

COMESA BANKERS
 Vol 5. No. 18
 April - June ,2000.

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Layout and Designed by:
COMESA BANKERS ASSOCIATION

Printed By:

Montfort Press
P.O. Box 5592, Limbe, Malawi.

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No. of insertions / nb. d'insertions	Members	Non-members
	US\$	US\$
Full colour / Couleur		
Back cover / couverture de garde	270	300
Inside cover / couverture interieure	225	250
Full page / page entiere	180	200
Half page	135	150
Quarter page	100	100
Spot Colour	15%	15%
Black and White / Noir blanc		
Full page / page entiere	135	150
Half page	90	100
Quarter page	75	75
2nd Edition and more	10% discount	15% discount

BRIEF ON THE COMESA BANKERS' ASSOCIATION

COMESA Bankers' Association is a specialised institution of COMESA charged with the task of promoting regional integration by encouraging cooperation among banks and improving banking performance in the sub-region.

Introduction

The membership of the Association is open to national associations of commercial banks, and/or individual commercial banks and financial institutions within the Sub-Region.

The first Meeting of COMESA commercial banks was held in November 1985 in Harare, Zimbabwe under the auspices of the COMESA Secretariat. It was at that Meeting that it was resolved to form PTA Association of commercial banks now COMESA Bankers' Association. In December 1987, the PTA Heads of State and Governments in COMESA endorsed the decision of the establishment of the association.

The Articles of Association entered into force in 1988 and the inaugural meeting took place in June 1989 in Arusha, Tanzania. At that meeting, the General Assembly decided to establish an autonomous secretariat.

From 1992 the PTA Secretariat was the interim secretariat of the Association. In 1994, the Secretariat was relocated to Harare, Zimbabwe where the Association operated under the auspices of COMESA Clearing House up to December 1998. It has now established an autonomous secretariat in Blantyre, Malawi since January 1999.

Functions and objectives

The COMESA Bankers' Association was established in recognition of the crucial role played by the banking and financial institutions in the facilitation of trade, commerce and the development of production and service sectors. The detailed objectives of the Association as enshrined in its Articles of Association include to :-

- act as a forum for the exchange of information on banking practices in the sub-region of the Common Market and to serve as a forum for the discussion of common problems.
- enhance the promotion and strengthening of links between banks in the sub-region.
- serve as a medium of discussion between banks and relevant organs of the Common Market.

- seek ways and means by which the Association can contribute to the development of trade, commerce, agriculture, industry, transport, communications and tourism within the Common Market.
- facilitate training in the field of banking through the exchange of trainers and students between and among training institutions existing within the Common Market.
- facilitate the harmonisation of training banking personnel with a view to forming a sub-regional Institute of Bankers in the Common Market.
- facilitate the harmonisation of banking.

Advantages offered by the Association

The COMESA Bankers' Association offers a number of advantages, namely :

- (i) the opportunity for commercial banks to network and share experiences ;
- (ii) the forum to prevent cross-border frauds, illegal money transfers and money laundering;
- (iii) the common lobby for commercial banks to ensure that governments create an enabling environment for successful banking ;
- (iv) the facilitation of cross-border investment flows and a chance to diversify investment portfolios.
- (v) the training of personnel at low cost ;
- (vi) the exchange of information on Financial and Banking Systems in the Region

Managerial Staff of the Association

Chairman : Mr Hebtellassie HAGOS
Executive Secretary: Mary NKOSI (Mrs)
Operations Officer : Mr Leonidas NITEREKA

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Current members of the Association:

Burundi: Bankers' Association of Burundi
C/O BBci,
7 banks plus one individual bank.

Ethiopia: Commercial Bank of Ethiopia and individual bank.
2 banks.

Malawi: Malawi Bankers' Association
C/O Fincom
9 banks plus 1 financial institution

Rwanda: Bankers' Association of Rwanda
C/O BCDI
7 banks plus one individual bank.

Sudan: Sudanese Bankers' Association
25 banks

Tanzania: Tanzania Bankers' Association
C/O STANBIC
18 banks

Uganda: Uganda Bankers' Association
C/O Standard Chartered Bank
16 banks

- (c) substantially increasing the number of trained staff every year (over 200 persons); and
- (d) improving the skills of the staff and thus increasing the productivity of the banking industry.

The Secretariat will organise the following training courses in the year 2000:

- (a) Assets and Liabilities Management Programme ;
- (b) SWIFT Courses on : "Collection and Documentary Credits", and on " Getting Started with SWIFT"; and
- (c) Strategic Planning and Performance Management.

The following Workshops and Seminars will be organised in the course of the year 2000:

- a) The Prevention of Fraud in the Banking Industry
- (b) The Development of Payment Systems in Eastern and Southern Africa ;
- (c) International Trade Finance ; and
- (d) Financial Market Reforms.

