Saud Al-Thani, the Governor of Qatar Central Bank,
- Selection of external auditor for 2014 accounts,
- Approval of the reports of external audit and ADFIMI Audit Board as well as all financial reports.



A clipping from the newspaper "Arab News" with the headline "Six new members join ADFIMI". The text below the headline reads: "JEDDAH: ARAB NEWS... The 30th General Assembly of the Association of National Development Finance Institutions (ADFIMI) was held at the Jeddah Hilton. The meeting... ber of members of ADFIMI attended the meeting. The meeting also took a decision to reduce the membership fees of the least developing member countries and discussed future events that will be held this year, particularly the flagship event in Kuala Lumpur, Malaysia, which will be inaugurated by the Malaysian prime minister. A working document was presented by Birek that discussed several issues, including the report of the auditor, the recommendations of the management committee, promotional activities, distribution of members by region, external audit officers and report, along with the ADFIMI audit board and financial tables of 2013 accounts, 2014..."



IDB – ADFIMI JOINT CEO SEMINAR FINANCIAL INCLUSION

HILTON HOTEL, JEDDAH, KSA, 23 JUNE 2014



The seminar began with a recitation from the Qur’an. ADFIMI Chairman, Mr. Mehmet Emin Özcan made introductory remarks in which he congratulated IDB for its 40th anniversary. This was followed by Dr. Abdul Aziz Al Hinai, Vice President, Finance, IDB who elaborated on IDB’s work on financial inclusion.

The keynote speech on “Islamic Perspective on Financial Inclusion: the Role of Public Policy” was given by Dr. Zamir Iqbal, Lead Investment Officer, the World Bank, who presented extensive data on financial inclusion in IDB member countries which was listened to very attentively by the audience. Islam’s perspective on financial inclusion laid great emphasis on social justice, social inclusion, and sharing of resources between the haves and the have-nots. Islamic finance addresses the issue of financial inclusion from two directions— one through promoting risk-

sharing contracts which provide a viable alternative to conventional debt-based financing, and the other through specific instruments of redistribution of the wealth among the society. The *Quran* considered the more able as trustee-agents in using these resources on behalf of the less able. In this view, **property is not a means of exclusion but inclusion** in which the rights of those less able in the income and wealth of the more able are redeemed. The result would be a balanced economy without extremes of wealth and poverty. Policy makers in OIC countries could take several steps to achieve the objective of enhancing inclusion through Islamic finance. These steps could include institutionalizing Islam’s redistributive instruments such as *zakah*, *waqf*, and *qard-al-hassan*. In addition, there was a need for developing supportive regulatory and supervisory framework. Public policy and strengthened institutional framework in developing



Narmukhan Sarybayev



Dr. Zamir Iqbal



Dr. Mehmet Asutay

countries could go a long way in enhancing financial inclusion.

He was followed by Dr Mehmet Asutay, Reader, Middle Eastern and Islamic Political Economy and Finance Director, Durham Centre for Islamic Economics and Finance Durham University Business School, Durham University, UK, who talked on “Contribution of Islamic Finance to Financial Inclusion” which was also found very comprehensive and absorbing in content by the audience. Financial development could take place through a vertical and horizontal deepening of financial activity, which could result in overcoming of financial exclusion and economic growth. Financial inclusion, hence, is considered to take place by bringing financially excluded individuals into the financial system by utilising the available financial instruments to conduct their business. Islamic finance, by offering religiously constructed financial instruments, provided opportunities for Islamically concerned individuals to be integrated within the financial system, thus helping to overcome financial exclusion based on

religious reasons. The challenge was, however, to enable those individuals who would not normally have any opportunity to engage with the financial system or to be part of the financial system due to having a lack of any reasonable economic activity. The financial system was expected to develop policies in an attempt to help the underprivileged sector of society develop themselves in sustaining their lives simultaneously contributing to wealth generation. Islamic moral economy went beyond the narrow definition of efficiency-oriented commercial banking by prioritising ‘human well-being’ as conditioned by maqasid al-Shari’ah. The ‘profit-loss-sharing’, ‘risk-sharing’ and ‘participatory’ nature of Islamic finance, as well as wealth generation by essentialising the investment mindset, embedded financing and considering community banking through an Islamic moral compass, hence, Islamic moral economy aimed to respond to social as well as to financial optimality in financing. Islamic moral economy, therefore suggested that financial inclusion through Islamic finance could be achieved by two ways: (i) inclusion





Dr. Abdul Aziz Al Hinai

of individuals in the financial system who have the necessary means but do not have the expected set of financial options available to them and (ii) to serve in line with public policy and through the aspirations of the Islamic moral economy in enhancing economic development in society by expanding Islamic financing to the larger and underprivileged sectors of society so that they could be ‘included’ in a financial system.

