

Dear Colleagues:

Assalamu Alaikum.

I hope you all had a wonderful Ramadan and Eid. May Allah grant you the opportunity to celebrate many Eids to come with your loved ones.

In this issue, we report on the two joint workshops with IDB held in Baku and Cairo. I would like to thank our members in Azerbaijan (Azerigazbank, Unibank, Atabank, Rabitabank and Bank Respublika) for hosting this workshop in Baku. Allow me to thank Br. Samir Balayev, Adviser to Chairman of Supervisory Board, Unibank and Sr Aygun Alasgarova, Head of International relations division, Azerigazbank. My thanks also go to TIKA, Turkish International Development and Cooperation Agency and its presidents Mr. Hakan Fidan for co-sponsoring this workshop.

Similarly our member in Egypt, Industrial Development Bank of Egypt (IDBE), hosted the second IDB/ADFIMI workshop in Cairo. I would like to express our heartfelt thanks for the excellent hospitality extended to us and the participants and for the generous contribution as co-sponsor to its Chairman, Br. Shahn Ezzeldin Serageldin, and the Vice Chairman, Br. Hossam Nasser.

Finally, I would like to draw your attention to a news item received from the African Development Bank which reports that remittances from the African Diaspora in many African countries are many times more than the Official Development Assistance (ODA) provided by the member states of OECD's Development Assistance Committee. What is more, the bank transfer charges are so high (19%) that in some countries may equal or exceed the ODA appropriated for the country in question!!!

Best regards

Nuri Birtek
Secretary General

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Mehmet Emin Özcan
(ADFIMI Chairman)

Transparency International (TI) (*) with a mission “to create change towards a world free of corruption” is a global civil society organisation fighting against corruption around the world.

Ever since its establishment in 1993, TI has matured by intensifying and diversifying its fight against corruption. TI has defined five global priorities:

Among the said TI priorities fight against corruption in the finance sector system is not included. It is unfortunate that a similar institution working on the transparency of the finance sector, conducting surveys and making them available to the public domain does not exist. The results of such surveys could produce very surprising results since many of seemingly strong financial institutions would be in low ranks for not being transparent enough.

There is a wrong perception that if the corruption level is low in a country, the banking system would be free of such issues. It is asserted that a low level of corruption is not sufficient to prevent banking crises. For instance, while Scandinavian countries appear to have lowest levels of corruption, banking systems in several Scandinavian countries experienced widespread failures in recent past. Therefore, while many corrupt countries have poor transparency in banking, a low level of corruption does not guarantee a transparent banking system or prevention of serious problems in the banking sector.

According to Moody’s (**), following are examples of poor transparency:

- Delays in financial reporting or the unavailability of quarterly and semi-annual updates,
- Weak accounting practices, especially those relating to loss and impairment definitions of financial assets.
- Complex Corporate structures, lack of clear ownership interest and hidden related party lending,
- Shortage of independent external auditors and audit committees,

TRANSPARENCY for ALL, INCLUDING THE BANKING SYSTEM

- Lack of timely information about material events when they occur and/or the poor distribution of information disclosed.

The weaker the transparency in a bank, the greater the probability that they may be trying to hide negative news and the larger the premium they must pay to attract funds. Transparency assures that reported financial information reflects reality. If there is a change in the financial status of a reporting entity, full transparency necessitates that such alteration be reflected accordingly and immediately to all relevant parties.

Transparency is necessary for good management of a bank. In order to achieve an appropriate level of bank transparency, provision of the following six broad categories of information are advised (***):

- Financial performance
- Financial position (including capital, solvency and liquidity)
- Risk management strategies and practices
- Risk exposures (including credit risk, market risk, liquidity risk, and operational, legal and other risks)
- Accounting policies
- Basic business, management and corporate governance information

One of the vital requirements for the improvement of transparency level in a banking system is a properly conducted supervision. “The Core Principles for Effective Banking Supervision” issued by the Basle Committee in 1997****, provides the basics for such a supervision.

