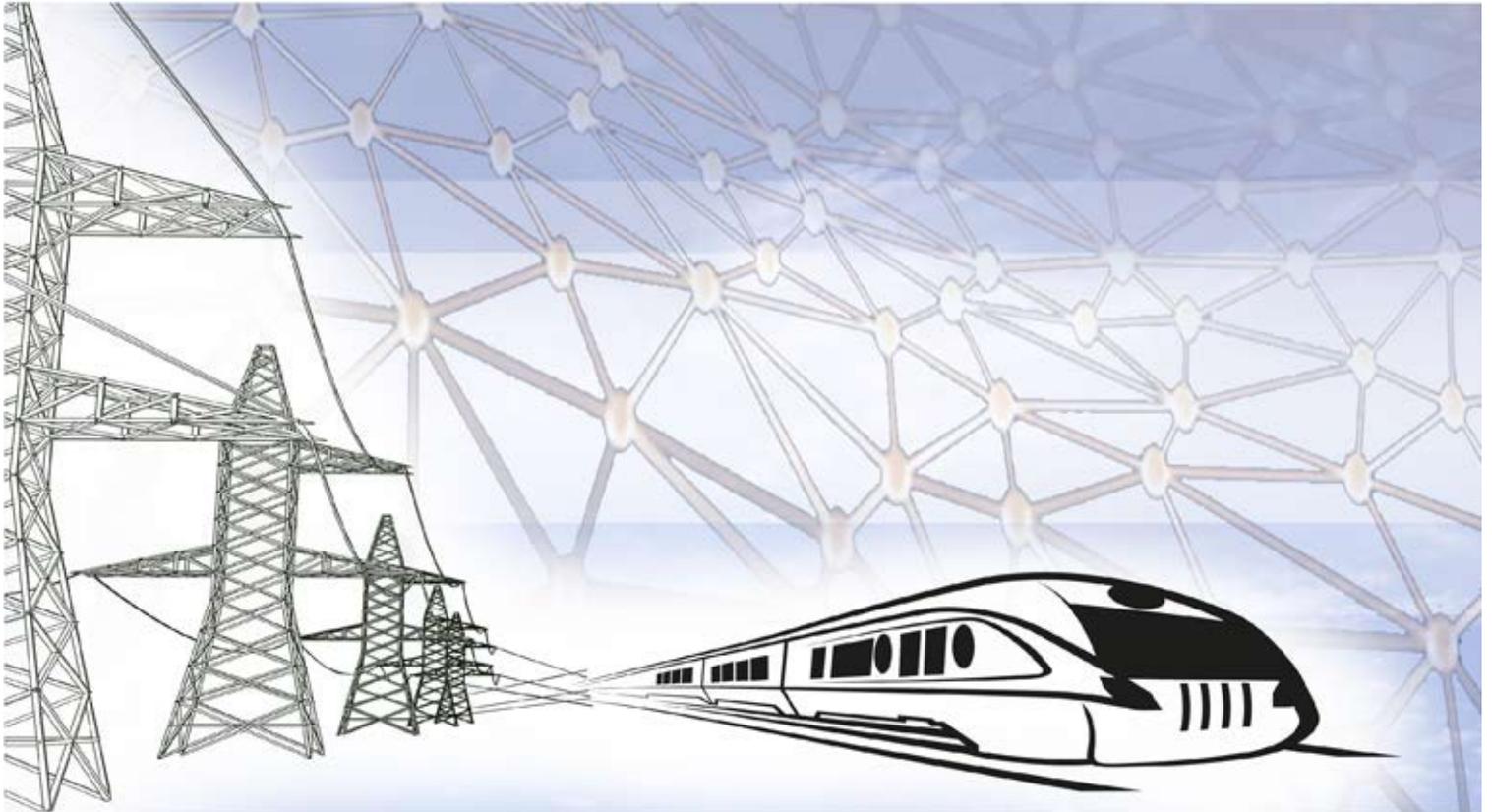


ISLAMIC FINANCE AND PUBLIC-PRIVATE PARTNERSHIP: VIABILITY, OPPORTUNITIES AND RECOMMENDATIONS

Securities Commission Malaysia - World Bank Conference
Report on Islamic Finance and Public-Private Partnerships for Infrastructure Development

8-9 May 2017 • Kuala Lumpur • Malaysia



ISLAMIC FINANCE AND PUBLIC-PRIVATE PARTNERSHIP: VIABILITY, OPPORTUNITIES AND RECOMMENDATIONS

Securities Commission Malaysia – World Bank Conference
8-9 May 2017, Kuala Lumpur, Malaysia

Report on Islamic Finance and Public-Private Partnership for Infrastructure
Development



Published in January 2018 by

SECURITIES COMMISSION MALAYSIA

3, Persiaran Bukit Kiara, Bukit Kiara
50490 Kuala Lumpur, MALAYSIA
www.sc.com.my

All rights reserved. No part of this publication may be reproduced in whole or in part or transmitted in any form or by any means, or stored in any retrieval system, or transmitted in any form or by any means (geographical, electronic, mechanical, photocopying, recording, taping or otherwise) of any nature without the prior written permission of the Securities Commission Malaysia, except for educational or non-profit purposes, provided always that acknowledgment of the source is made.

About the Report

Islamic Finance and Public-Private Partnership: Viability, Opportunities and Recommendations is a joint publication of the Securities Commission Malaysia and the World Bank Group. The views expressed in this publication are those of the authors and do not necessarily reflect the views of the Securities Commission Malaysia and the World Bank Group.

The designation of geographical entities in this report, and presentation of the material herein, does not imply the expression of any opinion whatsoever on the part of the publisher or the participating organizations concerning the legal status of any country, territory, or area, or of its authorities, or concerning the delimitation of its frontiers or boundaries.

While reasonable efforts have been made to ensure that the contents of this publication are factually correct and properly referenced, Securities Commission Malaysia and the World Bank Group do not accept responsibility for the accuracy or completeness of the content and shall not be liable for any loss or damage that may be occasioned directly or indirectly through the use of, or reliance on, the content of this publication, including its translation into languages other than English.

Contents

Acknowledgement	6
Glossary of Terms	7
Acronyms and Abbreviations	9
List of Figures	10
List of Tables	10
List of Boxes	10
Executive Summary	11
CHAPTER 1: INTRODUCTION	16
CHAPTER 2: BUILDING THE CASE AND CONTEXT SETTING	22
Global Infrastructure Needs and Financing Gap	23
Global Islamic Finance Development and its Current Roles in Supporting Infrastructure Needs	24
Growth Prospects of Islamic Finance in Addressing Infrastructure Gap	27
Concepts and Frameworks	28
Global and Regional Experiences – Situating the Malaysian Case	30
Applicability of Islamic Finance in Existing PPP Frameworks	34
CHAPTER 3: OFFERING VALUE-ADDED PROPOSITIONS FOR ISLAMIC FINANCE	36
Mobilizing Islamic Finance for PPPs	37
Cases for Islamic Finance in PPPs	38
Limitations and Constraints of Islamic Finance in PPPs	42
CHAPTER 4: ENABLING PPPs VIA ISLAMIC FINANCE: KEY RECOMMENDATIONS	44
Pillar 1: Political Will and Global Coordination	46
Pillar 2: Modalities & Structures	49
Pillar 3: Enabling Ecosystem	53
Pillar 4: Awareness and Capacity Building	57
Conclusion	60
References	61
Appendices	62

Acknowledgement

Securities Commission Malaysia (SC), together with the World Bank Group, convened a two-day conference on Islamic Finance and Public-Private Partnership (PPP) for Infrastructure Development from 8 to 9 May 2017 at SC in Bukit Kiara, Kuala Lumpur.

The lead authors of this report are: Wan Abdul Rahim Kamil, Syed Azhan Syed Mohd Bakhor (SC); Jose De Luna-Martinez, Wei Zhang, Ahmad Hafiz Abdul Aziz (World Bank Group). Other contributors include Mohd Lukman Mahmud, Hanif Mohsein Mohd Fauzi (SC), and Aijaz Ahmad (World Bank Group).

The team worked under the overall guidance of Zainal Izlan Zainal Abidin, Managing Director of Development & Islamic Markets, SC and Abayomi A Alawode, Head of Islamic Finance, World Bank Group.

This report benefited from presentations and insightful discussions provided by the speakers (Refer to Appendices for Conference agenda and list of speakers) and participants of the Conference. We are grateful to the Public-Private Partnership Unit in the Prime Minister’s Department of Malaysia for the invaluable knowledge-sharing and discussion on PPPs in Malaysia.

Glossary of Terms

Ijarah	A contract whereby a lessor (owner) leases out an asset to a lessee at an agreed lease rental for a predetermined lease period. The ownership of the leased asset shall always remain with the lessor.
Istisna`	A purchase order contract where a buyer requires a seller or a contractor to deliver or construct the asset to be completed in the future according to the specifications given in the sale and purchase contract. The payment term can be as agreed by both parties in the contract.
Murabahah	A contract that refers to the sale and purchase of an asset whereby the cost and profit margin (mark-up) are made known.
Musharakah	A partnership arrangement between two or more parties to finance a business venture whereby all parties contribute capital either in the form of cash or in kind for the purpose of financing the said venture. Any profit derived from the venture will be distributed based on a pre-agreed profit-sharing ratio, but a loss will be shared on the basis of capital contribution.
Public-Private Partnership	A long-term contract between a private party and a government entity to provide a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration, is linked to performance. ^a
Shari`ah	The corpus of Islamic law based on the Quran and the Sunnah.
Special purpose vehicle	This is the corporate entity created to manage the project. It is usually incorporated in the hosting country and in most cases the company is quoted as the project name. ^b
Sukuk	Certificates of equal value which evidence undivided ownership or investment in the assets in accordance with Shari`ah principles and concepts.

Sustainable Development Goals	Sustainable Development Goals are a set of 17 Global Goals initiated by the United Nations covering a broad range of sustainable issues which include reducing poverty and hunger, improving health and education, combating climate change, and protecting oceans and forests.
Takaful	Islamic insurance; ‘mutual guaranteeing’ through mutual support and shared responsibility whereby a group of people agree to jointly guarantee one another against a defined loss.
Wakalah	A contract where a party authorises another party to act on behalf of the former based on the agreed terms and conditions as long as he or she is alive.

Notes:

- a Definitions from the PPP Reference Guide, Version 3.0 (World Bank Group et al. 2017), <https://library.pppknowledgebank.org/documents/4699>
- b Definitions from the Private Participation in Infrastructure database.

Acronyms and Abbreviations

ADB	Asian Development Bank
APEC	Asia-Pacific Economic Cooperation
BOT	Build-operate-transfer
BTO	Build-transfer-operate
DCT	Doraleh Container Terminal
EKVE	East Klang Valley Expressway
EMDE	Emerging markets and developing economies
EPF	Employee Provident Fund
GDP	Gross domestic product
GLC	Government-linked company
ICIEC	Islamic Corporation for the Insurance of Investment and Export Credit
ICM	Islamic capital market
IFSB	Islamic Financial Services Board
I3P	Islamic Infrastructure Investment Platform
IOSCO	International Organization of Securities Commissions
IRTI	Islamic Research and Training Institute
IsDB	Islamic Development Bank
KLIA	Kuala Lumpur International Airport
MDB	Multilateral Development Bank
MIFC	Malaysia International Islamic Financial Centre
MIGA	Multilateral Investment Guarantee Agency
MP	Malaysia Plan
OIC	Organisation of Islamic Cooperation
PPIAF	Public-Private Infrastructure Advisory Facility
PLUS	PLUS Berhad
PMB	PLUS Malaysia Berhad
PFI	Private finance initiative
PPP	Public-Private Partnership
SC	Securities Commission Malaysia
SDG	Sustainable Development Goal
SPV	Special purpose vehicle
UK	United Kingdom

List of Figures

Figure 1: Expected Annual Investment Requirements by Sector 2014–2020 (at 2011 prices)	23
Figure 2: EMDEs Infrastructure Investment Requirements: Actual Spending and Investment Gap in Annual US\$ billion over 2014–2020	24
Figure 3: Global Sukuk Issuance, US\$ billion	25
Figure 4: Key Enablers for the PPP Model	29
Figure 5: Private Investment Commitments in PPPs, Across World Regions 1990–2015 (US\$ million)	32
Figure 6: Private Investment to Drive Growth	34
Figure 7: Summary of Key Recommendations	45

List of Tables

Table 1: Four Key Pillars and Recommendations	14
Table 2: Structures of PPP	29
Table 3: PPP in Developed Markets	31
Table 4: Islamic Finance PPPs – Essence of PPP Structure and Arrangement	39
Table 5: Pillar 1 – Key Measures	47
Table 6: Pillar 2 – Key Measures	51
Table 7: Pillar 3 – Key Measures	55
Table 8: Pillar 4 – Key Measures	59

List of Box Articles

Box 1: Islamic Finance Architecture Defined	47
Box 2: Malaysia’s Retail Sukuk	50
Box 3: Malaysia’s Experience in Developing Comprehensive Islamic Capital Market	54
Box 4: Khazanah Nasional Bhd – An Exemplary Role	58

Executive Summary

Securities Commission Malaysia (SC) – World Bank Group Conference on Islamic Finance and Public-Private Partnership (PPP) discussed and deliberated the ways to deploy Islamic project finance in PPP delivery frameworks. The latitude of the discussion covered the ecosystem needed for Islamic capital market (ICM), PPP developments and, more importantly, the identification of relevant policy, legal, regulatory and institutional interventions to attract and expand Islamic financing for infrastructure development. Additionally, a set of case studies on PPPs employing Islamic finance instruments was presented at the Conference and discussed in this report. This report aims at synthesizing the essence of the discussions deliberated at the Conference.

Global demand for infrastructure financing is soaring and the emerging markets and developing economies (EMDEs) alone are experiencing a US\$452 billion gap in infrastructure financing¹. Global demand for infrastructure needs is well over US\$80 trillion until 2030. This gives an average of US\$3 trillion of investment in infrastructure per annum or slightly above 4% of the world's gross domestic product (GDP)². The EMDEs, by far, require much higher infrastructure investment than the developed economies. Estimates show that the developing economies need to increase spending on infrastructure from the current US\$259 billion to US\$711 billion per year, which translates into some US\$452 billion in spending gap yearly³. These figures only concern physical infrastructure like roads, power plants, ports and railroads. In regard to social infrastructure, such as health, education and green infrastructure needs, the figures may increase by between US\$170 and US\$220 billion per annum⁴.

Islamic finance is poised to play a significant role in addressing the financing gap in global infrastructure needs. Despite its relatively small share of the global financial market (currently stands at 1% of total global financial assets), Islamic finance growth has been significant over the last two decades with an annualised growth rate of 15%. The industry has grown to an estimated total assets of US\$1.89 trillion in 2016 covering three main sectors, namely banking,

¹ *Infrastructure Investment Demands in EMDEs*, World Bank, September 2015.

