

## COVER STORY

**Winners of IsDB Group Private Sector Awards 2023 revealed .. 6**

**First Islamic microfinance institution in Burkina Faso opens doors .. 8**

**Nigerian mortgage company plans expansion into non-interest finance .. 9**

**Saudi Electricity Company's Sukuk: A dual success .. 14**

10<sup>th</sup> May 2023 (Volume 20 Issue 19)

## Sukuk: This time for Africa

Apart from regular short-term Islamic papers from Gambia and a handful of Sukuk out of Nigeria, Sukuk development in Africa has been sporadic and fragmented at best. However, we learn that the region, after years of perseverance and diligence, could finally be setting the stage for an explosion of Sukuk. VINEETA TAN has the story.

At least 24 entities across Africa are seriously considering raising funds from the Islamic capital markets, most if not all, for the first time ever, IFN has learned.

Tanzanian Islamic finance consulting firm Mayzuh Company has been approached by eight potential issuers from Tanzania, five from Zambia and 11 from Kenya, Zimbabwe, South Africa, Botswana and Morocco, to assist them in tapping the Sukuk sector, CEO Sheikh Mohamed Issa, revealed to IFN.

The firm, which recently entered into separate agreements with five Zambian entities to raise Sukuk, has since received formal requests

from other potential issuers for a mix of projects in both the local currency and in US dollars.

It is understood that current discussions revolve around raising Sukuk for a total of 28 different projects, including green and agricultural initiatives as well as housing and infrastructure projects. Yusra Sukuk Company will be acting as the lead arranger on these deals, which would likely be opened to the retail market. Mayzuh has begun exploring potentially listing Sukuk in the GCC including Dubai and Qatar.

### Work paying off

The unexpected spike in interest has come as a pleasant surprise to Sheikh Mohamed.

"I think the need for infrastructure financing coupled with the economic downturn from the war in Ukraine and other global events have left corporates and governments in this region in

need of financing. Therefore, they are turning over to alternative financing such as Sukuk," opines Sheikh Mohamed.

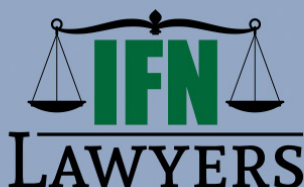
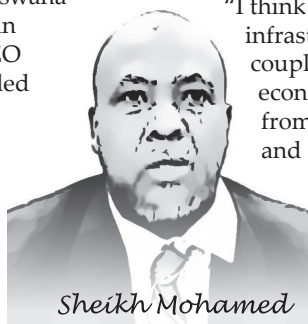
This surge in interest may seem sudden, but really, it is a culmination of years of work finally paying off — from awareness enhancement to capacity-building and regulatory development.

"What has happened in the last five or six years is that the level of awareness around alternative financing has been gaining ground," believes Bayo Rotimi, the managing director/CEO of Nigeria's Greenwich Merchant Bank.

"I think it also helps that the federal government of Nigeria issued Sukuk as far back as six years ago, creating a yield curve and on the back of that, corporates can now issue," Bayo spoke of the local context.

Having issued Sukuk five times over the last six years, the Nigerian government has established a yield curve with maturities ranging from two to 10 years, providing greater room for trading strategies by institutional investors.

*continued on page 3*



### THE MOST COMPREHENSIVE GUIDE TO ISLAMIC FINANCE LAWYERS

- 100% Islamic finance - Free global access for all
- Full individual lawyers profiles



