

Africa's New Momentum

Islamic finance as the new paradigm for sustaining growth in Sub-Saharan Africa



Sub-Saharan Africa
Islamic Finance Convention

10th & 11th May 2016,
Kampala Serena Hotel, Uganda

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Kampala Islamic Finance
Convention Declaration

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1st Sub-Saharan Africa Islamic Finance Convention

*“Africa’s New Momentum: Islamic Finance as the new paradigm for sustaining growth in Sub-Saharan Africa
Kampala, Uganda, East Africa, 10-11 May 2016*”

Declaration of Findings & Recommendations

Preamble

This international gathering, the first of its kind in Uganda, was convened by Ethico Live in collaboration with ABL Dunamis and supported by the Private Sector Foundation of Uganda (PSFU) and the Islamic Chamber of Commerce in Uganda (ICCIU).

The convention attracted over 200 delegates and 20 speakers from; Uganda, UK, India, Chad, Rwanda, Kenya, Nigeria, Egypt, Pakistan, Saudi Arabia, Ethiopia and the UAE. **Main Sponsors:** ITS, MISYS, Midsoc FSHC. **Corporate Exhibitors:** Uganda Institute of Bankers and Financial Services, Critical Care Solutions, Upstream, International Finance Consultants, KSK Associates, Tropical Bank, ITS, MISYS, ABL Dunamis, and Deloitte.

The objective of the convention was to discuss key issues within the Islamic banking and Finance Industry that include; Consumer protection and awareness about Islamic Banking and Finance, attracting talent and Investors in Islamic Financial Institutions, facilitating networking relationships for productive capacity building between experienced professionals and interested Uganda Professionals, dispelling the myth that Islamic Banking is for Muslims only, providing a platform for policy makers and regulators to communicate to Domestic and Foreign Investors both private and public, Establishing Uganda as the Hub for Islamic Banking and Finance in the Region due to its comparative competitive advantage.

As a result of the several sessions highlighting; the benefits of Islamic Banking and Finance as an enabler of the new paradigm for Uganda and Sub-Saharan Africa to capitalise on Trade with OIC and as a catalyst for new increased complimentary FDI attraction opportunity, Fast-Tracking the Development of Islamic Banking and Finance in the Sub-Saharan Africa Region for Financial Sector Deepening to enhance inclusive job creating GDP growth, Islamic Microfinance and Financial Technology Innovation as a force to drive Financial Inclusion at the bottom of the wealth and income pyramid; we put forward the following recommendations within the framework of **Kampala Islamic Finance Convention Declaration:**

- **Emphasized** Islamic Finance is not for Muslims only, a Keynote speaker from East African Region noted that currently 40 percent of assets are utilised by non Muslims in Kenya. This issue was further reiterated by Uganda Banker’s Association and the Ministry of Finance Planning and Economic Development representatives

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- **Called Upon-** Regulatory Authorities in Uganda to develop regulations for Islamic Banking and Finance industry to start off in an orderly way, these include; Bank of Uganda[Banking], Insurance Regulatory Authority[General and Family Takaful], Uganda Retirement Benefits Regulatory Authority[Pensions], Capital Markets Authority[Sukuk, Collective Investment Schemes]
- **Underscore-** The need for sensitisation especially among non-Muslims that Islamic Banking and Finance is an alternative form of banking that is not based on interest. This sensitivity linked lessons from other markets, such as Turkey and Morocco, where the terms “Participation Banking”; “Non-Interest Banking”; and “Ethical Banking” are used to cover the industry and indicate its relevance beyond the purely religious dimension. The Importance of the Coordination between the Public and Private sector to develop the Islamic Finance Industry and in the sensitisation drive is a critical element.
- **Appreciates** –the status of Kampala as the Natural Hub for Islamic Banking Finance in the Region due to its membership of the OIC. A distinctive feature of Islamic Banking and Finance is its concern with developmental and social goals. Partnership Profit-and-loss sharing finance with its focus on cash-poor but promising entrepreneurs, holds more economic growth potential than conventional collateral-based lending that favors established businesses that are few in Sub-Saharan Africa.