² *Infrastructure Investment, Private Finance, and Institutional Investors: Asia from a Global Perspective*, ADB Working Paper Series, January 2016.

³ *Infrastructure Investment Demands in EMDEs*, World Bank, September 2015.

⁴ *Ibid.*

capital markets and takaful⁵. In the ICM universe, sukuk, for example, has proven its viability to support economic activities including various infrastructure projects. Global sukuk outstanding increased to a record of US\$349.1 billion as of December 2016, an 8.7% increase from US\$321.2 billion as at end-2015⁶. The continued strong growth of Islamic finance presents an opportunity of untapped financing resources for infrastructure project investments through PPP. A noteworthy development is the progress that the Islamic finance industry has made from merely serving retail demands to serving corporates, including large multinational companies, and has emerged as an important focus of various international organizations and multilateral development banks (MDBs). Islamic finance offers alternative tools to support the funding needs of infrastructure projects to attract Shari`ah-compliant investors who would be constrained in investing into Shari`ah non-compliant financing projects. Islamic finance also brings in unique values to the existing PPP framework as Islamic finance not only focuses on material returns but also complements the sustainable development agenda.

Shari`ah-compliant instruments in fixed income, equity or mixed asset classes are available as market vehicles to support infrastructure financing.

Shari`ah is very dynamic and offers various other executable contracts beyond just debt-based instruments. Types of underlying contracts, namely *ijarah*, *murabahah*, *musharakah*, *istisna`* to mention a few, largely depend on the legal and regulatory framework of the country and contractual arrangements among the parties involved according to their risk appetite. As there is growing evidence of expansion from direct investments or financing to capital market instruments to meet infrastructure funding needs, sukuk and Islamic funds are potential means underpinned by their growing acceptance. Between 2001 and first quarter of 2014, a total of US\$88.6 billion worth of infrastructure sukuk has been issued mainly from Malaysia and the GCC countries⁷.

The growing interest in PPPs using Islamic finance structures clearly demonstrates its viability and merits to support global infrastructure needs.

Several case studies were presented and discussed to feature successful applications of Islamic finance in PPP projects. Malaysia has implemented various PPP projects using Islamic finance instruments. Projek Lebuhraya Usahasama Bhd, the largest highway concessionaire in Malaysia, issued the largest sukuk of RM30.6 billion globally. In the African region, the Doraleh Container Terminal (DCT), the first ever PPP-style financing in Djibouti, is a joint venture between the Djibouti Government and the Dubai

⁵ IFSB Islamic Financial Services Industry Stability Report 2017, May 2017.

⁶ 2016 Global Sukuk Market: A Record Year For Corporate Issuance, MIFC, March 2017.

⁷ Sukuk Growing Relevance in Infrastructure Development, MIFC Insights, October 2013.

Ports World (DP World). The total cost of the project was estimated at US\$397 million, of which US\$133 million was in the form of equity. Meanwhile, a 25-year build-operate-transfer (BOT) contract to rehabilitate and expand the existing Queen Alia International Airport in Jordan was the first of its kind in the Middle East to be executed under the PPP-Islamic finance framework. The expansion of the Prince Muhammad Bin Abdulaziz International Airport in Madinah is another 25-year concession-based airport project under the PPP-Islamic finance model.

Disparities persist between Islamic finance and its conventional counterpart. A strong political will is needed on the part of governments to facilitate the employment of Islamic finance in infrastructure development through PPPs. Various issues have to be resolved to bring Islamic finance to a level playing field with conventional finance. The aforementioned projects already affirm the feasibility and viability of Islamic finance to support global infrastructure funding needs, especially in the OIC countries. To promote vibrant growth of PPP funding via the capital markets, it is imperative to understand the gap and build the right value chain ecosystem. However, there seems to be a general lack of will in putting the appropriate ecosystem in place. Malaysia can lead in this respect as the government has enablers such as the availability of secondary sukuk market. With strong government support for Islamic finance and a robust market infrastructure for PPPs using sukuk, a favourable environment can be created.

There are limitations to Islamic finance in PPP infrastructure financing, which need to be recognized in setting realistic goals for deploying such financing in PPPs. Notwithstanding such limitations, Islamic finance is no inferior in its structure when compared to conventional financing. While there are some trade-offs between the two, these do not prevent Islamic finance from providing value-added benefits to project financing. What will facilitate the success of Islamic finance in infrastructure financing, as such, is the existence of the appropriate ecosystem as earlier mentioned, as well as a level of acceptability and readiness by issuers to employ it in project financing.

Some key recommendations deemed vital for the growth and development of PPPs using Islamic finance are grouped under four broad pillars. 1) Political leadership at national and global levels; 2) Empowering Islamic finance modalities, structures and values to stay relevant; 3) Capital markets ecosystem – building blocks to ensure the dynamic progress of Islamic finance in PPPs; and 4) Boosting efforts at diffusing Islamic finance knowledge and awareness across political, economic and social spectrums.

TABLE 1: Four Key Pillars and Recommendations

	PILLARS			
	Political Will and Global Coordination	Modalities & Structures	Enabling Ecosystem	Awareness and Capacity Building
RECOMMENDATIONS	Governments and MDBs to support the development of facilitative infrastructure architecture for Islamic finance.	Regulatory authorities and financial market players to develop sukuk market for long-term issuances to match the long-term yield profile of infrastructure investments.	The relevant stakeholders and authorities to improve market liquidity for large infrastructure projects through the development of essential building blocks for a well-established ICM.	The relevant stakeholders and authorities to increase awareness and technical understanding of both PPPs and Islamic finance to attract players and institutional investors as well as other important stakeholders.
MEASURES: NATIONALLY	Establish an enabler or a catalyst that can develop a practical framework (or guidelines) to deploy Islamic finance in infrastructure financing.	Structure the tax and fiscal system to create a level playing field with the conventional system.	Facilitate and moderate specific working groups on developing ICMs and broaden the pool of institutional investors with long-term investments horizon.	Knowledge-sharing programs with issuers and investors on infrastructure financing and investments and the long-term benefits for society.
MEASURES: REGIONAL OR GLOBAL	Incorporate Islamic finance in multilateral financial framework as a viable alternative.	Develop and facilitate issuance of infrastructure sukuk (including retail) internationally.	MDBs to collaborate in a more comprehensive manner with private international investors to get buy-in for Islamic finance.	Increase institutional cooperation between MDBs through roadshows and promotional activities including research and publication.



[From left to right]: Jose De Luna Martinez, Lead Financial Sector Specialist, World Bank; Abayomi A Alawode, Head of Islamic Finance, World Bank; Laurence W Carter, Senior Director, Public-Private Partnerships, World Bank; Tan Sri Dato' Seri Ranjit Ajit Singh, Chairman, Securities Commission Malaysia; Dato' Ahmad Fairuz Zainol Abidin, Deputy Chief Executive, Securities Commission Malaysia; Zainal Izlan Zainal Abidin, Managing Director, Development and Islamic Markets, Securities Commission Malaysia; Dr Walid Abdelwahab, Director, Infrastructure Department, Islamic Development Bank.

CHAPTER

01 Introduction

The Organisation of Economic Cooperation and Development (OECD) estimates that globally, US\$80 trillion would be required for investments in public infrastructure such as road, rail, telecommunication, electricity and water (without taking into account seaports, airports and social infrastructure) by 2030. Meanwhile, the Asian Development Bank (ADB) estimates that Asia needs to invest US\$8 trillion in national infrastructure over the decade between 2010 and 2020. Traditionally, investments in infrastructure are financed using public sources. However, severe budget constraints faced by the public entities have led to increased involvement of private investors in the provision of infrastructure in developing countries.

Against this background, the use of Islamic finance for infrastructure development has been receiving increased attention in the past few years. The Islamic capital market (ICM) has the means and ways to contribute towards the required funding and capital needs. Sukuk, which has gained significance acceptance as a source for long-term financing, can be effectively applied to support the infrastructure financing needs. There are varieties of sukuk structures using different Islamic contracts such as *ijarah*, *murabahah* and *wakalah* or a combination thereof that are able to provide customized solutions. Sukuk is also backed by real economic activity as well as has the ability to tap a wider investor base from both Islamic and conventional spectrum. To help mobilize

long-term capital, emerging and developing markets should accelerate development of their local currency domestic bond and/or sukuk market. This requires putting in place the ecosystem and enabling environment for a deep and liquid bond and/or sukuk market to flourish.

Given the potential of Islamic finance to support infrastructure development in developing countries, the SC, together with the World Bank Group, convened a conference, themed “Islamic Finance and Public-Private Partnership for Infrastructure Development”. The Conference focused on ways to deploy Islamic project finance in PPP delivery frameworks and identify the relevant policy, legal, regulatory and institutional interventions necessary to motivate both public and private sectors to use Islamic financing for infrastructure development.

The Conference was the first collaboration between SC and World Bank Group on an annual engagement involving Islamic finance. A total of 280 participants attended comprising development practitioners, policy makers, regulators, as well as stakeholders involved in Islamic finance and infrastructure. Panel sessions with industry leaders and experts discussed corporate approaches in mobilising Islamic finance for infrastructure needs. There was also a closed-door roundtable session which further elaborated technical matters, workable solutions and possible recommendations.

This post-Conference report, *Islamic Finance and Public-Private Partnership: Viability, Opportunities and Recommendations* is a joint publication of the SC and the World Bank Group that captures the salience and essence of the two-day conference. It discusses and clarifies the discussions and debates among speakers during the respective sessions. In addition, it also incorporates the relevant discussions during the question and answer period at the end of each session.

This report also presents recommendations based on the deliberations during the two-day Conference, complemented by the authors' research. For each recommendation, there are two-level measures proposed:

1. The national level highlights possible solutions and tools available to a country domestically; and
2. The regional or global level highlights possible solutions available to a country when it interacts with actors beyond its borders.

The details of the proposed measures are derived from an overall assessment of the content of the Conference, authors' interpretation of the speakers' presentations and deliberations, and a careful synthesis of ideas embedded in their speeches.



“A critical imperative for infrastructure financing is to successfully bridge the gap between the demand for capital and the supply of it. The Securities Commission Malaysia has long recognized the promising potential of the Islamic capital market as an alternative avenue for large-scale long-term fundraising. In this regard, Sukuk, given their asset-based and risk-sharing nature, are particularly apt for infrastructure financing..”

– Tan Sri Dato' Seri Ranjit Ajit Singh,
Chairman, Securities Commission Malaysia



“At the World Bank Group, we strongly believe that Islamic finance has an important role to play in addressing the development challenges facing our client countries. The World Bank Group’s involvement in Islamic finance is directly linked to our objectives of reducing poverty, promoting financial sector development, broadening financial inclusion, and building financial sector stability and resilience in client countries..”

– Laurence Carter, Senior Director, Public Private Partnerships, World Bank





CHAPTER

02

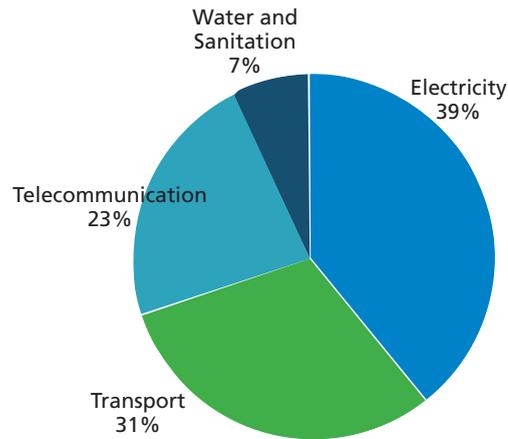
Building the Case and Context Setting

Global Infrastructure Needs and Financing Gap

Global demand for infrastructure needs is well over US\$80 trillion until 2030, of which 51% is needed for maintenance while the remaining 49% is for capital expansion. This infrastructure gap was highlighted by many speakers during the Conference and it provides the context setting for the role of Islamic finance in supporting infrastructure investment requirements, particularly in developing countries.

The emerging market and developing economies (EMDEs) require higher infrastructure investment needs than the developed economies. Estimates show that the developing economies need to increase spending on infrastructure from the current US\$259 billion to US\$711 billion per year, which translates to about US\$452 billion in spending gap yearly⁸. These figures only concern physical infrastructure such as roads, power plants, ports and railroads. Insofar as social infrastructure is concerned like health, education and green infrastructure needs, the figures may increase to between US\$170 to US\$220 billion per annum⁹. The electricity and transportation sectors require 70% of the total expected annual investment requirements by sector. With the exception of the telecommunication sector, the other

FIGURE 1: Expected Annual Investment Requirements by Sector 2014–2020 (at 2011 prices)



Source: *Infrastructure Investment Demands in EMDEs*, World Bank, Sept 2015

three sectors have a greater percentage in maintenance cost than capital expenditure.

This gap needs to be addressed due to the linkage between infrastructure development and economic growth. Several speakers emphasized this linkage when they underscored the importance of infrastructure development to sustain economic growth. Infrastructure development has been observed, across the world, to have raised GDP by driving economic activities and providing basic services to millions of people. This is relevant for both advanced and developing economies.

⁸ Infrastructure Investment Demands in EMDEs, World Bank, Sept 2015.

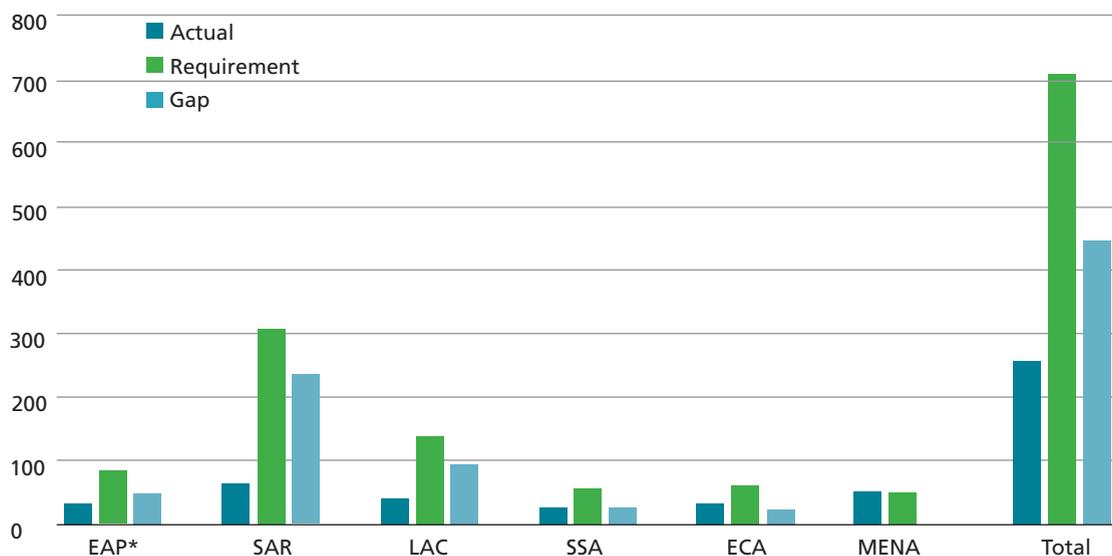
⁹ *Ibid.*

Global Islamic Finance Development and its Current Roles in Supporting Infrastructure Needs

Narrowing the infrastructure investment gap through Islamic finance (structured into the PPPs) will support infrastructure investment needs in the existing or potential markets. Islamic finance’s ability to attract new sources of funding, that are otherwise not fully tapped by the conventional structure, is gradually emerging as an important value proposition that strengthens the *raison d’être* for employing Islamic finance in PPPs.