Poor transparency is typically found in societies characterized by uncontrolled economic power or in those with corrupt business practices. Deep-seated cultural differences may also constitute impediments in improving transparency. Although achieving high level transparency is not an easy task, in order to reach financial services at high profit levels, transparency should be adopted as a target.

* <http://www.transparency.org>
 ** Jerome S.Fons, “Improving Transparency in Asian Banking Systems”, Moody’s Investors Service, 1998.
 *** “Enhancing Bank Transparency”, Basle Committee on Banking Supervision, Sept. 1998. (Available at http://www.adfimi.org/Indx_haber_detay.php?hid=115
 **** Available at http://www.adfimi.org/Indx_haber_detay.php?hid=114

IDB/ADFIMI workshop on Financing SMEs for Export Promotion for the Benefit of Central Asian Republics 2-3 July 2007 Baku Azerbaijan

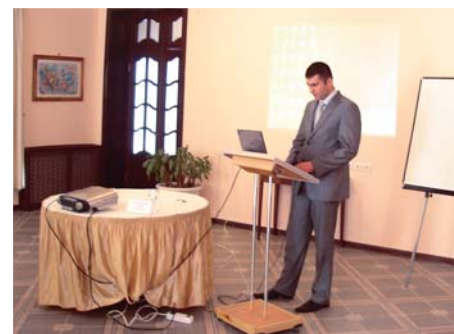


Altogether 22 participants from 6 CARs and 6 resource persons from ICD/IDB, Turkey, Iran and Azerbaijan took part in the event. ADFIMI members in Azerbaijan

(Azergazbank, Unibank, Rabitabank, Bank Respublika and Atabank) acted as hosts and co-sponsored the workshop. Similarly, TIKA, Turkish Development and Development Agency has kindly and generously supplied air ticket costs of 12 participants from 4 CARs.

Workshop outcome has been the proposal of following actions:

- Study on the current status of SME sector in CARs.
- Organization of workshops in Uzbekistan and Kyrgyz Republic on the subject of Islamic modes of finance.
- Establishment of a database in CARs to facilitate networking among SMEs in CARs.
- Training facilities of Turkish Eximbank, Halkbank of Turkey and Bank Keshavarzi of Iran would be at the disposal of DFIs from CARs for the purpose of transferring knowledge and experience on financing export oriented SMEs.



Co-sponsor



Hosts





Changes at the IMF Management

Rodrigo de Rato, who became the Managing Director of IMF in June 2004 will retire at the end of October 2007 and will be replaced by **Mr. Dominique Strauss-Kahn**, a former French Finance Minister on 1 November 2007. In his statement Mr. Strauss-Kahn said that the two main issues before him were relevance and legitimacy.

In terms of relevance the IMF's mandate has not changed much since the 1940s. Its mission, as always, is to facilitate growth and to promote employment by ensuring the world's financial stability. But the context has changed, and at a time of rapid globalization, its role is more essential than ever. The IMF was founded to deal with current account crises, in which exchange rate problems appeared to play a crucial role. Since the 1990s, however, a new kind of crisis emerged, linked to capital account weaknesses.

He said that the IMF should retain a central role in a context that is completely different from the one which prevailed when it was created. He said that his task was to go on rebuilding the credibility and the efficiency of the Fund. The effectiveness of the Fund's surveillance on sustainability of balance of payments positions and on disruptive exchange rate movements would be enhanced.

Beyond balance of payments positions and exchange rates, he said that the whole notion of financial risks has to be reconsidered, including their nature, distribution and backing. Synergies among all kinds of surveillance activities within the Medium-Term Strategy would have to be increased within the context of Article IV.

The different lending instruments the IMF uses would be modernized and the crucial question of conditionality, which has been at the center of many polemics, needs to be reconsidered focusing on what is really relevant for the success of a program.

He went on saying that *the Fund shall remain committed to low-income countries and to alleviation of poverty* working closely with other agencies like the World Bank.

