

**Masters
Degree in
Banking and
Finance for
Executives**

Dear Members,

In this issue, we report on ADFIMI's 46th Management Committee Meeting (MCM) and 24th Annual Meeting of the ADFIMI General Assembly (GA), both held in Jeddah, concurrently with 33rd Annual Meeting of IDB Group on 30 and 31 May 2008 respectively.

Another important event was ADFIMI's 18th CEO Seminar where Dr. Ghiath Shabsigh from IMF, a member of ADFIMI Advisory Council, assessed "Global Financial Turmoil: Challenges and Opportunities for IDB Member Countries and DFIs" as the keynote speaker. Prof. Dr. Mahani Zainal Abidin, from Malaysia, concentrated on "How Malaysia Tackled the 1997-1998 Asian Crisis". ADFIMI is grateful to both speakers.

We had a very informative BASEL II Seminar in Cairo, and appreciate the support given by Industrial Development Bank of Egypt (IDBE).

Finally we announce a Master of Science (MSc) degree programme in Banking and Finance in Eastern Mediterranean University for DFI executives. Although the course lasts one year, the executives will only be away from their work for 4 months. This period will be spent in Northern Cyprus where climate is excellent. Details are on p.8 and web page at www.adfimi.org

Best regards,

Nuri Birtek
Secretary General

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- » 46th Management Committee (MCM) meets in Jeddah
 - » 24th General Assembly (GA) convenes in Jeddah
 - » 18th CEO Seminar discusses "Global Financial Turmoil"
 - » Implementation of Basel II, Seminar in Cairo



Br. Mehmet Emin Özcan

ADFIMI Chairman
Member of the Executive Board
Agricultural Bank of Turkey

MICROFINANCE IN TURKEY

30th Annual Meeting of IDB with NDFIs was held during 33rd Annual Meeting of IDB Group at The Hilton Hotel in Jeddah, KSA on 1 June 2008. The theme of this year's meeting was "Building the Capacity of NDFIs in the Provision of Microfinance Services". Br. Mehmet Emin ÖZCAN, Chairman, ADFIMI was invited to make a presentation on "Microfinance and Its Applications in Turkey".

Following is a summary of his presentation:

Microfinance activities in Turkey have formally started towards the end of 1990s and presently regarded as one of the effective strategies to alleviate poverty by 2015. Supply of microfinance services in Turkey is very limited, both in terms of the numbers of people served and the range of services offered.

There is no legislation concerning particularly microfinancing, however, some regulations are available under various laws such as Banking Law, Law of Associations, Law of Cooperatives, Law of Waqfs/Foundations.

There are 46 banks in Turkey and none of them provide micro credit at the moment. However, some banks like Ziraatbank (Agricultural Bank of Turkey) and Halkbank (People's Bank of Turkey) have credit lines allocated for the SMEs including micro businesses such as craftsmen/craftswomen.

Micro credits are provided by governmental, non-governmental, and civil society institutions in Turkey:

- Social Co-Assistance and Solidarity Fund (SYDF: Sosyal

Yardımlaşma ve Dayanışma Fonu) is one of the leading institutions activating for long years, serving the poor and aiming to obtain fair income distribution and encouraging co-assistance and solidarity in the society. SYDF provides funds to the poor for household goods, health and education and to the disabled people on grant basis.

- Maya Microcredit Support Business (MMDİ: Maya Mikrokredi Destek İşletmesi) is the first microfinancing institution in Turkey. MMDİ is active in Marmara Region and provides funds to women entrepreneurs ranging from 100 YTL to 2,500 YTL to be used in trading handicrafts, home-made foods, souvenirs and textile.

- Turkey's Grameen Microcredit Project (TGMP) was started by an agreement between Grameen Trust and Turkey's Foundation of Waste Reduction in 2003. TGMP is a true microfinance system with 18 provincial centers and 23 branches as of May 2008 throughout Turkey and provides credit amounts ranging from 100 YTL to 700 YTL. TGMP credits are given to the women to make them economic actors in tailoring, running small shops, growing and selling the vegetable/fruit, all kinds of hand-made material, vending, manufacturing and selling souvenir, producing and selling milk products, etc...

- There are some other microfinance systems being executed by some municipalities in Turkey. They provide small credits to the women to become economic actors and to contribute towards better conditions of living for their families.

In general, it could be said that poverty alleviation should not be the sole responsibility of the states, and DFIs should perhaps shoulder some responsibilities too. When the financial assistance is left only to the responsibility of the states, some inefficiencies may occur. Nongovernmental MFIs in this sense could be more effective.

