



ADFIMI newsLetter

ASSOCIATION OF NATIONAL DEVELOPMENT FINANCE INSTITUTIONS

IN MEMBER COUNTRIES OF THE ISLAMIC DEVELOPMENT BANK

2019 /1 - Issue 47



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- **New Member:** Emlâk Participation Bank

THE MANAGEMENT COMMITTEE
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ADFIMI Chairman

General Manager of Ziraat Participation Bank
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Dear Members

Assalamu'alaikum warahmatullahi wabarakatuh

Fintech and financial inclusion continue to hover over the themes of our activities in 2019.

I am grateful to Şehir University Istanbul, in the person of Prof. Ahmet Faruk Aysan, Dean, School of Management and Administrative Sciences, Head of Department of Economics, İstanbul Şehir University as well as to Islamic Research and Training Institute (IRTI) in the person of Dr. Mohammed Obaidullah, Lead Research Economist and Manager Research Division, IRTI for collaborating with ADFIMI in the Fintech Training Programme held in Istanbul.

We are grateful to the CEO of Oman Development Bank, Dr. Abdulazizi Al-Hinai for providing a short introduction to Oman Development Bank (ODB). ODB is one of our best partners. We always remember the incredible event that ODB hosted on SME Finance in Muscat in 2017.

Needless to say we are also indebted to Qatar Development Bank and its distinguished CEO, Mr. Abdulaziz Al Khalifa for hosting a seminar on cryptoassets.

My thanks also go to IsDB and Central Bank of Morocco for jointly organising the Islamic CEO Seminar on Financial Inclusion.

Best Regards

Nuri Birtek

Secretary General

About ADFIMI

Established in 1986, ADFIMI, Association of National Development Finance Institutions in Member Countries of Islamic Development Bank, is an international non-profit association serving around 40 members in 18 countries with headquarters in İstanbul. The main objective of ADFIMI is to establish networking and solidarity among its members and capacity building of its member institutions. In this context, ADFIMI organizes seminars / workshops / conferences for its members in various cities in its region (like İstanbul, Karachi, Kuala Lumpur, Amman, Tehran, Baku, Cairo, Ouagadougou, Astana, Asghabat, Beirut, Dakar, Sarajevo, Prishtina, Lome, Dushanbe, Damascus, Khartoum, Dhaka, Girne, İslamabad, Kuwait City, Antalya, Tirana, Kampala, Dubai, Almaty, Maldives, Tunis).

ADFIMI is "A Forum for Development"



Dear Colleagues

Achievement of SDGs and conforming to Paris Agreement continue to overwhelm the development finance agenda. Digitalisation plays a vital role in the process.

Technology, as always, continues to spur innovation in finance which is now coined the term, Fintech. In this respect we are facing a defining moment. There are promises and perils of fintech. Promises include cutting the cost of financial services, enabling millions to be included in the financial system. Perils include consumer protection and privacy concerns. Responsibility befalls upon all to create a safe, sound, sustainable, affordable financial system avoiding any criminal abuse.

In this context, in 2019 World Bank and the IMF have developed the Bali Fintech Agenda (BFA) during the WB/IMF Annual Meetings. The agenda identified 12 priorities that countries and international organisations should focus on in the fintech space. Agenda Number 1 is to “*Embrace the Promise of Fintech*”. Agenda items V, VI and XI which respectively call for “*monitoring developments closely to deepen the understanding of evolving financial systems*”, to adapt “*regulatory framework and supervisory practices*” and “*international cooperation and information sharing*” pertain to the NDFI level.

IMF has surveyed 96 of its members on BFA to find out that they overwhelmingly identified fintech as transformative for financial inclusion which in turn played a key role in promoting growth, enabling poor to access finance. Eighty percent of the countries mentioned cybersecurity as their principal priority while sixty percent listed anti money laundering, legal and regulatory frameworks as their primary concern.

Distinguished Members,

We at ADFIMI have *embraced the promise of fintech* since 2016. As you would recall most of our events since the beginning of 2017 have dealt with fintech developments. Most notably, the first “Fintech ADFIMI training programme” was held in June 2019 in İstanbul when developments in all areas of fintech ecosystem were covered.

ADFIMI is determined to keep abreast of the developments in fintech and keep its members informed.

Metin Özdemir
ADFIMI CHAIRMAN
CEO of Ziraat Participation Bank

68th Management Committee (MC) Meeting

Marakesh, Morocco, 03 April 2019, 11:00 - 13:00.

There were five members present, with two proxies. Besides routine matters, the MC has unanimously decided to recommend to the 35th GA for Ziraat Participation Bank of Turkey, Bank Pembangunan of Malaysia and Bank Keshavarzi of Iran to continue for a second three-year term and to elect SABINCO of Bangladesh to the vacant seat in South and South East Asia Region.

The MC had also recommended to the 35th GA to select PKF İstanbul Aday Bağımsız Denetim A.Ş. (PKF İstanbul Aday Certified Independent Audit Inc.) to audit the 2019 accounts of ADFIMI.

The MC had examined and unanimously agreed to recommend to the 35th GA to approve External Auditor's Report for 2018 accounts, ADFIMI Audit Board's Report for 2018 accounts, implementation of 2018 budget, implementation of 2019 Budget as of 28 February 2019, Budget for 2020, and state of subscription fee collections as of end of 2018 and as of 25 March 2019 as they appeared in the Working Documents.

The MC has decided by a majority vote that payment on a single transaction/event over USD 5.000 to be effected with two signatures.



New Member

Emlak Bank was established as Emlak ve Eytam Bankası in 1926, at the order of Mustafa Kemal Atatürk following Turkey's War of Independence. The bank was given the mission to finance Public and Civil projects for the reconstruction of the country, support Turkey's national economy and protect orphaned children.

The bank was given different names in parallel to country's needs and it maintained its operations as Türkiye Emlak Bankası until its liquidation process in 2001.

In 2018, the government decided to re-establish the bank as a Participation Bank and renewed its license on February 27th, 2019 under the name of Türkiye Emlak Participation Bank whereas Emlak Bank remained as brand name. Emlak Bank became fully operative on March 21st, 2019. It has returned to business to support local production and social projects for growth and development of Turkish economy by creating strong and



sustainable ties between financial system and real sector.

