

Islamic Capital Markets:
**Connecting Africa to
the World of Islamic Finance**

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Outline



1. African Markets Today
2. Strengths and Challenges for Africa
3. Sukuk in Africa and the World
4. Economic Development and Islamic Finance

1. African Markets Today

Islamic Finance in Africa

Around
1980's

- Arab banks invested into several African countries such as Al Baraka Bank (Egypt, Sudan, Algeria, Tunisia, South Africa) and DMI Group (Egypt, Sudan, Senegal, Morocco)

2005 and
after

- Both Private- and Government-driven growth
- Take-off of Sukuk markets (and notably including sovereign sukuk)
- Intra-regional growth

Islamic Financial Institutions in Africa

		Banks	Others	Total			Banks	Others	Total
1	Botswana	1	0	1	10	Liberia	1	0	1
2	Cameroon	1	0	1	11	Mauritania	2	2	4
3	Chad	1	0	1	12	Mauritius	4	1	5
4	Djibouti	4	0	4	13	Nigeria	3	4	7
5	Ethiopia	1	0	1	14	Senegal	1	1	2
6	Gambia	1	1	2	15	South Africa	3	2	5
7	Ghana	0	1	1	16	Sudan	34	15	49
8	Guinea	1	0	1	17	Tanzania	5	0	5
9	Kenya	9	3	12	18	Zambia	1	0	1

Source: Speaker's own

Muslims in Africa

Ranking by Muslim # (1st-30th)

	Total	Muslim	Muslim (%)
Total - Africa	1,032,319	437,786	42.4
North Africa	212,914	195,242	91.7
Sub-sahara Africa	819,405	242,544	29.6

Source: Pew Research Center 2011

	'000	%	
1	Nigeria	75,728	47.9
2	Sudan	30,855	71.4
3	Ethiopia	28,721	33.8
4	Niger	15,627	98.3
5	Tanzania	13,450	29.9
6	Senegal	12,333	95.9
7	Mali	12,316	92.4
8	Burkina Faso	9,600	58.9
9	Somalia	9,231	98.6
10	Guinea	8,693	84.2
11	Cote d'Ivoire	7,960	36.9
12	Chad	6,404	55.7
13	Mozambique	5,340	22.8
14	Sierra Leone	4,171	71.5
15	Uganda	4,060	12.0
16	Ghana	3,906	16.1
17	Cameroon	3,598	18.0
18	Mauritania	3,338	99.2
19	Kenya	2,868	7.0
20	Benin	2,259	24.5
21	Malawi	2,011	12.8
22	Eritrea	1,909	36.5
23	Gambia	1,669	95.3
24	Congo, DR	969	1.4
25	Djibouti	853	97.0
26	Togo	827	12.2
27	South Africa	737	1.5
28	Guinea Bissau	705	42.8
29	Comoros	679	98.3
30	Liberia	523	12.8