He also hinted at changing HR policy. He agreed with most of what has been recommended by the Crockett report. Especially IMF's renewed role as provider of global public goods and the proposal to invest part of the quotas and the proceeds of a limited part of gold assets of the Fund. He also wants to have better control of expenditures.

He pointed out that most emerging, developing and less developed countries **do question the legitimacy of the Fund**, part of the problem being the highly debated question of quotas.

The voice and representation of most countries in a changing world had to be better taken into account by the Board, but also by the Staff - the diversity of which has to improve.

He referred to a double majority system (quotas and chairs) as a way to better ensure that key decisions command the appropriate level of consensus.

The IMF was at a *turning point in its existence* when the Fund had to adapt to the problems of today, including globalization, new types of economic crisis, and changes in the balance of power within the global economy. "What I want to do after November 1 is to really be the *managing director for reform*"



NEW BUILT SHIPS AMONG TURKISH ITEMS...

TÜRK EXIMBANK
TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

Direct loans and/or Letters of Guarantee to Turkish shipyards are among the popular project finance programs of Turk Eximbank. Letters of Guarantee are provided for pre-financing either in advance payments or in instalments. The program aims to support Turkish dockyards which at the present have annual capacity of 900.000 dwt. in order to increase their shares and competitiveness in international markets. Turkish shipbuilders are mainly skilled for construction of ships up to 25.000 dwt.

M/T BRO ALMA, Hull No.64, one of the recent projects financed under a Turk Eximbank direct loan program, is successfully launched on 29th of August, 2007 and it is the first vessel of the series of two 17000 dwt, IMO II, double hull Chemical tankers which fulfills EU environmental regulations. She is 144 metres long and achieves 14,8 knots with her 6300 kW main engine.

She will be exported to Ganstar Shipping SA, Liberia, upon completion of the outfitting works, harbor and sea trials according to the building program.

Rodrigo de Rato became Managing Director in June 2004, his main contribution was to launch a comprehensive Medium-Term Strategy (MTS). The goal of the MTS was to adapt the institution to the changing environment faced by its member countries and to address key challenges such as *the Fund's role and relevance in the world economy* and in dealing with financial sector issues; *raising the Fund's effectiveness in low-income countries*; reforming the voice and representation of member countries; and addressing the need for a sustainable Fund income model together with a more effective use of resources.

Among the various objectives set out in the MTS, significant achievements under Mr. de Rato's leadership could be considered to be the:

- Modernization of Surveillance for promoting countries' external stability.
- Reform of Fund governance-Quotas and Voice.
- Deepening integration of financial sector issues in IMF's work.

The IMF was the first multilateral institution to implement the Multilateral Debt Relief Initiative in January 2006 that cancelled the debt of several low-income countries with the Fund.

New Chairman for IMFC

The members of the International Monetary and Financial Committee (IMFC), the policy steering committee of the International Monetary Fund (IMF), have selected **Mr. Tommaso Padoa-Schioppa**, the Minister of Economy and Finance of Italy, as Chairman of the Committee. Mr. Padoa-Schioppa succeeds Mr. Gordon Brown, the U.K.'s former Chancellor of the Exchequer, who resigned in July 2007. Mr. Padoa-Schioppa has accepted the IMFC's chairmanship for a term of up to three years.

The IMFC was established in September 1999 to replace the Interim Committee set up in 1974 and strengthen the role of the primary advisory committee of the IMF's Board of Governors.

The Committee has 24 members, reflecting the composition of the IMF Executive Board.



OMDURMAN NATIONAL BANK

Omdurman National Bank having achieved record: growth in recent years is now considered

one of the top Sudanese banks. It has pioneered the adoption of modern banking technology for which it was awarded "The Accomplishment Medal" by the President of The Republic. It was also awarded the Bank of the Year Prize in Sudan for three consecutive years (2002, 2003, and 2005) by the Banker Magazine and was selected as one of the top 100 banks in the Arab World by the Arab Unions Magazine in 2005.