## Volume 20 Issue 19

IFN Rapids .....	2
IFN Reports:	
• <i>Winners of IsDB Group Private Sector Awards 2023 revealed</i> • <i>First Islamic microfinance institution in Burkina Faso opens doors</i> • <i>Saudi Tadawul subsidiary completes acquisition of data solutions provider to accelerate expansion</i> • <i>Nigerian mortgage company plans expansion into non-interest finance</i> • <i>Fund Focus: Sputnik ATX Fund II</i> .....	6
Sovereign Securities:	
<i>Qatar auctions treasury bills and Sukuk worth QAR5 billion (US\$1.36 billion)</i> .....	11
IFN Analyses:	
<i>Bosnia and Herzegovina: More Islamic finance players needed</i> .....	12
<i>Debt capital markets: Growth outpaces conventional</i> .....	13
Case Study:	
<i>Saudi Electricity Company's Sukuk: A dual success</i> .....	14
Back to Basics:	
<i>SDG 2 – Zero Hunger: Introduction</i> .....	15
Column: Shaping up Islamic finance	
<i>Three lessons from SVB<sup>2</sup></i> .....	16
IFN Country Correspondents:	
<i>Bangladesh; Algeria</i> .....	17
IFN Sector Correspondents:	
<i>Private Equity &amp; Venture Capital; ESG; Shariah &amp; Corporate Governance</i> .....	19
Special Reports:	
<i>What will the first micro Sukuk in Germany look like?</i> .....	22
<i>Islamic leasing: An innovative financial solution</i> .....	23
<i>Taxation challenges and opportunities in the Islamic finance industry</i> .....	25
Country Feature:	
<i>Major challenges of Islamic banking industry in Pakistan</i> .....	26
News Brief .....	28
Deal Tracker .....	35
REDmoney Shariah Indexes .....	36
Dealogic League Tables .....	38
REDmoney Events .....	43
Subscription Contact .....	43

## DEALS

**Abu Dhabi Islamic Bank** appointed as primary dealer for Federal Treasury Sukuk Programme

**Berjaya Land SPV BGRB Venture** issues Islamic medium-term note worth RM15 million (US\$3.38 million) with one-year tenor

**Naza TTDI Capital** issues Sukuk Murabahah worth RM33 million (US\$7.43 million) with five-year tenor

**Qatar Central Bank** auctions treasury bills and Sukuk worth QAR5 billion (US\$1.36 billion), attracting bids of QAR11.75 billion (US\$3.21 billion)

**Wifak International Bank** to issue Sukuk for total amount of TND150 million (US\$49.19 million) over three years

**Perbadanan Kemajuan Negeri Selangor** issues Islamic medium-term note worth RM100 million (US\$22.42 million)

**Ghani Chemical Industries** to issue secured Sukuk worth PKR800 million (US\$2.82 million)

## NEWS

**Bank Alfalah** to acquire 7.2% equity stake in **QistBazaar**; to provide PKR350 million (US\$1.23 million) in financing

**OCBC Bank, OCBC Al-Amin Bank and Bank Muamalat Malaysia** to increase base rates by 0.25 percentage points

Four organizations meet to discuss development of Islamic finance in Bangladesh; Bengali translation of **AAOIFI** standards approved

Fintech firm **Xanderia** launches new Shariah

compliant consumer financing products

Central bank of Philippines to give presentation on Islamic finance in upcoming property and investment exhibition in Dubai

Sukuk issuances in GCC down 81.1% year-on-year to US\$5.2 billion in Q1 2023, according to **Kuwait Financial Centre**

**State Bank of Pakistan** injects PKR41.4 billion (US\$145.65 million)-worth of Mudarabah-based open market operation liquidity

**Security Investment Bank** moves to become Shariah compliant entity

Earned wage access service provider **Paywatch** receives Shariah compliance certification from **Masryef Group**

**Securities and Exchange Commission of Pakistan** approves regulatory framework for online-only brokers

## RESULTS

**Bank of Bahrain and Kuwait's** net profit soars 33.1% year-on-year to BHD20.1 million (US\$53 million) in Q1 2023

**Warba Bank** reports net profit of KWD4.29 million (US\$13.98 million) for Q1 2023

**Saudi British Bank** reports 75.8% year-on-year increase in net profit for Q1 2023 at SAR1.77 billion (US\$470.28 million)

**Bank AlJazira** reports net profit of SAR204 million (US\$54.34 million) for Q1 2023, a 45.59% decrease from previous year

**Nayifat Finance Company** reports net profit after Zakat and tax of SAR32.45 million (US\$8.64 million) for Q1 2023

## ASSET MANAGEMENT

**BLME Capital Company** secures license from Capital Market Authority

**Rasmala Investment Bank** launches five-year UK multifamily strategy for portfolio worth US\$2 billion

**Al Rajhi** announces distribution of dividends for Al Rajhi REIT Fund at SAR24.28 million (US\$6.47 million) for Q1 2023