Despite the Islamic finance industry’s relatively small share of the global financial market (currently stands at 1% of total global financial assets), its growth has been significant over the last two decades with an annual growth rate of 15%. The industry has grown to estimated total assets of US\$1.89 trillion in 2016 covering all the three main sectors, namely banking, capital markets and takaful¹⁰. In the ICM universe, sukuk, for example, has proven its viability to support economic activities including various infrastructure projects. Global sukuk outstanding increased to a record US\$349.1 billion as of December 2016, an 8.7% increase from US\$321.2 billion as at end-2015¹¹. The total global Islamic assets under management

FIGURE 2: EMDEs Infrastructure Investment Requirements: Actual Spending and Investment Gap in Annual US\$ billion over 2014-2020



Source: *Infrastructure Investment Demands in EMDEs, World Bank, September 2015*
 Note: (*) EAP excludes China.

¹⁰ Islamic Financial Services Industry Stability Report 2017, IFSB, May 2017.

¹¹ 2016 Global Sukuk Market: A Record Year for Corporate Issuance, MIFC, March 2017.

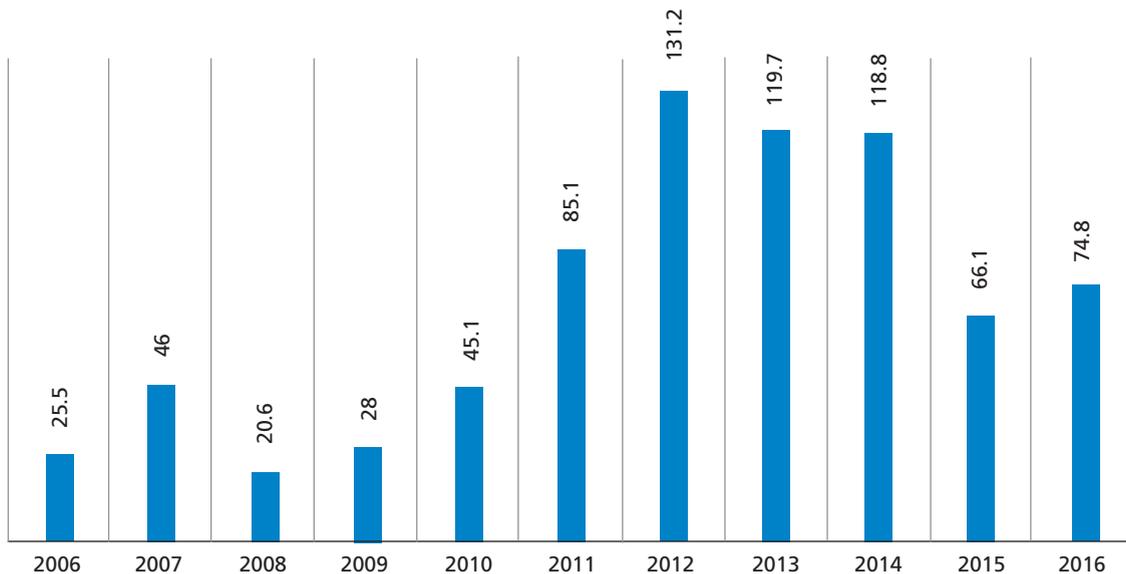
(AUM) stood at US\$70.8 billion, with the number of Islamic funds totaling 1,535¹². The continued strong growth of Islamic finance presents an opportunity of untapped financing resources for infrastructure project investments through PPPs.

Many speakers at the Conference affirmed Malaysia’s position as a recognized leader in Islamic finance. Malaysia remains as a leading global sukuk market and the country is also home to the second largest Islamic funds market. A report quoted, from 2001 till 1H2013, Malaysian domiciled infrastructure sukuk accounted for 71.01% of all infrastructure sukuk issuances followed by Saudi Arabia

“Mainstreaming the upstream that is making a systematic effort at reforms that will unlock opportunities of projects and expand financing and delivery options over time.”

– Aijaz Ahmad, Senior Specialist, Public Private Partnerships, World Bank

FIGURE 3: Global Sukuk Issuance, US\$ billion



Source: MIFC

¹² Islamic Fund: Gearing up, MIFC, May 2017.

at 16.21% and the United Arab Emirates at 11.27%¹³. The SC, in its Welcome Remarks at the Conference, highlighted that the utilization of market-based financing is one way through which Malaysia has managed its infrastructure development needs, with the first PPP project launched more than three decades ago. These projects were supported by the long-term financing capabilities of Malaysia's established and vibrant bond market – the third largest in Asia measured by percentage of GDP. This has contributed to more than half of the private-sector infrastructure investments since the early 1990s. In developing its Islamic capital markets, SC identified key building blocks for the effective functioning of an ICM:

- The regulatory framework and standards are to be benchmarked against international standards, e.g. International Organization of Securities Commissions (IOSCO) and Islamic Financial Services Board (IFSB).
- Market infrastructure is to be put in place, e.g. commodity murabahah platform and credit rating agencies.
- The Shari'ah governance framework needs to include the establishment of a Shariah Advisory Council for ICM, in addition to the requirement to register Shari'ah advisors with SC at the industry level.
- Tax neutrality and incentives are to be devised with the aim of supporting the growth of Islamic finance.

Islamic finance has been used and applied in various economic activities, from small scale projects to large infrastructure projects. A noteworthy development is the progress that the Islamic finance industry has made from merely serving retail demands to serving corporates, including large multinational companies (beyond Muslim majority jurisdictions). It has emerged as an important focus of international organizations and multilateral development banks (MDBs). The Islamic Development Bank (IsDB) has been very instrumental in supporting infrastructure financing activities, including PPP projects, in its 57 member countries across sectors that include power, energy, transport and telecommunications as well as social infrastructure. The IsDB and the ADB have also set up Asia's first major multi-country Islamic infrastructure fund dating back to 2009.

Islamic finance offers alternative tools to support the funding needs of infrastructure projects to attract Shari'ah-compliant investors, who would be constrained in investing into Shari'ah non-compliant financing projects. Islamic finance, as an alternative funding instrument, also brings unique values to the existing PPP framework as it not only primarily focus on material returns but could also complement the United Nations' Sustainable Development Goals (SDGs).

¹³ Sukuk Growing Relevance in Infrastructure Development, MIFC, October 2013.

Growth Prospects of Islamic Finance in Addressing Infrastructure Gap

Developments in the capital market play an important role in addressing infrastructure gap. Reforms in capital requirements for financial institutions and insurance companies have contributed strongly to the reduced availability of public and private capital for infrastructure development. As such, over the years, Islamic infrastructure investment has attracted greater involvement by sovereigns, corporate and institutional entities bearing different Shari'ah-compliant structures, volume and tenures. Such investors seek opportunities that match their liabilities with long-term infrastructure development investments, helping to add dynamism to the industry.

However, the market is still a niche and an underdeveloped area in Islamic finance. It remains as one of the important areas to be served by the industry, as widely agreed in the Conference. Significant opportunities exist to exploit this gap and further develop Islamic infrastructure funding, given the huge infrastructure spending currently taking place in many emerging markets including those currently served by Islamic finance. In addition, infrastructure bodes well as an asset class for Islamic finance with its emphasis on real sector funding. The growing demand for ethical investment options in the global financial markets also contributes to the prospect of this segment.

Islamic finance could be the key funding source in developing infrastructure. Products, such as sukuk, that are generally asset-based and risk-sharing instruments could further contribute to the development of infrastructure by creating a facilitative approval process, greater cost efficiency, and less time to market. It is also observed that Islamic finance is appealing to everyone as it can bring all backgrounds of investors and varieties of transactions together.

The challenge, nonetheless, is an environment that still adopts the same thinking perspective associating Islamic finance with debt instruments, although in reality, Islamic finance is beyond that. Moreover, Shari'ah is very dynamic and suitable to be applied anytime and anywhere. It is very rich when it comes to availability and executable contracts are not limited to just debt-based instruments. Infrastructure sukuk, for instance, can be structured using various types of Shari'ah contractual principles; among the foremost principles utilized are *musharakah*, *ijarah* and *murabahah*. Collectively, these three structures accounted for more than 79% of all issuances during 2H2010 till 1H2013¹⁴.

Global Islamic finance assets are expected to grow and exceed US\$3.25 trillion by 2020¹⁵. The outlook for the infrastructure or construction sector in key growing Islamic finance markets, e.g. Asia, the GCC and Africa, is indeed promising, particularly in areas such as transportation, power, water, utilities, healthcare, housing, and education. There

¹⁴ Sukuk Growing Relevance in Infrastructure Development, MIFC, October 2013.

¹⁵ State of the Global Islamic Economy 2015/2016, Thomson Reuters, October 2016.

exists tremendous opportunity for Islamic infrastructure investment, with its ethical and alternative funding base, to serve such infrastructure financing needs globally. This, however, requires active roles from stakeholders to ensure that the enabling environment is in place to support funding growth in the area. More importantly, efforts need to be directed at harnessing private investors' participation in infrastructure funding segments.

Concepts and Frameworks

PPPs emerged following concerns over the level of public debt, which grew enormously across the developed world during the macro-economic dislocation of the 1970s and 1980s. However, the more fundamental reason that had sparked PPPs was the fact that many governments could not provide basic amenities and effective public services for their citizens. This was due to debt crises and water-tight budgets that crippled many governments, especially during the last two decades before the millennium. Private investors were then invited through a process to form partnerships with the government to provide, finance and maintain these public services. The then John Major led government in the United Kingdom (UK), for instance, introduced the Private Finance Initiative (PFI) in 1992. It was the first systematic program aimed at encouraging PPPs. The specific names do indeed vary, as the

UK's case suggests, where PPP is termed as PFI. The two variants are the most commonly used terms across the globe today.

PPPs are one of the financing arrangements that have contributed significantly to global infrastructure financing. To an extent, PPPs are so synonymous with infrastructure development that more and more countries, especially those with little or no experience with PPPs in meeting their infrastructure tasks, have begun to embrace the PPP model. The governments of these countries are exploring the potential of the model and have taken definitive steps to establish policies, pipelines, resources and partnerships with private sector providers.¹⁶ Table 2 distinguishes three types of existing PPP framework.

In their ideal form, PPPs are long-term relationships between the public and private sectors; the projects last seven years and beyond. It is imperative to underscore the fact that PPPs allocate the sharing of risks and rewards between the government and the private partners. Although the exact risk-sharing formulae may vary from one case to another, the belief that only the private sector bears all (or most of) the risks is not necessarily true.

Any successful PPP will involve a good combination of political support, enabling frameworks, expertise, project prioritization

¹⁶ *Public-private partnerships and the global infrastructure challenge: How PPPs can help governments close the "gap" amid financial limitations*, EY, 2015.

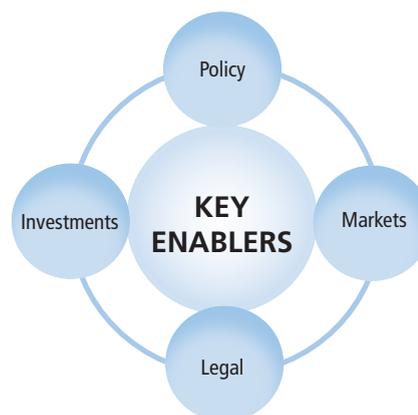
TABLE 2: Structures of PPP

Structures	Characteristics
Concession	<ul style="list-style-type: none"> Contracting authority entrusted to a private entity. The private entity finances, develops, operates and maintains the delivery of services or infrastructure (which were otherwise performed by the public sector/government). The private entity obtains its revenue directly from end users (the public). Ownership of assets remains with the public sector.
Contractual PPP	<ul style="list-style-type: none"> A public and a private entity enter into a contractual agreement to deliver public services or infrastructure projects. The private entity is to fund the project. The public entity will pay the private counterpart based upon usage volumes or demand over the duration of the contract. Ownership of assets remains with the public sector.
Institutional PPP	<ul style="list-style-type: none"> The public sector, i.e. the government, has significant control over the development and delivery of the service or infrastructure through its shareholding in the special entity. Ownership, risks and rewards are shared between the public and private sectors.

Source: SC and World Bank

and preparation as well as deal flow and standardization of agreements. The essentials among these parameters are political support and enabling frameworks that will often result in the immediate availability of the rest of the parameters. Governments need to devise a program that suits their respective domestic conditions where PPP projects do not only accelerate economic growth under a sound fiscal policy but, more importantly, achieve national socio-economic objectives. A strong political will and support will facilitate the right enabling frameworks to be in place, namely legal, investment, operational and capital market frameworks.

FIGURE 4: Key Enablers for the PPP Model



Source: Yong Hee Kong's enabling framework

Below are a few general reasons why governments embrace PPPs:

1. Private sector's delivery of public services: The private sector has, over the years, been able to maintain an enviable standard in project management and delivery. The reverse, however, is usually the case in some public sectors, which are often caught up in public debt, mismanagement and lack of effective controls. PPPs then are seen as effective tools that can steer the effective provision of public services.
2. Budget constraint: Many debt-ridden EMDEs see PPPs as viable options to provide public services, especially in trying to achieve socio-economic objectives under a tight budget scenario. With private capital participation (often guaranteed by MDBs), governments can strike the balance between providing critical infrastructure and simultaneously spending on other prioritized developmental projects.
3. Private sector's know-how: PPPs allow for capitalizing on the private sector's technical know-how and sectorial expertise. As private sectors are driven by strong and often stiff competition, their level of knowledge and experiences guarantee their potential maximisation in any sector which they are involved. Such a characteristic can well fill the gap in the public sectors' lack of technical know-how and insufficient sectorial exposure.

4. Accounting treatment of PPPs as off-balance-sheet: Governments usually have limited fiscal space which determines their debt capacity and liabilities. For a sovereign entity, this fiscal space is a function of domestic legal requirements or international regulations as well as market constraints. Therefore, PPPs help governments enter into commercial contracts with little or no financial liability as such liability is effectively shifted to a private set-up (minority subsidiary or special vehicle entity).
5. Incentives for innovation: In making PPPs successful, governments often offer incentives such as tax relief to the private sector entities in order to sustain their interest and to mitigate their risks. In return, the private sector entities reinvent and introduce new technologies, i.e. know-how and management practice, to deliver more effective public services and high quality infrastructure.