In order to utilise MF as a tool to combat poverty the number and amount of micro financing needed to be increased and the conventional banks could be encouraged to be involved more in the system in the future to increase the efficiency and effectiveness of the microfinancing.



BASIC Bank Ltd. completed another successful year. Year 2007 was fairly a good year for the Bank in the face of severe competition in the banking industry and changing global and national economic scenario.

As of end of 2007, the total assets of the Bank increased by 31.81 percent to Taka 38,773.9 million and total deposit rose to Taka 31,948 million showing a growth rate of 32.65 percent. Total loans and advances stood at Taka 22,263.3 million recording a growth rate of 17.18 percent whereas the proportion of non-performing loans to total loans decreased to 3.25 percent. The Bank's financing of import and export businesses registered growth of 19.45 percent and 8.61 percent respectively. Together all these resulted in an increase of 23.66 percent in the Bank's total income.

BASIC Bank Ltd. presently executes Agribusiness Development Project of Asian Development Bank (ADB). The Government of the People's Republic of Bangladesh has entered into a Loan Agreement with ADB for Agribusiness Development Project, which aims at promoting agribusiness activities to generate employment and help alleviate poverty. Under the Project, BASIC so far disbursed Taka 361.89 million through 3 participating NGOs: BRAC, ASA and TMSS.



BASIC Bank Limited

ADFIMI's 46th MANAGEMENT COMMITTEE MEETING (MCM) Jeddah, Saudi Arabia.



The MCM was held on 30 May 2008 with Br. Mehmet Emin Özcan in the chair. The Committee discussed the following specific points in the meeting:

- Proposals by the first AAC
- ADFIMI Portal Project
- Consultancy to member and non-member NDFIs
- Research, Membership Fees and Transactions in Euros
- Issues concerning members

Additionally, various issues were discussed in the meeting such as acceptance of two new members to ADFIMI and selection of an auditor for 2008.

ADFIMI's New Management Committee Members



Br. Abdullah Çelik
Chairman & CEO (DBT)



Br. Chingiz Asadullayev
Chairman of the Council (AGB)



Br. Shahin Ezzeldin Serageldin
Chairman (IDBE)

ADFIMI's 24th GA has unanimously elected three new members to Management Committee namely Development Bank of Turkey (DBT), Azerigazbank of Azerbaijan (AGB) and Industrial Development Bank of Egypt (IDBE).

ADFIMI welcomes all the new members and wish every success in their tenure of membership.

Bank Pembangunan

SME Bank separates from Bank Pembangunan

Corporate restructuring (separation) exercise between SME Bank Malaysia and Bank Pembangunan Malaysia Berhad (Infrastructure Bank of Malaysia), began on 1 April 2008, is going on. The move is part of an effort to further strengthen and increase the respective banks capacities and banking service efficiencies.

The SME Bank's financial position and operations are now placed directly under the purview of the Ministry of Finance, Malaysia (MOF).

SME Bank is used be a subsidiary of Bank Pembangunan but with the restructuring exercise, it will be a separate entity and come under the direct supervision of the MOF. Established in 3 October 2005, the SME Bank is a development and financial institution in Malaysia focused on providing financial and advisory services to the country's small and medium enterprises.

SME  Bank



ADFIMI's 24th General Assembly (GA) Meeting Jeddah, Saudi Arabia



ADFIMI's 24th GA was held on 31 May 2008 with Br. Mehmet Emin Özcan in the chair. He opened the 24th Meeting of the ADFIMI General Assembly after a recitation from the Holy Qur'an and welcomed all the participants.

The General Assembly selected the Development Bank of Turkey and Azerigazbank Open Joint-Stock Company of Azerbaijan and Industrial Development Bank of Egypt to the Management Committee membership.

The General Assembly approved the membership applications of two new institutions namely Workers National Bank of Sudan and Pak Libya Holding Company Ltd. of Pakistan. ADFIMI now has 54 members.

For the Vice Chairmanship, the General Assembly approved the name of Br. Md. Minhaz Zia, MD & CEO, Saudi Bangladesh Industrial Agricultural Investment Company, Bangladesh for a period of one year (instead of remaining period of Phoenix Finance&Investment Ltd., Bangladesh).

GA unanimously conferred Honorary Membership of ADFIMI upon Br. Dr. Selim Cafer Karataş, Member of the Board of Executive Directors, IDB.

