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## FROM THE PRESIDENT'S DESK

Dear Network Members,

Let me, at the outset, wish all members of G-NEXID a very successful and eventful year, 2008. Year 2007 has, indeed, been encouraging for G-NEXID. The process of members joining G-NEXID commenced in January 2007 and by December 2007, we have 20 members, with more institutions expected to join.

During the year, G-NEXID members have been invited to programmes organized by UNCTAD, ITC and Afreximbank. These programmes have provided the required platform for interactions and knowledge sharing. Such interactions should lead to increased business cooperation amongst the members. I am confident that G-NEXID is moving in the right direction for achieving its objectives, with cooperation from you all.

The third Annual Meeting of the Forum is scheduled in the latter half of March, 2008 and it is proposed to organize a technical Seminar on SMEs on the eve of the Annual Meeting. I look forward to the active participation of all of you, in these events.

I welcome your inputs and suggestions to make G-NEXID an effective forum for promoting South-South cooperation. Your regular inputs on events and happenings in your esteemed countries or institutions for G-NEXID Newsletter will be of great interest to the members of the Network.



Yours sincerely,

(T.C. Venkat Subramanian)

Honorary President

## G-NEXID MEMBERS

			
<p><b>African Export Import Bank</b> Mr. Jean-Louis Ekra President &amp; Chairman of the Board <a href="mailto:jlekra@afreximbnk.com">jlekra@afreximbnk.com</a></p>	<p><b>Corporación Andina de Fomento (CAF)</b> Mr. Enrique Garcia Executive President and CEO <a href="mailto:finfante@caf.com">finfante@caf.com</a></p>	<p><b>Banque De Financement Des Petites et Moyennes Entreprises (BFPME)</b> Mr. Abdessalem Mansour President <a href="mailto:a.mansour@bfpme.com.tn">a.mansour@bfpme.com.tn</a></p>	<p><b>Banco Centroamericano de Integración Económica</b> Dr. Harry E. Brautigam Executive President <a href="mailto:mflores@bcie.org">mflores@bcie.org</a></p>
			
<p><b>China Development Bank</b> Mr. ZHAO Jianping Assistant Governor of China Development Bank <a href="mailto:zhaojianping@cdb.com.cn">zhaojianping@cdb.com.cn</a></p>	<p><b>Banque De Developpement Du Mali S.A.</b> Mr. Abdoulaye Daffe President and Director General <a href="mailto:adafdg@bdm-sa.com">adafdg@bdm-sa.com</a></p>	<p><b>Development Bank of Namibia</b> Mr. David Nuyoma Chief Executive Officer <a href="mailto:dnyuyoma@dbn.com.na">dnyuyoma@dbn.com.na</a></p>	<p><b>Development Bank of Zambia</b> Dr. Abraham Mwenda Managing Director &amp; CEO <a href="mailto:MwendaA@dbz.co.zm">MwendaA@dbz.co.zm</a></p>
			
<p><b>Development Bank of Southern Africa</b> Mr Paul Baloyi Chief Executive &amp; Managing Director <a href="mailto:ThuliJ@dsba.org">ThuliJ@dsba.org</a></p>	<p><b>East African Development Bank</b> Mr. Godfrey Tumusiime Director General <a href="mailto:gtumusiime@eadb.org">gtumusiime@eadb.org</a></p>	<p><b>ECOWAS Bank For Investment And Development</b> Mr. Christian Adovelande President <a href="mailto:cadovelande@bidc.org">cadovelande@bidc.org</a></p>	<p><b>Exim Bank of the Slovak Republic</b> Mr. Igor Lichnovský General Director <a href="mailto:kovacoca@eximbanka.sk">kovacoca@eximbanka.sk</a></p>

## G-NEXID MEMBERS

			
<p><b>Export-Import Bank of India</b> Mr. T.C. Venkat Subramanian Chairman &amp; Managing Director <a href="mailto:tcvenkat@eximbankindia.in">tcvenkat@eximbankindia.in</a></p>	<p><b>Eximbank Romania S.A.</b> Ms. Carmen Radu President <a href="mailto:carmen.radu@eximbank.ro">carmen.radu@eximbank.ro</a></p>	<p><b>Export Import Bank of Thailand</b> Mr. Apichai Boontharawara President <a href="mailto:info@exim.go.th">info@exim.go.th</a></p>	<p><b>Industrial Development Bank of Kenya</b> Mr. James Ochami Managing Director <a href="mailto:ckoech@idbkenya.com">ckoech@idbkenya.com</a></p>
			