Global and Regional Experiences – Situating the Malaysian Case

PPPs are complex and there are no unique features of PPPs across the globe. The complexities in understanding PPPs could partly have arisen as a result of their misconception. Many governments at times do not understand why and how to pursue PPPs. In some developing countries, PPPs are seen as a burden-shift approach with governments

pushing all the risks to the private sector in delivering infrastructure and public amenities. However, these governments often fail to provide a sound and functioning legal framework to govern such PPPs, only to bear negative and costly consequences later.

There are at least two major groups of PPPs: the established and the developing PPP markets. Among those countries with established PPP markets are the UK, Australia and Canada. These countries have been continuously nurturing and stimulating their respective PPP model through innovation and necessary reforms against a backdrop of changing market conditions as shown in Table 3.

The developing PPP markets comprise the top five performers and the rest of the EMDEs. The top five performers are China, Brazil, India, Mexico and Turkey, whose total combined investment commitments in infrastructure PPPs account for 60% of the total infrastructure PPPs’ investments in all EMDEs.¹⁷

Latin America is constantly learning from valuable PPP experiences, with some countries in the region having had a PPP program for more than two decades. Nevertheless, many of these programs have been troubled by poor contract management and a large number of renegotiations during the term. This has triggered governments to develop PPP legislation and procurement practices.

TABLE 3: PPP in Developed Markets

UK	Australia	Canada
<p>The UK, the elder statesman of PPPs, has subjected the PFI model to deep and forensic review in recent years, resulting in the improved “PF2”. Although the market is still adjusting to the new approach, it is telling that PPPs weathered the storm and continue to be actively supported by Government, profiteering and transparency.</p>	<p>Australia was one of the world’s pioneers in using and developing the PPP model. However, its PPP market today faces highly challenging financing conditions. This is largely a result of its small and constrained market. In contrast with other markets, long-term debt solutions have not returned. This lack of competition to commercial banks – combined with a lumpy projects pipeline – means that the full potential of institutional investment has not been harnessed.</p>	<p>Canada continues to be a model for steady deal flow, with an active financial market and a track record of on-budget and on-time delivery. Key to Canada’s success has been unconditional government support at all levels, including providing dedicated funding and financial mechanisms, pioneering standardization and undertaking efficient collaborator procurement.</p>

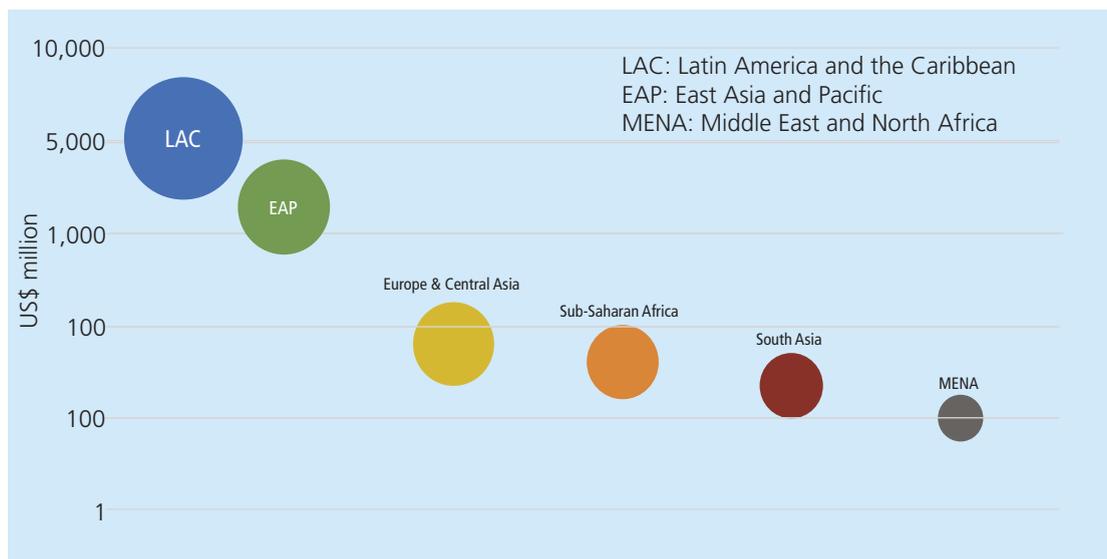
Source: EY, 2015

¹⁷ *The State of PPPs Infrastructure Public-Private Partnerships in Emerging Markets & Developing Economies 1991-2015*, World Bank-PPIAF Report, June 2016.

Africa’s PPPs have seen some progress despite several significant constraints, namely limited financial markets, inadequate legal and regulatory frameworks, an absence of technical skills within government agencies, and political and national risks. Notwithstanding these constraints, the demand for infrastructure across Africa remains significant and many African governments acknowledge PPPs as part of the solution. Such a positive attitude, combined with support for the PPP model from MDBs such as the World Bank and the IsDB, is driving infrastructure PPP projects across Africa. This can be observed in the transportation sector, where real economic values can be generated.

Asia, as a whole, promises great potential for more robust PPP infrastructure development. This potential is based upon the region’s rapid economic growth (especially the East Asia Pacific region), where strong economic growth must be supported by substantial and reliable infrastructure. Nonetheless, financing proves to be one of the biggest challenges and the role of private capital is indispensable in addressing the potential financing bottlenecks across the region. With the exception of China, many of the emerging Asian economies still rely very heavily upon regional and global MDBs to finance their critical infrastructure projects. Moving forward, greater efforts need to be put in place to encourage regional economies

FIGURE 5: Private Investment Commitments in PPPs, Across World Regions 1990 – 2015 (US\$ million)



Source: PPI database, World Bank

to adopt PPPs. This includes particularly institutional PPPs to tap and leverage the growing capital markets development in the region.

It is in this regard that Malaysia's experience with PPPs is worth looking at. Undoubtedly, Malaysia's PPPs' evolution has benefited from political will and a strong institutional set-up that collectively provide a sound framework to launch PPPs forward. There are drawbacks and improvements in many aspects but the country is on a strong footing to move forward with great potential for success.

The private sector has been long involved in the provision of public goods and services in Malaysia. It dates back to 1981 when the Malaysia Incorporated Policy was introduced to foster cooperation between the public and private sectors under the rubric of Malaysia as a corporation. The main idea was really to get the private sector's participation in the economy, particularly in developing the critical infrastructure to fuel economic growth.

Thus, there was little surprise when, in 1983, a dedicated Privatization Policy was launched to complement the government's initiative to increase private sector participation in the country's economic development. The government further refined its objectives through the policy. Apart from reducing the financial and administrative burden of the government, the policy was expected to improve skills and productivity that would in turn accelerate economic growth through minimal involvement of the public sector. In other words, Malaysia was gradually allowing the market to play a bigger role in the economy.

This was made evident by the issuance of the Guideline on Privatization two years later and the Master Plan on Privatization in 1991, which officially marked Malaysia's departure towards a full-fledged market economy.

Between 1983 and 2009, about 500 privatized projects had been implemented nationwide. Among the signature infrastructure projects were the North-South Highway, the Light Rail Transit (LRT), the Tanjung Pelepas Port and the Kuala Lumpur International Airport (KLIA). These privatized projects had contributed to capital and operational expenditure to the tune of US\$50.16 billion and US\$2.42 billion respectively.¹⁸ Further, following the privatization of 58 government agencies, about 113,440 civil servants were transferred to the private sector, hence significantly reducing the government's administrative expenditure. All these savings had made it possible for the government to redistribute its limited development resources to more needy sectors, such as the education, health and poverty eradication programmes.

The relative success with privatization has convinced subsequent administrations to continue with a growth model that is driven by the private sector. The government then was fully committed to implement the alternative procurement method to complement the privatization approach. The Ninth Malaysia Plan (9th MP) saw the introduction of PFI with the specific objective to deliver infrastructure developments and maintain them. Under the 9th MP, between 2006 and 2010, 22 PPP projects worth US\$3.74 billion had been implemented. These figures grew almost six-fold

¹⁸ Figures are based on 2010 US dollar exchange rate.

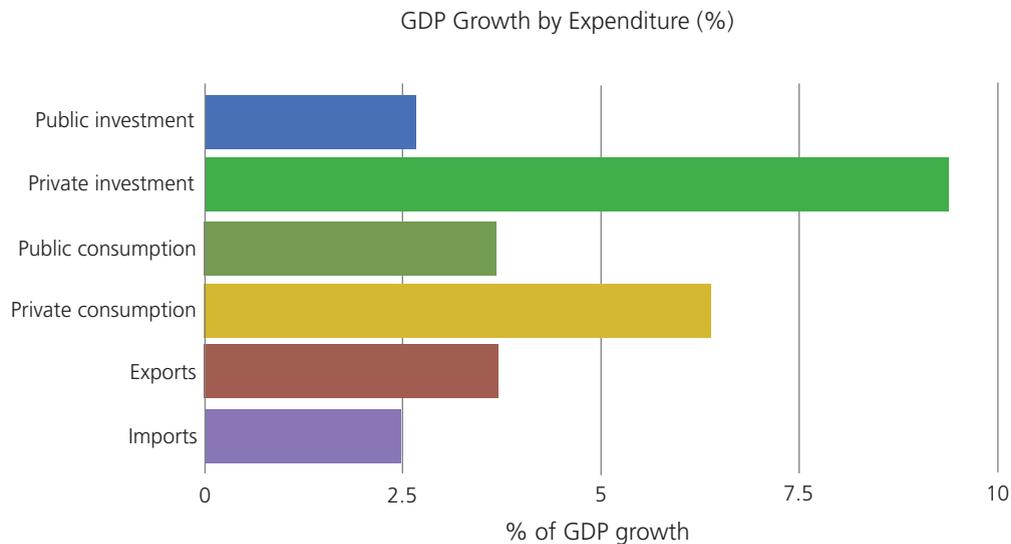
to US\$19.53 billion to finance 52 PPP projects during the 10th MP from 2010 until 2015.

PPPs in Malaysia are only expected to grow stronger in years to come. As the current administration embarked on the Economic Transformation Program (ETP), launched toward the end of the 10th MP in 2010, the government has been aggressive in its efforts to scale up the country's infrastructure facilities. Combined with the Government Transformation Program (GTP) launched in early 2009, the Malaysian government's commitment toward infrastructure development will be robust during the current 11th MP, where the government targets nearly 10% of private investment as a share of GDP growth expenditure.

Applicability of Islamic Finance in Existing PPP Frameworks

It is clear at this juncture that PPPs are simply another type of project financing. What makes them unique is their structure that is built upon a relationship between public and private sectors. This relationship is neither commercial nor functional. It is, however, strategic as both sectors work toward achieving their respective objectives through serving and delivering infrastructure to the public. Risks are allocated to the partners in a manner that best suits their strengths and capabilities.

FIGURE 6: Private Investment to Drive Growth



Source: Economic Planning Unit (EPU)

Employing Islamic finance in the PPP structure is no different than employing its conventional counterpart. The infrastructure projects to be financed have to have all the basic fundamentals, such as pricing, ownership, securities, etc. Bankability of the projects is imperative and full disclosure of the information about the projects must be communicated clearly to potential Islamic finance investors. There are some particularities about the infrastructure projects that Islamic finance investors, namely Islamic banks and project companies with Muslim shareholders, will pay close attention to. These include Shari`ah-compliant requirements on all transactions relating to the infrastructure project development.

Some critics have argued that employing Islamic finance in PPPs can raise documentation costs but such criticism may no longer valid today as experiences from different parts of the world, namely the Gulf region and Europe, suggest an insignificant difference in financing costs between Islamic finance and conventional financing. Big law firms nowadays have become more familiar with the terms compared to a decade ago.

What is revealing about PPPs is the risk structure. The shared risks and rewards in PPPs make Islamic finance a natural good fit to infrastructure PPP financing. The value creation these infrastructure PPPs propose, not only to the clients (the public) but also to both public and private partners involved, perfectly match with that of Islamic finance. These values

need not necessarily be material ones, such as profits, but also in terms of knowledge and experiences. The Malaysian experience with the Express Rail Link (ERL) project, for instance, reveals that through PPPs, the government not only enjoys financial savings but ERL Sdn. Bhd., the private partner, learns from managing and maintaining an effective public service. In the case of the Madinah Airport PPP project, the Saudi government benefits from the knowledge and expertise offered by the private partner to pursue the project, which the former did not initially have to enable it to proceed successfully with the project.

PPPs are long-term in nature where the private partners are usually expected to shoulder the financial risks, hence the issue of liquidity matters. In fact, one of the obstacles that hinder Islamic finance investors in undertaking infrastructure PPPs is the market illiquidity.

Therefore, this issue may open up an opportunity for governments to leverage institutional investors seeking Islamic investments on long-term basis as potential private partners in infrastructure PPPs. Institutional investors in Malaysia, such as Tabung Haji (Haji Fund), Permodalan Nasional Bhd and the Employee Provident Fund (EPF), are among a few potential private partners that can bring the needed capital to infrastructure PPP projects in the country. As many global experiences have shown, long-term infrastructure PPP projects are more likely to suit the investment and risk appetite of these institutional investors.

CHAPTER

03

Offering Value-Added Propositions for Islamic Finance

Mobilizing Islamic Finance for PPPs

The key question asked throughout the two-day Conference was: What value does Islamic finance bring to PPPs? It has been discussed in Chapter 2 that PPPs are simply another type of project financing that build upon equal partnerships between the public and private partners. There are immediate value propositions coming out of such partnerships, e.g. private sector's efficiency, knowledge and technical know-how transfer, efficient resource allocation and high quality service delivery. In short, the values derived from PPPs are the indirect result of the way PPPs are financially structured through conventional means. Thus, when Islamic finance is available, it is expected that Islamic finance is indifferent with conventional counterpart in delivering similar values in infrastructure financing.

Islamic finance brings a distinctive type of investors to the fore: the Shari'ah-compliant investors who have shied away from conventional markets and untapped funds that are readily available for infrastructure projects. A Shari'ah-compliant investor in an infrastructure PPP is an investor who accentuates the ethical requirement and transparency level of an investment. The nature of the investment, the way risks and rewards of the investment are being handled and the overall social balancing effects resulting from the investment are matters of great importance.

“What is important is the commitment of stakeholders, and that has to be very much in place. The stakeholders, including the regulators, government, private sector, academia, Shariah scholar and other key participants within the ICM ecosystem have to play their roles together to exchange ideas so that all relevant parties are aware of the various challenges faced by different parts of the ecosystem and address them efficiently.”

– Zainal Izlan Zainal Abidin, Managing Director, Development and Islamic Markets, Securities Commission Malaysia

A Shari'ah-compliant investment does not only require an investor to be guided by permissible activities but, equally important, it requires clarity of conduct and documentation at every stage of the investment to avoid uncertainty and misinterpretation between contracting parties. Islamic finance, as a funding instrument then, adds value to the existing process chain in the PPP framework as it not only focuses on material returns but also encourages risk-sharing in economic transactions and activities that benefit the people.

