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Editor
Leonidas Nitereka

Assistant Editor:
Ralph Malikebu

Typesetting
Mrs J.Mauluka

Publisher
COMESA Bankers' Association
12, Victoria Avenue, (Ground Floor)
P/Bag 271
Blantyre, Malawi

Tel : (265) 621503/623280 Fax : 621204
E-mail : lnitereka@malawi.net

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CONTENTS

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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 Sercretariat was the interim secretariat of the Associaton. 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

Activities carried out during 1999

During the year 1999, among other activities, the Association has organised three training courses and seminars on International Trade Finance, Treasury Management and Assets and Liabilities Management. It has also compiled and circulated banking fraud reports to stakeholders. The annual Meetings of the Executive Council and General assembly were held in Blantyre in July and December respectively. It has also established an autonomous secretariat.

Managerial Staff of the Association

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

Contact address:
12 Victoria Avenue, Unit House, Private Bag 271, Blantyre, MALAWI. E-mail: **lnitereka@malawi.net**

Current members of the Association:

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

Ethiopia: Commercial Bank of Ethiopia,
1 bank.

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

The Fifth Meeting of the General Assembly of COMESA Bankers' Association was held in Blantyre, Malawi from 2 to 3 December, 1999.

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:

- Organise training courses and seminars. The objective is to enable bank personnel have a better masterly of banking techniques and better manage state of the art financial instruments. A detailed list of courses and seminars is on page….

- Carry out a study on the establishment of regional Institute of Bankers;

- Compile banking fraud reports. The objective of the reports is to fight effectively against fraud and money laundering in order to increase confidence in the banking system;

- Cross-border payments systems:

  The Association will encourage each COMESA country to establish National Payments Council where they do not exist.

- Publish COMESA newsletter and Bank Almanac;

- Offer new services for the benefit of the banking community. The Association will coordinate the staff exchange programme in various avenues of the banks. It has already contacted some major banks who have agreed to take aboard staff from other banks and financial institutions. In light of this development , the Association would like to request all interested members of the banking community to submit their applications to the Secretariat. It is believed that more banks and financial institutions will be willing to be involved in this undertaking.

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.

CONTINENTAL DISCOUNT HOUSE LIMITED (CDH)

Backgroung Information

Continental Discount House Limited (CDH) was incorporated in Malawi on 27th June 1995.

CDH was licensed by the Reserve Bank of Malawi (RBM) under the Banking Act, 1989 on 23rd March 1998.
It opened for business in Blantyre on 10th August 1998. The issued and paid up capital of CDH is MWK 13,200,000 being the equivalent of US$ 500,000 at that time.

CDH shareholders :
TransAfrica Holdings Limited, Mauritius,
Malawi Development Corporation, Malawi, and
Consolidated Discount House Limited, Ghana.

The Board of Directors of CDH comprises 3 directors - one executive and two non-executive directors.

Services offered by CDH

CDH is licensed to ;

- operate overnight loan accounts with banks,
- operate call money accounts with banks and corporate sector,
- operate repos and reverse repos with banks and corporate sector,
- Make markets in money market financial instruments.

Money Market Financial Instruments

Money market financial instruments are short term (i.e. maturities of up to one year). Fixed income securities in Malawi include :

- Treasury Bills
- Repurchase Agreements (Reverse repos)
- Local Registered Stocks (LRS)
- Call Money
- Banker's Acceptances (these are likely to be introduced shortly)
- Negotiable Certificates of Deposit (ditto)

Treasury Bills

Treasury bills are short-term money market financial instruments, issued by government through the Reserve Bank to finance shortfalls in the government budget and for monetary policy purposes.

Repurchase Agreements

A repo is an agreement where the seller of a government security agrees to transfer securities to the buyer against the transfer of funds by the buyer with a simultaneous agreement by the buyer to transfer to the seller such securities at a certain date or on demand against the transfer of funds by the seller.

Local Registered Stocks (LRS)

LRS are Government paper issued to finance medium to long term development projects. The tenure for LRS ranges from 2 years to 25 years. Currently the LRS market is very limited.

Call Money

Call money is money deposited by a financial institution with a discount house subject to recall at the discretion of the depositor.

Bankers' Acceptance

Bills used by banks to finance commerce and industry. They are alternatives to bank overdraft.

