



COMCEC



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***‘ENHANCING FINANCIAL LITERACY AND CAPACITY BUILDING ON  
ISLAMIC FINANCIAL INSTRUMENTS’ - PROJECT NO. 2014-  
GAMFINAN-061***

***PROJECT INFORMATION BULLETIN FOR:***

***REGIONAL WORKSHOP THEMED: “BUILDING ISLAMIC FINANCE IN THE GAMBIA,  
NIGERIA & SIERRA LEONE”***

**SEPTEMBER 14 -15, 2015**

**DISCLAIMER:** Any views or opinions presented in this document are solely those of the author(s) and does not reflect the views of the COMCEC Coordination Office.

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## BACKGROUND

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The Gambia, through the auspices of the Ministry of Finance and Economic Affairs (MOFEA) secured funding from the Standing Committee for Economic and Commercial Cooperation (COMCEC) of the Organization of Islamic Cooperation (OIC) to implement a project geared towards enhancing literacy and capacity in Islamic Financial Instruments (IFIs) in the COMCEC member countries of The Gambia, Nigeria and Sierra Leone (Project No. 2014-GAMFINAN-061). Given that the above mentioned countries have significant Muslim populations, logic dictates that IFIs should be more widely available in their respective financial markets. The project runs from April to September 2015 and is being implemented by the Financial Supervision Department (FSD) of the Central Bank of The Gambia (CBG), through a Project Implementation Team (PIT) comprised of a Focal Person (Mr. Bai Madi Ceesay, MOFEA), the Responsible Authority for the implementation of the project (Mr. Essa Drammeh, CBG), a Project Coordinator (Mr. Alieu B. Senghore) and the FSD Team.

This project is one of 3 projects that The Gambia secured out of the 17 total projects that were funded by COMCEC during its 2014 project funding cycle. The other two projects were domiciled with the Departments of State for Trade and Tourism respectively. The signing ceremony for the project took place on March 30, 2015 in Ankara, Turkey, where the COMCEC Coordinating Office is located (see pictures of the signing below).



*Signing Ceremony – Istanbul, Turkey*

## THE OIC AND COMCEC

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One of the key aims of the OIC is to foster strong links within the Islamic world and economic cooperation is seen as one of the key facets for building such ties. This belief spurred on the creation of COMCEC in 1981, with the central aim of coordinating all OIC wide economic activities. COMCEC's vision is geared towards building solidarity, interdependence, mobility and good governance in OIC member states. It actualizes this vision by promoting activities that help to disseminate knowledge & best practices in target areas that would help to address the economic and social challenges that are prevalent within some OIC member states. Its targeted

cooperation areas are in trade, transportation & communications, tourism, agriculture, poverty alleviation and finance.

## **PROJECT DELIVERABLES**

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Project No. 2014-GAMFINAN-061 (also referred to herein as the “**Project**”) primarily aims to enhance financial literacy and capacity in IFIs with a view towards increasing their availability in The Gambia, Nigeria and Sierra Leone (also referred to herein as the “**Project Countries**”). The Project also seeks to increase the awareness of IFIs, especially within key target groups that are critical nerves of any successful Islamic Finance (IF) business model. It is envisaged that an increase in the level of awareness and the visibility of IFIs within the targeted countries will have spill-over effects in other countries in Sub-Saharan Africa, while also strengthening the solidarity between COMCEC member states. The project has 3 main deliverables, namely;

- The preparation of a baseline survey by the PIT to gauge the current levels of literacy, availability and awareness of IFIs in the Project Countries.
- A joint study tour to Malaysia, the leading global IF hub, for a team of Banking Supervisors drawn from the CBG, the Central Bank of Nigeria (CBN) and the Bank of Sierra Leone (BSL) to learn more about Malaysia’s experiences in promoting and regulating IFIs.
- A regional workshop in The Gambia with participants drawn from private sector operators and academics in The Gambia as well as banking and insurance supervisors from the Project Countries and Malaysia to deliberate on the mechanisms that can be put in place to build IF from a strategic perspective, with participants expected to focus discussions on IF development strategies that prominently feature shared regional initiatives.