Emlak Bank will bring innovative financial solutions to real estate sector, support local production, serve to sustainable growth, and participate in projects that will contribute to socio-economic improvement of the society.

On August 2nd of 2019, Fitch Ratings has assigned a Long-Term Foreign Currency Issuer Rating of "B+" to Emlak Bank. We are proud that the process has been completed shortly after we started operations in March, 2019. EmlakBank is 100% owned by Turkish Treasury, and the ratings reflect strong support of the state and solid business strategies set forth by our bank. It is worth mentioning that our ratings are same as large private banks and other Government owned banks in the sector.

IsDB - ADFIMI - Bank Al Maghrib Joint CEO Seminar on Islamic Financial Inclusion

Marrakesh, Morocco, 4 April 2019

The seminar has traditionally been held during the IsDB Group's Annual Meeting. This year the topic was Islamic Financial Inclusion. The seminar was organised with the financial support from IsDB, for which ADFIMI is grateful.

Mr. Nuri Birtek, Secretary General of ADFIMI, welcomed and briefed the participants and called upon the representatives of the three institutions in turn jointly organising the meeting to deliver their welcoming remarks.



◦ Dr. Abdulhakim Elwaer, IsDB Group's Spokesperson (on behalf of IsDB) was the first to welcome everyone. He thanked ADFIMI for organising the seminar where "Financial Inclusion", was a subject everyone needed to learn its impact on development. He briefed the audience about IsDB's activities in this realm and emphasized that IsDB was one of the leading institutions promoting financial inclusion.



◦ Mr. Metin Özdemir, Chairman of ADFIMI (on behalf of ADFIMI), thanked IsDB and the Government of Morocco for the excellent arrangements made for the 44th Annual Meeting of the IsDB Group and briefly introduced ADFIMI for the benefit of those who have not yet been acquainted with ADFIMI. He said the objective of the seminar was "to emphasize the role and importance of Islamic Finance in Financial Inclusion and to describe the current status quo of the concept and dimension of Islamic Financial Inclusion".

◦ Mrs. Hakima El Alami, Deputy Director of Payment Systems and Instruments Oversight and Financial Inclusion Department at Bank Al-Maghrib (on behalf



of Bank Al Maghrib), gave information about the financial inclusion programmes of Morocco, conducted by Bank Al Maghrib, Central Bank of Morocco. After opening remarks, Mr. Nuri Birtek briefly introduced and invited on to the stage the moderator and four speakers. The seminar was then moderated by Dr. Mehmet Asutay, Professor of Middle Eastern and Islamic Political Economy & Finance at the Durham University Business School, who introduced the subject with the theme "Financial Inclusion and Islamic Finance: Towards Emancipation and Empowerment".



According to Dr. Asutay financial inclusion was an important part of the new narrative that we had around us. In particular, with the emergence of Sustainable Development Goals, it had become an essential role to be fulfilled in order to overcome poverty. His major concern was emancipation and empowerment. He explained that empowering the people was the major objective as it was the major discourse of Islam in general and Islamic economics and finance in particular.

The important issue was to increase the stakeholding in the economy and society so that the whole objective could be achieved. Finance was the art of protecting and financing the poor. And that was the very message of Islam. Finance was only an instrument to make life better, not the end in itself. Unfortunately, with the increased financialization in some Islamic banking and finance, the shift had taken place towards essentialization of finance, rather than protecting people and making their life better. Financial inclusion was part of that debate over how inclusiveness could be built, how

stakeholding could be developed. The more the people were stakeholders, the better would be the society. Presently, most of the focus was on formal bank accounts. When we looked at the international data, Middle East and Muslim countries did not seem to have achieved financial inclusion. Beyond the bank accounts, in the Muslim world, informal economy had an important part to play. Many people without bank accounts were financially inclusive. There was an important question for Islamic finance; How Islamic finance, as an objective, could emerge with the discourse of empowering individuals and emancipating them. And how emancipation could happen. We had to remember the saying of the Prophet (pbuh), for the people who were in debt: “Oh Lord! I seek Thy refuge ... from poverty and destitution (faqr) ... and seek Thy refuge from paucity (qillah) and humiliation (dhillah)”. So, indebtedness was a chain; it chained people. Emancipation of people would imply, that rather than making people indebted, how they could be empowered to be a stakeholder. It was the decentring of finance, decentring of capital, overcoming the hegemony of capital. In other words, the moral Islamic economics and finance should emerge to rescue human, land, labour, capital and other stakeholders from the chains of the financialized capitalism.

holding a bank account in 25/40 countries was less than 20%. And, 28% on average held bank accounts. 7.7% of the poorest, 40% borrowed from financial institutions. Demand was there, but somehow supply was limited. As IsDB, they were trying to increase these proportions. Farmers were not included in conventional and Islamic financial inclusion. To integrate Islamic philosophy with microfinance, sadakha, zakat, waqf must be integrated into Islamic Microfinance in order to achieve financial inclusion.



Mr. Datuk Mohd Radzif bin Mohd Yunus, Chairman of Ethis Ventures, Malaysia, was the third speaker of the seminar and talked on “Financial Inclusion and Fintech: Malaysian/ SE Asian Experience”. He said DFIs were not in a total position to be able to achieve financial inclusion. A series of initiatives had aimed to increase access to finance and financial inclusion, but these had accelerated in the last decade, as technological developments combined with strategic policy support, showed potential for progress beyond anything that had been achieved before. Fintech had spread rapidly in many emerging and less-developed countries, bringing new hope for financial inclusion. Southeast Asia was one of the most rapidly developing regions in the world with projected economic growth rates averaging 5.1 percent for member states of the Association of Southeast Asian Nations (ASEAN) countries: Indonesia, Malaysia, Philippines, Singapore, and Thailand, Brunei Darussalam, Vietnam, Laos, Myanmar, Cambodia.