The GA also resolved to authorize the SG to implement proposals by the AAC, to carry on with ADFIMI portal project and provide consultancy to NDFIs. The Secretariat was given the mandate to rejuvenate research in 2009.



ADFIMI-IDBE Joint Seminar on “IMPLEMENTATION of BASEL II”

Cairo, 14-16 April 2008.



ADFIMI – Industrial Development Bank of Egypt (IDBE) Joint Seminar on “Implementation of Basel II” was held in Cairo-Egypt from 14 to 16 April 2008.

There were 35 participants from 10 countries. 15 of which were from member institutions and 20 were from non-member local institutions.



There were two resource persons in the Seminar; Br. Sufyan Qteishat, Head; Credit, Operational & Market Risk Control Department, National Societe General Bank, Egypt and Sr. Hülya Bayır, Head; Credit Risk Management Section, Risk Management Department, T.C. Ziraat Bankası A.Ş. (Agricultural Bank of Turkey).



The seminar described the basic structure of Basel II especially on Credit Risk Management. While Br. Qteishat concentrated on theoretical aspects, Sr. Bayır provided valuable information from practice.



18th CEO Seminar:

“Global Financial Turmoil: Challenges and Opportunities for IDB Member Countries and DFIs”

Jeddah, 31 May 2008.



Dr. Ghiath Shabsigh, Chief, Middle East and Central Asia Division, Monetary and Capital Markets Department, IMF.

Dr. Ghiath Shabsigh, in his keynote lecture, said that over the past year, the world economy had gone through a remarkable transformation brought about by the confluence of financial market turmoil and the sharp rise in energy and commodity prices. These developments had created significant global economic challenges and risks, but at the same time given rise to unique opportunities in many emerging markets and developing economies, including IDB members. These developments have also created new opportunities for development finance institutions (DFIs) such as the members of ADFIMI.

While the epicenter of the current financial markets turmoil was the US subprime market (the mortgage subprime market in particular), the crisis was the result of broader set of vulnerabilities that were building up over many years.

The rising commodity prices were underpinned by strong demand from emerging and developing economies, led in good part, by China and India. These economies have accounted, for example, for about 95 percent of the growth in demand for oil since 2003.

The financial crisis had had a marginal impact on the growth prospects of IDB members with the output growth projection being revised down slightly to 5.9 percent in the Spring 2008 IMF World Economic Outlook as compared with 6.3 percent projection a year earlier. Inflation risks, however, were rising, presenting significant challenges that might require difficult economic policy decisions and might have an adverse impact on vulnerable groups.

However, the unusual combination of recent financial sector and macroeconomic developments were creating unique opportunities for IDB member countries and DFIs. These included economic reforms, the availability of significant investment opportunities, substantial financial surpluses, and the turmoil in advanced financial markets which presented an important opportunity to promote greater financial integration among IDB member countries.

Surplus commodity exporters were increasingly becoming an important players in stabilizing international financial markets mostly through the operations of sovereign wealth funds (SWFs). SWFs have played a stabilizing role during the recent turmoil, by providing additional capital to financial institutions suffering losses in credit markets.

Current economic and financial conditions globally and in IDB member countries also present an important opportunity for Islamic banking and finance to consolidate its impressive growth in recent years and to make further inroads in integrating with the global financial system.

There were opportunities arising on both sides of the balance sheet. Increased volatility in financial and commodities markets could pose a substantial threat to development banks, unless appropriate risk management measures were taken.

Concerning the infrastructure, many emerging economies, especially those with currencies that are closely linked to the Dollar, were facing overheating concerns.

The rising prices of agricultural products were likely to remain around for sometime to come.

With the expected continuation of robust demand for energy and the supply limitations on traditional oil and gas energy sources, demand was rising rapidly for alternative energy sources and for energy saving initiatives (e.g. energy efficient transport, including mass transit and rail freight). Projects in this area are often kick started and supported by public funding, and, as such, were to be an ideal area of activity for DFIs.

In many countries in the region, the private sector had become or was rapidly overtaking the public sector as the engine of economic growth. By leveraging the private sector's energy and resources, the DFIs should be able, through cooperation and joint venture, to substantially increase their reach and further facilitate the implementation of the national economic agenda.

Finally, the high energy and food prices and the rising risks of a generalized inflation was putting the vulnerable groups in danger, and was risking a reversing of the good progress achieved thus far in poverty alleviation.

Turning to the other side of the balance sheet, ADFIMI's DFIs were well placed for the most part to finance the necessary investments.