The third speaker was Mr. Narmukhan Sarybayev, Chairman & CEO, Fund for Financial Support for Agriculture of Kazakhstan, who spoke on “The Role of Microfinance in Financial Inclusion: Kazakhstan” which attracted several questions. Microfinance arrived in Central Asia only in the early to mid-1990s, leaving countries in the region far behind the world’s average for development in the sector. Despite this late start, with one of the highest growth rates in the world, the region has quickly begun to reduce this gap. Microfinance had shown positive impact on poverty alleviation among the countries of Central and Eastern Europe and the Newly Independent States. It had to be acknowledged that any scheme should be tailored to the specific needs of poor clients, taking into account local traditions, customs, legislation and economic structures. In Kazakhstan the microfinance industry was relatively young, existing for just over 10 years. System progress of microfinance services in Kazakhstani market has begun through international programs, such as UN Development Programme, World Bank and others by rendering all-round technical and financial assistance. The Republic of Kazakhstan had defined the microfinance sector as the third level of loan system of Kazakhstan, after commercial banks followed by credit cooperative, mortgage companies and pawnbrokers.

Since 2005 JSC “Fund for Financial Support of Agriculture” has carried out micro lending state programs by direct lending through its branches and



representatives throughout Kazakhstan, and since 2006 also lending through Microcredit organizations network. Micro lending development in according to the principles of Islamic finance is among the priority areas of the FFSA activity.

At the end there was a lively Q & A Session.

Seminar ended with closing remarks by Mr. Mehmet Emin Özcan who thanked IDB for its support and excellent facilities provided, and to speakers for their excellent presentations.

58TH ADFIMI MANAGEMENT COMMITTEE MEETING HILTON HOTEL, JEDDAH, KSA, 21 JUNE 2014



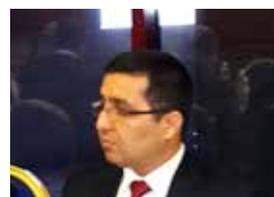
As usual the meeting began with a recitation from the Holy Quran. Having achieved the quorum, the meeting was called to order by the Chairman Mr. M. Emin Özcan. The meeting went on to listen to and eventually approve of the SG report covering the events since 57th MCM held in Istanbul in November 2013. Afterwards, the Committee discussed several issues and advised the General Assembly to adopt the following:.

- Accepting to membership 6 institutions,
- Amendments in the Turkish version of the constitution,
- Terminate memberships of four members who chronically defaulted on their subscription fees,
- Suspend membership of three members defaulting on their subscription fees,
- Make special discount on subscription fees of members or new member from Least Developed

Member Countries (LDMCs),

- Selected Uganda Development Bank as a member of ADFIMI Audit Board,
- Confer Honourary Membership of ADFIMI on H.E. Sheikh Abdullah Saoud Al-Thani, the Governor of Qatar Central Bank,
- Select an external auditor for the auditing of 2014 accounts,
- Approve the External Auditors Report and report of the Audit Board for 2013 accounts,
- Approve budget implementation for 2013, First Quarter Results for 2014, Budget for 2015, financial results for WFDFI as of end of 2013 and as of 31 May 2014, status of subscription fee collections as of end of 2013 and as of 12 June 2014.

MC also elected Dr. Murat Yalçıntaş of Istanbul Ticaret University to ADFIMI Advisory Council membership.



ADFIMI – TSKB JOINT CONFERENCE ON “GREEN FINANCE”

TSKB GARDEN OF EDEN TRAINING FACILITY, FINDIKLI, ISTANBUL

14-15 MAY 2014



Mr. Orhan Beşkök



Mr. Mehmet Emin Özcan



Mr. Murat Sungur Bursa



Ms. Esin Eren



Mr. Mustafa Sezgin



Mr. Ali Kantur



Mr. Fatih Tosun



Mr. Florian Fichtl



Ms. Hülya Kurt



Mr. Burak Akgüç



Ms. Yael Tatanto

The conference was officiated by welcoming remarks of Mr. Orhan Beşkök, Senior Executive Vice President of TSKB and Mr. Mehmet Emin Özcan, Chairman, ADFIMI and Vice Chairman of VakıfBank.