Mr. Wagane Diouf, Founder and President Medina Digital Finance, the third speaker talked on “Islamic Financial Inclusion



Mr. Wasim Ahmed Abdul Wahab, Director Islamic Financial Sector Development Department Islamic Development Bank (IsDB), talked on “IsDB’s Role in Financial Inclusion through Islamic Finance”. He said that voluntary exclusion from finance was a big challenge in IsDB Member countries. The data from 2014 was that the proportion of adults





in Sub-Saharan Africa”. He said that; his presentation was a short story of failure and redemption. Failure part was that, he spent the last 20 years in microfinance (MF) in Africa as a private equity investor and as a board member of many MF institutions. During that time he saw the growth of institutions such as Equity Bank in Kenya which went from 100.000 clients in 2003 to 9 million clients today; but he considered that a case of failure because of two reasons:

- 1- In Africa 36% of individuals had a bank account today. i. e. there was still a long way ahead.
- 2- Despite the proportion of Islamic population, he failed to promote Islamic MF and only involved in conventional MF. Today, if one were to look at financial system in Africa very few financial institutions were basically Islamic MFIs and even almost none of them were Islamic MF.

One of the redemption part was, today, in Africa, digital payments had strangely enough, became very big businesses. In Kenya today Empasa had more accounts than individuals in the country. This payment system had been extremely

successful and penetrated deep into the population. This phenomenon could be utilize in future Islamic MF development.



Ms. Ibtissam El Anzaoui, Head of Financial Inclusion Unit, Bank Al-Maghrib, talked on “Financial Inclusion and Literacy in Morocco”. She explained why Financial Inclusion (FI) was important for Morocco, it became a national ambition and they launched the National Financial Inclusion Strategy the previous Monday, for Morocco. It was the key driver of development and effective channel for social equity and inclusive growth. There were several studies and researches that had shown that FI is related or draw correlation between FI and development especially when one took the human development index. The benefits from FI were wide ranging. On the social development level, FI could facilitate to reduce poverty by facilitating investment in housing and education but also in income generating activities which were very important for people and businesses.



ADFIMI –Qatar Development Bank Joint Workshop Sharia Compliance Issues on Crypto Assets

11 March 2019, Doha, Qatar

After Chairman of ADFIMI Mr. Metin Özdemir’s opening remarks, the workshop proceeded according to the schedule except that H.E Abdullah Bin Saud Al-Thani, Governor Central Bank of Qatar could not attend due to a sudden engagement. His inauguration address was delivered by Mr. Abdulaziz Al-Khalifa, CEO, Qatar Development Bank. Altogether there were 43 attendees to the workshop from 17 organizations/institutions and from 9 countries.



Mr. Metin Özdemir, Chairman, ADFIMI

Mr. Özdemir said that Crypto-assets and cryptocurrencies had increased exponentially since 2008. It was estimated that there were more than 1,000 cryptocurrencies in existence today. A recent work by the World Economic Forum’s Global Future Council on Financial and Monetary Systems entitled “The Global Financial and Monetary System in 2030” argued that the increasing acceptance and adoption of cryptocurrencies would contribute to bringing markets, institutions and infrastructure together in a multi-polar, complex and interconnected world. This in turn would present a challenge to the conduct of monetary policy, and had implications for financial stability and financial crime prevention.

It was increasingly becoming an issue for the Muslims to assess whether Crypto-assets/cryptocurrencies were Shariah compliant, especially in view of them to being subject of speculation. Opinions are wide and varied. In the recent past, certain cryptocurrencies/assets had become operative

and labelled Halal as the cryptocurrency companies were launching instruments based on physical assets and certified as valid by Islamic advisors. Many other scholars however were of the opinion that they should be treated with caution.

This workshop discussed the present state of developments in cryptocurrencies/assets globally and reviewed in some detail, the developments in the Islamic world with special emphasis on Sharia compliance of these currencies/assets.



Mr. Abdulaziz Al-Khalifa, CEO, ODB

Mr. Abdulaziz Al-Khalifa, CEO QDB delivered the inauguration address on behalf of H.E Abdulla Bin Saud Al-Thani, Governor, Qatar Central Bank. He highlighted the growing interest in digital currencies globally and the increasing demand for interest in these currencies due to the potential for quick profit and also the resulting regulatory issues related to these digital currencies. He also touched upon the importance of investing in financial technology.

The Keynote Address was delivered by Prof. Dr. Sheikh Ali AL-Quradaghi, Chairman of the Sharia Board, Qatar Development Bank. He said that the present era was witnessing tremendous technological developments and every day there were new developments in various fields and it was our duty to be the part of these developments and also be pioneering in every field as an Ummah. He said Islam accommodated innovations and we had to talk about the permissibility of these innovations





Prof. Dr. Sheikh Ali AL-Quradaghi

in the light of Islamic rulings. On the Shariah perspective on cryptocurrencies, he said, there were some Sharia's alternatives intended to regulate the Digital Cryptocurrencies system including government guarantee, or backing them up with assets. As such, any transactions in that field would be permissible (mubah) unless there was a clear evidence on its prohibition.



Mr. Bernard Barbour

Mr. Bernard Barbour, Managing Director, Head of legal and Shariah Affairs at the QInvest LLC, Qatar delivered a presentation on the theme "Islamic Fintech Regulatory Landscape: General Legal Review under Qatari Law: Cryptocurrency as Model". He explained how the determination of legal nature was necessary to know the applicable legal regime in dealing with cryptocurrencies and presented the legal aspects of the virtual assets in accordance with the applicable Qatari laws.



Dr. Mahmoud Bekri

Dr. Mahmoud Bekri's (Research Economist at IRTI) presentation encompassed the topic "Conventional Fintech Regulatory Landscape" by providing a comprehensive note on the Financial Technology (Fintech) that was attracting increasing attention from consumers, investors, the investment management industry and regulators across the globe. The regulatory landscape of Fintech in general and Islamic Fintech in particular was the main area of focus for his presentation.