### **A. Baseline Survey**

The baseline survey report was the first deliverable of Project 2014-GAMFINAN-061 and aims to outline the current state of affairs with regard to IFIs in the Project Countries. Key aspects of this report are summarized below.

### ***Approach and Framework***

The survey was limited to the core project aims of ascertaining the level of literacy and awareness of IFIs of relevant actors in the Project Countries with a view towards outlining baseline indicators that would inform strategic decisions concerning increasing the availability of IFIs in the Project Countries. The survey used primary information on the above mentioned target areas via targeted questionnaires and interviews to key stakeholders where possible, and failing that, through secondary information via reports written by the respective central banks of the Project Countries and international organizations like the International Monetary Fund (IMF) and the Islamic Financial Services Board (IFSB). The institutions and organizations that are termed as key stakeholders for the purposes of the survey are the respective relevant financial

regulators of the Project Countries, private sector financial actors and purveyors of scholarly capacity in Islamic Finance.

Table 1 below outlines the institutions that were surveyed for the baseline report.

**Table 1: Baseline Survey Respondents**

<b>Regulators</b>
Financial Supervision Department - CBG
Insurance Department - CBG
Microfinance Department - CBG
Bank of Sierra Leone (BSL)
Central Bank of Nigeria (CBN)
Nigeria Insurance Commission (NAICOM)
Sierra Leone Insurance Commission (SLICOM)
<b>Banks - Gambia</b>
Trust Bank Ltd
Standard Chartered Bank Ltd
Guaranty Trust Bank Ltd
Ecobank Gambia Ltd
Access Bank Ltd
Arab Gambia Islamic Bank Ltd
<b>Insurance Companies - Gambia</b>
Capital Express Assurance Ltd
Gambia National Insurance Company Ltd
Enterprise Life Assurance Company Ltd
Global Security Insurance Ltd
International Insurance Company Ltd
Royal Insurance Ltd
Takaful Insurance Ltd
<b>Scholarly/Training Institutions - Gambia</b>
Islamic Online University
Yahya Jammeh Islamic University

The data points that were sought were around the regulatory environment, the level of private sector understanding and participation in Islamic Finance, and the availability of training institutes and tertiary institutions offering programs in Islamic Finance. These are data points that a wide range of cross country experiences have shown to be critical for the development of literacy and awareness of IFIs of key stakeholders, which is submitted to be critically important for the development of the broad IF sector.

## ***Summary of Key Findings – The Gambia***

The key underlining principle of the CBG's strategy for Islamic Finance is to get the private sector to buy into the concept so that they can drive its development in the country while building capacity at the regulatory level and increasing awareness of IFIs amongst key stakeholders. The findings from the baseline survey indicate that the private sector has the appetite to go into Islamic Finance (especially insurance operators). The baseline survey also highlights the fact that more will need to be done to provide the right environment for a viable Islamic Finance business model to blossom. The targeted interventions in this regard are several fold, and include:

### **Adequate Regulatory Framework**

In heavily regulated industries like financial service, there is a strong positive relationship between regulatory clarity and industry performance. There are a number of components that broadly make up an adequate regulatory framework for Islamic Finance, namely;

- Legal provisions to allow for Islamic Finance.
- Guidelines for Islamic financial operations.
- Guidelines for a Shariah governance framework.

The Gambia has only one of these three components in place at the moment. The Banking Act 2009 and the Insurance (Amendment) Act, 2006 provide a broad legal framework for Islamic Banking and Islamic Insurance respectively, but the regulatory framework has not gone beyond that. The guidelines for Islamic Banks and Insurance companies are similar to that of conventional actors, which is a deviation from best practice.

### **Improve Capacity at the Regulatory Level and at the Level of Private Sector Operators**

One of the factors that has hindered the evolution of the regulatory framework for Islamic Finance is the issue of capacity at the level of the regulators. Even though the CBG has Officers with good academic exposure to Islamic Finance, it does not have experts in Islamic Finance, as defined as people who completed specialized tertiary education in Islamic Finance or have an internationally recognized professional certification in Islamic Finance. Going forward, the CBG will need to develop experts in Islamic Finance to support its goal of creating the right regulatory environment for the sector.