Negotiable Certificates of Deposits (NCDs)

NCDs are instruments issued by a financial institution certifying that a deposit has been made with that institution, which is payable on surrender of the certificate at maturity. It is a type of wholesale deposit. It is negotiable in the sense that a depositor can, if he wishes, obtain cash before maturity by selling in the market.

Membership to the Association

The Continental Discount House Ltd has joined the Association during the current year.

Composition of Management

- Chief Executive : Mr George TETTY
- Head of Operations : Mr Joseph MWANAMVEKHA

For further information, please contact:

The Chief Executive Officer
P.O.Box 861
Blantyre - MALAWI

Main Tel : + 265 635 656 / 635 650
Dealers Tel : + 265 621 913 / 623 427
Fax : +265 622 826 / 622 887
E-mail : gty.cdh@malawi.net

BARD GROUP OF COMPANIES

"The secret of succes is consistency of purpose"

Introduction

BARD was founded in 1959 as a discount company and its trading focus was the domestic money market. Since then, the activities of BARD have been extended to include the domestic bond and equity markets, structured products, asset management, property management, unit trusts and the development of proprietary software.

The Client Base

BARD Group's client base includes virtually all institutions, banks and parastatals that are active in the domestic financial markets. This client base is founded on strong relationships that have been built over time. In addition, the group will be initiating a drive to establish an international client base.

Company fucus

The service provided by BARD is based on the promise of Added-Value. The focus is research-based, using approaches and techniques unique to Zimbabwe, thus allowing BARD to carve a niche in the market. A significant proportion of its energy is aimed at researching specific quantifiable and easy to implement strategies in the markets concerned. As a result, it strives to make a material and direct impact on the bottom line of its clients.

The People

Of all things at BARD, the biggest strength is its people. The core team is small, yet its combined experience in the local financial markets is diverse and extensive. There has been no compromise on the rule that BARD must engage the services of only the best people in the respective fields.

The result is an energetic team of individuals who have pride in both what they do and in the image of their company. They like to believe that no individual at BARD has a ceiling on his ability. As a team they are willing and able to go the extra mile. Their clients know this!

The Company Vision

As a Group, BARD is very mobile. Its fundamental belief is in significant growth through very selective investment in human capital. It is at a very crucial stage in its growth cycle. Even within its current spheres of operation, it is on the verge of important breakthroughs with new clients, both local and international. In addition, the activities of the Group have recently been significantly consolidated.

BARD has build up and nurtured a significant buffer in terms of cash reserves. Its aim is to use this as the springboard for its growth plans. As long as BARD can continue to add value and remain alert to new opportunities, its strong client contacts in the domestic and international markets will reinforce the ability of the Group to grow.

The "service" factor is taken very seriously at BARD. A significant amount of resources has been applied to create a client oriented business. In addition, confidentiality on all transactions is assured and the diversity of the group's activities provides its clients with a variety of investment opportunities. BARD strives to be the investment services provider of choice.

Recent Diversification

Within the last two years, BARD has diversified its activities into the provision of innovative software, consultancy, and the development of a retail product line. All of these ventures are in complete synergy with the current areas of operation, since the potential clients are the same population of investment managers with whom we already have strong personal relationships.

More importantly however, the path of intended growth has been selected with a view to significant and immediate expansion of the Group's activities. In line with this policy, the energies of the Chief Executive officer will be specifically channeled away from day to day activities. Given the solid foundation of the Group's operating divisions, strong leadership is now in place.

Clear opportunities for expansion of the activities of BARD have been identified. Each of these coincides with the expected availability of extremely well respected individuals in the respective areas.These individuals are ready to take a step into a less bureaucratic and more entrepreneurial environment, which will allow them to unleash their full potential.The sum of the existing and new opportunities will spell out the formation of a strong and stable financial services group in Zimbabwe. The components of this group exhibit significant synergy. As a whole, the Group will have greater credibility, given the combined coverage of the various business units and the reputations of the individuals concerned. The Directors of BARD are fully cognisant of the potential disruptions and instability arising from over-zealous growth as well as a current weak financial sector in Zimbabwe. Accordingly, we anticipate that the seed for each new business unit will initially be planted and left to grow over a period of years. These seeds will include specific individuals who have been identified. Once the business units have achieved internal strength and focus, we are confident that additional human resources necessary for expansion will be easy to attract.