There were six resource persons.

- The first session started with Mr. Florian Fichtl, Lead Operations Officer, of the World Bank Group, Turkey Country Office, describing global sources for Green Finance.
- Ms. Hülya Kurt, Vice Chairman of Escarus / TSKB talked on Sustainability and Financial Institutions.
- Ms. Yael Taranto, Senior Economist / Energy Sector Specialist talked on pressing energy issues in the World and their implications for Turkey with special reference to trends in the electricity sector, renewable energy and energy efficiency.
- Mr. Fatih Tosun, Vice President of TSKB





The group photo "GREEN FINANCE" overlooking the Bosphorus at TSKB's Garden of Eden Training Facility

Real Estate Appraisal Company spoke on green buildings.

- Mr. Burak Akgüç, Executive Vice President of TSKB, described the experience of TSKB on Financing Energy Efficiency Projects and Renewable Energy Projects.
- Mr. Ali Kantur, Chairman of INVEST TRADING & CONSULTING AG (ITC) described solid waste disposal systems operated by his companies located in Ankara, Adana, Bursa, Konya, Antalya, Aksaray.
- For the second day; there was a panel moderated by

Mr. Orhan Beşkök, Senior Executive Vice President of TSKB with three panelists: Ms. Esin Eren, Senior Expert, Corporate Marketing Dept, Development Bank of Turkey; Mr. Murat Sungur Bursa, President, Sustainability Academy; Mr. Mustafa Sezgin, Secretary General, Turkey Energy Foundation. The panel discussed the future of green finance.

- The conference ended with a visit to a "green facility" namely to Hayat Kimya Yeniköy Factory.
- There were 31 participants from 10 institutions.



Several views from the visit to Hayat Kimya Yeniköy Factory



39TH ANNUAL MEETING OF IDB GROUP

Excerpts from the Keynote Address, by Dr. AHMAD MOHAMED ALI, President, Islamic Development Bank Group at the opening of The Thirty Ninth Annual Meeting of the Board of Governors of The Islamic Development Bank, Jeddah, Saudi Arabia, 24 June 2014



In the Name of Allah the Most Compassionate Most Merciful

Praise be Allah and peace be upon his prophet Mohamed, his kindred and companions.

Excullency Dr. Ibrahim Al-Assaf, Minister of Finance, Chairman of the Board of Governors

I have the ample pleasure and honour to express my profound thanks and sincere gratitude to the Custodian of the Two Holy Mosques, King Abdullah bin Abdul Aziz Al Saud, for his kind patronage of our meeting and for the celebration of the IDB's 40th anniversary.

My heartfelt thanks and gratitude also to His Royal

Highness Prince Salman bin Abdulaziz, Crown Prince, for gracing our ceremony yesterday. I would also like to express my deepest appreciation for the government of the Custodian of the Two Holy Mosques and to the people of the Kingdom of Saudi Arabia for the magnanimous support that the IDB enjoyed over the past 40 years. ...

Upon instructions from the Board of Executive Directors, the IDB spent the past year listening up to its member countries, stakeholders and experts. Then it enlisted the services of a constellation of consultants to translate the suggestions thus gathered into a strategic framework for the next ten years. It established contact with member countries, stakeholders and partners through written communications, visits, forums and workshops and a full



HE Ali Babacan, Deputy Prime Minister of Turkey



HE Ibrahim H.Çanakçı, Undersecretary of Treasury, Republic of Turkey



Bill Gates

array of consultation tools to collect the best of ideas. Some of the best views were gleaned from four high level regional forums held in Kuala Lumpur, Almati, Dakar and Jeddah. ...

I think it is appropriate to take three kinds of pause to examine the outcome of the brainstorming report and the various viewpoints related to the ten-year strategic framework.

- The first pause at the IDB group’s contribution to development in member countries
- The second pause at its role is the promotion of the Islamic financial services industry
- The third pause at IDB’s capacity to adapt its developmental and solidarity mission and its financial sustainability. ...