The Bank's investment portfolio includes strategic projects (roads, bridges, telecommunication projects), as well as health and pharmaceuticals sector projects, Agricultural projects, Financing Crop Exports, electricity, education, culture and mass media services projects. Modes of financing includes Musharaka, Mudaraba, Murabah etc. the total amount financed by the bank during 2006 reached 1,018 million SDG equivalent to 509 million USD

SMEs & MICROFINANCE

The bank gives great attention to SME Finance and Microfinance and for this purpose the bank has established specialized branches in order to serve private sector. Bank has special branches for providing finance to women and to finance the small industries, artisans, technicians and small industrialists projects. The total amount financed by the bank to this sector reached 4.9 million SDG equivalent to 2.5 million USD by August 2007 which corresponds 11% of the total finance.

The bank also finances foreign commerce and has 179 correspondents, in various parts of the world. The bank enjoys the membership of international SWIFT network, the Sudanese Banks Union, the Union of Arab Banks, the Islamic Financial Services Board (IFSB) and equity capital in the biggest Sudanese companies.



Development Bank of Turkey, 2007

- In 2007, Development Bank of Turkiye (TBT) with Investment Bank of Europe and the other three domestic Banks in Turkey has signed a new co-operation agreement amounting to 300 million Euros to finance SME investments in the education, health, industry, tourism and energy sectors.

- At the end of 2006, 99 million USD of the 150 million USD of the gross profit of the DBT, has been paid to shareholders as dividend.



THE IMPORTANT DEVELOPMENTS AT BANGLADESH SHILPA RIN SANGSTHA

The Sangstha has invested in share & debenture amounting of Tk. 64.1 million during the last year. It has also sanctioned loans to the tune of Tk. 120.00 million to two big industrial projects as a consortium member with other banks in 2006. The Sangstha has been paying an important role to develop the capital market in the country as an institutional investor. Cumulative amount of invest in capital market was Tk. 675.10 million at the end of FY 2006-07.

The other information (as on 30.06.2007) are as follows:

Subject	Financial Year		Tk. In Million Cumulative Amount (since inception)	
	2006-07	2005-06		
Approval	Term Loan	50.00	241.60	5561.70
	Investment in Share & Debenture	64.10	182.40	675.10
Disbursement	Term Loan	---	74.20	5071.60
	Investment in Share & Debenture	64.10	182.40	675.10
	Recovery	224.70	313.20	9353.20

INFORMATION ABOUT THE SRCO PROJECTS

The main objective of the SRCO is to build and maintain the strategic reserve for the state, and requires finance from financial institution nationally or internationally to implement its projects.

Among its projects in the pipe line are a 100.000 M.T a Silo in White Nile State, Rabak City to be completed in two years and being financed by China.

And three modern stores (one 50.000 ton and two 10.000 M.T in Genena, Fashir, Nyala in Darfur state)

The SRCO has also signed two memoranda of understanding with the Global Steel INC. and China North Industries Corp. to increase the storage capacity by 560.000 M.T in 19 locations all over the country.

Sudan Rural Development Finance Company Ltd.

- During the period from 1.1.2007 up to 15.9.2007 SRDC financed about 84 SME projects in Industrial Agriculture Poultry production. Dairy production & Services sector with the total amount of SDG 1.769.000

- SRDC has raised its capital from SDG 400.000 to SDG 2.810.000 by the end of the year 2006 from the general reserve

- SRDC concluded Mudharaba Agreement with Industrial Development Bank for financing many SME projects in different sectors.

- SRDC has sustainable financial cooperation with Farmers Commercial Bank for providing the company with lines of credit for financing its projects.

- SRDC seeking for finance and traing links with the Central Bank of Sudan microfinance unit.

Another workshop was organized in Cairo on the subject of 'Successful SME Practices for the Benefit of Arabic Speaking Countries'. There were a total of 55 participants from five ASCs and 11 speakers from 9 countries. ADFIMI member in Egypt Industrial Development Bank of Egypt had hosted and co-sponsored the Workshop.