The schedule of seminars for the year 2000 is on page 8.

(ii) Study on the Establishment of Institute of Bankers

The Articles of Association states that the objectives of the Association shall be "to facilitate the harmonisation of training of banking personnel with a view to forming a sub regional Institute of Bankers in the Common Market".

A training needs assessment study was carried out in 1998 by a team of consultants at the request of the COMESA Clearing House and the COMESA Bankers' Association as regards the establishment of an Institute of Bankers at regional level. It was discovered that the Institute of Bankers would offer the following advantages:

- (a) lowering costs ;
- (b) training adapted to regional conditions ;
- (c) harmonization of Banking practices.

The General Assembly agreed that the study on the establishment of a sub-regional Institute of Bankers should be carried out.

(iii) Banking Fraud and Money Laundering

The objectives of this project are to :

- (a) find ways in which to prevent banking fraud and increase confidence in banking system ;

Programme of Activities for the Year

Among other issues, the agenda of the Meeting focused on the formulation of the programme of activities and action plan for the year 2000. The General Assembly resolved to undertake the following activities:

(i) Training Courses, Seminars and Studies

The objectives of the programme is to enable bank personnel:

- (a) to have a better mastery of banking techniques and to keep up-to-date on the developments taking place within the banking and financial sectors;
- (b) to better manage the new financial instruments;
- (c) to share their experiences with other colleagues in the sub-region and thus participate in the process of sub-regional economic and monetary integration.

These Training Courses and Seminars will benefit the Banking Personnel as follows:

- (a) offering training at a relatively low cost, compared to what is paid outside the region ;
- (b) enabling an exchange of experiences amongst personnel coming from different countries ;

- (b) exchange information on Banking Fraud ;
- (c) encourage banks to adopt minimum printing standards of value documents.

In order to be able to fight effectively against Banking Fraud, the General Assembly agreed that all banks (members and non-members) should submit data on Fraud to the Secretariat monthly.

(iii) National Payment Systems

The Association will encourage each COMESA country to establish National Payment Council where they do not exist. The Association will cooperate with the SADC Bankers' Association in this area and will undertake a study on current Payment Systems in the sub-region.

The objective of this Project is:

- i) to ensure that a sound and robust financial basis is established in each COMESA country,
- ii) to modernise the existing payment and settlement system in each member country.

A booklet on each country's National Payment System will be published.

(iv) Publications

The "COMESA Banker" Newsletter will continue to be published and the 1999/ 2000 edition of ALMANAC will be published in the year 2000.

All the banks will be requested to submit articles for publication and advertisement, to make these publications useful.

(v) New Services to be offered and mobilisation of external resources

The Secretariat will initiate activities with a view to providing new services for the benefit of the banking community, namely: Exchange of Information on Banking System, the Staff Exchange Programme and Payment Instruments.

(a) Exchange of Information on Banking System.

The objective will be :

- (i) to build up a mechanism of information to allow banks to know each other and thereby establish a sub-regional financial services data network ; and
- (ii) to establish a system of compiling existing and future legislation of COMESA countries affecting the banking industry.

(b) The Staff Exchange Programme

The Association has among others the function of co-ordinating the Staff Exchange Programme. The Secretariat will circulate a questionnaire to all members to find out the main areas of speciality where improvement of expertise is required for the staff.

Member banks that already have expertise in certain areas (i.e. International trade, Financial Markets) will take on board the staff of other banks. Initially, the banks sending their staff on attachment will be expected to meet the training costs. However, the Secretariat will in future seek ways in which scholarships can be obtained to cover those costs.

c) Payment Instruments

The COMESA Bankers' Association is a member of the COMESA SMART CARD PROJECT Oversight Group led by the PTA Bank. Meetings to be held on a regular basis have been planned for the year 2000 and information on the Committee's findings and conclusions will be circulated to all the member banks.

The Secretariat will organise workshops for all Commercial Banks on the SMART CARD, in conjunction with the PTA Bank and other specialised institutions in the field of Payments and Payment Cards.

(d) Increasing Membership

Joint programme with the COMESA Secretariat will be carried out in order to increase new members.

A strategic approach on a country by country basis will be made.

Election of Office Bearers

During the same Meeting, the following Bureau of the Association was elected :

Chairman : Ethiopia

Vice-Chairman : Malawi

Rapporteur : Rwanda

Other Members of the Bureau are Uganda and Sudan.

NATIONAL BANK OF MALAWI (NBM)

Background

National Bank of Malawi was initially the product of the merger in 1971 of Barclays Bank and the Standard Bank following an agreement with the Malawi Government. Barclays Bank had been established in most of the African region for many years as Barclays Bank DCO while the Standard Bank which had its origins in South Africa was also widely established in Africa.