The report highlighted key achievements in the history of the IDB group in member countries. Prominent among such achievements is a unique and creative model for solidarity among countries of the South, and the compliance with Islamic Shariah in its financing operations. ...

The report advised the IDB group to adopt a development approach to enhance its leading role in areas which did not receive enough attention despite their importance. Accordingly, the IDB is called upon to redouble efforts in the areas of innovative solutions, support to knowledge services and the promotion of capacity building

programmes and institutions. ...

The sweeping changes that have come about during the past two decades in the economies of member countries and the world at large, as well as the limited resources of these countries, make it imperative on the IDB group and similar MDBs to revise their approach for the best possible impact. In other words, project financing, as we know it, is no longer enough to achieve the degree of economic growth that can root out poverty and minimize disparities in livelihoods and incomes. ...

We do not discount the importance of infrastructure projects. However, the lesson we have learnt from this stage is that development process tests on four pillars. The Bank, following the approach of conventional development financing institutions, focused only on one of them namely, national infrastructure, with the remaining three not receiving sufficient attention and effort. These are: quality of human capital, comprehensive economic management, transparency of the regulatory environment. Quality of human capital has two important aspects that must be taken care of the first is power, with its backbone being knowledge and skills. The second is trustworthiness, its mainstay being good values....

Earlier this month, Dr. Kim Young Kim, President of the World Bank Group, visited us. He did not hide his disappointment at the huge disparities in many of our member countries between the rate of economic development and social growth on one hand, and between the ceiling of aspirations and the volume of material and human economic capabilities that can be deployed to create strong economic growth on the other. And I agree with him. We have a shortage, not of material resources, but of human capital, in terms of technical, managerial and organizational skills to deliver excellence, quality and productivity. Productivity and competitiveness are conditional on the type of education, experiences and skills an individual possesses and they can be deployed to creating economic and social development...

That is why I agree with Dr. Kim on the need to confront resolutely the crisis of education lagging behind in discharging its developmental mission...





I see both of us focusing particularly on the following:

1. Matching education outputs in terms of trained workforce with the needs of economic development.
2. Strengthening good behavioral skills, ethical values, and best examples in leadership, initiative, and joint action, helping people and making them happy.
3. Developing thinking capabilities and love of knowledge, innovation, invention, research and discovery. This is an opportunity to invite Their Excellences Governors to visit the innovation exhibition being staged on the margin of this meeting. There you would find innovation relating to the Bank's work in member countries. ...

The assessment report on the role of the Bank in the development of the Islamic financial industry has commended the Bank's pioneering contributions in encouraging and promoting Islamic finance at the global level and updating its products by establishing and supporting its institutions and developing and spreading best practices. Islamic banking has grown bigger in strength and status in that it is now present in international institutions such as the AAA- credit rated Islamic Development Bank which can issue highly rated sukuks...

The report however urged the Bank to pay more attention to upgrading the Islamic financial industry in member countries and in the rest of the world. ...

In taking the lead on the factors of development, Islamic banking faces numerous opportunities and challenges including: dwindling internal and foreign direct investment

in a manner that prolongs the dependence of our member countries on development financing with loans that contradict the core message of Islamic banking. ...

I would like to thank Madam Christine Lagarde for her superlative interest in the development and governance of the industry. We value her readiness to assist Islamic banking in facing its challenges. We noticed this interest since Lagard's early commendation of Islamic finance when she was the Finance Minister of France. Today at the helm of the International Monetary Fund, she is a strong supporter of consolidating this burgeoning sector and getting the entire world to benefit from it. ...

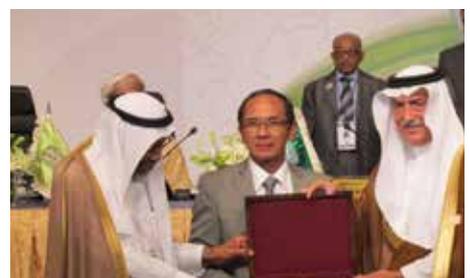
The assessment report touched on the sturdiness of the institution and its effectiveness in combining between financial sustainability and its developmental and cooperation mission. It revealed the robust relationship between the "IDB Group" and member countries that have taken it as a reliable adviser and development partner. The report lauded the excellent position the Bank occupies among regional and international financing institutions. ...