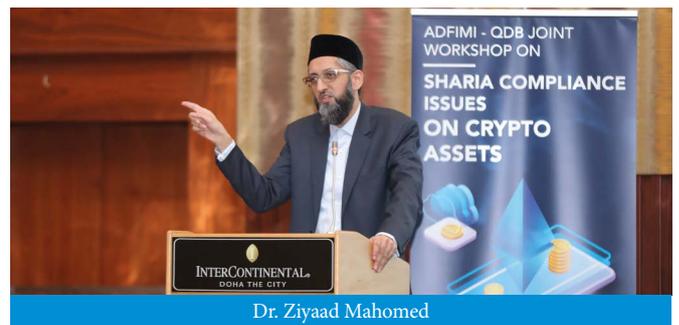
Ms. Elcin Karatay

Ms. Elçin Karatay, Lawyer and Managing Partner at Solak and Partners, Turkey, talked on "Crypto Assets, ICOs and Regulations: a Turkish Law Perspective". She presented in detail the Blockchain and the legal problems, the classification of crypto assets, legal review on ICOs, legal review on crypto asset exchanges and payment systems, legal review on data protection as well as a general outlook of the whole scenario.



Mr. Muhammad Abu Bakar

Mr. Muhammad Abu Bakar, Shariah Consultant and Shariah Auditor at MCB Islamic Bank, Pakistan, gave a presentation on "Cryptocurrencies from Shariah Perspective" which was the main theme of the Session 2. In his view the term "cryptocurrency" was ambiguous, therefore the appropriate terminology had to be "crypto-asset", and due to the inappropriate terminology, most of the Shariah discussions revolved around the concept of currency or money. Many misunderstandings and misconceptions have emerged surrounding it. In principle, Shariah recognized digital/crypto assets as Maal. It was vital to comprehensively understand the fiqh characterisation of crypto-assets, as their Shariah rulings were based on the correct ijthihad and proper understanding, and due to the unique protocols and different sources of crypto-assets, it was not a correct approach to issue a general Shariah rulings for all crypto-assets. With this approach, it was possible to have a Shariah-compliant crypto-asset, so that Islamic finance industry could embrace this phenomenon for the welfare of the society.



Dr. Ziyaad Mahomed

Dr. Ziyaad Mahomed Assistant Professor at International Centre for Education in Islamic Finance (INCEIF), Malaysia, presented his views on Shariah Compliance Issues

of Crypto assets. His presentation covered the description of the differences in Sharia Verdict, definition of Mal (Wealth) and the application of Istilah and other evaluations underlying Crypto Assets for Compliance with Shariah. He also discussed the need of assessing the application of social concurrence and the societal acceptance as a medium of exchange without necessarily being considered a currency. Finally, he described the implications of owning crypto assets from the perspective of zakat and inheritance.



Mr. Abdul Haseeb Basit

Mr. Abdul Haseeb Basit, Non-Executive Director of Global Digital Finance (GDF) and co-founder Elipses made a presentation on “A Collaborative Industry Led Approach to Solving Sharia Compliance Issues on Cryptoassets”. He highlighted the challenges faced by the overall cryptoasset industry. He explained the GDF approach of convening the various actors, be they practitioners, scholars, regulators or policymakers together in a working group to discuss the areas of convergence and divergence in thought and distil these into a code of conduct that represented an industry led view of good practice. Through utilising GDF’s registration

process, firms would be able to demonstrate their willingness to become Sharia compliant in the cryptoasset industry and they could start the process to full Sharia certification.



Dr. Farrukh Habib

The last speaker was Dr. Farrukh Habib, Researcher at International Shari’ah Research Academy for Islamic Finance (ISRA), Malaysia. In his presentation on Islamic Legal Analysis of “Cryptocurrencies”, he discussed the recent misconceptions that emerged surrounding crypto-assets and their Shariah compliance. He proposed criteria for creating Shariah-compliant crypto-assets or knowing whether or not an existing crypto-asset was Shariah compliant. His presentation adopted a distinct approach towards understanding crypto-assets from Shariah perspective, which was hard to find among the mainstream shariah scholars and their fatwas.

The third and the last session of the workshop involved all the speakers in a panel discussion, moderated by Ms. Elçin Karatay. All the speakers discussed the topic of their concern and also answered questions from the audience.



Introducing our distinguished member:

Oman Development Bank

Oman Development Bank SAOC was established under the Royal Decree Number 18/97, as a joint stock company on 9 April 1997. The bank operates in Oman under a banking license issued by the Central Bank of Oman (CBO). The bank has 18 branches operating within the Sultanate of Oman.

The Bank is the leading player in financing projects that add value to National Development and to the projects that generate New job opportunities to Omanis. The Bank provides financial facilities for Corporates, SMEs and Micro Enterprises. The Bank provides loans to different economic sectors in the Sultanate such as Agriculture, Fisheries, Animal Resources, Industry, Tourism, Education, Health and IT.

In a bid to keep pace with the development plans in the Sultanate, ODB has added new sectors for finance such as Logistics, Installation of Water Supplies, Mining and Quarrying Activities.

The Bank seeks to promote the services provided to Entrepreneurs and various sectors of society/economy.

ODB's vision is to be the preferred partner in financing projects to Corporates, SMEs and Micro Enterprises that are in line with the plans and objectives of the National Development.

ODB's mission is to provide high quality value added services for the different Economic sectors using the Bank's expertise in Developmental project Financing.

ODB's Corporate Strategy aims at developing a comprehensive business model to enhance the Bank's ability to reach its Goals in line with the Best Practices and compliance with International business models in development finance.

The Bank's strategy is based on a number of pillars in a bid to contribute to economic diversification, enhance the GDP's growth and create job opportunities for Omanis. The strategy includes:

- Enhancing the growth of SMEs by providing wide range of services and products.
- Enhancing partnership with the Bank's customers by promoting end-to-end project lifecycle partnership.
- Enhancing the growth of the credit portfolio and independence by diversifying the sources of the Bank's finance and income.
- Ensuring sustainability of the Bank by applying best practices.



Dr. Abdulaziz Al Hinai CEO Oman Development Bank (SAOC)



Renowned economist and banker in Oman, Dr. Abdulaziz AlHinai is the Chief Executive Officer of Oman Development Bank SAOC (ODB), the national Development Finance Institution and the leading financier to SME sector in Oman. Since his joining in 2015, Dr. Al Hinai built a new corporate strategy for ODB, which served as the foundation towards growth and sustainability of the institution.

In addition to the above, Dr. Al Hinai is a board member of various reputed institutions in the Sultanate and across the region .