<p><b>Industrial Development Corporation</b> Mr. Geoffrey Qhena Chief Executive Officer <a href="mailto:nokwazim@idc.co.za">nokwazim@idc.co.za</a></p>	<p><b>Nigerian Export-Import Bank</b> Mr. Baba Y. Ahmed President <a href="mailto:Baba.y.ahmed@neximbank.com.ng">Baba.y.ahmed@neximbank.com.ng</a></p>	<p><b>PTA Bank</b> Dr. Michael Gondwe President <a href="mailto:Michael.gondwe@ptabank.org">Michael.gondwe@ptabank.org</a></p>	<p><b>Banque Nationale d' Investissement, Cote D'Ivoire</b> Mr. Victor J. Nemelessini - Silue President Directeur General <a href="mailto:odaipo@bni-ci.net">odaipo@bni-ci.net</a></p>



## MAJOR EVENTS

- ❖ UNCTAD Workshop on 'Enhancing the Cotton Value Chain in Africa through Trade and Investment, with a Special Emphasis on South-South Co-operation.

UNCTAD, in participation with UNDP and Ministry of Agriculture, Government of Mali, organized a 2-day Workshop in Bamako, Mali, in December 2007. The Workshop sought to contribute to the development of African cotton industries through enhancing synergies at the regional level. This would entail the involvement of financial institutions in the provision of finance for trade and investment. The Workshop aimed at enhancing cotton value chain, strategizing expanded production and diversifying African exports beyond the cotton commodity market. The Workshop also aimed at assisting stakeholders in identifying strategies that would be translated into concrete actions to promote investment and partnerships for the development of cotton value chain, through regional integration and South-South cooperation.

The Workshop was attended by representatives of African Governments, major stakeholders of the industry, including financiers, African Producers Association, representatives of African Regional Economic Communities such as ECOWAS and UEMOA, financiers including regional banks and G-NEXID members, donor agencies as also UNCTD, UNDP and other agencies involved in cotton projects development.

The Forum arrived at important conclusions for development of cotton industries. It was felt that partnership of Exim Banks and Development Finance Institutions can help attract right investment in the cotton sector. It was also felt that South-South cooperation is crucial and there is a need to draw closer ties with Brazil, China and India. A presentation was made on 'Potential Opportunities from South-South Trade Development and Cooperation', and in this context, the role of G-NEXID in supporting and promoting South-South trade and investment was emphasized.

## MAJOR EVENTS

### ❖ ITC World Export Development Forum

The World Export Development Forum is the flagship event of the International Trade Centre (ITC), Geneva. The Forum is a think tank for senior decision makers, trade support network and business community in developing countries and economies in transition. It challenges conventional approaches and showcases strategic response to export development and export competitiveness. The event was held in Montreux, Switzerland, in October, 2007. The theme of the Forum was 'Bringing down the Barriers: Charting a dynamic Export Development Agenda'. At the instance of G-NEXID, ITC had invited the members of G-NEXID to participate in the event. Some of the G-NEXID members participated in the Forum.

The participants included various International organizations and UN Agencies, donors, NGOs, as well as export strategy teams from about 30 countries. Among the keynote speakers were Mr. Pascal Lamy, Director General of WTO and the renowned Economist, Prof. Jagdish Bhagwati of Columbia University. Discussions at the Forum focused on best practices in different countries and the participants were exposed to practical sessions that included Aid for Trade roundtables, brainstorming workshops and partnering meetings.

Mr. Pascal Lamy, in his address, emphasized the significance of Aid for Trade and highlighted the fact that WTO has, of late, been quite active on the issue. He mentioned that the key rationale behind Aid for Trade is to identify ways to address the capacity constraints that prevent developing countries from benefiting from the growing global trade. Prof. Bhagwati warned the developing countries that protectionism can be an obstacle to market access. Countries that close the door to trade cannot hope to reach the doors of other markets.

