

*Unlocking the Economic & Strategic Potential
of Islamic Finance in Africa*

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As-salamu Alaykum





KENYA - A REGIONAL HUB

- 🌱 Located in East Africa, Kenya is bordered by Somalia, Ethiopia, Sudan, Uganda, Tanzania and the Indian Ocean.
- 🌱 It covers an area of some 592,909 sq. km and has a population of approximately 42 million people.
- 🌱 In terms of sectoral contribution to GDP (2016), Agriculture accounted for 32.7%, Industry 18% and services 49.3%





KENYA - A REGIONAL HUB

- ☑ Member of the East African Community with Tanzania, Uganda, Rwanda, Burundi and South Sudan : Pop. 169 million; Combined GDP (PPP) USD \$440 Billion
- ☑ Member of the Common Market for Eastern and Southern Africa (COMESA) : 380 million people
- ☑ Kenya has the makings of a regional services hub in financial services, information technology and transportation



ISLAMIC FINANCE CONTEXT



- ☪ In Kenya, Islam is the second most widely practiced religion with followers including the Sunni, Shia and Islamia.
- ☪ Muslims in Kenya make up about 10 percent of the Kenya population with the highest concentration at the coastal and North-Eastern region.
- ☪ Kenya has however noted that Islamic finance provides a spectrum of solutions attractive to well beyond those who profess the faith.





KENYA'S ISLAMIC FINANCE EXPERIENCE SO FAR

- ☺ Islamic Finance in Kenya is at a nascent stage but the opportunity is recognized to be exponential.
- ☺ The country's strategic approach to Islamic Finance is guided by the National Treasury's vision to introduce alternative financial services opportunities.
- ☺ Kenya's Islamic finance sector now constitutes 3 fully-fledged Islamic Banks, 4 Islamic windows, 2 credit unions, 1 Takaful company, 1 Takaful broker, 1 Re-takaful window and 2 capital market Unit Trust Funds.
- ☺ Sector has been operating based on exemptions rather than enabling framework





KENYA'S ISLAMIC FINANCE EXPERIENCE SO FAR

- ☪ A major focus in building on these foundations is developing an appreciation of Islamic Finance concepts for a pre-dominantly non-Muslim population.
- ☪ With the debate on Islamic Finance ignited, and an increasing number of Financial institutions aligned to Islamic principles getting licensed, the future looks bright for Islamic Finance in Kenya.
- ☪ Strategies have been focused on addressing knowledge gaps (including within the faithful), identifying the most appropriate governance environment and tackling institutional capacity and the legal and policy environment.





KENYA'S ISLAMIC FINANCE HUB QUEST

- 🌙 Kenya's financial sector regulators have been proactive in pushing for policy and regulatory reforms aimed at enhancing the penetration of Islamic finance.
- 🌙 10 Year Capital Markets Masterplan (CMMP) prioritizes Islamic Finance as potential center of excellence to diversify the product portfolio available in the country's investment landscape
- 🌙 This Master Plan adopted as not only a national policy instrument by the National Treasury but also as a flagship project of the country's Vision 2030.





KENYA'S ISLAMIC FINANCE HUB QUEST

- ☐ Under the patronage of the Kenya National Treasury, the country's Financial Sector Regulators joined hands to establish the Islamic Finance Project Management Office (PMO) in 2015.
- ☐ PMO provides a platform for coordinated policy development for the financial sector as a whole while also allowing for sector specific initiatives to develop appropriate, legal, tax and accounting frameworks as well as supporting industry and demand side engagement.
- ☐ The PMO also establishes structures for stakeholder participation in policy and legal framework development to ensure fitness for purpose





KENYA'S ISLAMIC FINANCE HUB QUEST

- ☪ Through Kenya's Finance Act 2017 (June 2017), significant strides were achieved by putting in place relevant tax, Public Finance and financial sector regulatory provisions to facilitate the operation of Islamic finance.
- ☪ These initiatives have created the foundations for transactions (sovereign sukuk) as well as for further sector specific and project specific reforms.
- ☪ December 2016, Kenya, through CMA, joined the Islamic Financial Services Board (IFSB) as an Associate Member to strengthen its capacity and align regulatory framework reforms with global standards.





WAY FORWARD

- 🌱 Drafting and adopting sector and product specific amendments to the law to allow for full operationalization of Islamic Finance
- 🌱 Developing and implementing a comprehensive stakeholder education, capacity building and marketing campaign.
- 🌱 Setting up and implementing a Shariah governance framework for Islamic Finance.