The emphasis in Islamic finance on ethics can play a catalytic role in driving the investment community to rethink the issue of governance. Over the years, there has been much discussion about getting corporate governance right and enhanced in project financing. Employing Islamic finance in PPPs really requires the objectives of the structure to be carefully specified to achieve the desired goals (socio-economic) of the project. The presence of a Shari'ah adviser to oversee the Shari'ah compliance of the project serves as a layer which enhances the practice of governance through transparent information disclosure of the project and strict adherence to ethical business conduct.

Cases for Islamic Finance in PPPs

The growing interest in PPPs using Islamic finance structures clearly demonstrates the viability and merits of Islamic finance in supporting global infrastructure needs. Several

case studies were presented and discussed to highlight successful applications of Islamic finance in PPP projects. Conference participants were made aware of notable PPP projects that have already using Islamic finance instruments globally, funding various types of infrastructure projects through banking and capital market products. It is important to note that PPPs may be financed by a combination of Islamic and conventional finance contracts.

The experience of Malaysia's North South Expressway was presented during the Conference, focusing on the largest sukuk issuance of RM30.6 billion globally, dubbed Malaysia's single largest sukuk issuance. The sukuk was issued by PLUS Bhd (PLUS), the largest highway concessionaire or BOT operator in Malaysia and the largest toll expressway operator in Southeast Asia. The DCT project in Djibouti was also presented. It was the first PPP-style financing in Djibouti through a joint venture between the Djibouti Government and the Dubai Ports World (DP World). The total cost of the project was estimated at US\$397 million, of which US\$133 million was in the form of equity. The partnership alleviated pressure on the country's fiscal position and, at the same time, created new jobs for the population and spurred economic growth.

There were several mentions of the 25-year BOT contract to rehabilitate and expand the existing Queen Alia International Airport in Jordan throughout the Conference. The project was the first of its kind in the Middle East to be executed under the PPP-Islamic

finance framework. The project, which was co-financed by the International Finance Corporation (IFC) and the IsDB, generated much higher than expected annual traffic growth (7.7% instead of the projected 4.7%). The expansion of the Prince Muhammad Bin Abdulaziz International Airport in Madinah is another 25-year concession-based airport project under the PPP-Islamic finance basis. The concession has been structured as a build-transfer-operate (BTO) through an Islamic financing package which consisted of a three-year US\$436 million commodity *murabahah* equity bridge facility.

Table 4 summarizes six examples of PPPs using Islamic finance instruments to illustrate that Islamic finance PPP is implementable although, for some, it may involve a long and arduous journey. A number of Islamic finance structures used in a variety of infrastructure PPPs are available in the World Bank-IsDB report, entitled *Mobilizing Islamic Finance for Infrastructure Public-Private Partnerships*, which provides a clear picture on Islamic finance applications in PPPs.¹⁹

TABLE 4: Islamic Finance PPPs – Essence of PPP Structure and Arrangement

Country	PPP Description	PPP Arrangement
Jordan	<p>The Queen Alia Airport is Jordan’s main international airport and was the first successful airport using PPP in the Middle East. Airport International Group (AIG) was awarded a 25-year BOT contract to rehabilitate the existing airport and expansion of the terminal.</p> <p>This airport was financed in two phases: the initial financing and financing for expansion. In both phases, Islamic financing was used. The Islamic financier (the IsDB Group) provided financing of US\$100 million through a leasing mode.</p>	<p>The concession agreement requires that the ownership of the project remain with the government. As Shari’ah allows usufruct right over the lease asset as the underlying, this requirement can be accommodated by Shari’ah.</p>

¹⁹ The publication issued in 2017 is a joint product of the World Bank Group (the Infrastructure, PPPs and Guarantees (IPG) Group; and the Finance and Markets Global Practice’s Islamic Finance Unit) and the IsDB.

TABLE 4: Islamic Finance PPPs – Essence of PPP Structure and Arrangement (continued)

Country	PPP Description	PPP Arrangement
Djibouti	<p>The Doraleh Container Terminal (DCT) is a joint venture between the Djiboutian Government and the Dubai Ports World (DP World).</p> <p>DP World has a 30-year concession to operate DCT and embarked upon construction of a new container terminal at a total cost of US\$397 million. The project has received syndicated financing from a number of lenders including the African Development Bank, Standard Chartered, Dubai Islamic Bank and the IsDB.</p> <p>The World Bank’s Multilateral Investment Guarantee Agency (MIGA) issued guarantees totalling US\$427 million – US\$5 million for DP World’s equity investment in DCT and US\$422 million for Islamic project financing – against the risks of restrictions on currency transfers, expropriation, breach of contract, war and civil disturbance.</p>	<p>The transaction combines four Islamic finance principles/instruments: <i>musharakah</i>, <i>istisna`</i>, <i>ijarah</i>, and <i>takaful</i>. Through the <i>musharakah</i> agreement, the special purpose vehicle (SPV) and the project financiers agree to procure assets and commit to making respective capital contributions according to the debt-to-equity ratio of the financing plan. Through the <i>istisna`</i> agreement, the parties appoint the SPV as their agent to procure and construct the container terminal and ensure delivery of assets at the end of the construction period. The lease agreement (<i>ijarah</i>) allows the project financiers (the lessor) to lease their co-ownership interest in the project to the SPV (the lessee) in exchange for periodical rental payments linked to a floating benchmark.</p> <p>The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), a member of the IsDB Group, participated in this transaction by providing <i>retakaful</i> for US\$50 million to MIGA.</p>
Saudi Arabia	<p>The project involved rehabilitation and expansion of the Prince Mohammad Bin Abdulaziz International Airport (Madinah airport) in Saudi Arabia under a PPP model. The project was designed to increase capacity from five million passengers per year to eight million passengers per year initially, with the potential for further expansion to 16 million passengers per year. The concession was awarded to the TIBAH Consortium, comprising Al Rajhi Holding (Saudi Arabia), Saudi Oger Ltd (Saudi Arabia), and TAV Airports Holding (Turkey).</p>	<p>During the construction stage, the Islamic financiers used <i>istisna`</i>, under which the SPV transferred certain rights contained under the BTO concession agreement to the financiers. In the subsequent stage, the financiers gradually transferred the ownership of asset to the SPV against rental payments through a lease agreement with a put and call option for sale and purchase undertaking.</p>

TABLE 4: Islamic Finance PPPs – Essence of PPP Structure and Arrangement (continued)

Country	PPP Description	PPP Arrangement
Malaysia	<p>The East Klang Valley Expressway (EKVE) is a 36.16km closed-toll, dual-lane expressway between Bandar Sungai Long and Ukay Perdana. The EKVE forms the eastern segment of the Kuala Lumpur Outer Ring Road (KLORR), serving as an orbital system of ring roads around the greater Kuala Lumpur area.</p> <p>The project was financed by a sukuk structure, an Islamic medium-term notes facility of up to RM1 billion with a tenor of 22 years.</p>	<p>The project was initiated by the Ministry of Works of the Government of Malaysia. The financiers established an SPV, named EKVE Sdn Bhd then became the agent of the sukukholders pursuant to the agency agreement.</p> <p>During the tenure of sukuk <i>murabahah</i>, the SPV made payments on the periodic payment date and paid the nominal value of sukuk <i>murabahah</i> on the maturity date of the sukuk <i>murabahah</i>, pursuant to its obligation to pay the deferred sale price to the sukukholders.</p>
Malaysia	<p>PLUS Malaysia Berhad (PMB), the expressway arm of UEM Group, is the largest highway concessionaires or BOT operator company in Malaysia and has been operating the country's toll roads since 1988. PEB operates and maintains almost 1,200 kilometres of expressways stretching from the border of Thailand in the north to the border of Singapore in the south as well as on the east coast.</p> <p>As part of its corporate exercise, PLUS, a subsidiary of PMB, was incorporated on 27 July 2011 – to undertake the consolidation of all highway concessionaires acquired under a single entity. As part of its privatization plan, PLUS launched its sukuk programme on 12 January 2012, structured under two tranches.</p>	<p>The sukuk was issued under <i>musharakah</i> structure where PLUS identified its business comprising rights under the respective toll-road concessions granted by the Government of Malaysia or part thereof which was used as the underlying asset for that particular <i>musharakah</i> transaction. The income due to the sukukholders was based on the <i>musharakah</i> venture's undivided proportionate interest in the underlying asset. Any profit or loss derived from the <i>musharakah</i> venture was distributed or borne by each sukukholder in proportion to each sukukholder's respective contribution of the <i>musharakah</i> capital.</p>

TABLE 4: Islamic Finance PPPs – Essence of PPP Structure and Arrangement (continued)

Country	PPP Description	PPP Arrangement
Pakistan	Liberty Power is a 195-MW residual-fuel-oil–based power project located in Faisalabad, Pakistan, in the province of Punjab. The project was implemented at a cost of US\$240 million. The Private Power & Infrastructure Board signed an implementation agreement on behalf of the Government of Pakistan with the SPV, Liberty Power Tech Limited. The government provided a sovereign guarantee to the project, which covered the performance and payment obligations of the power purchaser under the project agreements.	The Islamic financier (co-owner) and the SPV (as managing co-owner) entered into a <i>musharakah</i> agreement to jointly build and own the <i>musharakah</i> assets according to a pre-agreed investment ratio. The SPV, as an agent of the financiers of the <i>musharakah</i> partners, supervises the construction of the project. The legal title of the <i>musharakah</i> assets remains with the SPV, on behalf of the Islamic financier with respect to its undivided share. Once the project is completed, the SPV, on behalf of the Islamic financier, issues sukuk based on the <i>musharakah</i> assets which the Islamic financier owns the project. In other words, it was a project specific sukuk, issued once the project is completed.

Limitations and Constraints of Islamic Finance in PPPs

The Conference highlighted that Islamic finance is about asset class while PPPs will actually develop assets. The nature of Islamic finance that requires deals with real sector financing means that asset ownership may become an important issue in the PPP framework. However, Shari’ah itself is very dynamic. Under *ijarah* structure, the lessor would not necessarily hold the title of the asset. The lessor may use its usufruct²⁰ right to lease the right to the SPV. This flexibility would then allow financiers to finance infrastructure PPP projects by using

“It is all about fair-sharing of risk and if it is captured and fairly distributed by way of transparency, then the viability must be ensured to be fair and equitable to overcome the risk and to have sustainable return.”

– Dr Walid Abdelwahab, Director of Infrastructure, Islamic Development Bank

²⁰ Refers to the right to enjoy the use and advantages of the property, as long as it is not wasted or destroyed.

ijarah financing. This will facilitate cases where the government wishes to retain title of public assets. A real example is the aforementioned airport expansion in Jordan; the concession agreement requires that the ownership of the project remain with the government.

Another challenge faced is the guarantee arrangement. In the case of DCT, the MIGA provided guarantee coverage to the DCT PPP in Djibouti. Considering that Islamic finance transactions may use several Shari'ah structures resulting in a set of agreements, MIGA's main challenge was that the project's Islamic finance structure had payment obligations spread out across a number of agreements. This is different from MIGA's normal practice where guarantee coverage for third-party lenders normally considers such obligations under a single loan agreement.

It was shared²¹ that MIGA structured its guarantee in a way that addressed the key risks that concerned the project financiers, while meeting the strict requirements governing the Islamic structure. This has resulted in MIGA's first-ever guarantee coverage of an investment supported by an Islamic finance structure. The final dimension relates to investors'

preference for the status quo in their investment portfolio. Islamic finance is perceived as an alternative that is inherently inferior to its conventional counterparts. Some argued during the Conference that this perception is not necessarily unfounded. In some jurisdictions, Islamic finance, being the latecomer, is always being structured to be equally feasible and competitive as the conventional; a follower rather than a leader. The result is having Islamic finance replicating the conventional, thus diminishing the former's niche and uniqueness.

In some instances, in trying to make a level playing field for Islamic finance and the conventional, the values of Islamic finance are unintentionally not fully maximized. Therefore, it is not surprising that Islamic finance does not come out top in the priority list as investors and stakeholders alike may not be psychologically convinced of the values Islamic finance propagates.

These issues and perceptions need to be minimised for the Islamic finance industry to thrive and make greater inroads into PPPs. Key recommendations that would contribute to the strengthening and understanding of Islamic finance applications are discussed in the following chapter.

²¹ *Mobilizing Islamic Finance for Infrastructure Public-Private Partnerships*, World Bank, PPIAF and IsDB, 2017.

CHAPTER

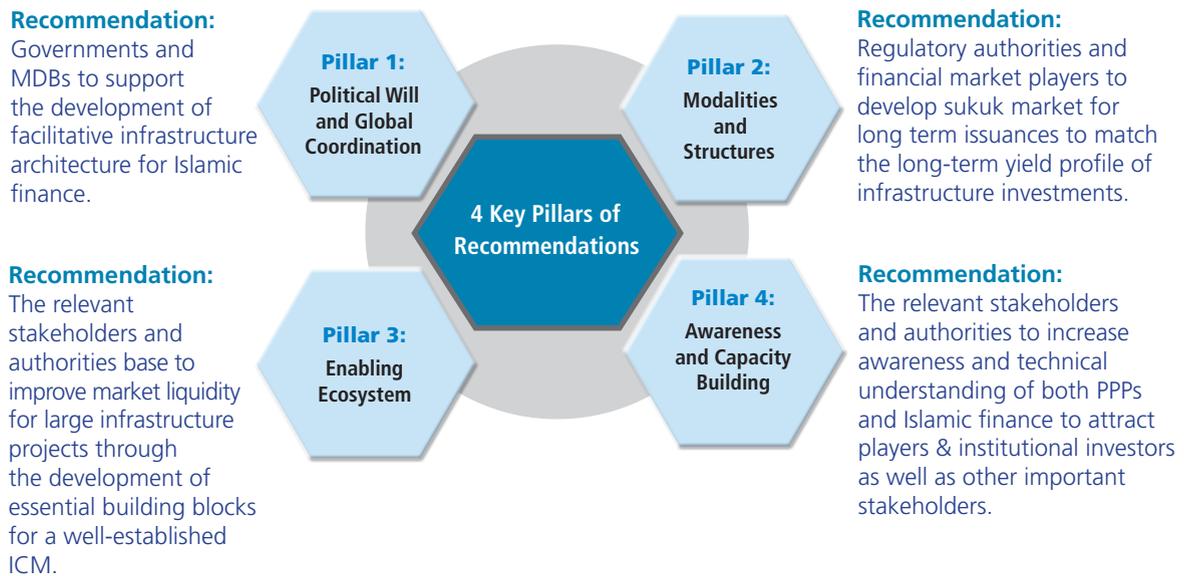
04

Enabling PPPs via Islamic Finance: Key Recommendations

This chapter summarizes the key recommendations raised from the deliberations during the Conference. In view of the different stages of development across Islamic finance markets and PPPs, there

are recommendations that may not be relevant to more advanced markets. However, the experiences of the advanced markets are cited whenever possible to highlight actionable items that have been implemented in various countries.