Details of the Forum can be accessed from ITC website: [www@intracen.org](http://www@intracen.org).

## MAJOR EVENTS

### ❖ ITC Symposium on 'Competency as Collateral for SME Financing'

ITC, Geneva, organized a Symposium on 'Competency as Collateral for SME Financing', as part of the annual Enterprise Management Development Global Network in Cairo, Egypt, in November, 2007. The event was attended by trade support institutions, technical cooperation agencies, SME financing organizations and trainers and consultants from many countries in Asia, Africa, Europe, CIS, besides UK, USA and Canada. Members of G-NEXID had also been invited to this event. Besides senior officials of ITC, officials from Government of Egypt, University of Bolivia, Exim Bank of India, Exim Bank of Romania, BFPME, Tunisia, Small Enterprise Development Organisation, Egypt, XAC Bank, Mongolia and Association of Lebanese Banks, Lebanon, addressed the participants.

A special session on Loan.com., a Tool developed by ITC and customized to India, jointly by ITC and Exim Bank of India, for supporting SMEs, was held. At this session, a presentation was made on 'Improving SME access to Finance using Management Competency as Collateral'. Specific case studies of SME units were presented. The participants found the discussions on the Tool a valuable learning experience, beneficial to the lending institutions for appraising SME proposals. (A detailed outline on the Tool appears elsewhere in the Newsletter).

### ❖ Afreximbank Advanced Structured Trade Finance Seminar

A two-day Advanced Structured Trade Finance Seminar was organized by African Export Import Bank (Afreximbank), a member of G-NEXID, in Mozambique in November 2007. At the instance of G-NEXID, Afreximbank had invited all members of G-NEXID and some of the members participated in the Seminar. The Seminar was attended by more than 80 participants from 18 countries. As part of the Seminar, a Workshop was held on the theme 'Project Financing for Export Development'. Highlight of the workshop was sharing of experience in promoting SME projects, particularly in the agricultural sector. For this purpose, an expert from the Central Food Technological Research Institute (CFTRI), India, had been specially invited to address the participants. A presentation on 'The Role of Financial Institutions in SME Development' was also made at the



# NEWS

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## MAJOR EVENTS

Workshop. Issues and challenges being faced by SMEs in developing countries were highlighted at the event. Key role played by financial institutions in developing countries to help SMEs export to various markets, was discussed. The Seminar and workshop helped the participants to interact on export development themes, with specific reference to SMEs. Details of the Workshop can be accessed from the Afreximbank website: [www@afreximbank.com](http://www@afreximbank.com).

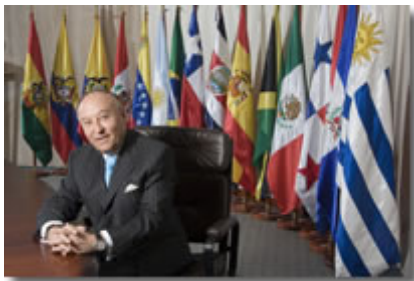
## NEWS FROM MEMBERS

### ❖ Dr. Mwenda is the Managing Director and CEO of DBZ

Development Bank of Zambia(DBZ), has announced the appointment of Dr. Abraham Mwenda as the Bank's Managing Director and CEO. Dr. Mwenda has had a long stint with the Central Bank of Zambia and was the Deputy Governor, Operations. Before joining DBZ, he was also Senior Advisor to the Executive Director, Africa Group I Constituency in the World Bank Group.



### ❖ 2007 : A Year of Consolidation for CAF



Mr. Enrique Garcia, President & CEO of the Andean Development Corporation, has described 2007 as a year of consolidation for the institution. Approvals increased by 20% during the year, over the previous year. More than fifty percent of the approvals went to the productive sector, with the objective of creating an entrepreneurial base which is capable of accepting the challenges of increased trade integration. These funds are used to finance investment plans, trade, working capital and provide support for the MSME sector. Mr. Garcia described the year as excellent for Latin America. The region will grow at an average of 5.6%, in conditions of stability and sustainability, he said.