Kampala Islamic Finance Convention Declaration

1. **Human Resource Constraint-** A key binding constraint was identified that should be addressed by the various institutions especially for professional re-orientation to understand the operations of Islamic Financial Institutions. The Uganda Institute of Bankers and Financial Services was identified as a key player in the early stages of development of the industry through its short courses for existing professional Bankers and Financial Services professionals.
2. **Corporate Governance-** Adopt international best practices from The Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and Sharia Boards for All Islamic Financial Institutions to increase compliance to ethical standards.
3. **Financial System Stability and Systemic Risk-** Islamic Financial Institutions should be licensed on clear and approved regulations that imbibe the need to maintain the stability of the Financial System. In the absence of clear regulations the Islamic Finance Industry will not attract the experienced and well capitalized Financial Institutions.
4. **Regulation-** Call upon all financial sector regulators to develop Regulations and Benchmark on the Countries where residents have diverse religious affiliation such as; UK, Nigeria, Malaysia and UAE. Benchmark the prudential regulation on international conventions for Tier 1 Core Capital and existing Country and Regional practice in the existing legislation, the suggestion that Islamic Banks should provide more capital buffers was rejected on the basis of their resilience during the Financial Crisis and the international regulatory

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best practice principle of providing a level playing field for industry participants.

5. **Inclusion-** Consider adoption of the term 'Non Interest Banking' for Islamic Banking windows in existing banks to increase inclusion of the Non-Muslim Community
6. **Islamic Finance Development-**Align to Islamic Development Bank (IDB) Strategy not to develop Banking in isolation and seek technical support from the OIC and IDB., There should be a concerted effort to Develop; Islamic [Non Interest] Microfinance, Leasing, Mortgage Lending, Insurance, Pension Management and Merchant Banking that follow the ethical and inclusive principles of Islamic Finance in order to buffer the flagship banking sector and offer a supportive ecosystem of key Banking institutions.
7. **Sukuk-** The Government of Uganda should consider Sukuk as debt instruments for Infrastructure development at the National and Sub-national Level (Local Governments). A few projects should be selected to pilot this mode of financing for Infrastructure projects.
8. **Policy Leadership Coordination and Public Private Partnership-** The convention called upon the Private Sector membership associations present to work closely with the Ministry of Finance, Planning and Economic Development to steer the Development of the Islamic Finance Industry in Uganda and the Region by forming the Public-Private Islamic Finance Development Committee [PIIFDC]. **PIIFDC will provide the Governance and steering role** and consist of membership from key private sectors bodies and the Key Public Sector Stakeholders
9. **PIIFDC Proposed Structure-** Chair- Private Sector Foundation Uganda, Vice Chair, Islamic Chamber of Commerce and Industry Uganda, Joint Secretariat-Tax Policy Department, Financial Sector Department MoFPED. Membership- Ministry of Trade Industry and Co-operatives(MTIC), Ministry of East African Community Affairs(MEACA), Bank of Uganda(BOU), Insurance Regulatory Authority(IRA), Uganda Retirement Benefits Regulatory Authority(URBRA), Capital Markets Authority(CMA), Uganda Banker's Association and Uganda Institute of Bankers and Financial Services.
10. **Convention,** Participants put in a special vote of thanks for the organizers of the event, sponsors and the speakers and called upon them to turn it into an annual event to take stock of developments in the region in the Islamic Finance Industry. The Organisers should broaden the Supporting Institutions to include key public sector stakeholders in the region and OIC.
11. **Regional Integration and regulatory convergence-** The broader issues of harmonization of regulation of Islamic Banking and Finance towards East African Standards and reduction of OIC Technical barriers for market access for Beef and Poultry products [Halal Certification] should be tabled at The East African community Sectoral Council on Trade, Industry, Finance and Investment (SCTIFI).
12. **Preferential Trade with OIC-** The Diplomatic Channels to OIC through the Private sector and the Government should be used to encourage better preferential trade terms augmented by Islamic Trade Finance for East Africa and the broader Tripartite Free Trade Area.

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