As concerns capacity at the level of private sector operators, the baseline survey illustrated the following:

- The private sector has a very limited knowledge on the rubrics of an Islamic Finance business model.
- The private sector has very little awareness of the current Islamic Financial environment (regulation, levels of customer awareness and demand, tax incentives or lack of it thereof).
- The majority of the conventional banks and insurance companies do not have the capacity to go into Islamic Finance (capacity is defined as having skilled human resource in Islamic Finance or relationships with institutions who specialize in Islamic Finance who can help to build capacity or deploy an Islamic Finance business model).

- The majority of local banks and insurance companies have a positive view of Islamic Finance and either have a plan to develop it or have actively discussed it as a potential line of business.

### *Improve the Literacy and Awareness of Islamic Finance amongst Key Stakeholders*

As concerns the broad Islamic Finance industry in The Gambia, the baseline survey indicated that there is a deficit in the level of understanding of Islamic Finance by key stakeholders, namely; the regulators, the private sector and also the general public.

Given its majority Muslim population there are a number of individuals and businesses who shun the banking sector owing to its lack of compliance with Sharia. This has been confirmed by a number of grassroots studies by the CBG. These studies have also confirmed that large sections of the general public are not aware of the fact that it is possible to have alternative banking services that are in line with Sharia. Accordingly, more will need to be done through various awareness campaigns and other sensitization avenues to improve literacy and awareness of the sector amongst key stakeholders.

### ***Summary of Key Findings - Nigeria***

The key findings of the baseline survey as concerns Nigeria are:

- Nigeria has a more developed regulatory framework for the broad IF sector with both laws and regulatory guidelines in place.
- Capacity is also a challenge given the lack of critical mass of talent in Islamic Finance. However this is being remedied by the growing number of universities that are adding Islamic Finance in their curriculum and technical capacity training and study tours with IFSB and Bank Negara Malaysia for the regulators.
- Despite a Muslim population in excess of 60 million people, the country has only one fully fledged Islamic Bank (Jaiz Bank) and two conventional banks with Islamic Banking windows (Sterling Bank Plc and Stanbic IBTC Bank Ltd). There is no fully fledged Islamic Insurance company in Nigeria, albeit there are three companies that have Islamic Insurance windows (African Alliance Plc, Cornerstone Insurance Plc and Niger Insurance Plc).
- The regulators have not introduced Sharia compliant Liquidity Management Tools for Islamic Institutions which is a significant constraint to the development of the sector.

### ***Summary of Key Findings – Sierra Leone***

The key findings of the baseline survey as concerns Sierra Leone are:

- Sierra Leone has the least developed Islamic Finance footprint amongst the Project countries in all key dimensions and is in the early stages of developing the broad sector.
- There has been no movement to develop IF at a regulatory level on the banking side. The insurance sector hopes of have some IFIs available in the sector in the medium term, but has not made much progress in developing the sector.

- Capacity is also a challenge given the lack of critical mass of Talent in Islamic Finance and there are no purveyors of scholarly capacity in IF in Sierra Leone.

### ***Conclusions and Recommendations***

The survey results point to the fact that even though the Project Countries are in different phases of development of their respective broad IF sectors, they can all be submitted to be at the nascent stage of the industry lifecycle. Nigeria can be submitted to have the most advanced IF sector owing to its better regulatory environment, deeper pool of talent and scholarly capacity in Islamic Finance followed by The Gambia. The above notwithstanding, there are key themes that emerge across all the Project Countries.

- There is a need to increase capacity (human resource) both at the level of the regulator and private sector financial firms.
- The levels of awareness of IF amongst key stakeholders, especially customers and private firms is very low and needs to be improved and it should be the first point of call as regards interventions to develop IF in the project countries.
- There is a need to actively seek out collaborations between the local industry, academia and regulators with external parties outside the Project Countries in order to develop competencies in IF.
- There is a need to sync the efforts to develop Islamic Finance within the Project Countries so as to drive complementarity in strategies. This is sometimes not the case even at country level, where different regulators (Sierra Leone) or different regulatory departments (CBG). This point is even more relevant given the growing linkages within the Project Countries as evidenced by the significant presence of Nigerian firms in the banking and insurance industries of The Gambia and Sierra Leone respectively.
- There is a need for the respective regulators to have Department's dedicated to developing IF which is currently not the case in The Gambia and Sierra Leone.