FIGURE 7: Summary of Key Recommendations





POLITICAL WILL AND GLOBAL COORDINATION

Recommendation:

Governments and MDBs to support the development of facilitative infrastructure architecture for Islamic finance

Background:

Despite the strong existing and potential growth of the ICM, doubts and, in some cases, resistance still persist across the board in accepting and applying Islamic financing, including for infrastructure projects. However, disparities in infrastructure development continue in many parts of the world, especially in Muslim-majority countries. Islamic finance is still under-represented in financing these infrastructure developments. Given the real economic activities underlying these infrastructure developments, and therefore the accruing socio-economic benefits, Islamic finance is a viable alternative to conventional financing of infrastructure. Roads, railways, bridges, ports and buildings are the types of infrastructure that facilitate employment, entrepreneurship, education, poverty alleviation and social integration. All these go in line with the core principles of Islamic finance that emphasize not only equitability but more importantly (social) justice. Value propositions that Islamic finance

aims to offer can be materialized through infrastructure financing, hence the more reason to apply Islamic finance in PPPs. The question then remains: how to develop a long and lasting psyche in the market economy on Islamic finance? An immediate answer to this question is strong leadership by governments and international multilateral institutions, namely the MDBs.

Proposed Measures:

MDBs, e.g. the World Bank and IsDB, have played an instrumental role at the global level. The World Bank has been participating in developing standards with relevant stakeholders, creating awareness and promoting the use of Shari'ah financing instruments worldwide. Box 1 provides an overview of the common components of Islamic finance architecture.

The following are among the actionable items under this recommendation: Table 5.

Box 1

Islamic Finance Architecture Defined

The Ten-Year Framework and Strategies for the Islamic Financial Services Industry Development²² (a joint initiative by the IsDB, Islamic Research and Training Institute (IRTI) and IFSB) on an Islamic financial architecture and infrastructure includes the following:

Payment-settlement systems and infrastructures	Financial markets and products, including market microstructures (including Shari'ah screening)
Regulators and supervisors, including licensing authorities	Support facility providers, legal institutions and framework, safety net, liquidity support providers
Governance infrastructure, including Shari'ah governance institutions	Standard setters for financial supervision and infrastructure
Risk management, transparency and disclosure, and corporate governance	Rating and external credit assessment institutions and information providers

TABLE 5: Pillar 1 – Key Measures

Key National Measure	Merits and Actionable Items
Establish an enabler or a catalyst that can develop a practical framework (or guidelines) to deploy Islamic finance in infrastructure financing.	<p>Governments have to effectively delegate the role of promoting Islamic finance in infrastructure financing to a dedicated agency/institution. Such an institution should be independent and distinguishable as it designs a practical framework on how best to deploy Islamic finance in project financing.</p> <p>Key areas of review or development to support an enabling environment for the utilization of Islamic finance in PPPs:</p> <ul style="list-style-type: none"> • Establish a pool of expertise on areas of project financing, be it soft or hard, social or economic infrastructure, to review Islamic finance's suitability and match it with particular project financing. Develop codes at national level for all potential and qualifying infrastructure projects to increase the projects' profile visibility among potential Islamic finance investors who are searching to invest in infrastructure projects. • Grant incentives to market players who opt for Islamic finance in both their investments and project financing, namely through taxation or fiscal incentives.

²¹ *Islamic Financial Services Industry Development: Ten-Year Framework and Strategies*, Framework Document, IFSB-IRTI, May 2007.

TABLE 5: Pillar 1 – Key Measures (Continued)

Key Regional or Global Measure	Merits and Actionable Items
<p>Incorporate Islamic finance in multilateral financial framework as a viable alternative.</p>	<p>MDBs need to step up efforts at featuring and promoting Islamic finance on an equal footing with conventional financing, especially in infrastructure projects. Existing partnerships and collaborations between MDBs, namely the World Bank and IsDB, in financing infrastructure projects need to continue and enhancements can be made to include more significant projects that have high impact on societies across the globe or transnational projects. Processes as well as successes need to be adequately told and shared to develop trust and confidence among international market players in Islamic finance as a serious and viable option, and not merely an alternative to the conventional counterparts.</p> <p>Key areas of review or development to support an enabling environment for PPPs:</p> <ul style="list-style-type: none"> • Develop an evaluation framework for financing infrastructure projects across geographies using Islamic finance instruments. This amounts to coming up with defined criteria that can be used by any international and regional institutions coordinating Islamic finance financing in infrastructure projects. • Establish a potential international one-stop-center to help manage the codes of all submitted potential and qualifying infrastructure projects. Such a ‘one-stop-center’ will ensure those projects’ profiles reach out to the largest possible audience, hence maximizing their visibility among potential Islamic finance investors.



MODALITIES & STRUCTURES

Recommendation:

Regulatory authorities and financial market players to develop sukuk market for long-term issuances to match the long-term yield profile of infrastructure investments

Background:

PPPs are often long-term contracts, spanning up to 30 years depending on the nature of the infrastructure projects. The long life cycle means projects are exposed to political, environmental and socio-demographic changes.

During the Conference, discussion also revolved around the question of the current sukuk markets that are still having limited offerings of long-term sukuk investment. Although the issuance trends of medium- to long-term tenure have improved, what is available in the market is still relatively lacked of long-dated Shari'ah-compliant instruments. Medium- to long-term sukuk with issuance of securities maturing five years and above account for almost 40% of total issued securities in 2016 in comparison

to 2011 with 21%. The development of long-term capital market instruments would enable funding to be directed to strategic and sustainable infrastructure projects that would contribute to long-term growth. The needs are rising as the banking sector has becoming increasingly constrained in financing long-term debt projects in the aftermath of the global financial crisis. Also worth noting is that infrastructure financing in emerging markets relies a lot more on the capital market.

In addition, speakers discussed the need to develop a retail bond market for infrastructure projects, aiming to widen the investor base to enable the mass population to take part in infrastructure investments.

Box 2

Malaysia's Retail Sukuk

The SC in 2012, as part of its Capital Market Masterplan 2, has enabled retail participation in the bonds and sukuk market in meeting retail investors' demand for a wider range of investment products, thereby broadening the range of low-risk investment products available to them and facilitating diversification for risk management purposes.

Access for retail investors to sukuk was largely available through sukuk, unit trust funds and exchange traded funds. Under the Exchange-traded Bonds and Sukuk Framework, retail investors will now have direct access to sukuk. The issuers may choose to issue sukuk to retail investors either on the exchange (Bursa Malaysia) or over-the-counter (OTC) via appointed banks. This allows issuers to have access to a larger pool of investors.

With the release of the Framework, Malaysia's first retail (exchange-traded) sukuk was issued by a government-owned entity, Danainfra Nasional Bhd, a company tasked to undertake the development of the country's mass rapid transit project.

Proposed Measures:

PPPs that are complex and long-term must exist in a defined framework with flexible rules to adapt to the possible changes that may occur during the long tenure of the project. Sustainability and monitoring over the long term are key to the success of PPPs, as this includes articulation of penalties upon non-fulfilment of the contractual obligations. To encourage wider private participation in PPPs, tax incentives are one of the elements

that should be offered as PPPs are normally expensive due to the additional costs of project oversight as well as resources and documentation required. Having a sound framework and robust capital markets would also increase the possibility of attracting retail investors, a potential target group apart from institutional investors.

The following are among the actionable items under this recommendation: Table 6.

TABLE 6: Pillar 2 – Key Measures

Key National Measure	Merits and Actionable Items
<p>Structure the tax and fiscal system to create a level playing field with the conventional system.</p>	<p>Tax incentives implemented to encourage PPPs currently vary from one country to another. Specific legislation may also be enacted to encourage and facilitate infrastructure investment through PPPs as undertaken by Vietnam, Korea and the Philippines. Alternatively, a broad-based range of tax incentives to promote investments across various industries may also include PPPs as part of the defined projects.</p> <p>Types of incentives that are applicable for PPP projects include reduced corporate tax rates, accelerated depreciation, investment allowances and infrastructure allowances, reduced taxes on interest and dividends and additional deductions for qualifying expenses. For instance,</p> <ul style="list-style-type: none"> • Governments may provide tax holidays for firms in new and complex industries for projects that have strategic value to the national economy. • Governments may introduce an infrastructure allowance for resident companies engaged in strategic sectors. For example, in Malaysia, a company will be granted an allowance of 100% with respect to capital expenditure on infrastructure, such as reconstruction, extension or improvement of any permanent structure including bridges, jetty, port or road. The allowance can be offset against up to 85% of statutory income in the year of assessment. • Governments may also undertake initiatives to limit investors’ risk from currency fluctuations. In Korea, for example, with revenues generated by infrastructure projects primarily in won, foreign exchange fluctuations that exceed 20% may be offset through modifications of tariff rates, government subsidies, and adjustment of the concession period or other provisions up to 50% of losses due to such fluctuations²³.

²¹ Junglim Hamn, “Private Participation in the Infrastructure Programme of the Republic of Korea”, Transport and Communications Bulletin for Asia and the Pacific 72 (2003): 71.

TABLE 6: Pillar 2 – Key Measures (Continued)

Key Regional or Global Measure	Merits and Actionable Items
<p>Develop and facilitate issuance of infrastructure sukuk (including retail) internationally.</p>	<p>Investors are familiar with services provided by infrastructure operators e.g. telecommunications, airports, railways, transportation, hospitals and utilities. In countries with an available pool of sophisticated investors, the potential exists to encourage the growth of a retail corporate bond market to support the funding needs of infrastructure developments. Infrastructure projects with regular revenue streams are potentially suited to long-term bonds issuance for the medium- to long-term investment portfolios of retail investors.</p> <p>In expanding the investor base to include sukuk participation, control measures and awareness must be robust. In the case of Malaysia, the retail bond and sukuk markets were introduced in phases to provide retail investors time to gain the necessary understanding and familiarity with investing and trading in bonds and sukuk. Under the first phase, it was only opened to issuances guaranteed by the Malaysian Government. Danalnfra issuance, for instance, allows participation by retail investors for the funding of the national infrastructure project, i.e. the mass rapid transit. The sukuk is guaranteed by the Malaysian Government. The second phase will allow purchase of retail bonds or sukuk by other issuers as identified by SC.</p>



ENABLING ECOSYSTEM

Recommendation:

The relevant stakeholders and authorities to improve market liquidity for large infrastructure projects through the development of essential building blocks for a well-established ICM

Background:

The ICM operates in parallel with the existing capital market system. While key aspects of the ICM are able to leverage the latter's infrastructure, there are a number of essential building blocks that must be developed for the ICM to grow sustainably. This is essential particularly from the aspects of product development, legal and regulatory treatments as well as creation of a liquid secondary market. In addition, human capital development and Shari'ah governance are among other critical aspects of the ecosystem, which will provide

fundamental support for the system to function effectively and within the value propositions that Islamic finance aims to offer. More importantly, in designing the building blocks of the ICM, regulators or relevant stakeholders must foresee beyond just meeting the system's immediate needs as Islamic finance presents a long-term prospect of serving the financial needs of a country's economic development. The prospects of Islamic finance to support infrastructure development and the ecosystem required for harnessing these prospects must be well planned.

Box 3

Malaysia's Experience in Developing Comprehensive Islamic Capital Market

During the Conference, SC shared Malaysia's experience in creating a full ecosystem required for ICM to be where it stands today, as the largest global sukuk market and second largest for Islamic funds market. This includes putting in place the market infrastructure, e.g. commodity *murabahah* platform, credit rating agencies, exchange-traded bond and sukuk, which enable instruments to reach a wider audience in the market. In providing Shari'ah assurance to market players, a Shari'ah governance framework includes the establishment of a Shariah Advisory Council for ICM at national level in addition to the requirement to register Shari'ah advisers at the industry level.

The regulatory framework and standards are benchmarked against international standards, e.g. IOSCO, with the second tier of regulation addressing Shari'ah compliance from a regulatory perspective. In addition, tax neutrality and incentives represent part of the components, made possible by strong government support to grow Islamic finance.

Proposed Measures:

Central to this recommendation is the fact that infrastructure investors would search for stable and guaranteed cash flows, where the instruments offered under an ecosystem provide legal backing, regulation clarity, avenues for fast dispute resolution and other capital market supports, e.g. price discovery and settlement system.

Fundamentally, a robust domestic corporate ICM encourages issuance of long-term and diversified investments, thus helping to support a stable accumulation of wealth for large infrastructure projects. This includes having an efficient secondary market liquidity,

which allows investors to exit from their positions as and when required to manage their portfolios. Additionally, greater market discipline and transparency will attract more participation from institutional investors, e.g. sovereign wealth funds, insurance and takaful companies, governments and government-related agencies and individual retail investors. This will create a wider investor base (both foreign and domestic), thus enabling flows of capital to infrastructure needs to support the country's socio-economic development.

The following are among the actionable items under this recommendation: Table 7.

TABLE 7: Pillar 3 – Key Measures

Key National Measure	Merits and Actionable Items
Facilitate and moderate specific working groups on developing ICMs domestically.	<p>An integrated plan at national level is vital. The establishment of relevant working groups will facilitate review of pressing challenges faced by respective parties and will determine key priority measures that will fast track the process without duplication of unnecessary resources.</p> <p>The facilitation of PPPs (in the context of Islamic finance) covers legal, regulation, tax and accounting aspects, and requires support from the national economic planning unit and government ministries, among others. As such, the establishment of working group(s) forms part of the building blocks, a component that will accelerate the process and ensure continuity of plans.</p> <p>Key areas of review or development to support an enabling environment for PPPs:</p> <ul style="list-style-type: none"> • Review the existing market infrastructure, e.g. facilities, platform and technology required to execute primary (and secondary) market trades and post-trade activities. • Review legislations and regulations that will promote greater participation by prospective issuers and investors, e.g. review of withholding taxes. • Improve the role of information by rating providers in disseminating market information to help investors determine the benefits and risks of investing in different issuances and markets. • Develop hedging instruments to enable risk management.
Broaden the pool of institutional investors with long-term investments horizon such as pension funds and takaful.	<p>Infrastructure projects are typically long-term and involve a large initial capital outlay. Institutional investors, particularly pension funds that are also financial intermediaries, are potential infrastructure investors as they also facilitate the pooling of capital for investing in capital markets. The creation of Shari'ah-compliant pension funds would definitely boost the prospects of infrastructure investments as pension funds would search for long-term instruments to match their long-term liabilities.</p> <p>A wider Islamic investor base would create natural demand for PPPs through Islamic finance using capital markets instruments. This larger pool of investors becomes even more critical, given the current challenges where Islamic banks are struggling with heightened regulations resulting in constrained exposure for long-term financing, apart from being subject to single customer limit requirements. Pension funds and sovereign wealth funds are key stakeholders that can play an instrumental role in supporting the demand side of Islamic infrastructure investments.</p>

TABLE 7: Pillar 3 – Key Measures

Key Regional or Global Measure	Merits and Actionable Items
<p>MDBs to collaborate in a more comprehensive manner with private international investors to get buy-in for Islamic finance.</p>	<p>In recent years, there have been various initiatives introduced by capital market regulators and policy makers all around the world, who have collaborated with stakeholders, including MDBs, financial industry practitioners and investors. In particular, there is currently an on-going initiative to develop an Islamic Infrastructure Investment Platform (I3P) by Asia-Pacific Economic Cooperation (APEC) member countries to facilitate the mobilization of capital in Islamic institutions to fund infrastructure across the region.</p> <p>The I3P is an initiative which uses market-based financing to address very significant infrastructure financing needs. The platform recognises the growing prominence of Islamic finance that also serves as an alternative mechanism in fulfilling these needs. Globally, capital markets have become increasingly important as a conduit for capital raising, especially for large-scale and long-term financing typically required by infrastructure developments. At a time where public funding for infrastructure has become constrained, capital markets can facilitate the allocation of private capital using risk-diversifying techniques, guarantees, and the alignment of investor and borrower interests.</p> <p>The I3P, which is an industry-driven collaborations provides a platform for various stakeholders, including MDBs, regulatory bodies, financial institutions, government agencies, academic organisations as well as international investors. As investors begin to consider the value proposition of the infrastructure asset class, it is increasingly recognised as a viable option, with potentially consistent income streams over a long period, and a lower sensitivity to business cycles as well as lower correlations to other asset classes. These characteristics are desirable particularly for investors with a lengthier investment horizon and an appetite for diversification.</p>

Pillar
4

AWARENESS AND CAPACITY BUILDING

Recommendation:

The relevant stakeholders and authorities to increase awareness and technical understanding of both PPPs and Islamic finance to attract players and institutional investors as well as other important stakeholders.