The merger of the two banks brought together complementary operations to provide a country-wide spread of assets and services.

Barclays Bank disinvested from Malawi in 1982 while the Standard Bank, which was later known as Standard Chartered Bank, left Malawi in 1996, in line with the broader strategic plans of their parent banks overseas.

The current shareholding is as follows:

Press Corporation Limited.....	48.27%
Admarc Investment Holding Co. Ltd.....	39.16%
South Africa Mutual Life Assurance Society.....	12.57%

The Directors of the Bank are as follows:

- | | |
|-------------------|------------------|
| · Chitsime, P A | · Jumbe, F A |
| · Kambauwa, D S M | · Magombo, J S |
| · Malata, S | · Pitchford, R A |
| · Prentice, C W M | · Regout, J A |

The Bank is engaged in the business of commercial banking in its various aspects and in the provision of other related financial services.

Our core products and services are:

- Current Accounts
- Savings Accounts
- Call Deposits
- Fixed and Term Deposits
- Foreign Currency Deposits Accounts (FCDA)
- Working Capital Finance by way of Medium Term Loans
- Capital expenditure finance by way of Medium Term Loans and Construction Loans
- Syndicate Loans

- Foreign Currency Loans for Exporting Customers
- Agricultural Loans to Small, Medium and Large Estates.
- Finance for exports by way of loans against imports, shipping guarantees, loans against Trust receipts.
- Transmission of funds globally via SWIFT
- Forex sales and purchases.
- Forward Exchange Contracts.
- International Trade including documentary letters of Credit (L/Cs), Bills for collection, import and export approvals exchange control matters,
- Guarantees and Bonds.

Others

Trade information including credit information reports, trade inquiries

Local custodial services, pension fund management, executor and trustee business, management of deceased estates.

National Bank of Malawi has about 1,200 employees. The bank today is the leading bank in the country boasting the experience and expertise of Barclays Bank and Standard Chartered Bank with a network of 13 branches and some strategic representation. It is the largest commercial bank in Malawi in terms of asset base, as well as being the most cost efficient and profitable. As at 31st December 1999 total assets stood at K7551.6 million. The bank's available capital stood at 26% (1998: 16%) of its risk bearing assets and contingent liabilities against the required minimum of 10%.

In 1998 National Bank opened a Representative Office in South Africa. The Office is our link with banks and business in South Africa with particular reference to the finance of trade between South Africa and Malawi, and of South Africa investment into Malawi.

National Bank is now fully computerised, having adopted a highly sophisticated Y2K compliant technology named the Bankmaster/Branchpower System, sourced from Kinle of Dublin, Ireland.

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THE FREE TRADE AREA: Concerns and Options

As the COMESA Free Trade Area in October 2000 approaches, among the main concerns expressed by some of some member States are the following:

(a) Loss of government revenue

A COMESA Free Trade Area in October 2000 means, among others, that the revenue that governments received in form of customs duties (import tariffs) for goods that are produced and traded among the COMESA member States will be 'lost'. This is because the COMESA FTA requires that goods are traded free of these duties and non-duty (tariff) barriers.

(b) Loss of industries, worsening of development imbalances

A COMESA FTA in October 2000 also means, among others, that tariffs (duties) and non-tariff barriers will be removed, thus exposing those firms, businesses and industries that were protected by these barriers to intense competition. Those firms that are more efficient (especially those located in the more industrially developed member States) could capture a larger share of the additional income benefits resulting from the Free Trade Area. The less competitive firms, businesses and industries in the less developed member States might benefit less in the process. This will not only worsen existing development imbalances, but might also lead to loss of jobs and potential social problems.

(c) Difficulties, even confusion, arising from implementation of programmes that are similar to those of COMESA due to membership in other COMESA-like regional groupings

Many COMESA member States are also members of one or more regional groupings such as the East African Cooperation (EAC), the Southern African Development Community (SADC), Southern African Customs Union (SACU), Intergovernmental Authority on Development (IGAD), and Indian Ocean Commission (IOC). Some member States are concerned that their dual or even multiple membership in these organisations makes it difficult for them to implement agreed programs, including making membership contributions. They feel that there is too much duplication.

AVAILABLE OPTIONS TO ADDRESS THE CONCERNS

(a) Loss of Government Revenue

Will the COMESA FTA Result in Revenue Loss?

All member States currently collect, in varying degrees, customs duties from goods produced and traded in COMESA. In a COMESA Free Trade Area, all member States will have to do without this specific source of revenue, i.e. revenue from customs duties on COMESA goods. They will still collect revenue for goods imported from non-COMESA countries.