### **B. Study Tour to Malaysia**

The Study Tour to Bank Negara Malaysia (BNM) for a team of Central Bankers from the Central Bank of The Gambia (CBG), the Central Bank of Nigeria (CBN) and the Bank of Sierra Leone (BSL) was the second deliverable of Project 2014-GAMFINAN-061. The tour took place between July 27<sup>th</sup> 2015 and August 7<sup>th</sup> 2015 and the delegates from the respective central banks that participated in the tour are outlined in Table 2 below.

**Table 2: Study Tour to Malaysia Delegates**

<b>CENTRAL BANK OF THE GAMBIA</b>		
<b><u>Name</u></b>	<b><u>Role</u></b>	<b><u>Department</u></b>
Mr. Basiru Njai	First Deputy Governor	Financial Sector Supervision
Mr. Pa Alieu Sillah	Commissioner of Insurance	Insurance
Mr. Essa Drammeh	Director	Financial Supervision
Mr. Sulayman Cham	Banking Officer	Financial Supervision
<b>CENTRAL BANK OF NIGERIA</b>		
<b><u>Name</u></b>	<b><u>Role</u></b>	<b><u>Department</u></b>
Mr. Mu'azu Lere Muhammad Wada	Assistant Director	Financial Policy
Mr. Abdul-Azeez Barau	Assistant Director	Banking Supervision
Mr. Maishanu Hassan Abubakar	Manager	Other Financial Institutions Supervision
<b>BANK OF SIERRA LEONE</b>		
<b><u>Name</u></b>	<b><u>Position</u></b>	<b><u>Department</u></b>
Mr. Saffa Sam	Senior Manager	Banking Supervision
Mr. Hassan Tejan	Senior Manager	Banking Operations
Mr. Yusufu Bangura	Senior Banking Officer	Research

The main objectives of the study tour were:

- Familiarize the team members with the key institutions that form the cog of a viable Islamic Finance industry; hence all the institutions that help to support the industry and the role that they play in supporting the value chain.
- Give the study tour participants an opportunity to get an overview of the operations of some of the institutions that make up the value chain and the level of expertise in Islamic Finance needed at these institutions so that they can successfully fulfill their mandate, notably:
  - Regulators.

- Private sector participants (an institution that offers Islamic financial services, preferably an Islamic Bank).
- Training Institute: This can be a tertiary or professional training Institution to get an overview of the curriculum and what it takes to run such an institution.
- Get an understanding of the broad development strategy that Malaysia adopted to promote Islamic Finance and its regulatory framework for the broad Islamic Finance sector.

The study tour was successful in meeting all the above objectives. Some pictorial highlights of the tour are outlined below.



### ***Study Tour to Malaysia –Highlights***

An overview of the institutions that the study tour delegates met in Malaysia and highlights of some of their interactions are summarized below:

#### **Bank Negara Malaysia (Malaysian Central Bank)**

Bank Negara Malaysia (BNM) is the central bank of Malaysia and is responsible for the regulation of the broad financial sector. The officials of Bank Negara Malaysia (BNM) took delegates through a number of presentations on the following topics:

- Roles and functions of BNM.
- Legal and regulatory framework that governs broad financial industry in Malaysia.
- The Islamic Finance ecosystem, including regulatory framework.
- The modalities of BNM's Sharia Advisory Council.
- Dispute Resolution framework.
- Broad modalities of different financial and capital market instruments.

### **Islamic Banking and Finance Institute of Malaysia (IBFIM)**

The Islamic Banking and Finance Institute of Malaysia (IBFIM) is an industry-owned institute that was formed in 2001 that is dedicated to producing a well-trained and competent pool of talent in Islamic Finance.

The delegates interacted with IBFIM on matters relating to:

- IBFIM's mandate.
- IBFIM's operating model.
- IBFIM's ownership and governance structure.
- Certifications offered by IBFIM.

### **Islamic Capital Market Department of the Securities and Exchange Commission**

The Securities and Exchange Commission (SEC) is the broad regulator of the capital markets. The delegates met with the department that is responsible for regulating Islamic Finance capital market activities. The unit is responsible for the development and regulation of Shariah compliant capital markets products and trading platforms where such products are traded.