2. Strengths and Challenges for Africa

Islamic

Muslims

non-
Muslims

Finance

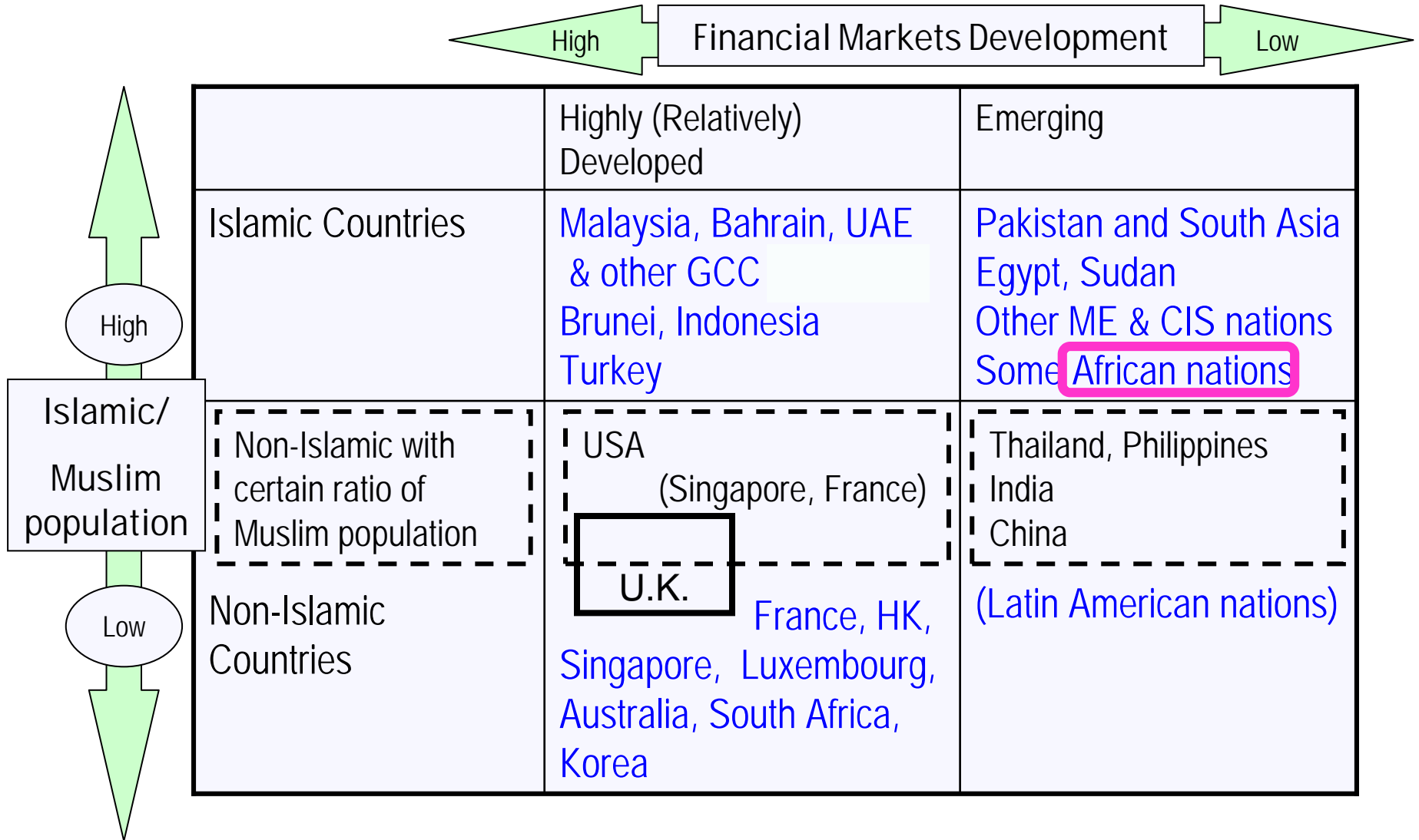
Developed

Emerging

Making factors into Matrix

	<u>Developed</u> Financial Mkts	<u>Emerging</u> Financial Mkts
Muslim	Core markets	Lands of potential Growth
<u>Non</u> -muslim	Advanced Fin Centers	Desert area

