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FAAIF and AFRIEF Sign MOU to Promote Islamic Finance in Africa

Africa is a Hotspot for Islamic Finance.

DUBAI, UAE, January 15, 2015 /EINPresswire.com/ -- Camille Paldi, CEO of the Franco-American Alliance for Islamic Finance and Baba Yunus, CEO of the African Islamic Economic Foundation sign MOU to cooperate to promote the cause of Islamic finance in Africa and promote investment in African nations. Paldi and Yunus, recognizing the tremendous potential of Islamic finance in Africa as a form of alternative financing and investment and as a tool to attract investment into Africa agree to work together to cooperate in developing Islamic finance in Africa and in facilitating Islamic finance business in Africa for other regions of the world including the GCC, China, Europe, Australia, and the United States. Islamic finance is gaining momentum around the world with major banks and financial institutions in Asia, Europe, Africa, the United States, and Australia engaging in the different modes of Islamic finance, issuing million dollar sukuks, developing takaful (Islamic insurance) companies, and implementing legislation and regulations in order to enable Islamic finance transactions. The business leaders of most nations of the world recognize Islamic finance as a valuable business model and form of alternative finance to stimulate economic growth, raise funds for businesses and government projects, and diversify assets, investments, and investor classes.

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> *Camille Paldi*

Africa is now embracing large-scale Islamic finance as it seeks to tap cash-rich Middle Eastern Investors to finance large infrastructure programs. The Seychelles and Ghana became the first countries in the region to issue Islamic bonds, in 2006 and 2007 respectively, but it was not until 2011-12 that others followed suit. In 2013, Nigeria became the first big economy in sub-Saharan Africa to use the $100bn a year market for sukuk, or Islamic bonds with a $62 Million Dollar Sukuk. Soon after, Senegal raised $200 Million through a sukuk issuance in 2014. Rolling with the African Sukuk momentum, South Africa issued a $500m sukuk, which was more than four times subscribed, with an order book of $2.2bn according to the SA Treasury, indicating that appetite for emerging market Islamic bonds matches that of developed world issuance. The bond, which matures in June 2020, is a Sukuk Al-Ijarah structure with cash flows based on infrastructure assets, although the country has not made public what these assets are. Even Gambia and Sudan have issued sukuk, however, for small amounts and on a short-term basis.

Sukuk are particularly suited for sub-Saharan Africa, a region that needs huge investments in infrastructure, from power stations and railways to ports and roads. In addition, Morocco, Tunisia, and Kenya are laying the legal groundwork to issue sukuk and operate Islamic banks. Tunisia also has a sukuk issuance in the pipeline, however, delayed its planned issue of $500 million in Islamic bonds until the third quarter of this year in order to allow parliament time to rectify a law concerning the sale. Kenya's financial regulator has proposed a separate regulatory framework for Islamic financial institutions as part of a broad ten-year strategy designed to boost capital markets in east Africa's biggest economy. According to Ernst and Young, the global sukuk market is projected to reach $900 Billion by 2017. The UK drew orders of more than £2bn from investors in the UK, Middle East, and Asia for its sale of £200m of Shariah-compliant debt in June and earlier this month Hong Kong raised $1bn in its debut Islamic bond issue, attracting nearly $5bn in orders. It is the right time for Africa to engage in Islamic finance to attract funds for infrastructure and government projects as well as raise capital for African businesses. Camille Paldi can be contacted at camille@faaif.com.

FAAIF Limited is a legal and management consultancy firm servicing clients in Islamic banking, finance, and takaful. FAAIF Events is an events production and management company http://www.faaif.com.

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