Money Market Operations

BARD has traditionally been a strong primary trader in the domestic money market. This will continue to be the cash cow of the business. More than 85% of the marketable short-term securities in the domestic market are government treasury bills or a security in some way related to government borrowing. We will continue to be an aggressive participant in this market, striving to increase institutional market share with each year.

In the trading environment, BARD operates on a purely back-to-back basis. This serves to completely remove any question of conflict of interest between proprietary and client interest.The fact that BARD never holds an in-house position ensures that the focus of the individuals in terms of time nd attention is solely dedicated to the interest of the clients.

Bond Trading

The bond market in Zimbabwe is very much in its embryonic stage, however there is some semblance of a functional market. BARD has a dedicated fixed income desk and as demand for long-term infrastructure finance increases, the bond market is seen as a possible mechanism to kick-start meaningful infrastructure development. BARD has traditionally been an active participant in the fixed income market and hopes to maintain its lead and knowledge in this particular area.

Stockbroking

Stockbroking is an obvious and natural opportunity for BARD. We believe that the traditional approach of assembling a research capability that can then be used as a means of competing for institutional business flow would be the first initiative. The scope of activities would naturally, and probably immediately, expand to include institutional basket transactions and sizeable institutional deals, as well as a well-orchestrated client marketing drive.

Asset Management

BARD Asset Management is currently the largest independent asset manager in Zimbabwe with funds under management in excess of $2.6 billion. In the arena of asset management, there are two possible approaches. The first is the ultra-competitive market for the management of pension funds, which is characterised by intense regulation and right margins. The second approach is the retail market that encompasses unit trusts and treasury operations. The potential in this market segment is vast, and BARD intends to increase its presence in this arena.

Once again, the success of BARD Asset Management will be largely dependent on the availability of highly reputable individuals.

BARD has attracted the services of well – respected individuals within the local asset management community. We are confident that these individuals will be able to attract private and institutional funds within the short to medium term. The fact that such a Group will continue to attract more funds under management should enable an experienced team of managers to attain significant returns, which will in term be a solid platform from which to attract even more funds. In the medium term, the asset management arm of BARD will become profitable and will offer significant benefit in terms of spin-off business to the rest of the Group.

Asset management has also succeeded in being a conduit to offshore investment opportunities through Von Seidels Trust Company Limited, in association with investment managers based in Switzerland and England.

Property

BARD has developed a property management capacity and will strive to develop this business into a major competitor on the Zimbabwean property scene. A major success has been the recent mandate from the National Social Security Authority (NSSA) to manage its property portfolio. This will contribute significantly to growth of the division. The existence of a pool of expertise on property management and evaluations, combined with expertise in the property unit trusts will ensure significant benefits for our client base.

Research and Information

Efficient markets thrive on a constant flow of timely and accurate information. BARD understands this, and Techfin Research, an associate company, was conceived with this ideal in mind. Techfin is now recognised as a provider of concise economic and business information to aid the investment decision.

As this potential is harnessed and further developed, BARD's ability to penetrate the local and regional market will be enhanced significantly. Techfin, in conjunction with a South African company, has developed a software package, BARDNET, which provides critical and factual information on business and economic trends in Zimbabwe.

Year 2000 Compliance

The BARD Group of Companies is taking the Year 2000 compliance issue very seriously and has taken the following steps to correct the Problem.

- An external consultant was hired to perform a systems analysis and risk assessment of the computer systems.
- All hardware has been upgraded or replaced to comply with Year 2000 compliance requirements.;

(*continued on page 7)*

SCHEDULE FOR SEMINARS AND TRAINING SESSIONS FOR THE YEAR 2000

REF	THEME/COURSE TITLE	VENUE	DATE
TC S1/2000	Seminar On Fraud Prevention in Banking Industry	Kadoma, Zimbabwe	February 21st to 23rd 2000
TC S2/2000	The Development of Payment Systems in E.S.A	Kigali, Rwanda	March 27th to 29th 2000
TC S3/2000	Strategic Planning and Performance Management	Lilongwe, Malawi	April 17th to 21st 2000
TC S4/2000	Assets and Liabilities Management Programme	Kampala, Uganda	May 22nd to 26th 2000
TC S5/2000	International Trade Finance	Nairobi, Kenya	June 19th to 22nd 2000
TC S6/2000	Financial Markets Reforms	Lusaka, Zambia	August 25th to 27th 2000
TC S7/2000	SWIFT–Collection and Documentary Credits	Addis Ababa,Ethiopia	September 20th to 22nd 2000

BARD GROUP OF COMPANIES

(continued)

- All software in use at BARD has been tested to ensure integrity of data.