In terms of risks, the increased opportunities for DFIs to engage in infrastructure projects and structured finance posed challenges for both institutional risk management and prudential regulation.

In conclusion, Dr. Shabsigh said that the current global economic conditions presented an important opportunity for ADFIMI's DFIs to re-energize and contribute, in a significant manner, to national development. However, risks were to be considered and managed carefully. It was important for DFIs to seek partnership opportunities with the private sector, but more importantly to network among themselves to capitalize on their common mandate and vision.

ADFIMI 18th CEO SEMINAR

Keynote address
**Global Financial Turmoil:
 Challenges and Opportunities for
 IDB Member Countries**

AL QASR HALL (C),
 THE HILTON, JEDDAH KSA
 31 MAY 2008, 14.15 HRS
 by **Dr. Ghiath Shabsigh**

Chief,
 Middle East and Central Asia Division
 Monetary and Capital Markets Department
 International Monetary Fund



18th CEO Seminar:

“How Malaysia Tackled the 1997-1998 Asian Crisis”

Jeddah, 31 May 2008.



Prof. Dr. Mahani Zainal Abidin, General Director, Institute of Strategic and International Studies, Malaysia.

Prof. Dr. Mahani Zainal Abidin, in her lecture, explained how Malaysia tackled the Asian economic crisis during 1997-1998. She detailed the crisis and informed the attendees on response objectives, organization and policy formulation, measures taken during the crisis, recovery process and lessons learned from this event.

Dr. Mahani stated some indicators of Malaysian economy prior to the crisis as Persistent current account deficit, eg 5.4% of GDP in 1997; High investment, leading to a savings-investment gap; Excess capacity in the property sector; Large inflow of short-term capital and added that the impacts of the crisis 1998 were as follows:

- Economy contracted by 7.4 %
- Ringgit depreciated by 45 %
- Stock market capitalization fell by 80 %
- Consumption declined by 10.3 %
- Private investment fell by 57.8 %, causing credit crunch
- Large capital outflow
- Sharp rise in Non Performing Loans (NPLs)

The causes of the crisis were external and internal factors. The external factors were Globalisation of international financial system: wrongly sequenced financial sector liberalisation; Volatile short-term capital flow; Regional contagion effects: Herd-like behaviour of creditors and investors, and Loss of market confidence whereas the internal ones were De facto pegging of the Ringgit; Current account deficits; Over investment led to growing-investment gap; High loan growth - excessive and risky lendings; Mismatches of both currency and financing maturity.

When the crisis started in 1997, Malaysia rejected the implementation of IMF policy and preferred formulating a new policy and set of measures. In this context, a National Economic Action Council (NEAC) was established, the real situation was found out, some measures proposed, decision by NEAC Exco endorsed by Cabinet and continuous monitoring by NEAC Exco was executed.

Focus of recovery measures were more stable capital flows, managing confidence, leadership of public sector for economic recovery, ensuring the health of banking sector, and stability of the Ringgit.

While IMF Prescription (measures) for such crises includes cutting public expenditure, tight monetary policy and floating exchange rate, Malaysia implemented new rules such as fiscal stimulus, increasing liquidity, avoiding systemic risks in the banking sector, capital controls, minimizing social impact.

For easing monetary policy, interest rates were lowered and liquidity was injected to the banking system. Also to avoid systemic risks in the banking sector, the following measures were taken: no closure of financial institutions; deposit guarantee; merger of financial institutions; remove NPLs; strengthen capital base of distressed financial institutions.

In the crisis process, the following structural reforms were made as well: strengthening prudential management of the financial sector; corporate debt restructuring; capital market reforms; promotion of domestic demand to complement exports.

Some Special Purpose Vehicles were also used including Danaharta for removing NPLs from banks and other FI's; Danamodal to provide funds to recapitalize banks and Capital Debt Reconstruction Committee (CRDC) to facilitate voluntary solutions between creditors and borrowers.

At the end of the recovery process, consolidating and restructuring the Banking System, there become 10 major banking groups (as opposed 34 commercial banks, 25 finance companies and 12 merchant banks previously) and risk-weighted capital ratio is 12.8% and NPLs ratio is 8.1%. The reasons for success were:

- Availability of domestic funds to finance response measures
- Through the monetary policy independence; interest rates could be reduced and liquidity was restored.
- Strong export performance
- Domestic confidence returned
- Capital controls worked
- Use of breathing space for reforms

Dr. Mahani concluded her speech by adding the alternative solutions to the crisis presented by Malaysia's experience:

- Response measures contrary to orthodox solutions can produce rapid recovery
- Recovery achieved with minimum social costs
- Management of the NPLs and stability of the banking system are important

- More cautious approach to financial sector liberalization - limited foreign participation in solving financial sector woes.