## TAKAFUL

**NIFT ePay** partners with **5<sup>th</sup> Pillar Family Takaful** to provide Takaful and investment services

**Company for Cooperative Insurance** to distribute cash dividends amounting to SAR125 million (US\$33.31 million) in total

**Otoritas Jasa Keuangan** issues second change in regulation regarding financial health of Shariah compliant insurance and reinsurance companies

## RATINGS

**RAM** affirms rating on **Telekosang Hydro One's** ASEAN Green SRI Sukuk at 'AA3' with negative outlook

**Moody's** affirms **Boubyan Bank's** long-term deposit rating at 'A2' with stable outlook

**Fitch** assigns ex-government support or 'xgs' ratings to EMEA banks

## MOVES

**Badr Nasser Al-Subaie** resigns from his post as CEO of **Kuwait Investment Company**

**Shahab Ahmad Harmoozi** resigns as non-executive independent director of **Dar Al Takaful**

**Disclaimer:** IFN invites leading practitioners and academics to contribute short reports each week. Whilst we have used our best endeavors and efforts to ensure the accuracy of the contents we do not hold out or represent that the respective opinions are accurate and therefore shall not be held responsible for any inaccuracies. Contents and copyright remain with REDmoney.



## Sukuk: This time for Africa

Continued from page 1

### Common yet unique

About a decade ago, Africa was not even in the Sukuk sphere. But a dollar sovereign Sukuk issuance from South Africa in 2014 set the motion for its neighbors: soon governments from Senegal, the Ivory Coast, Togo, Mali, Morocco and Nigeria joined the arena. Nigeria remains the most active Sukuk issuer of the region, while the rest have been on hiatus. Egypt this year made a big splash with its inaugural offering.

**“You need the legal and regulatory framework to be in place. Therefore, the first step we are taking is to synergize with the security and exchange commission (SEC) in every country”**

Although some common broad challenges remain, it is important not to paint the development of Sukuk in a continent as vast as Africa in broad brush strokes: levels of progress differ country to country, and each faces unique circumstances.

#### New markets

Kenya, Zimbabwe and Botswana have never tapped the asset class. They also do not have the infrastructure to support Sukuk issuances.



Alexander

“You need the legal and regulatory framework to be in place,” emphasized Sheikh Mohamed. “Therefore, the first step we are taking is to synergize with the security and exchange commission (SEC) in every country.” It is learned that Mayzuh Company has engaged with the SEC of Zambia.

For the underdeveloped jurisdictions, quality of information may also be an issue, which would delay due diligence and processing times.

Also important is the existence of a solid Islamic banking system. There are several Islamic banking providers in Kenya and Botswana but none in Zimbabwe.

“Aside from the presence of an appropriate regulatory framework, sovereign Sukuk issuance (versus sovereign issuance in the conventional format) is typically driven by demand for Shariah compliant fixed income instruments from the local banking system. In that sense, the growth in sovereign Sukuk issuance volumes (which are overwhelmingly domestic for most sovereign issuers globally) is a derivative of the growth of the domestic Islamic banking assets,” notes Alexander Perjessy, a vice-president and senior analyst at Moody's Investors Service's sovereign risk group.

#### Nascent markets

For nascent markets, such as South Africa which has seen one sovereign and a couple of corporate offerings, some obstacles persist.

“Essentially the situation presents a classic chicken-and-egg dilemma,” Werner Opperman, the head of alternative strategies at 27four Investment Managers, explains. “While there is evident demand and numerous potential issuers, the requisite platforms and skills for

successful Sukuk issuance are not yet widely available.”

27four is the parent company of Agrarius Sustainability Engineered **which sold** South Africa's first sustainability-linked Sukuk last October, listed on the Johannesburg Stock Exchange.

While there has not been any additional Sukuk since its listing, 27four has received enquiries from parties expressing interest in issuing Sukuk, along with strong demand for its inaugural offer.



Werner

“The waiting list of entities interested in purchasing has already reached a level that economically justifies the launch of another Sukuk issuance,” according to Werner, who added that this

demonstrates the growing enthusiasm and recognition of Sukuk as a viable investment instrument within the South African market, which could potentially lead to its broader acceptance and expansion in the region.