Background:

Capital market instruments and direct investments are increasingly being utilized for meeting financing needs of the infrastructure sectors, where bond and equity participation have gained greater traction. Institutional investors are now more familiar with long-dated infrastructure debt risk.

In encouraging more institutional investors to use Islamic finance structures for PPPs, it is expected that there will be different challenges for different groups of investors and jurisdictions across the globe. Even among Muslim countries, surmounting the challenge to be widely accepted is a great task. The challenge becomes more intense and multiple in predominantly non-Muslim countries, whose acceptance or opposition (or even indifference) is being compounded with stigmas of Muslims and Islam in general. Hence, there were even questions raised during the Conference on

whether or not the word ‘Islamic’ should be retained when talking about Islamic finance. The response was rather mixed and the proponents argued that the word ‘Islamic’ should be retained for branding purposes as well as for distinguishing the principles and philosophies that underlie Islamic finance from its conventional counterparts. Yet, views from other parts of the globe, namely from the North American markets, seem to suggest little evidence on whether the notion ‘Islamic’ in Islamic finance does indeed matter. In some Central Asian Muslim countries, demand for Islamic finance is surprisingly higher from the non-Muslim population as opposed to the Muslim population. Clearly then there is more work to be done in terms of promoting and branding Islamic finance, especially to institutional investors who are the key targets for PPP investments.

Proposed Measures:

Central to this recommendation is that infrastructure development can serve as one of the best economic sectors for the application of Islamic finance. Infrastructure (project) financing is no stranger to Islamic finance. Nonetheless, more aggressive efforts, undertaken sustainably, need to be made to increase the depth of Islamic finance in PPPs or infrastructure financing. Key in this recommendation is awareness and knowledge

about Islamic infrastructure financing among various stakeholders, including private and institutional investors as well as project managers. Only when the stakeholders are well equipped with the necessary information and adequate knowledge, can the buy-in for Islamic finance in infrastructure financing be optimized.

The following are among the actionable items under this recommendation: Table 8.

Box 4

Khazanah Nasional Bhd – An Exemplary Role

During the Conference, Khazanah Nasional Bhd (Khazanah) shared its experience in promoting the growth of Islamic finance. As the strategic investment fund of the Government of Malaysia, Khazanah is dedicated to undertaking nation-building that creates value while delivering prosperity to Malaysians, a good example of roles that can be played by a sovereign wealth fund. Khazanah positions itself as a leader by virtue of its shareholding capacity in the country's key government-linked companies (GLCs). Through its 'purple' book, a guideline for GLCs' investments, Khazanah specifically includes a clause encouraging all Khazanah's investee companies to consider Islamic finance solutions where appropriate. Furthermore, Khazanah takes on a proactive role in paving the way for growth in Islamic finance by 1) investing in global Islamic finance products to support the depth of the market; 2) issuing innovative and globally accepted Islamic finance products to enhance the development of the industry; 3) investing in Islamic financial institutions towards the development of the local Islamic finance industry; 4) catalyzing the growth of Islamic finance by introducing Middle Eastern investments into Malaysia using Shari'ah-compliant structures; 5) investing in initiatives to catalyze the growth of Islamic finance across the world, including collaborations with like-minded institutional investors; and 6) playing an active role to build capacity as well as raise awareness by funding educational institutions.

TABLE 8: Pillar 4 – Key Measures

Key National Measure	Merits and Actionable Items
<p>Knowledge-sharing programs with issuers and investors on infrastructure financing and investments and the long-term benefits for society.</p>	<p>The knowledge-sharing programs include, but are not limited to, identifying case studies on different sectors’ experiences with Islamic finance and proposing priority sectors like infrastructure development for the application of Islamic finance. The latter will involve presenting content that thoroughly addresses not only the benefits but also the risks involved and how to mitigate or remove them altogether.</p> <p>With regard to PPPs specifically, there exist PPP certification programs in the market. This way, Islamic finance as an instrument can be made more visible to a larger group of audience. It is also one of the more effective ways to remove misperceptions about Islamic finance and to put across the correct perspective through proper information, especially to Islamic finance sceptics.</p>
Key Regional or Global Measure	Merits and Actionable Items
<p>Increase institutional cooperation between the MDBs through roadshows and promotional activities including research and publication.</p>	<p>Infrastructure projects present long-term risks to private international investors. This is where joint cooperation between MDBs can play a catalytic role in instilling confidence and nurturing practical knowledge about infrastructure financing in Islamic finance. Concrete examples and case studies from previous infrastructure project financing through Islamic finance need to be unveiled to private international investors, both in terms of their failures and successes to make the process of learning more transparent. The MDBs need to include more proactive operational activities like joint roadshows and on-site promotional and informative sessions. The excellent access these institutions have in their respective member countries must be exploited to the maximum to reach out to all potential investors and project managers as well as the entire value chain of the infrastructure sector.</p> <p>The existing level of institutional cooperation between MDBs has to go beyond intellectual and analytical mode through joint research and publication. The findings and outcomes from joint institutional research and publication activities can be communicated during their sessions with private international investors. At these sessions, the respective local or regional agencies relevant to Islamic finance and infrastructure development can also be brought in to develop a more relevant discourse model between investors and investees that reflect the different geographical and cultural experiences.</p> <p>In short, the main objective is to get wider acceptance, measured by its application, of Islamic finance in infrastructure financing from as many issuers and investors as possible.</p>

Conclusion

Islamic finance is poised to play greater roles to support infrastructure funding needs, particularly in countries with budding Islamic finance sectors, e.g. the African and Asian regions. The growing proliferation of institutional investors seeking Shari'ah-compliant investments, e.g. pension funds and sovereign wealth funds in the OIC countries, is one of the pulling factors for tapping into this rising investment appetite. Islamic finance could be the key source in developing infrastructure PPPs. Pivotal to this is creating a facilitative framework, enabling greater efficiency to cost, implementing targeted awareness efforts and addressing challenges in coordination with relevant parties for greater efficiency and effectiveness.

There is no question of Islamic finance not being compatible with PPPs. However, limitations and challenges that exist and recognizing them and understanding the context in which they exist are critical to gauge their potential implications on infrastructure PPP development. Addressing the political will requires innovative leadership from both the public and private stakeholders. Such innovative leadership will help ensure a thriving capital market domestically and globally. With a strong market environment, an ecosystem that is fundamental to Islamic financing can be nurtured and developed. To further strengthen this ecosystem, sound collaboration between the different stakeholders is paramount in creating greater awareness and building capacity for Islamic finance in infrastructure PPPs.

Moving forward, findings of this report show that there is a strong nexus growing between Islamic finance and sustainable development. Hence, it is timely to discuss the concrete role of Islamic finance in driving sustainable development, especially in infrastructure development. Such a discussion will be extremely relevant in assessing the impact of recent financial initiatives, namely the green sukuk issuance. Future initiatives should continue to position Islamic finance at the forefront of global finance.

References

- Ahmad, Aijaz, Alawode, Abayomi, et al. *Mobilizing Islamic Finance for Infrastructure Public-Private Partnerships*. Report 2017. World Bank, PPIAF and IsDB, 2017. <https://ppiaf.org/documents/5369/download>.
- Hamn, Junglim. "Private Participation in the Infrastructure Programme of the Republic of Korea." *Transport and Communications Bulletin for Asia and the Pacific* 72 (2003): 57–75.
- Islamic Financial Services Industry Stability Report 2017*. Kuala Lumpur: Islamic Financial Services Board, May 2017. <http://www.ifsb.org/docs/IFSB%20IFSI%20Stability%20Report%202017.pdf>.
- Inderst, Georg. *Infrastructure Investment, Private Finance, and Institutional Investors: Asia from a Global Perspective*. ADBI Working Paper 555. Tokyo: Asian Development Institute, January 2016. <https://www.adb.org/sites/default/files/publication/179166/adbi-wp555.pdf>.
- Islamic Financial Services Industry Development: Ten-Year Framework and Strategies*. Framework Document. IFSB-IRTI, May 2007. http://www.ifsb.org/docs/10_yr_framework.pdf.
- Islamic Fund: Gearing up, MIFC, May 2017*.
- MIFC. *2016 Global Sukuk Market: A Record Year For Corporate Issuance*. March 2017. http://www.mifc.com/index.php?rp=sukuk_report_270317.pdf.
- MIFC. *Sukuk Growing Relevance in Infrastructure Development*. MIFC Insights. October 2013. <http://www.mifc.com/index.php?ch=28&pg=72&ac=53&bb=uploadpdf>.
- MIFC. *Islamic Wealth Management: Growing Stronger Globally*. February 2016. <http://www.mifc.com/index.php?ch=28&pg=72&ac=166&bb=uploadpdf>.
- Ruiz-Nuñez, Fernanda, et al. *The State of PPPs Infrastructure Public-Private Partnerships in Emerging Markets & Developing Economies 1991–2015*. World Bank Group-PPIAF Report. World Bank Group, June 2016. <https://ppiaf.org/documents/3551/download>.
- Ruiz-Nuñez, Fernanda and Wei, Zichao. *Infrastructure Investment Demands in EMDEs. Policy Research Working Paper 7414*. World Bank, September 2015. <http://hdl.handle.net/10986/22670>.
- Public-private partnerships and the global infrastructure challenge: How PPPs can help governments close the "gap" amid financial limitations. Ernst & Young, 2015. http://www.ey.com/Publication/vwLUAssets/Health/%24FILE/EY_PPP_Thought_Leadership.pdf.
- State of the Global Islamic Economy 2015/2016*. Thomson Reuters, October 2016. <http://www.zawya.com/ifg-publications/>

Appendices

- **Appendix 1: Conference Agenda**
- **Appendix 2: Speaker Profile**

Appendix 1 Conference Agenda

DAY ONE: Monday, May 8, 2017 OPEN PLENARY SESSIONS

Time	Details
08:30 am – 09:00 am	Registration
09:00 am – 09:30 am	<p>Welcome Remarks</p> <ol style="list-style-type: none"> 1. Tan Sri Dato' Seri Ranjit Ajit Singh, Chairman, Securities Commission Malaysia 2. Laurence Carter, Senior Director, Public Private Partnerships, World Bank
09:30 am – 10:45 am	<p>Session 1: An Overview of Global Infrastructure Development Needs and Islamic Infrastructure Finance</p> <p>A. Infrastructure Development and Financing Needs: A Global Assessment</p> <p>Speaker: Aijaz Ahmad, Senior Specialist, Public Private Partnerships, World Bank</p> <p>Description: This session offers a comprehensive review on the current infrastructure development and needs around the world with special focus on the Muslim countries. This will comprise latest thinking on infrastructure financing, including measures to encourage public investment as well as strategies for private financing and amalgamation version of both - assessing what institutes the current best practice in public policy and the regulatory and business environment in addition to the roles of market players.</p> <p>B. Islamic Infrastructure Finance: Creating an Enabling Environment</p> <p>Speaker: Zainal Izlan Zainal Abidin, Managing Director, Development and Islamic Markets, Securities Commission Malaysia</p> <p>Description: This session will provide an overview of the Islamic finance ecosystem and architecture in terms of market infrastructure for long term investment need. How do we create mechanism to facilitate flow of funds from the private sector to finance public infrastructure. Making available instruments through the capital market such as local currency sukuk and funds, identifying long term investors such as multilaterals, institutions and understanding their needs.</p>
10:45 am – 11:00 am	Coffee Break

Appendix 1 Conference Agenda

Time	Details
11:00 am – 11:45 am	<p>Session 2: Islamic Infrastructure Finance: Instruments</p> <p>Speaker: Tahir Ali Sheikh, Director & Head of Islamic Advisory, Regional Debt Capital Markets, CIMB Investment Bank</p> <p>Description: This session will provide an overview of Islamic financing instruments commonly used for project/infrastructure finance. It will examine the characteristics of these instruments which make them suitable for infrastructure financing before reviewing the different forms of financing, common structures and other essential requirements.</p>
11:45 am – 12:45 pm	<p>Session 3: Case Studies: Islamic Finance and PPPs in Practice</p> <p>Case study 1: North-South Highway – PLUS Story</p> <p>Speaker: Dato' Izzaddin Idris, Group Managing Director/Chief Executive Officer, UEM Group Berhad</p> <p>Case study 2: IsDB's Role in Doraleh, PPP Container Terminal, Djibouti Project</p> <p>Speaker: Dr Walid Abdelwahab, Director of Infrastructure, Islamic Development Bank</p> <p>Description: This session will present an interesting case of how Islamic finance has been used to support PPP projects. It will highlight key aspects, facilitating factors, challenges faced and solutions provided; and the general lesson of experience in using these instruments.</p>
12:45 pm-2:00 pm	Lunch
02:00 pm – 02:45 pm	<p>Session 4: PPP Models for Infrastructure Delivery</p> <p>Speaker: Yong Hee Kong, Senior Adviser, ASEAN Advisory Pte Ltd</p> <p>Description: The session will provide an introduction to the concepts relating to PPP models for infrastructure delivery – how and when they can be used, enabling frameworks and processes, structuring, getting buy-in from stakeholders, as well as implementation of PPP projects.</p>