## NEWS FROM MEMBERS

### ❖ DBSA initiative to accelerate infrastructure development

The Development Bank of Southern Africa (DBSA), and Agence Française de Développement (AFD) recently entered into a financial agreement to promote financing opportunities to accelerate infrastructure as identified by the New Partnership for Africa's Development (NEPAD) over the next five years. The first agreement between DBSA and AFD goes back to 2003. To support the NEPAD initiative, they created and jointly funded the Project Preparation and Feasibility Study Fund (PPFS Fund), for the purpose of financing the pre-investment stages of regional integration infrastructure projects. The PPFS Fund has played a catalyst role and mobilized other funds from relevant international finance institutions and donors in supporting project implementation. It facilitates the establishment of partnerships, provides funding for pre-project assessments

### ❖ Discussions between Exim Bank of India and ITC, Geneva

The Exim Bank of India delegation that participated in the World Export Development Forum, had a meeting with senior officials of ITC. The discussions focused on initiatives in a few developing countries, including those of



some of the member institutions of G-NEXID. One major initiative was the development of SME sector in countries like Zimbabwe, Namibia, Ghana and Senegal. (Exim Bank of India is closely working with Zimbabwe for development of the SME sector in the country. A senior delegation from Zimbabwe visited India recently, and, with the support of Exim Bank of India, met a cross section of major stakeholders in the SME sector in India and also had a glimpse of working of SMEs in different parts of India. Exim Bank is also working closely with Ghana for transfer of technology

pertaining to commodities like Banana and Neem). The meeting with ITC was followed by the visit of Ms. Patricia Francis, Executive Director, ITC to Exim Bank of India in Mumbai for concretising the action points.



## NEWS FROM MEMBERS

### ❖ EADB initiative to support SMEs

The East African Development Bank (EADB) has committed US \$ 1 Million to the Business Partners International Kenya SME fund. This specialist venture fund has been created to provide financial services to Kenyan SMEs on a commercially sustainable basis. The fund is co-sponsored by the European Investment Bank and the International Finance Corporation, Washington D.C., and Business Partners Limited, an experienced South African SME development organization. Other investors include CDC Group and Trans-Century Group. As a further boost to the fund, the World Bank (IDA) will provide technical assistance through the Kenyan Government.

### ❖ INSME reference to G-NEXID Newsletter.

The [International Network of SMEs \(INSME\)](#), based in Italy, has made a reference to G-NEXID Newsletter, as a recommended Newsletter, in its Newsletter released in December 2007. INSME has referred to G-NEXID as a joint initiative of Exim Banks, Development Finance Institutions and UNCTAD. A link to G-NEXID Newsletter as also the website of G-NEXID has been provided by INSME.

## BUSINESS COOPERATION INITIATIVES

- ❖ Mr. Iulian Velicu, Executive Vice President, Exim Bank of Romania and Honorary Treasurer, G-NEXID, visited Exim Bank of India in December 2007. The visit is part of the on-going process of interactions and consultations between Exim Bank of India and Exim Bank of Romania, both members of G-NEXID. Existing and potential areas of cooperation including possible conclusion of a Line of Credit, between the two institutions were discussed.
- ❖ Exim Bank of India and PTA Bank concluded a Line of Credit Agreement recently. This is part of the process of ongoing business cooperation between the two institutions. The Line of Credit will boost trade between India and the member countries of PTA Bank further.
- ❖ A delegation from ECOWAS Bank for Investment and Development visited Exim Bank of India in Mumbai, India, in October 2007. ECOWAS Bank, a member of G-NEXID, finances projects in West Africa. Exim Bank of India and ECOWAS Bank have entered into a Line of Credit Agreement for promoting trade between India and the countries in West Africa. The ECOWAS Bank delegation's visit to Exim Bank of India was in the context of the Line of Credit arrangement and the two institutions discussed project financing techniques under the Line of Credit.
- ❖ As part of the process of interactions amidst G-NEXID members, the Resident Representative of Exim Bank of India in Johannesburg, called on Mr. David Nuyoma, Chief Executive Officer of Development Bank of Namibia, recently. Several areas of cooperation between the two institutions, including a possible Line of Credit for promoting trade and investment, were discussed at the meeting. Development Bank of Namibia was appreciative of the role played by G-NEXID for promoting South-South trade and investment.
- ❖ Exim Bank of India and Nigerian Exim Bank concluded a Line of Credit Agreement recently. The Line of Credit will support trade between the two countries. Both the Exim Banks are also in the process of identifying ways of exchanging information and enhancing the process of knowledge sharing for mutual benefit.