BARD has taken all the necessary steps to ensure within reasonable parameters, that the Year 2000 compliance issue has been adequately addressed and material changes where necessary, have been implemented.

Conclusion

From the above, it is evident that BARD has the attributes of a mature business with potential to be the premier financial services group in Zimbabwe. From this vantage point, BARD is eager to be recognised internationally, and in keeping with this ambition will seek and strive to establish formal relationships with key international organisations.

Composition of the Group

BARD Group of Companies comprise:

(a) BARD Discount House
(b) BARD Asset Management
(c) BARD Treasury
(d) BARD Unit Trusts (Pvt) Ltd
(e) BARD Stockbrokers
(f) BARD Real Estate

Contact Address
BARD House, Mamora Machel Avenue, P.O. Box 3321, Harare, ZIMBABWE.
Tel. 264-4-752756/752838; Fax 263-4-752755
E-mail bard@bard-zim.com

PTA REINSURANCE COMPANY (ZEP-RE)

Introduction

PTA Reinsurance Company (ZEP - RE) is an institution on the Common Market for Eastern and Southern Africa (COMESA), established by an Agreement signed by Heads of States and Governments on 23rd November, 1990 in Mbabane, SWAZILAND.

The current signatory Member States to the Agreement include : Angola, Burundi, Comoros, Djibouti, Eritrea, Kenya, Lesotho, Madagascar, Malawi, Mozambique, Rwanda, Somali, Sudan, Tanzania, Uganda, Zambia and Zimbabwe.The Company is based in Nairobi, KENYA and commenced carrying out reinsurance business on 1st January, 1993.

Objectives of the Company

PTA Reinsurance Company (ZEP-RE) is the specialised institution of COMESA charged with the task of promoting regional trade in the insurance and reinsurance sector so as to realise the following objectives :

(a) to foster the development of the insurance and reinsurance industry in the COMESA Sub-Region ;

(b) to promote the growth of natioanal, sub-regional and regional underwriting and retention capacity ; and

(c) to support sub-regional economic development.

Functions of the Company

Based on the above, the functions of the Company include :

(a) to transact reinsurance business through treaty and facultative cessions in respect of all or some classes of insurance inside as well as outside the Sub-Region ;

(b) to create and administer pools for various risks for the account and to the interest of the Sub-Region's insurance and reinsurance markets ;

(c) to facilitate the training of insurance and reinsurance industry personnel in the Sub-Region ;

d) to provide technical assistance to the insurance and reinsurance institutions of the Sub-Region ;

(e) to invest its funds in the Sub-Region in a manner that promotes economic development, provided the Company may invest outside the Sub-Region to meet its operational and/or technical requirements ;

(f) to promote contancts and business co-operation among national insurance and reinsurance institutions in the Sub-Region; and

(g) to undertake other activities incidental to its operations, but excluding the underwriting of direct insurance business.

Membership and Share Capital Structure

According to Article 3 of the Agreement establishing the Company, membership of the Company is open to :

(a) Member States of COMESA who elect to become members ;

(b) Insurance and Reinsurance institutions authorised by Member States who are members ;

(c) Insurance and reinsurance institutions authorised by Member States who are not members ; and

(d) Such other bodies corporate in Africa as may be come members upon the approval of the Gen eral Assembly.

The authorised capital stock of the Company is CMD 27,280,000. The structure layout is such that half of the authorised capital stock is called and payable while the other half uncalled. The value of one ZEP-RE share is CMD 1,364.00

The minimum shareholding by any member is One Hundred (100) shares while the maximum shareholding is Five Thousand (5,000) shares.Currently, the paid up share capital contribution stands at CDM 6,830,630.

Benefits and advantages of ZEP-RE to the COMESA Region

There are enormous benefits that can be derived by COMESA Member States if they participate in the activities of ZEP - RE. These include :

(a) Promotion of Inter-regional Trade
(b) Development of a Regional Reinsurance Market
(c) Reinsurance Training
(d) Development of Indigenous Companies
(e) Investment Opportunity
(f) Increased Retention Capacity
(g) Source of Data and Statistics
(h) Quick Settlement of Claims
(i) Provision of Employment
(j) Creation of a Continental Reinsurance Capacity.