However, in terms of loss of **overall government revenue**, there may or may not be any negative impact depending on whether or not:

(i) Revenue from COMESA customs duties form a large part of government revenue.

An examination of the member States' customs revenue collected on COMESA imports shows that the amount of revenue likely to be lost would be very small. In the majority of cases, this ranges from 0.1% to 2.2%; and 4.1% and 4.2% for Madagascar and Malawi and 11.7% for Uganda;

(ii) Governments use other methods of taxation to offset revenue loss from customs duties.

If member States levy a domestic sales tax or value added tax on imports, revenues may actually increase as a result of the expected increased volume of imports during the COMESA FTA, and also because absence of customs duties under the FTA would make people better off by raising their after-tax disposable income and consumption. These would more than off-set the revenue loss resulting from abandoning customs duties;

(iii) firms and businesses take advantage of the larger market.

The larger market provided by the COMESA free trade area should lead to increased exports and, therefore, increased company profits and direct tax revenue for governments. In addition, the consequent industrial development that would follow, would widen the member States' tax base, thus enabling them to collect more revenue.

The Secretariat in collaboration with the International Monetary Fund (IMF) is currently conducting detailed studies to establish the implications of the COMESA FTA on COMESA member country economies, including the question of whether or not it will result in revenue loss, and the measures necessary to address that concern.

Continued on page 7

These studies cover all countries and should be completed by February 2000. Already studies have been completed and reports submitted or will be submitted soon on the outcome of studies in Zambia, Tanzania, Kenya, Malawi, Mauritius and Zimbabwe. So far, reports that have been submitted such as that for Zambia indicate that the benefits of the COMESA FTA far outweigh any transitional costs.

What the COMESA Secretariat is doing, or plans to do about it

Among the short term and long term measures that COMESA is undertaking to address the issue of revenue loss include the following:

(a) Simplification and harmonisation of the tax system

COMESA Secretariat is working with member States on the simplification and harmonisation of direct and indirect taxation with a view to enhancing efficiency and probity in overall public revenue administration.

(b) Fiscal Compensation

Under the Cross Border Initiative (CBI), the co-sponsors of the initiative (World Bank, IMF, European Union and AfDB) have undertaken to compensate member States participating in the CBI for the loss of revenue resulting from implementation of the COMESA Tariff Reduction programme during the transitional period. The COMESA Secretariat is discussing with these sponsors ways of incorporating non-CBI COMESA member States.

(c) Common External Tariff (CET)

COMESA Secretariat is currently implementing programmes aimed at making sure that the COMESA CET in 2004 is a success and yields substantial real benefits in terms of revenue collection.

What member States can do about it

Member States know that with or without the COMESA trade liberalization programme, the trend globally is to reduce trade barriers. In deed, under structural adjustment programs (SAPs) of IMF/World Bank, member States have unilaterally undertaken far reaching economic reforms. In the specific case of revenue loss some of the options available and for which the Secretariat will explore with member States include the following:

(a) Reducing Dependency on Import Tariff Revenue:

Not all income is taxed because the tax base is not broad enough. In the COMESA region, as elsewhere, the

the member governments have an opportunity to earn additional revenues from emerging tax bases, such as income from small and medium companies operating in the informal sector, and to remove exemptions enjoyed by certain individuals and companies. The income tax base needs to be redefined and broadened.

(b) Reforming the Fiscal System:

Tax revenues in most member States comprise mainly indirect international trade taxes. The removal of tariffs under the structural adjustment programme and other bilateral agreements requires that governments depend less and less on import taxes, and more on other forms of taxation such as tax on income and profits as well as VAT. This in turn requires that the member States undertake fiscal reforms that will encourage economic growth through the pursuit of carefully designed tax and expenditure policies.

(c) Tax policy:

Tax policy should strike a careful relationship between tax structure and its impact on resource allocation and growth. In particular, it should be borne in mind that the combination of a heavy dependence on a few tax instruments, applied at high rates to a limited number of taxpayers, results in severe distortions in relative prices, and provides incorrect signals for investment and other economic decisions. Member States should, therefore, design tax structures that are equitable, administratively feasible, raises sufficient revenue, and minimises distortions. This requires that consideration be given to broadening the tax base, prudent use of commodity taxes, and a balanced incentive-based taxation policy on personal and corporate income.

(d) Remedies under the COMESA Treaty:

In the case of loss of revenue, **Article 60** of the Treaty provides that the Council shall, on the recommendation of the intergovernmental Committee, determine what remedial steps shall be taken with respect to a member State which has suffered substantial loss of revenue from import duties as a result of the application of the Treaty.

(B) Loss Of Industries, Worsening Of Development Imbalances

Will the COMESA FTA lead to loss of industries and worsen development imbalances?

-to be continued in our next issue !