The Workshop has proposed that:

- Similar workshops be repeated to further disseminate good practices in other countries
- An electronic forum be established on ADFIMI's portal to facilitate networking on successful SME practices
- Networking among the SMEs should also be established for success of SME development and it should be done through ADFIMI.

**IDB/ADFIMI workshop on
SUCCESSFUL SME PRACTICES FOR
THE BENEFIT of ARABIC SPEAKING
IDB MEMBER COUNTRIES**
2-3 September 2007 Cairo Egypt



Co-sponsor برعاية مشتركة من
بنك التنمية الصناعية المصري
Industrial Development Bank of Egypt



The Industrial Development Bank of Egypt



The Industrial Bank initially established in 1947 as a state owned joint stock company to provide specialized financing for the industrial private sector, was merged into Bank of Alexandria in 1971. In 1976 the Bank was re-established as The Industrial Development Bank of Egypt, an autonomous specialized financial institution focusing on providing structured finance to the newly emerging private sector industrial projects, especially to SMEs.

2006 witnessed further tangible improvements on different fronts, mainly: providing & marketing of new developed banking products to attract depositors and expanding the finance of various industrial sectors, as a result, the approved loans increased during the year by 311% compared to previous year.

- Participating in the government's plan to establish 1700 industrial projects in 15 industrial cities,
- Co-operating with the Industry Modernization Center and the Federation of Egyptian Industries to develop and modernize SMEs,
- Co-operating with the Ministry of Environment to assist the industrial projects to comply with the environmental requirements through providing loans with 20% non payment grant.
- Co-operating with Industrial Federation of Egyptian Industries (FEI) to provide finance to FEI's members.
- Co-operating with Leather Industry Chamber to establish 100 factories.
- Co-operating with the Federation of Egyptian Industries to assist industrial projects to comply with environmental requirements.

The year 2005/2006 financial results may be summarized as follows:

- The Bank participates in the capital of economic and social significant projects. The value of the bank's participations as at June30,2006 amounted to US\$ 12.3 million in the capital of 21 projects.
- Total approved loans during the Fiscal year 2005/2006 amounted to US \$96 million.
- The Bank ratified 33568 loans (from 1/8/1976 to 30/6/2006) to all industrial activities. The Bank ratified 29033 loans to the small industrial enterprises representing 86.5% of the total number of the endorsed loans.
- Total Assets amounted to US \$ 440 million as of June 30th,2006.
- Shareholders' Equity for the year increased to US \$ 89 million.
- Loan's Portfolio amounted to US \$ 340 million.

For more information visit: www.idbe-egypt.com



Workers remittances many fold to Development Aid in Africa

At the end of his official visit to Mali, President of African Development Bank Mr. Donald Kaberuka made a strong appeal for more efficient channeling of remittances from the African Diaspora.

According to a study conducted by the AfDB, remittances by the African Diaspora range from about 14 to 17 billion USD each year. In Mali's case, remittances from the Malian Diaspora in France made through official channels amount to 120 billion CFA francs, which is comparable to the development aid for Mali. For other countries, such as Morocco, Senegal or the Comoros Islands, Diaspora remittances account for 750%, 218% and 346% of the Official Development Assistance respectively.

The reports indicates, however, that the impact of these large sums is limited by the very high transfer costs (on average 19 € for 100 €), which discourages the Diaspora from using the official channel.

ABOUT ADFIMI

ADFIMI, established in 1987 with its headquarters in Istanbul, presently serves 58 members in 19 countries. ADFIMI's activities essentially aim at the human development dimension of Development Finance Institutions (DFIs).

The main field of activity of ADFIMI is capacity building of its member institutions some of which come from the least developed countries. In this context, ADFIMI organizes seminars / workshops / conferences for its members in various parts of its region. In the past, training programmes were held in a variety of cities (eg. Istanbul, Antalya, Kuala Lumpur, Hammamet, Cairo, Beirut, Kyrenia) in different countries. For additional information, please visit ADFIMI's web site at www.adfimi.org

New Appointments: We congratulate!