Achievements so far made by the Company

(i) Sphere of Business Operations

The Company has managed to broaden its sphere of operation and is currently transacting business in twenty African countries including : Burundi, Eritrea, Ethiopia, Ghana, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Nigeria, Rwanda, Seychelles, Sudan, Swaziland, Tanzania, Togo, Uganda, Zambia and Zimbabwe.

(ii) Operational Performance

The Company has continued to witness growth in the premium income written. The 1998 premium income of CMD 8.8m represent 3% growth over 1997. *(continued on page 9)*

PTA REINSURANCE COMPANY (ZEP-RE) *(continued)*

ZEP-RE's strategies for the future

The Company's strategies for the future are as follows :

(a) intensifying its working activities within and outside the COMESA Region.

(b) establishment of regional branch offices in strategic areas of the COMESA Region.

(c) Closer co-operation with Other Continen tal, Regional and National Companies, and with COMESA.

(d) Member State and other COMESA Insti tutions.

"FRAUD PREVENTION IN BANKING INDUSTRY" : 12 TO 16 FEBRUARY 2000 VICTORIA FALLS, ZIMBABWE

1. OBJECTIVES

- to enable banking personnel, law enforcement Officers and security documents printers to share experience;
- to enable banking personnel to develop better control over the risks related to Fraud and computer Fraud;
- to explore the types of controls that should be instituted in order to prevent fraud.

2. VENUE AND DATE

From 14 to16 February 2000,Victoria Falls, Zimbabwe Victoria Falls is one of the most Tourist attractions in the World and is situated on Zambezi river.

3. TOPICS TO BE DISCUSSED

- Overview on Banking Fraud and Financial crimes;
- Interpol structure and Economic crime situation;
- A perspective on Fraud in Banking Industry and preventive measures;
- The role of Internal Audit in Fraud Prevention ;
- Computer crime and computer
- The security control provided by SWIFT
- The importance of standards settings
- Money laundering ;
- Security ink and the role it plays in fight against fraud

4. WHO SHOULD ATTEND ?

- Internal Auditors and Chief Inspectors
- Security and Bank Fraud Manager
- Fraud Investigators
- Member of Police Forces
- Risk Managers
- Director, Information Technology
- Security Documents Printers

5. SPEAKERS FROM

- Security documents printers
- Interpol
- Swift
- Central and Commercial Banks

6. REGISTRATION FORM

Please fill in the registration form before 24th February, 2000. A detailed programme will be provided on request.

Places are limited!!!

PTA BANK

Introduction

PTA Bank was established in November 1985 pursuant to Article 9 of the provisions of the Treaty (1981) establishing the Preferential Trade Area for Eastern and Southern Africa (PTA) which has since been transformed into a Common Market (COMESA). The main objective of the PTA Bank is to provide financial and technical assistance for projects and trade activities which have the potential of promoting economic integration in the COMESA sub-region.

Current Members :

Burundi, Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Malawi, Mauritius, Rwanda, Somalia, Sudan, Tanzania, Uganda, Zambia and Zimbabwe.

Sectors of Intervention :

Through project's finance the PTA Bank provides financial resources to both public and private sector projects in, inter alia, the following sectors :

Manufacturing :
Basic metal engineering, textiles and fabrics, rubber and plastics, chemicals and pharmaceuticals, leather and leather goods, pulp and paper products, clay and glass products, non-metal minerals and other related sub-sectors.

Agro-Industry : Food and beverages, horticulture, floriculture, sugar and confectionery and animal husbandry.

Mining : Mineral engineering and processing:

Infrastructure : Marine engineering, marine transport, electronic communication, long haulage transport, air transport, railway transport and other transport and communications.

Tourism : Game lodges and hotels, marine tourism and other related facilities.

Modes of Finance :

In intervening in these sectors, the PTA Bank employs either one/or a combination of the following modes of financing :

1. Direct loans to specific projects ;
2. Co-financing with local and /or foreign lending agencies
3. Lines of credit to national development agencies for on-lending to small projects ;
4. Equity participation in certain enterprises to catalyse the projects provided the PTA Bank does not assume a controlling interest ;
5. Loan guarantees.