DONOTMISSIT

PTA BANK

TRADE FINANCE ACTIVITIES

The Bank's Trade Finance window is involved in various types of lending through direct as well as indirect lending instruments.

Through Trade Finance facilities, the PTA Bank provides resources to finance export oriented or foreign currency generating transactions, which are self-liquidating. It also finances importation of critical raw materials into the sub-region. Such transactions may be in the private or public sectors in all Member States.

LOAN AMOUNT

Facility limits vary depending on the needs and borrowing capacity of the credit applicant. However, the minimum facility amount is US\$ 250,000.

TYPES OF CREDIT FACILITIES & INSTRUMENTS

In providing trade finance facilities, the PTA Bank uses either or a combination of the following instruments:

i) Pre-shipment Loans

Under Pre-shipment finance, exporters are provided with working capital for purchase of raw materials and processing and packaging of the exportable commodities. In providing pre-shipment finance, the Bank's warehousing finance scheme is used to allow exporters to borrow cheaply using exportable commodities as the primary security.

ii) Post-shipment Loans

Post-shipment financing assists exporters to bridge their liquidity needs where exports are made under deferred payment basis. One typical mode of post-shipment financing is bills discounting. Bills discounting facility serves to provide liquidity to an exporter by advancing him/her a portion of the face value of a trade bill drawn by the exporter, accepted by the bank. The facility is also being extended to financial institutions to enable them meet their liquidity requirements in providing pre and post-shipment finance to their clients. Bills discounting is being utilised to finance exporters and banks in the Bank's Member States.

buyer and endorsed to the PTA Bank.

iii) Loan Syndications

The Bank provides finance jointly with other participating institutions in a loan syndication under a single loan agreement. The Bank also plays the role of lead bank to organise such credit syndications in an effort to attract finance from international banks and money markets to assist big borrowers in the sub-region.

IV) Contingent Liability Based Business

The above describes a number of products which the Bank uses in order to guarantee the performance of a client under a normal trade contract. The Bank may for instance issue a guarantee on behalf of a client receiving goods or raw materials on credit terms. Guarantees may also be issued to cover advance payments made to clients under certain supply contracts. The Bank may also provide Bid Bonds for clients participating in tenders.

Products offered under Contingent Liability Based Business include the following:

- (i) Ordinary Guarantees;
- (ii) Advance Payment Guarantees;
- (iii) Bid Bonds;
- (iv) Performance Bonds; and
- (v) Standby Letters of Credits.

Plans are under way to introduce an Export Credit Guarantee Scheme.

V Issuance and Confirmation of L/Cs

The Bank issues import L/Cs in favour of suppliers within or outside the COMESA region for account of its customers having good track records.

The Bank has also been adding its confirmation to Letters of Credit opened by buyers through their banks where the exporter is unwilling to take a risk on the buyer's bank, the issuing bank.

VI Structured Pre-shipment Finance Facility

This is a highly structured financing program which aims at raising cheaper funds from markets outside the COMESA region such as USA, among others, for financing export activities in Member States. The program enables exporters in the region to benefit from cheap local currency financing for their pre-shipment financing requirement. This is arranged under a Memorandum of Deposit Agreement among Central banks of Member States, local commercial banks, an international bank and the PTA Bank.

COMESA IN FIGURES

Demographic statistics

● Total Area	12.88 Million square km
Population	380 million ('98 estimate)
Population growth rate, average	2.45%
Population density, average	29 persons per square km
Life Expectancy, average	52 years
Infant mortality, per 1000 live births	77
● Child malnutrition, % of children under 5 years	24
● Access to safe water, % of population	52
● Gross Primary Enrolment, % of school-age population	80
● Illiteracy, % of population over 15 years of age	32

Macro-economic Statistics

● GDP, at current prices	US\$ 155 billion (1997)
	US\$ 165 billion (1998 est)
Norminal GDP growth	4.5% 1997
	3.14% (1998 est.)
Total COMESA Exports	US\$ 23.97 billion (1998)
Total COMESA Imports	US\$ 38.83 billion (1998)
Intra-COMESA Trade	US\$ 4.2 billion (1998 est)
Total COMESA Trade	US\$ 58.88 billion (1997)
	US\$ 62.80 billion (1998)
Total External Debt.	US\$ 130 billion (1998 est)
COMESA per capita debt	US\$ 340 (1998 est)