Prior to leading ODB, Dr. Al Hinai held the role of VPF in the Islamic Development Bank - KSA, in which he led the Finance complex including; Treasury, Investments, Islamic Financial Services, Financial Policy Planning, Financial Control, Budgeting & Performance Management, and Financial Products Development Center.

Dr. Al Hinai received his PhD in Economics and Public Policy from Claremont Graduate University in California and an M.Sc in Economics from the same university. Prior to that he earned an MA in Development Banking from The American University – Washington, D.C.

- Providing technical support and subsidy to beneficiaries of the Bank.
- Updating and enhancing the Bank's institutional branding to reflect the development made in project services.

Areas of Finance:

- Agricultural projects and livestock development
- Fisheries projects

- Professional projects and projects of small investors (loans less than OMR 5,000 without interest)
- Industrial projects
- Health projects, tourism and educational projects

Main products of the Bank are:

- Microcredit Loans
- Seasonal Loans
- Term Loans (SME & Corporate)
- Working Capital Loans

Microcredit Loans

Oman Development Bank offers micro-credit products to those who own micro-managed projects or small businesses that need development and capital increase.

The Objectives of Microfinance are:

1. Help individuals and enable them to become productive groups in society.
2. Contribute to the provision of job opportunities for young job seekers.
3. Assist in the development of a culture of entrepreneurship in the society.
4. Contribute to the development of innovations and ideas.

Beneficiaries:

The full-fledged category of business management consists of self-employed small-scale fishermen and farmers, craftsmen, small business owners and home-based entrepreneurs.

Seasonal Loans

It is a short-term agricultural loan granted to finance an agricultural cycle for the production of seasonal vegetable crops of all kinds. The funding includes the costs of land preparation for agriculture, the purchase of seeds and fertilizers until harvest and marketing. The finance also includes green houses. The loan is granted on a single crop basis. Seasonal loans play a key role in developing the agricultural sector and activating the role of the bank maximizing production. The loans, which target small producers, help to create a link between the production and marketing phases and to ensure the continuation of agricultural projects. The loans thus contribute to enhancing self-sufficiency of high-quality agricultural crops.

Advantages of Seasonal Agricultural loan product

- All agricultural projects are granted according to their production needs and finance of fixed assets.
- The seasonal loan interest rate is subsidized by the government. The beneficiary pays a simple interest rate of not more than 3%.
- The Bank's finance extends to 70% of the total project cost.
- The loan is disbursed on two batches (70% after purchase of raw materials and the remaining 30% after completion of project).

Term Loans / Corporate Loans

Term loans are provided in expanding or developing projects or starting new projects for Corporate and SME clients.

Such loans are normally used when there is a new high scale project related either to existing business or start-up companies. Term loans cover long term investments on buildings, machinery and equipment and they are mostly treated like project financing.

The aim of this loan is to trigger the production process and enable new employment to help the diversification of economy in Oman.

Working Capital Loans

Working capital loans are provided in expanding or developing projects or starting anew projects.

Working capital is used to cover the daily needs of operating expenses such as raw material purchase costs, storage and spare parts (inventory), salaries and wages, utilities, packaging, transport expenses and other costs.

The aim of this loan is to maintain the continuity of the production process from the purchase of raw materials until the sale of finished production. The areas of finance include loans versus confirmed orders - pre-shipment, loans against specific orders - pre-shipment, loans against trust receipts, receipts (discounted checks), payments for receivables and export bonds.

In addition, the Bank also acts as an agent on behalf of the Government of Sultanate of Oman in respect of the distribution and collection of Government Soft Loans; disbursement of Agriculture and Fisheries Loans and others.



International Conference on National Development Banks (NDBs) Supporting the Sustainable Development Goals and Structural Transformation Beijing, China, 28 May 2019

ADFIMI Secretary General was invited to the conference jointly organised by French Development Agency (AFD), Institute of New Structural Economics (INSE) of Peking University and Research Institute of China Development Bank (CDB).

In her opening remark Dr. Jiajun XU, Executive Deputy Dean of INSE said that the conference was organised because NDBs recently were playing more important roles. The conference was not only to discuss important topics like SDGs, green finance, structural transformation, but more importantly, to build a vibrant development finance institute (DFI) research and practice community.

The first welcoming speech was given by Prof. Justin Yifu Lin, Professor and Dean of INSE, said that among the SDGs especially the first (no poverty) and the second (zero hunger) would have to be realized for all by 2030. Goal 8 “decent job for everyone” was essential to achieve SDGs.

Infrastructure meant large investments with large financial resource requirements. This was where NDBs would provide suitable investments. This meeting could make an important contribution to the process of achieving SDGs by 2030.

The next speaker was Mr. Remi Rioux, CEO, Agence Française de Développement (AFD) and head of IDFC. He based his speech on three words: Intuition, Determination, and Action.

He fervently believed that we all shared a very strong intuition that National and Regional Development Banks were meant to play an increasingly significant role in financing and achieving the SDGs. NDBs and Regional Development Banks (RDBs) had long been in the shadow of the international financial system. The world had changed dramatically and ecological and human challenges had risen to a myriad of economic vulnerabilities and divides. Today, in times of uncertainties and fragmentation, NDBs and RDBs appeared as potential groundbreakers, forces of reconciliation. As financial players, also as policy implementers, they were in a unique position to make the UN 2030 agenda happen on the ground. Because they could think globally, while acting locally.

His second word was determination. AFD, China Development Bank (CDB) and other NDBs were determined to make a difference. They were already working towards the achievement of SDGs; from high speed growth, to high quality development. It was time to accelerate collective action; if we wanted to achieve a rapid scale transformation of our economies and avoid

the direct and dramatic consequences of climate change, we had to, first and foremost, better understand our strengths and weaknesses. We also needed to think of public development banks as a system or as a pyramid that needs to be orientated and needs to be incentivised.