Classification of countries



Characteristics of Africa: Opportunities & Challenges

Opportunities

Understanding on Islamic among the large population

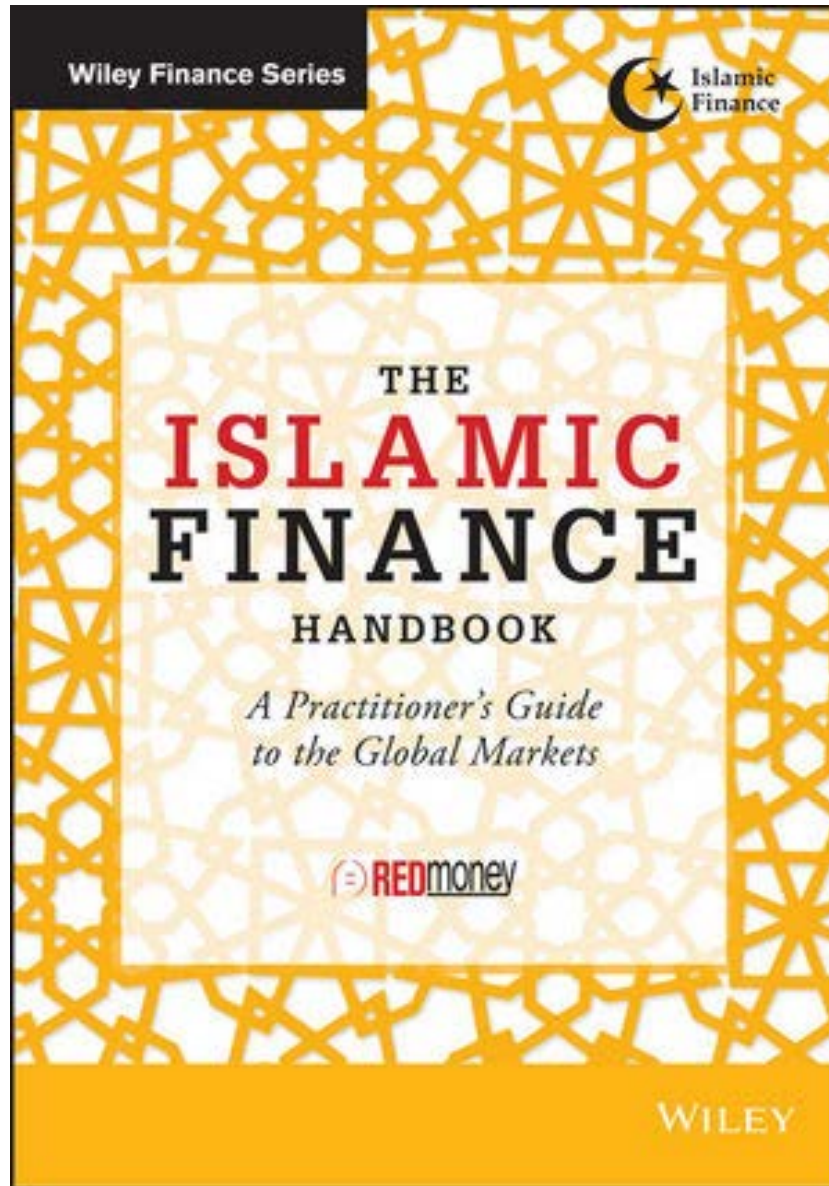
Huge Muslim pop. means huge market opportunities, mainly for retail products

Challenges

Factors for market development is not sufficient, esp. for advanced fin. products