## UPCOMING EVENTS

### ❖ ANNUAL MEETING OF G-NEXID

The third Annual Meeting of G-NEXID is proposed to be held in the latter half of March 2008. Coinciding with the Annual Meeting, a technical Seminar on 'SMEs : A Driving Force of the Global Economy' is proposed to be held. At this Seminar, speakers from UNCTAD, UNIDO and ITC are expected to address the audience on topics concerning SMEs. It is also proposed that G-NEXID members share their experience in supporting the SME sector in the respective countries.

### ❖ EXIM BANK SEMINAR ON 'TRADE AND INVESTMENT OPPORTUNITIES IN WEST AFRICA'

Exim Bank of India is organising a Seminar on 'Trade and Investment Opportunities in West Africa' in Dakar, Senegal, on February 5, 2008. The West African region, comprising 16 countries, contributes nearly 25% of total African trade. The region accounts for about 20% of total FDI inflow into Africa. FDI in the region is directed towards a number of sectors such as mining, oil exploration, electricity, transport, telecommunication, agro processing and tourism. Many countries in the region have introduced policy reforms for attracting FDI. Keeping in view the potential business opportunities in the region, Exim Bank of India has organized the Seminar. All G-NEXID members have been invited to participate in the Seminar.

## **FOCUS ON: COMPETENCY AS COLLATERAL FOR SME FINANCING**

The international norm, Basel II, requires financial institutions to implement an enterprise-wide risk management framework that encompasses operational risks. In this context, the Tool, Loan.com, developed by ITC and customised to India jointly by ITC and Exim Bank of India, using competency as collateral, helps reduce process related operational risks such as mis-pricing and incorrect asset allocation. At the Symposium on 'Competency as Collateral for SME Financing' organized by ITC in Cairo, Egypt, in November 2007, a detailed presentation on the Tool, Loan.com, was made. Brief details of the Tool, outlined at the presentation, are furnished in the following paragraphs :

Some of the characteristics of SMEs, particularly in developing countries, are weak financials, limited access to bank finance, good future potential, inability to provide collateral security, knowledge gap, etc. The screening methodology of financing institutions needs to consider non-financial parameters and management competency while identifying SMEs for financing. The Tool, Loan.com, has been developed to assess non-financial parameters in a systematic manner. The Tool captures non-financial strengths and weaknesses of an enterprise and is diagnostic in nature. The Tool is intended to identify the areas of weaknesses and thereby highlight the areas for improvement. The Tool is also intended to assess the future potential by taking into consideration the managerial capacities of a SME and its capacity to design a sound strategy.

Part I of the Tool analyses the company profile, by making a complete overview of the business. This includes information on the promoter, ratings based on experience in the specific field, annual turnover, rate of increase of turnover over the past five years, etc. Part II of the Tool comprises financial assessment, including company structure, credit history, specific transaction details, security package, payment mechanism and key financial ratios. Rating of the unit is established by assigning potential level of risk to each parameter. Part III of the Tool deals with strategy and business management competency assessment. This takes into account strategic segmentation and positioning, quality and timing of production process, marketing, comprising communication and distribution channels, effectiveness of transaction and use of information technology and its potential role in enhancing competitiveness. Based on the above analysis, a detailed overview of the SME is conducted and the scoring is arrived at and specific recommendations are made. The Tool, customized to India, was applied to a cross section of SMEs in sectors like handicrafts, agro and food processing, engineering, auto components, traditional medicines, etc., and was found to be quite effective in helping financial institutions in the appraisal of SMEs.



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## CONTACT US

### **G-NEXID**

Bureau 172 - 1er etage aile rhone  
150, route de Ferney  
CH-1218 Le Grand Saconnex, Geneva

### **Postal Address:**

G-NEXID, P. O. Box 2100, CH-1211, Geneva 2  
Phone: +41 22 7916717  
Fax: +41 22 7910361  
E-mail: [gnexid@gmail.com](mailto:gnexid@gmail.com)

**Contact Person:** Mr. Sriram Subramaniam, G-NEXID Co-ordinator