The third and the last word of his speech was action. Addis Ababa, New York, Paris international summits provided the international community with an unprecedented opportunity for progress and momentum. *However, this agenda had not yet resulted in a methodological and operational framework on the finance side for change to happen. It was needed to break this deadlock, to work (Emphasis ADFIMI) together on the public finance side and SDGs called for stronger joint action. It was needed to encourage innovative alliances going beyond outdated divides and this was precisely what International Development Finance Club (IDFC) was about. With the support of CDB, they could set a precedent and send out a strong signal through the IDFC for a new channel of action. IDFC was composed of 24 national and regional development banks from all over the world, representing global assets in the range of \$4 trillion and annual commitments to new projects above \$850 billion, \$200 billion already for climate. A group that was taking positions together now, was sharing best practices and experiences, a group that was financing very concrete operations together. As the chair of IDFC, Mr. Remy Rioux, said that they had started internal work on climate finance on SDGs financing; called everyone, especially academics, to use IDFC as a laboratory for this new role of NDBs.*

Keynote Speech on “The Future of Development Banks” was delivered by Dr. Stephany Griffith-Jones, Financial Markets Director, Columbia University.

She said that, in the world of commercial banking, commercial banks usually hid their best practices because, they were competitors. Whereas, there was collaboration between NDBs; they liked to exchange experiences, lessons to jointly improve their work. This was one of the indicators of how positive the role of NDBs was. She then introduced the book on the Future of Development Banks.

The time was ripe today for increased role of NDBs: Firstly the global financial crises had shown the limitations of purely private finance; counter cyclical role that NDBs could play, the role of funding SMEs and innovation in bad times was absolutely central. Secondly, there was a challenge to move the world economy to a major structural transformation, to a greener, more inclusive, more productive economy and for that, a lot of investment was needed, and that investment was

not to be funded on its own by the private financial sector. Therefore, NDBs, together with Multilateral Development Banks (MDBs) and RDBs could play an absolutely central role. That was really the nub of her message. The book was based on a research project at Colombia University. It was supported by BNDES and CAF and they looked into seven countries: Germany, China, Brazil, Columbia, Chile, Peru and Mexico. They started from simple theoretical insight. In the time of so called Washington Consensus, the need for development bank was unrecognised. Because, it was believed that the private financial markets were efficient. Therefore, DB / public action was not necessary. Joe Stiglitz recognised that governments had failures but, financial markets had far more market failures than government failures. And that justified government implementation as mentioned in their book; it was time for a visible hand not just for invisible hand.

In conclusions, she said that the banks they studied; were broadly successful in what they did, adapted flexibility to changing challenges. It was very important to have good macro context, well-functioned financial sector and clear development strategies and link to modern industrial policies.

The next item was the Launching of the Report on “Mapping Development Finance Institutions Worldwide” by Dr. Jiajun Xu, Executive Deputy Dean of INSE. It has taken two years to combine the first database on DFIs of all 500+ DFIs worldwide. What motivated them to build such database was their recognition that DFIs were experiencing a way of *renaissance* today. In particular, in the wake of recent global financial crisis, both academics and policy makers providing *were recognising the important role of DFIs* in mobilising; counter cyclical funds, in filling infrastructural finance gaps, in adjusting the defects in capital markets and promoting economic structural transformation. In parallel, at the international level; China and other emerging economies established AIIB, BRICS, “the New Development Bank” and at the national level countries in Asia, Africa, and Latin America were building or planning to build national development banks. Moreover, even the US and UK, where it was claimed that there was no need for NDBs

because they are part of capital markets and they have fully fledged market system. But the US Government decided to establish a new DFI last October. In the UK, the government decided to establish a state owned bank in 2014. They also established a global green investment group in order to tackle environmental challenges. That’s way *DFIs were considered to be in the wake of renaissance today.*

In sharp contrast with this development worldwide, they realized that very limited academic research to address a list of important research available questions like:

- ◉What were DFIs?
- ◉Why did we need DFIs?
- ◉What were the funding sources?
- ◉And questions related to appropriate financial regulatory framework and how could a better institutional design be achieved?

From their perspective one major reason behind the lack of research was scarcity of data. So far there was no comprehensive data set available on DFIs. That’s why INCE tried to build this global database to provide a public good for the research community so that a more vibrant academic research could be fostered in order to have a better understanding of DFIs. INCE has identified 539 DFIs and in the report disclosed the whole list. They defined three minimum criteria for the essential features of DFIs that helped to distinguish DFIs from other institutions.

They had identified 442 NDFIs in 147 countries. Establishment years of these DFIs showed that majority of DFIs were established after the World War 2. This momentum stalled in 1980s when new liberalism became a very prevalent thinking. After this plateau, establishment of DFIs had peaked in 1990s after the collapse of Soviet Union.

More importantly, she emphasised that their current database only included currently active DFIs. Whereas, they also planned to establish a parallel database that collected data on DFIs that were liquidated or commercialised. This would help to have a better



understanding about why some NDFIs succeeded and others failed. *She gave an open invitation to all to join to this research line and to have more collective research to fill the gap in the data and in the research.*

The full report is available at: <http://www.nse.pku.edu.cn/docs/20190530090006692126.pdf>

The next speaker, Mr Scott Morris, Senior Fellow of Center for Global Development, talked on “Goals: Impact, Opportunities and Challenges”. He said that SDGs faced a key dilemma. Although major multilateral institutions like the World Bank and the other core multilateral development banks (MDBs) had played a leadership role in shaping the SDG financing framework, there was a significant misalignment between the structure of those institutions and SDG financing needs. Specifically, the SDGs put countries, not multilateral institutions or foreign donors, at the forefront in achieving desired outcomes. Further, the SDG financing agenda identified an important role for the private sector and other non-sovereign actors. Although the MDBs would remain key players in SDG financing, other leading actors and particularly, other ways of organizing across institutions would be needed to meet the SDGs.

The report is available at: <http://www.nse.pku.edu.cn/docs/20190530090006692126.pdf>

SG Nuri Birttek was part of a panel discussion on “Aligning National Development Bank Mandate with the SDG Agenda” in which he had presented a report on the practices of ADFIMI’s NDB member institutions that have responded to the questionnaire: Bank Pembangunan, Industrial Development Bank of Turkey (TSKB), Turkish Development and Investment Bank (TKYB), Uganda

Development Bank, Oman Development Bank and Bank of Industry and Mine of Iran.