The delegates were taken through the following:

- The Department's objects and mandate.
- Its governance structure.
- Highlights of its regulatory framework.

### **Islamic Deposit Insurance Scheme (IDIS)**

The Islamic Deposit Insurance Scheme (IDIS) was established in September 2005 following the enactment of Malaysia Deposit Insurance Corporation Act. The scheme is administered by Perbadanan Insurance Deposit Malaysia (PIDM), also known as the Malaysian Deposit Insurance Corporation. It operates a dual deposit insurance system – Islamic and conventional.

The delegates were taken through the PIDM's history and evolution, governance structure and operational model.

### **International Centre for Education in Islamic Finance (INCEIF)**

The International Centre for Education in Islamic Finance (INCEIF) was established by BNM in 2005 as a dedicated training institution to nurture talent in Islamic Finance. It is one of many initiatives undertaken by Malaysia to develop and nurture talent and experts under its vision of developing Malaysia as the premier International Islamic Finance Centre. INCEIF is one of the leading Islamic Finance training institutions in the world.

To complement its mission to produce world-class talent for the global Islamic finance industry, INCEIF, as a knowledge leader in Islamic finance, offers industry-focused executive education that includes customized executive programs. INCEIF's research unit carries out academic and commercial research which provides trend analysis, economic growth indicators and specific cross border business strategy. It offers three postgraduate programs in Islamic finance, namely Masters in Islamic Finance Practice (MIFP), Master of Science in Islamic Finance (MSc) and PhD in Islamic Finance.

### **International Shariah Research Academy for Islamic Finance (ISRA)**

The International Shariah Research Academy for Islamic Finance, more commonly known by its acronym, ISRA, was established to promote applied research in the area of Shariah and Islamic Finance.

It is a repository of knowledge for Shariah views (fatwas) and undertakes studies on contemporary issues in the Islamic Finance industry. Moreover, ISRA contributes to strengthening human capital development in Shariah expertise relevant to Islamic Finance and provides a platform for greater engagement amongst practitioners, scholars, regulators and academicians via research and dialogue, in both the domestic and international arenas.

### **Malaysian Insurance Institute (MII)**

The Malaysian Insurance Institute (MII) was founded in 1968 as a non-profit organization. It is a professional body and education institute for the Malaysian insurance industry that conducts an average of 300 technical training programmes annually for brokers, adjusters, reinsurers, regulators from Malaysia and other countries. It is also the examination centre for the insurance industry, conducting 32 major examinations for the local industry that cover about 60,000 candidates annually. It offers internationally recognized certifications in insurance, risk management and financial planning. It is highly respected as a regional center that offers an extensive range of quality education programs and training courses for professionals in the insurance and financial services industry.

### **Tabung Hajji (TH) / Pilgrims Fund Management**

Tabung Hajji (TH) was established in 1963 under Parliament Act No.34 (1962) as an avenue for Malaysians to build up savings towards performing their Hajj. In 1969, in accordance with Parliament Act 1969, TH was set-up as a quasi-government body. It continued to operate under

this mandate until 1995, when the New Tabung Haji Act 535 (1995) was passed and enacted by Parliament to enable TH to extend its business to Shariah-compliant investments areas in order to maximize the return of investments for its depositors. TH's main businesses are managing people's investments/savings towards their pilgrimage and coordinating all services required by Malaysian pilgrims.

### **Bank Islam and Maybank Islamic**

Bank Islam is the first Islamic Bank in Malaysia and started operations in 1983 while Maybank was the first Malaysian conventional commercial bank to offer Islamic financial services through "window" concept in 1993. The study tour team met with representatives of both banks and were taken through their historical evolution, operational model and governance structure amongst other salient issues.

### **C. Regional Workshop**

The regional sensitization workshop is the final activity to be implemented under Project 2014-GAMFINAN-061. The regional workshop will have participants drawn from the banking and insurance regulators of Nigeria and Sierra Leone respectively and from Bank Negara Malaysia as well as a number of key stakeholders from The Gambia, which will include participants from the Central Bank of The Gambia, the private sector (all banks and insurance companies), Shariah scholars and tertiary/training institutions and relevant government departments and agencies.