General Resources Facts

- Potentiall Arable Land - 90 percent is yet to be exploited
- Water - 60% of the land area is covered by rivers and lakes; 95 percent of the water is economically unexploited
- River - some of the largest (Zambezi, Congo, Limpopo) and the world's longest rivers (Nile) with enormous potential for exploitation for water transport, hydroelectric power, irrigation, and fisheries.
- Lakes- Home to one of the world's largest fresh water lakes (Victoria), and some of the world's largest man-made lakes (Owen Falls, Kariba)
- Tourist attractions - has many of the natural and man-made wonders of the World
- Great Pyramids, Great Rift Valley, Serengeti Plain, Great Victoria Falls, Cradle of Mankind (Kobi Fora, Lake Turkana,etc.)
- Hydroelectric potential - 700 billion KW, of which 96 percent remains unexploited
- Estimated Mineral Wealth - 300 billion metric tonnes of phosphates, 105 billion tonnes of iron ore, 200 billion tonnes of petroleum and large quantities of uranium, nickel, copper and cobalt
- The COMESA region has 60 percent of Africa's livestock population (estimated at 3101.2 million heads in 1997).

HR Productivity Services (Pvt) Ltd. Management Consultants

Improving Productivity Through People

1. OUR PHILOSOPHY

Our Philosophy is that human resources productivity is the key to the success of any organisation. In pursuance of this philosophy, we shall endeavour to provide a wide range of services aimed at effective human resources planning, acquisition, development, retention and utilisation.

2. SERVICES

HR Productivity Services (Pvt) Ltd offers a wide range of services aimed at assisting organisations in making optimum use of their most important resource – people. Our main services are:

(a) Organisation Design and Development

- . Organisational Structures . Re-structuring
- . Management of Organisational Culture
- . Change Management Programmes

(b) Strategic Planning

- . Courses and Workshops . Development of in-house Strategic Plans

(c) Recruitment

- . Regional and International Placements
- . Executive Placements . Contract Employment

d) Performance Management

- . Courses and Workshops
- . Development of in-house Systems.

(e) Supervisory and Management Training and Development

- . Training Needs Analysis
- . Supervisory and Management Training
- . Human Resources Management
- . Productivity . General Management
- . Training of Trainers . Other Tailor made Programmes

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PTA BANK

(continued)

This is arranged under a Memorandum of Deposit Agreement among Central banks of Member States, local commercial banks, an international bank and the PTA Bank.

VII Securities Backed Facility (SBF)

This is a programme which enables the Bank to provide local banks with export and import finance requirements using the local banks' pool of Treasury Bills and Bonds as security. All availments under the facility are done under reverse purchase operations (REPO).

PERIOD OF THE FACILITY

The PTA Bank's trade finance facilities are availed to borrowers on a short term basis. Validity periods range from a few days to a maximum of one year. Renewal of any credit facility for a further period is at the discretion of the Bank.

Depending on a given borrower's asset conversion cycle, multiple roll-overs within the facility period are permitted.

SECURITY

The security for the Bank's trade finance facilities include either a combination of the following:

- (i) Assignment of the underlying export receivables;
 - (ii) First legal charge on stocks of export commodities, raw materials, spares and equipment purchased with the Bank's credit facilities;
 - (iii) Bank guarantee; and
 - (iv) Cash collateral
 - (v) First legal charge on fixed assets.
-

AFRICAN DEVELOPMENT BANK GROUP (ADB)

Introduction:

The African Development Bank Group comprises the African Development Bank (ADB), the African Development Fund (ADF), and the Nigeria Trust Fund (NTF).

The African Development Bank (ADB) is a development finance institution engaged in the task of mobilising resources towards the economic and social progress of its Regional Member Countries (RMCs).

Objectives and Functions of the ADB Group

The main objectives are :

- To contribute to the economic development and social progress of regional members, individually and jointly,
- To use resources at its disposal to finance investment projects and programmes, giving priority to projects which concern several member countries,
- To mobilize resources through co-financing with bilateral and multilateral development agencies,
- To promote international dialogue and understanding on development issues concerning Africa,
- To promote government and private investment in Africa through policy reforms,
- To provide such technical assistance as may be needed in Africa for the selection, study and preparation of development projects.

Strategic areas of focus

The following are new areas of strategic thrust :

- Project Quality
- Environmental protection
- Private sector promotion

Achievements of the ADB Group

The following are some of the achievements of the ADB since its inception.

- Continued operational and financial success and growth in an economically difficult region.
- AAA credit rating which gives it the same preferential borrowing terms as the world's leading development institutions.
- Committed about US\$33 billion for about 2072 loans and grants in all sectors of African economies.
- Made a net transfer of resources of over US \$ 11 billion to African countries.
- Aided in establishing the following international institutions to cater for development project

coordination and financing :

- Africa Re-insurance Corporation
- Shelter Afrique,
- Association of African Development Finance Institutions (AADFI)
- Federation of African Consultants (FECA)
- Africa Project Development Facility (APDF)
- International Finance Company for Investments in Africa.