The conference decided to form four working groups. They were:

1. Financial sources for DFIs
2. Green Finance, Green Structures and SDG Compatibility of DFIs
3. Regulatory Framework for DFIs
4. Financial Instruments for DFIs

At the end of the conference, the organisers prepared a communique and requested the participating organisations to endorse it. The communique will be presented to the next MCM for its consideration.

Workshop on “Global Financial Regulations and Financing for Sustainable Development” on the second day. Wich dealt with “The Basel Accords and DFIs” where the discussion centered around “To what extent does the Basel Accord hindered or enhanced the capacity of development banks in providing long-term finance” and “Credit Rating Agencies and DFIs” where answers to the questions; “How do different credit rating agencies assess DFIs”; “To what extent have new rules for financial regulation, especially their impact on credit rating agencies, changed the way DFIs look at projects related to sustainable infrastructure?” A report on “Making Basel III work Emerging Markets and Developing Economies” was made available which can be reached from the following link: <https://www.cgdev.org/publication/making-basel-iii-work-emerging-markets-and-developing-economies>.

Secretary General Nuri Birttek attending discussion on “Aligning National Development Bank Mandate with the SDG Agenda”



ADFIMI TRAINING PROGRAMME,
FINTECH FOR BANKS and DEVELOPMENT FINANCE INSTITUTIONS
 In collaboration with Şehir University and IRTI,
 İstanbul, 17-18-19 June 2019

The event took place in accordance with the announced schedule. Mr. Nuri Birtek, Secretary General ADFIMI, welcomed the audience on behalf of ADFIMI as Chairman, Mr. Metin Özdemir was unable to attend. Mr. Özdemir was represented by the Deputy CEO of Ziraat Participation Bank, Mr. Mehmet Said Gül. After each lecture, a token of appreciation was presented to the keynote lecturers and trainers on behalf of ADFIMI. At the end of the second day, participants were asked to evaluate the programme. They were also presented certificates of attendance by the trainers.



The first Keynote Lecture was on “Digitalisation: A key component of Development”, by **Prof. Omneya Abdelsalam**, Professor of Accounting and Islamic Finance in the Business School, University of Durham, UK.

She described the research she was doing together with Prof. Ahmet Faruk Aysan from Şehir University, İstanbul, on how the private sector, especially the digital companies, performed in the implementation of SDGs.

They have collected data for the largest 16,000 firms worldwide from the databases of Bloomberg, Morgan Stanley, Thomson Reuters, MSCI etc. They surveyed these databases to find out which performance indicators could be connected to the 169 targets under 17 SDGs.

Having examined the databases, they identified key performance indicators that could be matched. Although they did not find indicators for all the targets, but found decent number of indicators to work on and calculated aggregate score for the several SDG performance. They also looked at the comparative performances of companies.

They collected 3100 observations from 445 digital companies; older companies and more profitable companies performed better. Overall, the performances on SDG 1, 2, 10 and 15 were very poor, and the performance of firms from developing countries were inferior to the firms from developed countries.

Having established the state of play in SDG performance of firms, Prof. Omneya underlined the need for SDG performance improvement of firms especially from the developing countries.



The second Keynote Lecture was on “Threats and opportunities of digitalization for DFIs” and given by **Dr. Mohammed Obaidullah**, Lead Research Economist and Manager of IRTI Research Division, Islamic Development Bank

He said, digitalization was an unstoppable process, irreversible, and it was the future. From Islamic Finance (IF)



experiment evolved during the past several decades, there was the Sharia compliant finance. The trend was changing towards looking at IF as more oriented towards development. Because development was seen more or less in conformity with the objectives of the Sharia (Maqasid). Now there was a kind of confluence that was emerging; the kind of growing consensus among the economists across the globe that Islamic finance had perhaps now to change its direction from “Sharia compliant finance” to “maqasid oriented finance” which was nothing but development finance.

He explained how the digitalisation process in the economy was going to reduce the frictions in the economy, by reducing costs, by accelerating the pace of development and through transactions, resulting into a smart economy.



Perhaps we were looking at a more inclusive economy where the individual citizen had a much bigger role to play; without centralised operations or centralised databases and policies formulated based on that.

He also said that Development finance was about raising. He resources for development. And looking at the SDGs, there was a kind of consensus that we would be needing about 5-7 trillion USD every year, if we were going to achieve SDGs or reach anywhere near the targets. He recognised that could not depend on the traditional sources alone.

In terms of SDGs, one had to look at all forms of finance, all different sources, public, private and alternative sources of finance. It was the alternative sources of finance that opened the doors for Fintech. We were witnessing new and disruptive technologies, like blockchain, for example, which were efficiency enhancing for both the real and financial economies.



It was very important to underline that we were talking about the real economy as well as the financial economy.

In the context of development, finance alone mattered very little. It had to meet and to be geared to certain end and that end was development. We were actually looking into the possibilities of immutable linkages between the financial and real economy through smart contracting. Dr. Obaidullah underlined the features of blockchain technology that was applied for the implementation of SDGs, as follows:



- Blockchain ushered in self-sovereignty with centralised database and by giving individual the chance to manipulate the data whenever they wanted and also by entailing trust and transparency. One example of the application of blockchain was keeping the track of internally displaced persons by International Red Cross and Red Crescent societies. It was a success and Red Cross replicated this application in other projects. Also, many governments now used blockchain to improve the efficiency in their aid programmes.
- Another application of blockchain was in the cases of endowments. Globally, endowment inventory was a huge problem but more so in IsDB member countries. Since endowments had been abused by western colonial interests and hostile governments, people lost interest in endowments, but with the use of Fintech, endowments could be rejuvenated.
- Social cryptocurrencies could be used for the distribution of charity and philanthropy.
- There was a huge potential of blockchain application in agriculture and food industry with its ability to trace the whole supply chain, from farm to the plate.
- Again in agriculture, blockchain could help to have transparent land records.
- The case of fake drugs, there were colossal profit losses and by using Cryptocurrencies, data security could be addressed better.
- It was possible to have affordable renewable energy, through the use of blockchain.
- Blockchain, could ensure that renewable energy subsidies reach the right place and the right targets.
- Fintech had huge applications on innovative ways of financing education.