Tanzania is also similar, although it is on an accelerated trajectory. A handful of non-sovereigns turned to the Sukuk market successfully in the last two years, raising seven corporate Sukuk, while its government is preparing to issue its debut Sukuk likely this year. Experts believe the upcoming guidelines for sovereign and non-sovereign Sukuk as well as a corporate and subnational Sukuk framework **will further catalyze this.**

#### Advanced markets

Nigeria, which has manufactured sovereign and sub-sovereign Sukuk as

*continued on page 4*

**IFN QATAR**  
**DIALOGUES**  
2023

IN PARTNERSHIP WITH



مركز قطر المالي  
Qatar Financial Centre



جامعة حمد بن خليفة  
HAMAD BIN KHALIFA UNIVERSITY

31<sup>st</sup> May 2023, Hamad Bin Khalifa University Auditorium

**REGISTER NOW**



## Sukuk: This time for Africa

*Continued from page 3*

well as corporate and green Sukuk, is widely acknowledged as the region's most active Sukuk market. But it does not mean there are no barriers.

While awareness has certainly grown in the last few years, investor familiarity of the modalities and benefits of Sukuk is still a challenge, according to Hajara Adeola, the managing director/CEO of Lotus Capital.

"Additionally, some issuers tend to expect a discount for issuing Sukuk which would limit investor participation relative to conventional products," Hajara elaborates.

Low Sukuk liquidity is also an issue as Sukuk do not trade as frequently as conventional bonds. The country needs more blue-chip corporates participating in its Sukuk market to give the required issuance depth and credit quality.

**“Once we migrate toward a market-determined rate of exchange between local currency and convertible, my sense is that a lot more foreign currency will flow”**

There is also room for improvement in terms of regulatory support. Hajara pointed out the need for standardization by the Central Bank of Nigeria (CBN)'s Financial Regulation Advisory Council of Experts, or FRACE.

"Perhaps, if previously approved and certified structures and agreements by FRACE, if utilized for new issuances,



*Hajara*

could be deemed approved. That could potentially speed up the process," opines Hajara.

### Dollar doldrum?

Except for South Africa's 2014 US\$500 million paper and Egypt's US\$1.5 billion debut in February, Sukuk out of Africa have largely been a local currency play.

"At the development stage, it is always easier to start with local currency issuances," explains Bayo. "Once market acceptance has been gained, once there is a deeper understanding by issuers about the nature and intricacies of Sukuk, and once we have a vibrant local market, then we can start raising money internationally."

With several facilities from Mayzuh's Sukuk pipeline being denominated in US dollars, this could potentially bode well for the African international Sukuk market.

Nigeria could also play a role in driving this market. Although the outcome of Nigeria's tightly contested presidential elections is being challenged, the inauguration of President-elect Bola Ahmed Tinubu is still scheduled to go ahead on the 29<sup>th</sup> May 2023.

The expectation is that the new administration will liberalize Nigeria's foreign exchange regime, shifting toward a market-determined exchange rate rather than one prescribed by the CBN.

"Once we migrate toward a market-determined rate of exchange between local currency and convertible, my sense is that a lot more foreign currency will flow. So even businesses that generate naira cash flows would still be willing to borrow in foreign currency because they would know when to repay the debt and what the exchange rate would be," thinks Bayo.

This could potentially attract companies in Nigeria, especially those with

*continued on page 5*

**GLOBAL ADVANTAGE TO WORLD CLASS CLIENTS**

Offering award-winning and innovative Islamic funding solutions.

LEGAL SERVICES  
FIDUCIARY SERVICES  
FUND SERVICES  
REGULATORY & COMPLIANCE  
ENTITY FORMATION & MANAGEMENT

[maples.com/dubai](https://maples.com/dubai)

**MAPLES GROUP**

## Sukuk: This time for Africa

*Continued from page 4*

significant foreign currency requirements to raise Sukuk in convertible currency.

Hajara also believes in Nigeria's potential for dollar Sukuk.

"With Nigeria yet to venture into the international Sukuk market, there is tremendous opportunity for the country once that avenue is explored. I believe all systems are in place to achieve this. Nigeria is no stranger to the eurobond market, and we have honed our Sukuk issuance skills over the years."

### Strong pipeline

Market participants are fiercely optimistic about the potential for Sukuk in Africa.