From its modest beginnings in 1966, the Bank has become a key player in promoting self-reliance through co-operation among African states, as proclaimed in the preamble of its 1964 Agreement. Thereafter and in quick succession, the African Development Fund and the Nigeria Trust Fund came into being in 1972 and 1976 respectively. With the ADB, they altogether constitute the African Development Bank Group.

The year 1995 was an important turning point for the Bank Group as it embarked upon a major restructuring and institutional reforms programme aimed at revitalizing and strengthening its various services. These reforms essentially entailed improving the quality of operations; bringing into a sharper focus issues pertaining to financial management; institutional management and organization as well as institutional governance.

With regard to operations, the focal point of reforms is the Action Plan on Project Quality ,which takes up issues in programming, lending policies and practices, monitoring and post-evaluation and operational reporting. In respect to programming, the Country Strategy Paper (CSP) has now become the main planning document for operations providing a three-year rolling lending programme based on the country's economic situation, risk exposure and performances as well as loan portfolio.

With respect to monitoring the project cycle, important proactive measures have been instituted in order to upgrade the loan portfolio. This includes the launching of more systematic supervision missions and the preparation of reports regarding project implementation as well as the requirement for country portfolio reviews.

Similarly, it is this concern for loan portfolio quality which led to the systematic cancellation of non-performing loans and using the savings thereon to support viable

new investments. Such measures impact positively on the quality of the portfolio while also safeguarding the interests of borrowing countries, since it would be to their detriment to sustain charges on investments with uncertain benefits.

Equally important in the search for quality are the actions taken to promote efficiency and transparency concerning several operations aspects. For instance, in July 1996, the Boards of Directors adopted new Rules and Procedures for the procurement of goods and services aimed to guarantee the openness and efficiency needed in the provision of goods and services in respect of projects financed by the Bank Group.

In the area of financial management, a number of measures and policies have been taken for streamlining and safeguarding the financial position of the institution. The following are the main issues which have come up for close scrutiny: the revised African Development Fund accounting and financial policies; the Bank's lending rate; consideration of amendments proposals; review of the management system for foreign currency; net income management; and revised policies on loan arrears recovery and control.

As for institutional management and organization, the highlights centre around the completion of the implementation of the new organic structure approved by the Boards of Directors in 1995, the dynamics related to the appointment of new supervisory personnel, staff redeployment and separation. Moreover, a recruitment programme has been undertaken to meet human resources needs that could not be satisfied internally. To enhance the quality of human resources on board, the Bank is developing a comprehensive training programme for all categories of staff so they could more effectively operate in the changing environment of the Institution as well as member countries.

With respect to institutional governance, measures have been directed at issues concerning the responsibilities of the various governing bodies of the Institution as well as shareholding groupings. The main proposals have centred on the study on Reforming Governance and the Special Review of Policies and Operations. Both studies are currently the subject of in-depth consideration by the Ad-Hoc Committee of the Board of Governors on the Fifth General Capital Increase of the Bank.

The palpable achievements of the Bank have once again stabilized the Bank Group and generated renewed confidence in the Institution as evidenced by the reconfirmation of the AAA and AA ratings on the Bank's senior and subordinated debts respectively by two American

Rating Agencies - Moody's Investors Service and Fitch Investors Service, and Japan Credit Rating Agency.

Finally, the successful conclusion of the ADF VII replenishment to the tune of US\$ 3.2 billion will boost concessional lending for poorer member-countries.

THE AFRICAN DEVELOPMENT BANK (ADB)

Establishment:

August 1963, by 23 African Governments who signed in Khartoum, Sudan, the agreement establishing this institution. On September 10, 1964 the agreement came into force when 20 member countries subscribed 65% of the capital stock which then stood at US\$ 250 million. November 4-7, 1964 the inaugural Board of Governors' Meeting was held in Lagos, Nigeria.

Commence of Operations

July 1st, 1966 in Abidjan, Côte d'Ivoire, with a staff of about 10.

Management Structure of the Bank

PRESIDENT

Omar Kabbaj (Morocco)

VICE-PRESIDENTS:

Channel Boucher (Canada), Administration and Corporate Management

Ahmed M.F. Bahgat (Egypt), Finance and Planning
Cyril Enweze (Nigeria), Operations.

SECRETARY GENERAL:

Cheikh I. Fall (Senegal)

The next issue of **COMESA Banker** will be the July to September, and will be published in August , 2000.

All advertisements must therefore reach the editor by August 20, 2000.

SEMINAR ON “FINANCIAL MARKETS REFORMS”, SEPTEMBER 6th to 8th, 2000, ADDIS ABABA, ETHIOPIA

The Seminar on “Financial Markets Reforms has being ~~organised by the~~ **COMESA Bankers’ Association**, under the auspices of the **Organisation of African Unity (OAU)/PASU**.