Less economic development hinders overseas inflow of funds to IF industry

A good source of information for various countries



Information on the development in each country is available for 33 countries

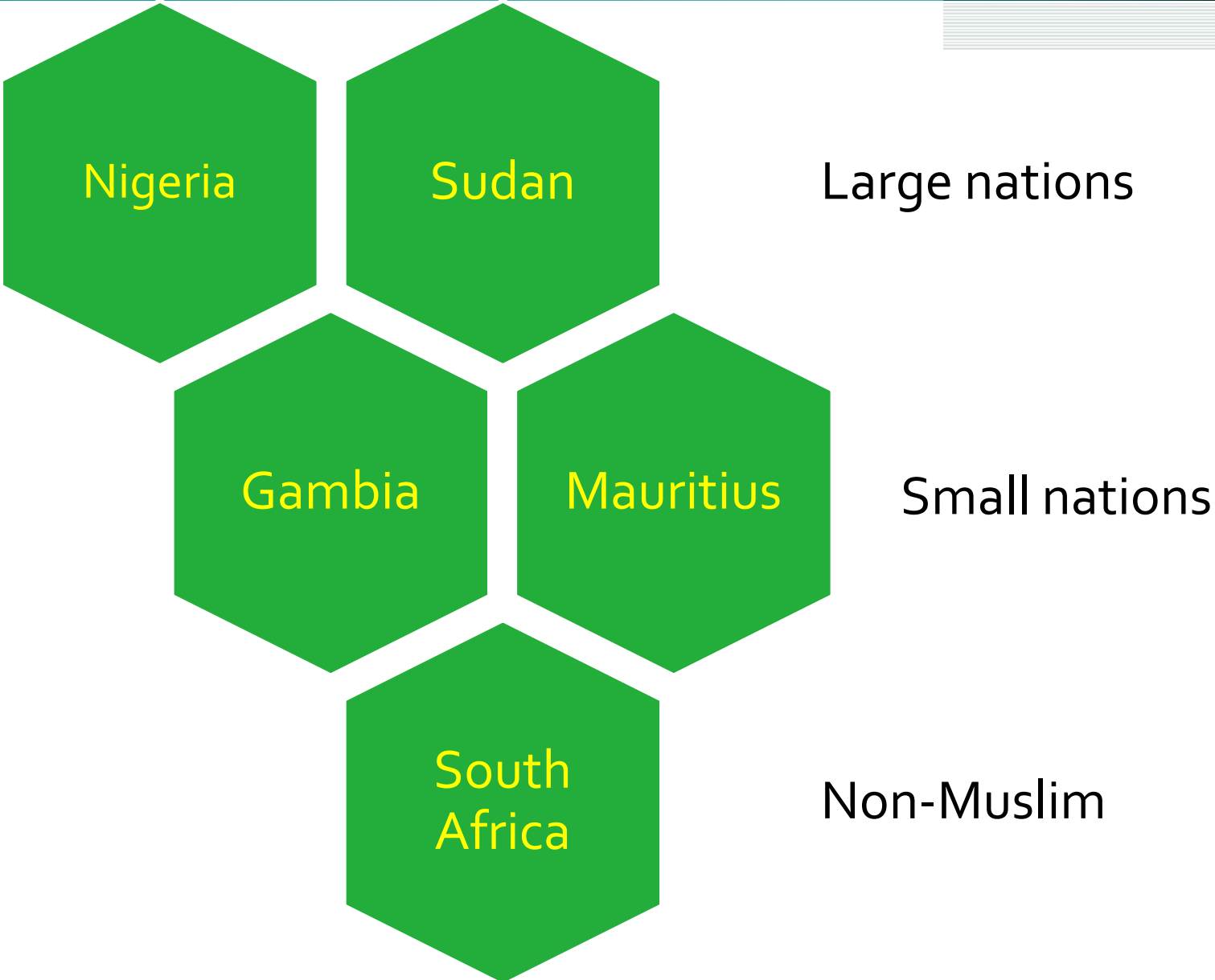
- Common information throughout countries on Banking, Capital Markets including Sukuk, Asset Management, Legal development, etc.

Four African countries are included

- Kenya, Tanzania, Nigeria, South Africa

3. Sukuk in Africa and the World

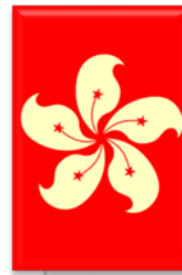
Countries in Africa with Sukuk experience



Recent track records by non-Muslim sovereigns



United Kingdom
(2014-6)



Hong Kong
(2014-9)