"After 20 years in the Nigerian Islamic finance sector, my enthusiasm has never been stronger," affirms Hajara. "There was always disaggregated demand for Sukuk and now there is increasing institutional demand from banks, pension funds and Takaful insurance companies that did not exist even three to five years ago."

Hajara confirms that Lotus Capital has several public and private sector issuances in the pipeline at various stages of readiness.

Mohammed Mustapha Bintube, the chairman and CEO of Buraq Capital, which was involved in Nigeria's debut sovereign Sukuk, shares similar sentiments. "I'm very positive about the [future of corporate Sukuk] because we are in talks with some of the biggest listed companies and they have shown keen interest. Some of these are in food and beverage, telecommunications and the agricultural sector."

The Nigerian government, which last tapped the market in December, is working on entering the market again in the second half of the year, as well as TAJ Bank, which listed its debut Sukuk Mudarabah in February, with its second series, according to Bayo. Greenwich Merchant Bank is advising on both deals along with two subnationals on potential issuances.

The strong Sukuk lineup is understandable looking

at the country's infrastructure deficit. The National Integrated Infrastructure Master Plan has identified that the country would require US\$150 billion over the next 23 years to meet its infrastructure needs; the federal government allocated US\$12.3 billion toward this in its 2023 budget.

Sukuk will likely form a crucial part of this funding.

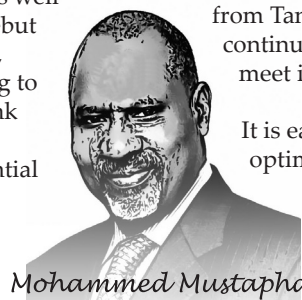
"I can see potential for Sukuk of about US\$1 billion over the next three years for federal roads alone and the power sector between US\$300–500 million. Likewise, healthcare," projects Mohammed Mustapha. "More importantly, there is latent demand from sub-sovereigns, ie state government, for roads, housing and healthcare." He also sees potential in the education sector.

It is not only Nigeria. With Africa's infrastructure investment gap estimated at over US\$100 billion a year (according to the African Development Bank), it is likely that Sukuk will feature more prominently in the coming years.

27four in South Africa plans to issue more Sukuk in the "near term", according to Werner. The South African government earlier this year **reaffirmed** its intention to issue rand-denominated Sukuk. We also **understand** that Tunisia is still preparing a sovereign issuance while a Libyan bank is also exploring Sukuk. Even Ethiopia is **also working** on introducing Islamic capital market instruments including Sukuk by next year.

While Zambian companies are very likely to face severe challenges in raising from the international community after Zambia became the first country to default on its external debt in the aftermath of COVID-19, Sheikh Mohamed is confident that we are likely to see at least one corporate Sukuk from Tanzania this year as the firm continues to build its capacity to meet its pipeline (see sidebar).

It is easy to get lost in blind optimism, but it does not seem like this is it. It has taken almost a decade for different players in the region to build a



Mohammed Mustapha

## Several potential Sukuk projects being advised by Mayzuh Company

### Zambia

- The development of Trans Africa Road Infrastructure, particularly the two economic corridor roads of Kipushi–Solwezi–Kasempa–Kaoma–Mongu–Senanga–Katima Mulilo, and the Mosomena Border in the Democratic Republic of Congo–Mansa–Luwingu–Kasama–Mbala–Nakonde Border: US\$2 billion
- Housing units projects: US\$2.1 billion
- Renewable energy innovation project: US\$56 million
- Agriculture project to plant avocado and palm trees

### Kenya

- Manufacturing company: US\$1.6 billion

### South Africa

- For the amount of US\$420 million

### Botswana

- Biomass project: US\$500 million

### Morocco

- Biomass project: US\$400 million

### Zimbabwe (not signed yet)

- Solar energy project: US\$1.6 billion

### Tanzania (a total of eight companies)

- Gold mining company: TZS10 billion (US\$4.23 million)
- Unspecified project: TZS16 billion (US\$6.77 million)

track record and the right architecture as well as push for more Sukuk visibility among investors and potential issuers, which would likely benefit the continent as a collective. And market conversations do point to a promising trend and rising demand coupled with deep funding needs and improving acceptability of Halal financial instruments. It is indeed time for Africa to play a greater role in the Sukuk landscape. ☺