1. Background:

The importance of Financial Markets will grow with time as the African Economies embrace Economic Reforms and the private sector takes an upper hand as the engine for growth and attainment of sustained rates of economic development. The importance of Financial Markets increases as competition is induced by the general economic reform measures being undertaken in Africa. The process of Economic Reforms will call for enhanced efficiency, which is a product of competition.

2. Objectives:

The following are the main objectives among others:

- (i)Discuss and address the requisite financial sector reforms needed to overcome the problems facing the Financial Market system in Africa;
- (ii)Discuss and address the plight of exporters and importers and the lack of venture capital funds and how a Reformed Financial Market System would help overcome the problems;
- (iii)Discuss and address how a Reformed Financial Market would overcome the risks in agriculture and industry and lead to enhanced rate of economic growth and development by adopting futures and options exchanges; and
- (iv)Expose participants on how Africa would use the Financial Markets to mobilise financial inflows from domestic and regional markets as well as from the international capital and money markets.

3. Who Should Attend?

Senior managers from stock brokers, stock exchange, Capital Markets Authorities, financial institutions, banks, officials from government etc.

4. Topics to be discussed

The topics to be discussed will among others, include the following:

- (a) An overview of the African Financial Market Systems;
- (b)The role of Government in the Financial Market System;
- (c)Mordenisation of National Capital Markets;

- (d) Financial Market Reforms necessary to create a vibrant Financial Market System;
- (e) The role of Securities Markets in the Economy and How they Function
- (f) Using Financial Markets to Finance Exports
- (g) Role of Commodity Exchanges in an Emerging Economy and the Formation of Commodity Futures Trading Commission
- (h) The Development of Financial Markets in Eastern and Southern African Region
- (i) The role of World Bank and other Donors in the facilitation of Financial Market Reforms;
- (j) Creating Contractual Savings in the Region at Country Level;
- (k) Harmonisation of the Regional Monetary Policy in order to create a Regional Financial Market System;
- (l) The Bonds Market;
- (m) Development Strategy for COMESA Stock Markets;
- (n) The Role of Venture Capital Funds and Experience to-date;
- (o) Africa as Emerging Markets; and
- (p) Fundamental Reforms in Kenya’s Capital Market and the Progress towards Regional Integration.

5. Speakers:

The Seminar will draw experienced Speakers from OAU/PASU, Capital Markets Authorities, COMESA Secretariat, UNECA, Stock Exchanges, Central Banks, PTA Bank, African Development Bank, etc.

6. Venue and Dates

Hilton Hotel, Addis Ababa, ETHIOPIA:
September, 6th to 8th 2000.

7. Registration Fees:

Registration fees are US\$600 per participant (for members) and US\$700 per participant (for non-members).

IFC ANALYZES HOW GOVERNMENTS SHOULD SUPPORT SMALL BUSINESS

Smaller businesses are the foundation of the emerging private sector in developing countries and governments should help them to survive and thrive, according to a discussion paper released by the Economics Department of the International Finance Corporation.

Small enterprises are not the most efficient, productive or best generators of jobs, but they account for a large share of firms and employment, and form the basis for private sector-led growth in developing countries, argues author Kristin Hallberg in the paper, *A Market-Oriented Strategy for Small and Medium Scale Enterprises*.

IFC has set a high priority on supporting small and medium enterprises (SMEs) through its investments in developing countries, often by investing in the banks that on-lend to smaller businesses. Some 40 percent of IFC's new business is in the financial sector and many of those investments ultimately finance SMEs. Against the backdrop of a high World Bank Group priority on support for smaller businesses, this paper considers the importance of SMEs in developing countries and investigates the economic rationale for intervention in support of SMEs.

The paper finds that the lack of access to and high cost of acquiring information, local regulations, taxes and incentives, and the relatively larger risk and investment for training or consultancy may create biases against smaller businesses, resulting from fixed costs, market failures or policy inadequacies.

It argues that governments should avoid introducing further distortions through tools such as subsidies, but they have an important role in improving information flows and rewriting unfavorable statutes. They can also help by addressing negative aspects of the business environment such as barriers to entry and non-competitive behavior, and inadequate laws to protect business and intellectual property, the use of property as collateral, commercial transactions and the resolution of disputes. Governments can help reduce the risk in lending to small businesses by measures such as refining laws and promoting innovative financial and lending instruments.

Governments can also accelerate the development of markets for financial and non-financial services that are appropriate for smaller enterprises by promoting innovation in products and delivery mechanisms and by building institutional capacity.

The mission of IFC, part of the World Bank Group, is to promote private sector investment in developing countries, which will reduce poverty and improve people's lives. IFC finances private sector investments in the developing world, mobilizes capital in the international financial markets and provides technical assistance and advice to governments and businesses.

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