Priority Projects and Programmes

The Bank assigns high priority to the projects and programmes which :

1. have high potential for positive regional economic impact by benefiting more than one country and making the Member States increasingly complementary to one another ;
2. source and utilise raw materials, equipment and other productive inputs within the COMESA Sub-Region ;
3. create and promote intra- and extra- COMESA trade;
4. Promote backward, forward and spatial linkages in economies of COMESA Member States ;
5. develop and promote indigenous appropriate technology and skills ;
6. promote majority ownership and management by COMESA nationals ;
7. promote the role of women in trade and overall development ;
8. are acceptable from environmental protection point of view ; and
9. create and expand employment opportunities and other social benefits.

Project Processing :

Once the Bank receives an application with a comprehensive feasibility study, it prepares a brief on the project highlighting the strengths and weaknesses of the proposal in reference to the concept, commercial, economic viability and technical feasibility. Assuming that the strenghts are more than the weaknesses, the project is recommended for full appraisal.

Contingent upon the findings of the appraisal, a report is submitted to the Credits Committee (CC). After approval by the CC, the said report is recommended to the Board of Directors for consideration and approval. Upon approval by the Board, a draft Loan Agreement is sent to the Borrower for comments and signature before the Bank can disburse the funds ; The Bank will at the same time require the Borrower to provide adequate securities to cover the loan applied for.

Guidelines

Summarised hereunder, are the principal components which should be examined and incorporated whilst preparing feasibility reports for submission to the PTA Bank for possible financial assistance. Applicants may, however, incorporate other relevant information to support their proposals depending on the type of project.

(continued on page 12)

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 cooperation 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 Opererations
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)

PTA BANK

(Continued)

1. Introduction : A brief on the economy, the industry relevant to the proposed project, the export market, investment policies and prospects in the country of establishment.

2. The Project : The application, project background, description, the company, sponsors and legal structure.

3. Market and Marketing Analysis : The products, product mix, past production, supply and demand, prices and pricing policies, marketing and distribution, competitors and competition.

4. Technical Analysis : Location, buildings and infrastructure, utilities, reliability and availability, plant and machinery, process and tec hnological choices, procurement and construction, project implementation and environment issues.

5. Raw Materials and other Input Supplies : Principal materials, sources, availability, reliability, other inputs, prices and the pricing policy.

6. Institutional and Legal Aspects : Management structure and description, employment, shares and shareholding, Board and Management contracts, if any.

7. Project Cost and Financing Plan : Estimasted project costs, financing plan and the investment implementation schedule.

8. Financial Analysis : Past performance, if applicable, projected income, cashflow and balance sheet statements, break-even points and underlying assumptions.

9. Economic Analysis : Linkages, foreign exchange, savings and/or earnings, employment, value added tax and investment evaluation.

10. Loan Security Proposals : First legal charge and floating debentures on all company assets to be shared with other lenders, guarantees, etc. These are negotiable.

11. Project Special Features, Issues and Risks : These should be specified.

Indicative Terms and Conditions

a. Target Projects :
Project finance is generally directed at projects which are export-oriented, local resource based and regional in nature.

b.Equity Participation :
In term of equity, the Bank will not make equity investment of more than 15% of the Projects's share capital of any enterprise.

c. Loan participation :
The loan amount granted will generally be a minimum of UAPTA 15,000(approx.US$200,000) and a maximum of UAPTA 5 million per single project and the Lines of Credit the minimum will ordinarily be UAPTA 5 million and the maximum of UAPTA 10 million.

d. Interest Rate :
The interest rates for direct financing and Lines of Credit will be determined by the Bank and set at a level which reflects the cost of funds, risk exposure and a margin. At the moment, the rate is not less that 12% per annum on direct financing and 10% per annum on Lines of Credit.

e. Fees Applicable :
Fees levied on project finance are commitment fees on the undisbursed portion of the loan effective 6o days from the date of loan agreement ; facility fees (currently 1%) on the loan amount non refundable and payable in advance of appraisal; on case by base basis the Bank has the right to charge arrangement fees. These fees depend on the type of project and complexity of the proposals ; guarantee fees are chargeable from time to time; and penalty fees(10% per annum) per month on overdue amounts of interest and instalments of the principal.

f. Maturity :
Depending on the project's cashflow, loans will be for a period not exceeding seven (7)years, including a maximum grace period of two (2) years.