Mr. **FRM Hafiz Ul-Islam** for becoming the Managing Director of Bangladesh Shilpa Rin Sangstha

Upcoming Events

- **Special ADFIMI Seminar on Islamic Capital Markets, Sukuk Structures and Issuance, Point Hotel, Taksim - Istanbul, 12-13 NOVEMBER 2007**
- **Ordinary ADFIMI Seminar on Project Appraisal and Evaluation, 20-22 November 2007, Islamabad, Pakistan.**
- **Special ADFIMI Seminar on Renewable Energy Finance, Pyramisa Hotel, Cairo, Egypt, 9-10 December 2007**
- **IDB-ADFIMI Workshop on "Introducing ADFIMI in Africa", February 2008**



IDB FINANCING

- IDB Board of Executive Directors Approves New Financing for US\$ 766 Million.

The Board initially approved the Phase-1 of the Pilot Project of IDB's Microfinance Development Project (IDB-MDP) to be implemented in Bangladesh, Indonesia and Sudan. Upon successful implementation the project would be rolled out to other Member Countries. The Board accepted the proposal of the Lebanese government for utilizing the US\$ 250 million reconstruction program allocation for funding new priority projects and approved the list of proposed projects in addition to providing further facilities. During the meeting the Board approved the recommendations of a study on the Islamic Research and Training Institute (IRTI) to improve its services towards developing Islamic economy, and Islamic banking services. The Board also reviewed reports on Health Financing in Least Developed Member Countries, Status and Achieving the Target of Universalizing Education by 1440H, the Implementation of the IDB 1440H Vision,

and a report on issues raised by the IDB Governors during the 32nd Annual Meeting in Dakar, Senegal, last May. Projects approved included water supply, road construction, housing, power plant, Education projects in a 20 countries.

- IDB agreed to provide US\$ 189 Million credit for Mohammedia Power Plant in Morocco. The agreement was signed at IDB Headquarters in Jeddah by H.E. Dr. Amadou Boubacar Cisse Vice President of IDB on behalf of IDB the project aims at meeting the electricity needs of the country's growth by adding about 300 MW of additional power to the electricity generation system.
- IDB and ICD signed an MOU with Japan Bank for International Cooperation to increase trade, investment and other business activities between Japan and IDB Member Countries through exchange of useful information, and thereby improve the investment climate among IDB Member Countries through infrastructure development which will help improve economic and social development and poverty reduction in these Countries.
- IDB and the World Islamic Economic Forum signed an MOU to foster and integrate the Islamic Economies. The World Islamic Economic Forum (WIEF), established in 2005, is a platform designed to become the preeminent World Forum on Muslim Leadership and Islamic Business and Trade. The WIEF is organized by the World Islamic Economic Forum Foundation, in association

with the Asian Strategy & Leadership Institute, the Islamic Chamber of Commerce & Industry, the Islamic Centre for Development of Trade and supported by the Islamic Development Bank. The WIEF aims to create a better Muslim world through solid economic cooperation and business partnerships.

- IDB Declared Active Partnership with United Nations to Help Halve Poverty in Africa by 2015. Speaking at the Steering Group Meeting for Millennium Development Goals (MDGs) through a video link, Dr Ahmad Mohamed Ali, President, the IDB, declared IDB's partnership with the UN program in wiping out poverty from the African continent while expressing concern that most of the African member countries of his institution were still behind achieving the Millennium Development Goals. He stated that in order to help bring them to level, IDB has introduced a number of initiatives including the recent US\$ 10 billion Islamic Solidarity Fund for Development which was a manifestation of its resolve to alleviate poverty from the African continent. He stressed on the importance IDB is giving to projects in the areas of education and agriculture and pointed out the need for more similar projects in these areas.
- IDB provided USD 400,000 to Supply Foodstuff to War-displaced Families in Somalia, during Ramadan and USD 2 million to Emergency Humanitarian and Medical Assistance to Victims in Bangladesh, Lebanon and Palestine.