ADFIMI appreciates the excellent lectures given by the two speakers.

ADFIMI 18th CEO SEMINAR
How Malaysia Tackled the 1997/98 Asian Crisis
 AL QASR HALL (C),
 THE HILTON, JEDDAH, KSA
 31 MAY 2008, 16.00 HRS

by Dr. Mahani Zainal Abidin
 General Director
 Institute of Strategic and
 International Studies (ISIS) Malaysia

Master of Science (MSc) in Banking and Finance in EMU

ADFIMI signed a Memorandum of Understanding with Faculty of Business and Economics, Department of Banking and Finance, Eastern Mediterranean University, Northern Cyprus in May 2008. MSc programme is open to all personnel from ADFIMI member institutions.

MSc programme in Banking and Finance at EMU is designed to equip personnel from ADFIMI member institutions with specialized analytical skills applicable to their professional interests in corporate finance, investment appraisal/cost-benefit analysis, project finance, financial risk management, commercial and investment banking, international finance, and financial economics. The MSc program gives students the opportunity to develop one or more areas of academic and professional specialization in addition to the program's core curriculum in finance.

The MSc is based on 8-courses (5 required, and 3 elective courses) and a masters thesis, or alternatively 10 courses (4 required courses, and 6 elective courses) and a term paper. It has been designed for bank managers who can not be away from work for more than 4 months. The programme can be completed in one year full time, or 2 years part time basis. Bank managers can take required courses at EMU during their first semester on the program. After completing required courses successfully they can return back to their own country and take remaining elective courses on-line from ICB. Annual tuition fee is 7,622 YTL (rate is variable but presently fluctuates around 1 USD \cong 1.20 YTL). Further details are at www.adfimi.org

Upcoming Events

- Seminar on "Credit Risk Management", Baku-Azerbaijan, 4-6 August 2008
- Special Seminar on "International Financial Reporting Standards (IFRS)", Istanbul-Turkey, 18-20 August 2008
- IDB – ADFIMI Workshop on "IDB Financing and ADFIMI Training Facilities for Development Finance Institutions (DFIs) in the Sub-Saharan Africa", Kampala-Uganda, 13-14 October 2008

ADFIMI's New Members

Workers' National Bank, Sudan



The Bank, with total assets of USD 83.200.650 as of end of 2006, having 12 branches and 163 staff, provides corporate, consumer and project finance, Islamic banking services and private banking services. Workers' National Bank focuses on financing SMEs as well.

Pak-Libya Holding Company Ltd, Pakistan



Br. Abid Aziz
Senior Executive
Vice President

The Company, with assets totalling 12.810 million Pakistani Rupees (around USD 169 million) as of end of 2006, operates in investment banking, treasury and fund management, securities and portfolio management and consumer banking areas. With its 80 staff, Pak Libya Holding Company Ltd. provides fund and non-fund based services in various sectors.



Islamic Development Bank establishes its First Local Currency Sukuk Programme

A team of officials led by YBhg. Dato' Syed Ja'afar Aznan, Vice President of Islamic Development Bank (IDB) visited Kuala Lumpur for the signing of a RM 1.0 billion Sukuk programme. The regulators namely bank Negara Malaysia (Central Bank of Malaysia), the Securities Commission and the Ministry of Finance have already given their approval for the establishment of the programme and issuance of Sukuk thereunder. The joint lead arrangers for the programme are CIMB Investment Bank Berhad and Standard Chartered Bank Malaysia Berhad whilst the co-lead manager is RHB Islamic Bank Berhad. The legal counsel for the transaction is Zaid Ibrahim & Co.

Following the signing of the programme documents by IDB, a 2-day road show was conducted, commencing with an investor presentation in Kuala Lumpur on 24 July 2008, which was attended by representatives of public and private institutions investors.

IDB has chosen Malaysia for the issuance of its first local currency Sukuk. The funds raised will be used to finance projects in Malaysia.

IDB was a multilateral development bank of 56 Islamic countries. IDB has a AAA rating from three international rating agencies, Standard & Poors, Moody's and Fitch Ratings. The said programme has been assigned a AAA rating from Standard & Poors.