g. Repayments :
Repayments will be on a semi-annual basis in the currencies of disbursement.

h. Exchange Risk :
The Borrower bears the entire foreign exchange risk by repaying all loans granted in foreign exchange in the currencies of disbursements.

i. Procurement :
The loan proceeds shall be utilised to procure goods and services as approved by the Bank.

j. Refinancing :
The loan proceeds shall not be utilised for any refinancing of existing debts.

k. Insurance :
The Bank requires that sub-projects maintain comprrehensive insurance policy covers on all assets pledged against the loan, with the Bank's interest noted thereon.

l. Reporting :
The Borrower shall provide quarterly and any other reports on the performance of the project as requested by the bank.

m. Representration:
The Bank has a right to be represented in the Board of the Project.

n. Loan Security :
Loans to the public and quasi-public se ctors and Lines of Credit to develop finance institutions shall be fully secured through guarantees by respective governments and for private sector loans, the Bank shall require such other security for each investment as it deems adequate.

For instance, first legal charge on fixed assets, first fixed and floating charges on the Borrower's other assets to be shared on a pari passu basis with other lenders or a guarantee by the project's shareholders.

NEWS IN BRIEF

ZIMBABWE MOVES TO ADOPT HYPERINFLATION ACCOUNTING

THE Institute of Chartered Accountants of Zimbabwe, the Zimbabwe Accounting Practices Board and the Zimbabwe Stock Exchange (ZSE) have agreed on new guidelines aimed at making shareholders of local companies aware of Zimbabwe's hyperinflationary environment.

The measures are a first step to the introduction next year of inflation accounting, which requires that a company's assets be restated in terms of the current value of the reporting currency.

According to the new guidelines, local companies issuing interim or year-end financial statements must, with immediate effect, include a note drawing attention to the country's hyperinflationary climate.

The audit report accompanying the financial statement must draw attention to the note or must itself contain information on Zimbabwe's astronomically high inflation of 70,4 percent.

"This is being done so that people are aware that there is hyperinflation," ZSE's chief executive Anthony Barfoot said. "We (ZSE, the Institute of Chartered Accountants and the Zimbabwe Accounting Practices Board) have agreed that there is hyperinflation in the country. This year alone inflation has gone over 70 percent."
According to International Accounting Standard (ISA) 29, which covers hyperinflation accounting, a country whose cumulative inflation over a three-year period is approaching or exceeds 100 percent has a hyperinflationary environment..
Hyperinflation also exists if the general population keeps its wealth in non-monetary assets or in a relatively stable foreign currency and quotes commodity prices in a more stable foreign currency.

Analysts say Zimbabwe, whose average inflation in 1997 was 19 percent, 32 percent last year and is expected to be 50 percent in 1999, totalling 101 percent, met all these criteria.
As a result, the ZSE and the bodies governing accounting have decided that all public companies, financial institutions and other important economic enterprises must state their annual financial statements in accordance with ISA 29.
This will apply to reporting periods ending on or after a date that will soon be decided upon. However, firms will be allowed a transitional period during which they will be able to use inflation accounting as well as the accounting procedures they are using now.

Barfoot said: "Because we use international accounting standards, we are obliged to put details on hyperinflation in financial statements. We have agreed to hold a meeting in January next year, probably after the 15th, where we will discuss the matter with chairmen, managing and financial directors of listed companies to get their views."
Analysts said the introduction of hyperinflation would benefit both companies and shareholders who would be able to determine the real value of companies' assets.

"A number of companies on the ZSE haven't revalued their assets for a number of years and are reporting a much higher return on assets than they would if they revalued their assets," an analyst with Sagit Stockbrokers said.
"Introducing inflation accounting will bring a measure of uniformity on the market by forcing some companies to revalue their assets."
The analysts said hyperinflation accounting would also enable investors to measure companies' real growth at the end of the year, which would not be inflated by hyperinflation as is the case with some companies this year.

"In some sectors, real growth will be reduced next year, but possibly there are some sectors, especially the financial sector, that will continue to do well even though their results factor in inflation," said Kingdom Financial Holdings analyst Alexio Muzariri.
He said the move to hyperinflation accounting would also be welcomed by investors, many of whom were already doing their own calculations on company results to factor in inflation.

Source : Financial Gazette

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