The main objective of the regional workshop is to deliberate on how to build Islamic Finance in The Gambia, Nigeria and Sierra Leone using the experiences of Malaysia as a point of departure. The expected output from the regional workshop will be a report entitled "Islamic Finance Institutionalization Strategy". The report will be prepared based on the presentations that will be delivered at the workshop and from the key takeaways from roundtable discussions. The report will clearly map out implementable roadmaps towards promoting greater awareness and use of Islamic Financial Instruments at country levels, as well as highlight technical areas of cooperation and joint collaborations towards developing the broad Islamic Finance sector at the sub-regional level.

## REGIONAL WORKSHOP PROGRAMME

DAY 1 – SEPTEMBER 14 <sup>TH</sup> 2015			
SESSION	TIME	TOPIC	FACILITATOR
	09.00 – 09.15	Welcome Address	Mrs. Ida Fye Touray – Deputy Director, FSD, CBG
	09.15- 09.30	Statement from Ministry of Finance and Economic Affairs (MOFEA)	Mr. Abdoulie Jallow - Permanent Secretary, MOFEA
	09.30 - 09.45	Keynote Address and Opening of Workshop	Mr. Basiru Njai – First Deputy Governor, CBG – Representing the Governor
	09.45 - 10.00	Group Photo	
	10.00- 10.30	Coffee/Tea Break	
Session 1	10.30 – 11.15	MOFEA – Islamic Finance & The Gambia’s Development Plan Q & A	Mr. Alhadgie Fadera– Director of Planning, MOFEA
Session 2	11.15- 12.00	Nigeria Country Presentation – Current Islamic Finance Landscape & Key Initiatives Q & A	Mr. Mu’azu Lere Muhammad Wada – Assistant Director, Financial Policy, CBN
Session 3	12.00-12.45	Sierra Leone Country Presentation – Current Islamic Finance Landscape & Key Initiatives Q & A	Mr. Saffa Sam – Senior Manager, Banking Supervision, BSL
	12.45 – 14.00	Lunch	
Session 4	14.00-14.45	The Gambia Country Presentation – Current Islamic Finance Landscape & Key Initiatives Q & A	Mr. Essa Drammeh – Director, FSD, CBG
Session 5	14.45- 15.30	Islamic Banking: A practitioner’s perspective Q & A	Mr. Ebrima Mballow – Head of Business Development - AGIB
	15.30 – 15.45	Coffee/Tea break	
Session 6	15.45-16.30	Islamic Insurance: A practitioner’s perspective Q & A	Mrs. Sainabou Jallow Gaye - General Manager, Takaful (G) Ltd

**DAY 2 – SEPTEMBER 15<sup>TH</sup> 2015**

<b>SESSION</b>	<b>TIME</b>	<b>TOPIC</b>	<b>FACILITATOR</b>
Session 7	09.00 – 10.30	Developing an Islamic Financial System <ul style="list-style-type: none"> <li>- The Building Blocks</li> <li>- Issues and Challenges</li> <li>- Desired Outcome and Strategies</li> </ul>	Mr. Rustam Mohd Idris – Deputy Director, Islamic Banking and Takaful Department, Bank Negara Malaysia  Mr. Mohd Shah Shukree Salim- Manager, Islamic Banking and Takaful Department, BNM
	10.30 – 11.00	Coffee/Tea break	
Session 7 Continued	11.00 – 12.45	Developing an Islamic Financial System <ul style="list-style-type: none"> <li>- The Building Blocks</li> <li>- Issues and Challenges</li> </ul> Desired Outcome and Strategies	Mr. Rustam Mohd Idris  Mr. Mohd Shah Shukree Salim
	12.45 - 14.00	Lunch	
Session 8	14.30 - 15.30	Group Discussions – Developing Strategies for The Gambia, Nigeria and Sierra Leone	Alieu Senghore – Project Coordinator
	15.30-15.45	Coffee/ Tea Break	
Session 9	15.45 – 16.30	Dialogue on: <ul style="list-style-type: none"> <li>- Developing Strategies for the Development of Islamic Financial System</li> <li>- Regional Strategies for Islamic Finance</li> </ul>	Mr. Rustam Mohd Idris  Alieu Senghore

## CONTACT

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