The event continued with training sessions. Following subjects were covered:



◦ **BLOCKCHAIN TECHNOLOGY,**
Mr. Reza İsmail, Founder,
CEO, SycCode SDN Bhd,
Malaysia



◦ **PRINCIPLES and APPLICATIONS of CLOUD TECHNOLOGY**
Mr. Reza İsmail, Founder,
CEO, SycCode SDN Bhd,
Malaysia



◦ **CROWDFUNDING: PRINCIPLES AND PRACTICES;**
Mr. Omar Munshi, CEO,
Ethis Ventures, Malaysia



◦ **REGULATORY FRAMEWORK: SANDBOXES, COMPLIANCE ISSUES,** Ms. Elcin Karatay,
Managing Partner, Solak &
Partners, Turkey



◦ **CREATING a FINTECH ECOSYSTEM**
Prof. Dr. Selim Yazıcı,
Founder, FinTech Istanbul,
Turkey



◦ **INTERNET of THINGS (IoT),** Dr. Mazlan Abbas,
Co- Founder&CEO,
Favoriot, Malaysia



◦ **CRYPTOASSETS / CURRENCIES**
Prof. Ahmet Faruk Aysan,
Dean, İstanbul Şehir
University, Turkey



◦ **USE OF FINTECH IN ISLAMIC FINANCE,**
Dr. Mahmoud Bekri,
Research Economist,
Islamic Research & Training
Institute (IRTI), IsDB



◦ **BIG DATA, DATA ANALYTICS**
Dr. Masoud Shahmanzari,
Asst. Prof. İstanbul Şehir
University, Turkey

Site visits

On the third day (19.06.2019), interested participants (11) visited the Fintech application sites of Turkcell, Vakıfbank, Al-Baraka-Turk Bank and Ziraat Participation Bank as organised by ADFIMI from 09:00 to 18:00.

There were overall 34 participants from 13 countries and 16 organisations at the training programme, representing a good mix of participation from different countries.

Upcoming Events:

1. WFDFI BOG Meeting, Washington DC, 18 October 2019.
2. BI-ADFIMI-KNKS joint CEO Seminar on “Islamic Structured Finance: Cases of Infrastructure Project Finance in IsDB Member Countries” to be held on 12 November 2019, Jakarta Convention Centre, Indonesia.
3. The 69th Management Committee Meeting (MCM) of ADFIMI, to be held in Istanbul on 10 December 2019 at 10:00 hrs.

The 35th ADFIMI General Assembly (GA)

Marrakesh, Morocco, 03 April 2019, 15:00 - 17:00

Besides routine items GA has unanimously agreed to authorise SG to issue subscription fee invoices for 2020 in EUROs using the spot Euro-USD exchange rate of ECB on 02 December 2019.

The 35th GA has also unanimously agreed to extend the terms of Ziraat Participation Bank/Turkey, Bank Pembangunan/Malaysia, Bank Keshavarzi/Iran for a second three-year term and elected SABINCO of Bangladesh to the vacant seat for South and South East Asia Region and elected ordinary members Oman Development Bank and Agrarian Credit Corporation, Kazakhstan as alternate members of ADFIMI Audit Board.

The GA unanimously selected PKF İstanbul Aday Bağımsız Denetim A.Ş. (PKF İstanbul Aday Certified Independent Audit Inc.) to audit ADFIMI's 2019 accounts and The 35th GA has unanimously approved the External Auditor's Report for 2018 accounts, ADFIMI Audit Board's report for 2018 Accounts, Implementation of 2018 Budget, Budget for 2019, The implementation of 2019 Budget as of 28 February 2019, Budget for 2020, The subscription fee collections as of end of 2018, The subscription fee collections as of 25 March 2019 as they appeared in the WD.



Extraordinary meeting of the Management Committee, Marrakesh, Morocco, 3 April 2019

Management Committee convened with the newly elected members immediately after the 35th General Assembly in order to elect the new Chairman and the new Vice Chairman in accordance with Article

11.1.c and 11.1.d of the Constitution respectively. They have re-elected Ziraat Participation Bank as the Chair and elected Omdurman National Bank of Sudan as the new Vice-Chair.

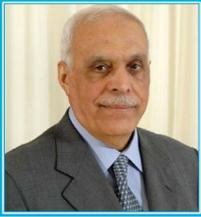


Mr. Metin Özdemir, Chairman, ADFIMI



Dr. Abdel Hameed Jameel, Vice Chairman

ADFIMI Congratulates:



◦ Mr. Musa A. Shihadeh for being appointed as the Chairman of Jordan Islamic Bank



◦ Mr. David R. Malpass for being appointed as the President of World Bank



◦ Dr. Hussein Said Mohammed for being appointed as the CEO and General Manager of Jordan Islamic Bank



◦ Dr. Sami Al-Suwailem for being appointed as the Director General of IRTI



◦ Mr. Arshad Mohamed Ismail for being appointed as the President/Group CEO of Bank Pembangunan Malaysia Berhad



◦ Mr. Khurram Hussain for being appointed as the CEO / Managing Director of PakLibya Holding Company (Private) Ltd



◦ Datuk Zaiton Mohd Hassan for being appointed as the Independent Non-Executive Chairman of Bank Pembangunan Malaysia Berhad



◦ Mr. Nebil DABUR for being appointed as the Director General of The Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIIC)



◦ Mr. Edwin Syahruczad for being appointed as the President Director of PT. Sarana Multi Infrastruktur (Persero)



◦ Mr. Joseph Alfred Amihere for being elected as the Secretary General of World Federation of Development Finance Institutions (WFDIFI)



◦ Mr. Murat Daribayev for being appointed as the Chairman of Agrarian Credit Corporation (ACC)



◦ Mr. Dennis Mugagga Kakeeto for being appointed as the AG. Managing Director of Tropical Bank Limited



◦ Mr. Md. Abdul Matin for being appointed as the Managing Director (Additional Charge) of Bangladesh Development Bank Ltd.



◦ Mr. Md. Rafiqul Alam for being appointed as the CEO / Managing Director of Bangladesh Small Industries and Commerce Bank Limited

and wish them all continued success in their new positions.