The report however raises concerns about challenges. At the forefront of which are striking a balance between financial sustainability and its developmental and cooperation mission. ...

The central issue here concerns how to translate the work of the Islamic Development Bank into its identity as "an important addition on the path of Islamic solidarity", to quote King Faisal, May Allah grant him mercy. The addition here is for the Bank to be a crucible of cooperation among member countries and a platform of action by virtue of a deep-seated belief that views cooperation as a religious and civilizational duty and a means for attaining economic progress. ...

The essence is the extent of real improvement in the living standart of the individual and in the promotion of joint Islamic action for the dignity and power of the ummah among nations. ...

The time has come for transferring cooperation to the



ADFIMI – SME BANK INTERNATIONAL DEVELOPMENT FORUM 2014

GUEST-OF-HONOUR & KEYNOTE ADDRESS
H.E. DATO' SRI MOHD. NAJIB BIN TUN HAJI ABDUL RAZAK
PRIME MINISTER OF MALAYSIA

THE ROYALE CHULAN, KUALA LUMPUR, MALAYSIA
21 - 22 OCTOBER 2014



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developmental sphere. The Islamic Development Bank is a cooperative Institution which has made Islamic solidarity a way of life for the Ummah. ...

UN Secretary Ban-Ki Moon visited the Bank and witnessed the wide horizons opened through joint action, mobilization and economic empowerment especially when member countries employ their human and natural resources as well as modern technology to achieve a leap towards the future. ... I appreciate Mr. Banki Moon's desire to establish a cooperation program with United Nations that utilizes all our resources. Our countries are rich in knowledge and sublime values, make up one fourth of the world population, occupy one fourth of the planet's land mass and possess more than two thirds of the world's energy resources. ...

Today we welcome Mr. Bill Gates. We have also received visitors from the European Union and the International Monetary Funds as well as the OECD. I wish to extend them my thanks and appreciation for listening and holding talks with the Bank at this stage. We are mindful to cooperate with the International Community to set an agenda for the "World Development Programme" beyond 2015. ...

The lesson the world has to learn from the countries where poverty is rampant, is that the price of excluding the professional role of voluntary organizations is very high. Development can only be achieved when peace and stability prevail, while peace is difficult to achieve in the absence of development. Both however, must be consolidated by the rule of law and social justice. In this way voluntary work and the civilian community can push through with development.

Increasing cooperation through the private sector and voluntary organizations is a necessity considering the slowdown in the flow of traditional international developmental aid....

Joint developmental work has reached its 40th Anniversary. It is an anniversary that represents, a landmark in the process of public service, that Allah has blessed us with and is a defining moment that recalls the past but does not stop future progress nor acceleration in the reaching a better tomorrow.

On this 40th Anniversary, our outlook on the future is far more positive than the past, armed as we are with faith in Allah to whom we resort for strength in our endeavours to offer service to the Ummah and humanity.

Whilst it is your right to be proud of the past achievements of this institute, it is our joint duty towards the Ummah to redress, at each and every stage, our shortcomings and defects in order to set us on the right track towards achieving more rewarding goals. And in this we shall always resort to Allah for help and guidance.

UPCOMING EVENTS

ADFIMI - FFSA Joint Conference on Sukuk, Holiday Inn Almaty Kazakshtan on 04 September 2014

ADFIMI – SME BANK Joint International Development Forum 2014, the Royale Chulan, Kuala Lumpur, Malaysia, 21-22 October 2014

ADFIMI 59th Management Committee Meeting, Kuala Lumpur, Malaysia, 21 October 2014

ADFIMI - BIM Joint Seminar on "International Project Finance & Cash Flow Modeling", Tehran, Iran, 17-18 December 2014

NEW APPOINTMENTS

ADFIMI Congratulates:

Mr. Ali Fuat Taşkesenlioğlu for being appointed as the CEO of Halkbank of Turkey,

Mr. Hamed Salih Al-Harithi for being appointed as the CEO of Oman Development Bank,

Mr. Ahmet Buçukoğlu for being appointed as the CEO of Development Bank of Turkey,

Mr. Mr. Hussein Al-Mehader for being appointed as the Executive Director of Cooperative and Agriculture Bank (CACISLAMIC BANK) Yemen, and,

Mr. Ahsanullah Khan for being appointed as the CEO of First Credit and Investment Bank, Pakistan,

and wishes them a successful tenure.