GLOBAL IF - SELECTED COUNTRY STATISTICS 2016

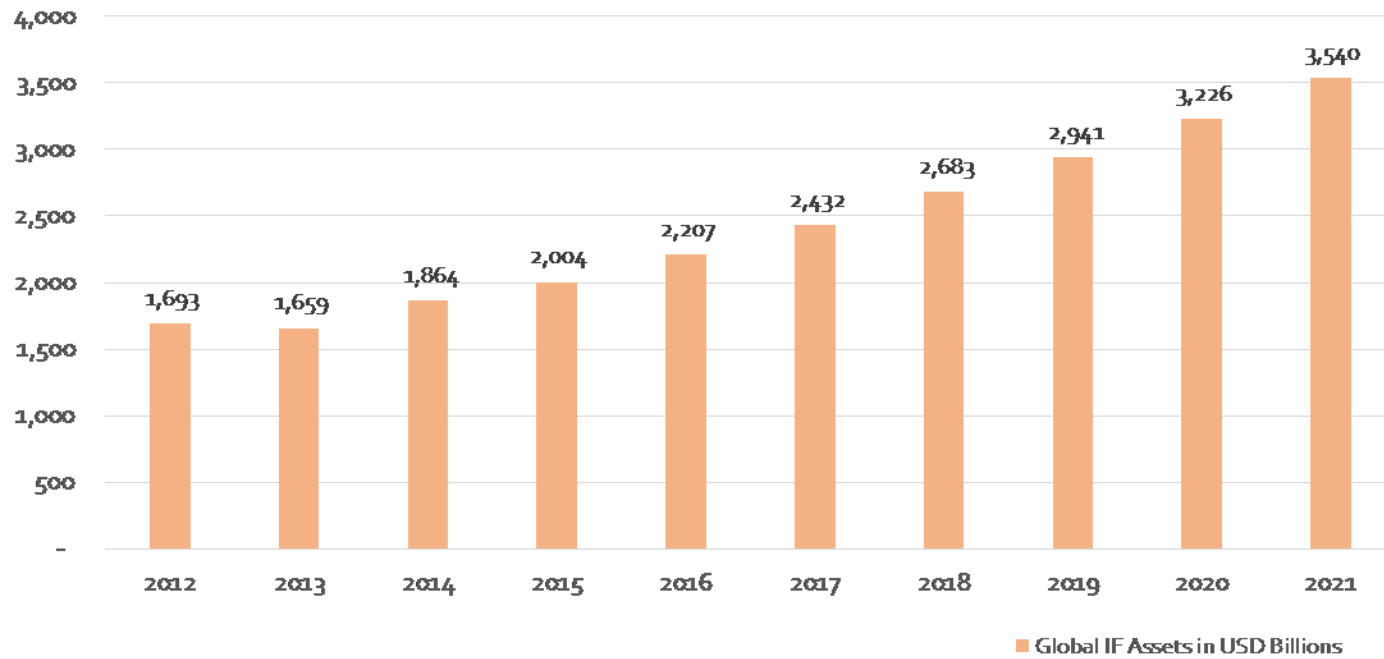
	IF Assets (USD Mn)	No. of IF Institutions	Value of Sukuk Outstanding (USD Mn)	Islamic Funds Assets Under Mgt. (USD Mn)	Centralized Shariah Committee
Global	2,003,542	1,329	341,923	66,436	N/A
Saudi Arabia	446,664	127	52,064	22,274	-
Iran	434,420	131	4,097	12,584	-
Malaysia	414,343	77	188,700	18,839	Yes
UAE	187,051	87	-	521	Yes
Qatar	100,538	37	14,973	234	-
Kuwait	100,361	9	880	1,429	-

Source: Islamic Corporation for Development of the Private Sector (ICD) & Thomson Reuters



GLOBAL IF OUTLOOK

Total Global IF Assets in USD Billions



Note: Figures of 2016 -2021 are estimates

Source: Islamic Corporation for Development of the Private Sector (ICD) & Thomson Reuters



PROJECT FUNDING NEEDS FOR KENYA

- ☑ **Over 124 flagship projects already identified requiring significant capital investment, among them:**
 - ☑ Infrastructure funding for counties
 - ☑ Konza Technology City
 - ☑ Lamu Port - Lamu Port Southern Sudan Ethiopia Transport Corridor Project (LAPSSET)
 - ☑ Geothermal/ Wind Power Generation
 - ☑ Resort Cities
 - ☑ Development of Special Economic Zones
 - ☑ Development of SME parks



CONCLUSION

- ☪ Islamic finance presents unique opportunities for capital raising to support ambitious infrastructural and “real economy” projects.
- ☪ Islamic finance is anticipated to boost financial inclusion and diversify the available product and service portfolio in the financial sector to support rapid growth.
- ☪ With the clarity of purpose in the Vision 2030 and national policy, the focus is not on whether but when we shall achieve the Islamic Finance hub status.



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