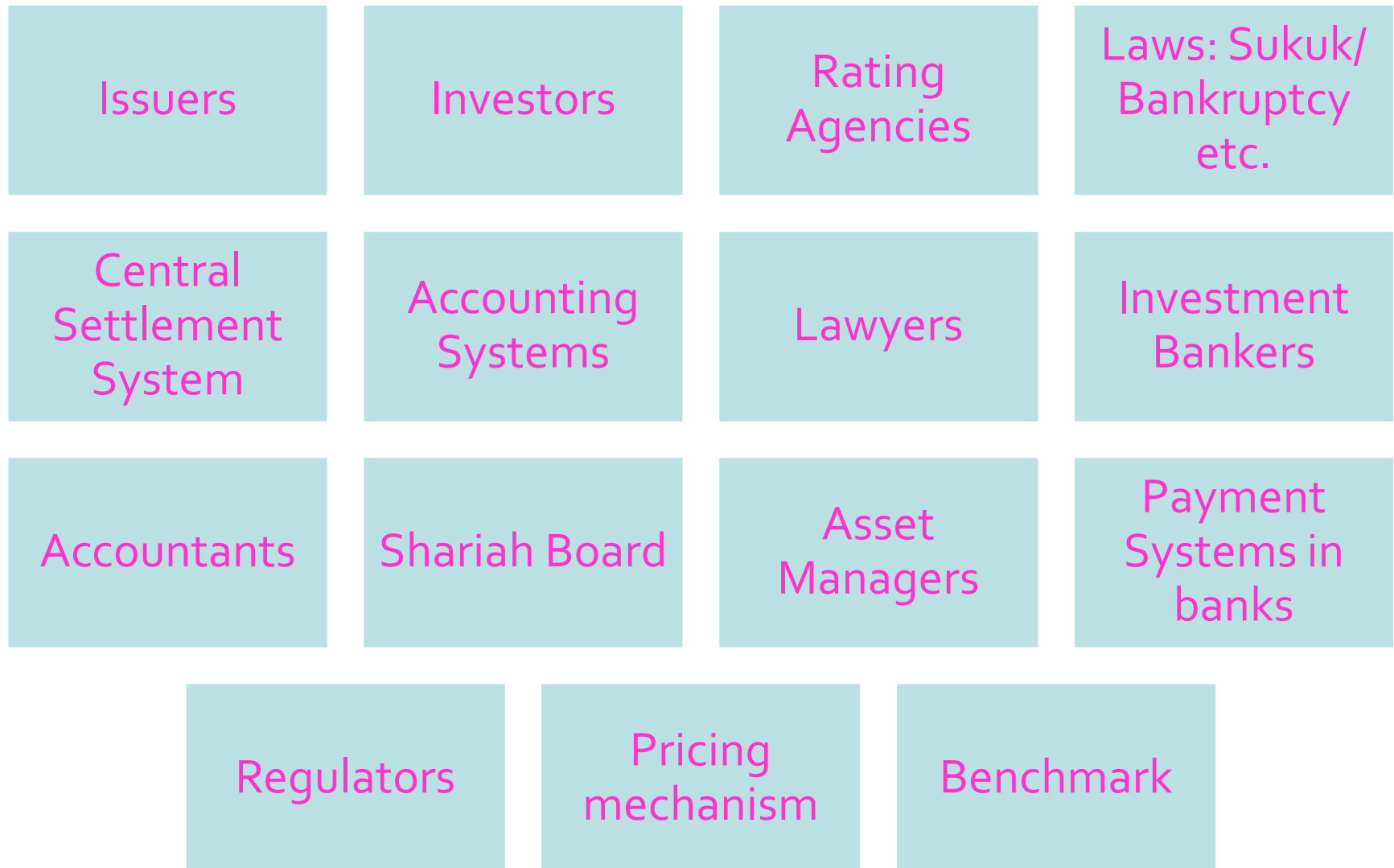


South Africa
(2014-9)



Luxembourg
(2014-9)

Institutional requirements for a Sukuk market



Rationale for issuing Sovereign Sukuk

(1) Raising public awareness/ appealing to the Muslim nationals

(2) Providing banks with the highest credit instruments for liquidity reserves

(3) Contributing to other issuers by providing benchmark “profit rate”

4. Economic Development and Islamic Finance

Demand for finance: make it Islamic

Transaction

- Infrastructure development
- FDI Promotion
- SME Promotion

Financial System Upgrading

- Financial Inclusion
- Microfinance
- Banking and Capital Market development

Two major virtues of Islam

Fairness

Low-income group must be financially supported.

Foreign countries will provide financial aids.

Diligence

Recipients must work using funds.

Utilize funds for further development

2 paths toward Islamic Capital Market Development

Initiate new products
with Islamic
transactions
especially for retail/
microfinance

Promote mainly
conventional financial
system to facilitate
development of Islamic
Finance

Seek for your own style ...