Appendix 1 Conference Agenda

Time	Details
02:45 pm – 04:00 pm	<p>Session 5: Panel Discussion: Country Perspective on PPP Projects – Key Factors for Consideration</p> <p>Moderator: Eugene Wong Weng Soon, Managing Director, Corporate Finance and Investments, Securities Commission Malaysia</p> <p>Panellists:</p> <ol style="list-style-type: none"> 1. Noormah Mohd Noor, Chief Executive Officer, Express Rail Link Sdn Bhd 2. Dr Walid Abdelwahab, Director of Infrastructure, Islamic Development Bank 3. Achmed Badaruddin M Yatim, Director, PPP Unit, Prime Minister’s Department 4. Mohammed Paracha, Head of Islamic Finance - Middle East & Africa, Norton Rose Fulbright (Middle East) LLP <p>Description: The panel consisting of stakeholders of PPP namely financial adviser, representative from government and developer. They will focus on rationale for undertaking a PPP, balancing the risk perspective, structuring, optimal debt-equity ratio, structure, risk allocation and management, contract designs etc.</p>
04:00 pm – 04:15 pm	Coffee Break
04:15 pm – 05:30 pm	<p>Session 6: Panel Discussion: A Greater Role for Islamic Finance in PPPs for Infrastructure Development</p> <p>Moderator: Zamir Iqbal, Lead Financial Sector Specialist, World Bank</p> <p>Panellists:</p> <ol style="list-style-type: none"> 1. Dato’ Mohd Izani Ghani, Executive Director, Khazanah Nasional 2. Khalid Ferdous Howladar, Managing Director & Founder, Acreditus 3. Ashraf Mohammed, Assistant General Counsel, Asian Development Bank 4. Prof Dr Ashraf Md Hashim, Chief Executive Officer, ISRA Consultancy <p>Description: Given the rapid global growth of Islamic finance and the recognized need to mobilize more private capital to support infrastructure provision, the panel members will discuss how Islamic finance could play a greater role, such as:</p> <ul style="list-style-type: none"> • Deciding on the optimum structure • How to attract long term investors/ financiers? • What is the value proposition for developers to pursue Islamic financing? • Facilitating cross border Islamic infrastructure finance where there are gaps • Replicating successful Islamic finance - PPP models • Ensuring Shariah governance • Issues and Challenges
05:30 pm – 05:45 pm	<p>Closing Remarks</p> <p>Faris H Hadad-Zervos, Country Manager for Malaysia, World Bank</p>

Appendix 1 Conference Agenda

DAY TWO: Tuesday, May 9, 2017

CLOSED-DOOR ROUNDTABLE WITH PANEL OF EXPERTS

Time	Details
09:15 am – 09:30 am	<p>Opening Remarks Zainal Izlan Zainal Abidin Managing Director, Development and Islamic Markets, Securities Commission Malaysia</p>
09:30 am – 09:45 am	<p>Key Takeaways of Day 1 Speaker: Arshad Mohamed Ismail, Head, Global Banking Business, Group Islamic Banking, Maybank Islamic</p>
09:45 am – 11:00 am	<p>Roundtable Discussion (Part 1): Islamic Finance and Infrastructure: Possible Solutions Moderator: Abayomi A Alawode, Head of Islamic Finance, World Bank Panellists: 1. Arshad Mohamed Ismail, Head, Global Banking Business, Group Islamic Banking, Maybank Islamic 2. Mohammed Paracha, Head of Islamic Finance - Middle East & Africa, Norton Rose Fulbright (Middle East) LLP 3. Dr Julius Caesar Parrenas, APEC Business Advisory Council 4. Aamir A Rehman, Fajr Capital Description: The panelists will discuss the challenges and successes they have experienced in Islamic infrastructure finance and share practical, actionable solutions.</p>
11:00 am – 11:15 am	Coffee Break
11:15 am – 12:30 pm	<p>Roundtable Discussion (Part 2): Expanding Islamic Finance in Infrastructure Financing: Towards an Action Plan Moderator: Abayomi A Alawode, Head of Islamic Finance, World Bank Group Panellists: 1. Rafe Haneef, Chief Executive Officer, CIMB Islamic 2. Tengku Muhammad Taufik, Senior Executive Director, PwC Malaysia 3. Professor Walid Hejazi, Academic Director, University of Toronto 4. Michael J T McMillen, Global Head of Islamic Finance and Investment, Curtis, Mallet-Prevost, Colt & Mosle LLP Description: Against the background of the challenges and possible solutions discussed in Part 1, this panel will focus on steps that need to be taken to develop a sustainable ecosystem for Islamic Infrastructure finance, including further studies and analysis as well as outlines of a possible demonstration project.</p>
12:30 pm – 12:45 pm	<p>Closing Remarks Zainal Izlan Zainal Abidin, Managing Director, Development and Islamic Markets, Securities Commission Malaysia</p>
12:45 pm-2:00 pm	Lunch

Appendix 2 SPEAKER PROFILE



TAN SRI DATO' SERI RANJIT AJIT SINGH

Chairman
Securities Commission Malaysia

Tan Sri Dato' Seri Ranjit Ajit Singh is the Executive Chairman of the SC. He was previously Managing Director of the SC and has extensive experience in the field of finance and securities market regulation and has spearheaded many key initiatives in the development and reform of Malaysia's capital market.

Tan Sri Dato' Seri Ranjit was appointed the Vice-Chairman of the governing Board of the International Organization of Securities Commissions (IOSCO), the global body of capital market regulators and was elected as the Chairman of IOSCO's Growth and Emerging Markets Committee (GEM) which represents 94 countries. In 2014, he was appointed Chairman of the ASEAN Capital Markets Forum (ACMF), a body tasked to spearhead market integration efforts within the region and comprises capital market authorities from ASEAN.

Tan Sri Dato' Seri Ranjit chairs the Securities Industry Development Corporation (SIDC), the Malaysian Venture Capital and Private Equity Development Council (MVCDC) and the Capital Market Development Fund (CMDF). He is also the Vice-Chairman of the Asian Institute of Finance and a member of the Board of the Labuan Financial Services Authority and the Financial Reporting Foundation as well as a board member of the Malaysian Institute of Integrity (IIM).

Tan Sri Dato' Seri Ranjit is trained as a financial economist and accountant. He holds a Bachelor of Economics (Honours) degree and a Master of Economics degree in Finance from Monash University, Melbourne. He was also conferred the degree of Doctor of Laws honoris causa by Monash University Melbourne. He is a fellow of CPA Australia and has worked in academia, consulting and accounting in Australia and Malaysia.

Appendix 2 **SPEAKER PROFILE**



LAURENCE W. CARTER

Senior Director,
Public Private Partnerships, World Bank

Laurence W. Carter is the Senior Director of the Public Private Partnerships Group for the World Bank Group. The PPP Group advises on the strategic direction and goals for the WBG on PPPs, supports coordination across the WBG, promotes partnerships and facilitates global knowledge about PPPs. Previously Laurence ran IFC's PPP Transaction Advisory Department for six years, and before that held positions in IFC's Central and Eastern Europe department and the Small and Medium Enterprises Department. Prior to joining IFC, Laurence worked for 10 years in Botswana, Malawi, Swaziland and the south Atlantic island of St Helena.

Laurence holds degrees in economics from the Universities of Cambridge and London, and the CFA.

Appendix 2 **SPEAKER PROFILE**



AIJAZ AHMAD

Senior Specialist, Public Private Partnerships (PPPs)
World Bank

Aijaz Ahmad, currently working as a Senior Specialist with the Public Private Partnerships (PPPs) Group at the World Bank, has over twenty five years of experience in project finance, infrastructure development, private sector development, PPPs and privatization.

Prior to joining the Bank, Mr. Ahmad was the Chairman and CEO at Pangea Growth Ltd. providing project finance and PPP advisory services in the Middle East and South Asia markets. Before that, he was the CEO of the Infrastructure Project Development Facility – a company owned by the Federal Finance Ministry of Pakistan to act as its central PPP unit. Mr Ahmad was also the founding member and acting Head of the PPP Unit in the National Treasury of South Africa. Earlier, he was a Program Advisor with the Privatization Commission of Pakistan, after launching the first private sector airline of Pakistan in the capacity of the airline's Vice President, Corporate Affairs.

Mr. Ahmad's country experience includes assignments in Bhutan, Brazil, Costa Rica, Egypt, Ghana, Kenya, Kuwait, India, Indonesia, Japan, Jordan, Maldives, Pakistan, Poland, Qatar, Saint Lucia, Saudi Arabia, Solomon Islands, Syria, Qatar, South Africa, USA, Uzbekistan and Yemen.

Appendix 2 SPEAKER PROFILE



ZAINAL IZLAN ZAINAL ABIDIN

Managing Director
Securities Commission Malaysia

Zainal Izlan Zainal Abidin is the Managing Director for Development and Islamic Markets at the Securities Commission Malaysia (SC). He joined the SC in 2011. He is also the Chairman of Capital Markets Malaysia, an entity established by the SC to promote the Malaysian capital market.

He has over 25 years experience in the financial services industry, primarily in the capital market segment. He began his career with Citibank Malaysia before joining MIDF Amanah Asset Management (MIDF Asset). During part of his tenure with MIDF Asset, he was seconded to Schroder Investment Management in London. He was the CEO/Director of MIDF Asset and Head of the Asset Management Division of the MIDF Group until 2007 when he joined i-VCAP Management, an Islamic fund management firm, as its first CEO.

He holds a Bachelor of Science in Economics degree (dual concentration in Accounting & Finance) from The Wharton School, University of Pennsylvania, USA, and is a Chartered Financial Analyst (CFA) charterholder. He presently sits on the Technical Committee of both the Islamic Financial Services Board and the Finance Accreditation Agency Malaysia. He is also a member of the Malaysian Institute of Accountants Islamic Finance Committee. He was previously President of CFA Malaysia, Vice Chairman of the Malaysian Association of Asset Managers (MAAM) and Chairman of MAAM Islamic Fund Management Sub-Committee.

Appendix 2 SPEAKER PROFILE



TAHIR ALI SHEIKH

Director and Head of Islamic Advisory
Regional Debt Capital Markets, CIMB Investment

Tahir Ali Sheikh has eighteen years of experience in capital markets, asset management, project financing and private equity in the Middle East, Central, South and South-East Asia.

Mr. Sheikh is currently the Head, Islamic Advisory, Regional Debt Capital Markets (“DCM”) at CIMB where he leads structuring and execution of Sukuk transactions. Prior to joining the DCM team, Mr. Sheikh was Head, Islamic Asset Management and Investments at CIMB Islamic where he is responsible for managing the Shariah advisory aspects for CIMB Group’s Islamic investment management business which totaled USD 5.7 billion in assets under management.

Mr. Sheikh was previously a Director with the infrastructure-focused private equity fund manager CapAsia, a one-time wholly owned subsidiary of the CIMB Group, where he served as the senior team member responsible for making investments for the USD 287 million Islamic Infrastructure Fund. Prior to joining CapAsia, Mr. Sheikh led project and corporate finance transactions in the greater Middle East as Vice President with the Abu Dhabi Islamic Bank. Mr. Sheikh has also worked as Projects Officer at the Islamic Development Bank (IDB) where he managed a portfolio of projects in excess of USD 2.3 billion in Indonesia, Pakistan, Iran and Bangladesh. Mr. Sheikh started his career with BP Exploration and Production in Pakistan in 1996.

Mr. Sheikh is a CFA Charterholder and has a Master in Public Administration degree from Harvard University. He received his B.Sc. in Mechanical Engineering from University of Engineering and Technology, Lahore and also has an MBA from Institute of Business Management, Karachi where he graduated top of his class.

Appendix 2 SPEAKER PROFILE



DATO' IZZADDIN IDRIS

Group Managing Director/Chief Executive Officer
UEM Group Berhad

Dato' Izzaddin Idris was appointed Group Managing Director/Chief Executive Officer of UEM Group Berhad (UEM Group) on 7 July 2009.

Dato' Izzaddin holds a Bachelor of Commerce Degree (First Class Honours in Finance) from University of New South Wales, Australia and is a Fellow of CPA Australia and a member of Malaysian Institute of Accountants (MIA).

He has over 20 years of experience in the fields of investment banking, financial and general management and was previously the Chief Financial Officer/Senior Vice President (Group Finance) of Tenaga Nasional Berhad, a position he held from September 2004 to June 2009.

He was formerly a Senior Vice President (Corporate Finance) of Southern Bank Berhad and the Chief Financial Officer of Ranhill Berhad. He also held the position of Chief Operating Officer of Malaysian Resources Corporation Berhad in the late 1990s. After graduating in June 1985, Dato' Izzaddin served Malaysian International Merchant Bankers Berhad for almost 11 years which included a 3-year secondment in the late 1980s to Barclays de Zoete Wedd Limited, a London-based investment bank and a subsidiary of Barclays Bank PLC then.

Dato' Izzaddin currently sits on the Boards of UEM Group Berhad and several UEM Group of Companies including UEM Sunrise Berhad, UEM Edgenta Berhad, PLUS Malaysia Berhad, Cement Industries of Malaysia Berhad, PT Lintas Marga Sedaya in Indonesia and India's Uniquest Infra Ventures Private Limited. He is also a Board member of Axiata Group Berhad, one of the leading telecommunications group in Asia.

In addition, Dato' Izzaddin is a member of the Board of Trustees at Yayasan UEM, a non-profit foundation that supports the implementation of UEM Group's corporate responsibility initiatives and philanthropic activities as well as a Director of Yayasan Putra Business School, a non-profit organisation that aims to become a home-grown globally recognised Business School.

Appendix 2 SPEAKER PROFILE



DR WALID ABDELWAHAB

Director of Infrastructure
Islamic Development Bank

Dr Abdelwahab is the Director of Infrastructure at the Islamic Development Bank leading infrastructure work across transport, water, energy and ICT in the Bank's 56 member countries in Asia, Africa, MENA, Europe and Latin America, with a portfolio of about \$20 billion. During his tenure, Dr Walid also led the introduction of Public- Private Partnership (PPP) financing in infrastructure in the Bank, which has evolved into an important line of business.

Before joining IDB in 1998, Dr Walid held various senior positions with the Ministry of Transportation and Highways of British Columbia, Canada and Universities in Canada and Jordan. He also advised ministries of Transport, Public Works, and Municipal Affairs, Jordan on various infrastructure issues.

Dr Walid published numerous articles in international refereed journals, conference proceedings, and Government reports related to engineering, planning and economics of transport infrastructure. Dr Walid holds a PhD degree in Civil Engineering from the University of Calgary, Canada.

Appendix 2 **SPEAKER PROFILE**



YONG HEE KONG

Senior Adviser
Asean Advisory Pte Ltd

HK Yong is a Senior Adviser to ASEAN Advisory, the consulting arm of Zico Holdings, listed in Singapore. He is also an Adviser to CWEIC London (Commonwealth Enterprise and Investment Council) on PPP matters, and an Adviser to Resource and Advisory Centre Malaysia. He was a Senior Fellow with ISIS Malaysia (Institute of Strategic & International Studies) where he focused on infrastructure development and financing. HK was the Adviser (Public Private Partnerships) of the Commonwealth Secretariat, London, and provided advisory and capacity-building support to the 53 member countries. He is a member of the Asian Council of the International Project Finance Association.

HK holds a B.Eng (Hons) in Civil and Structural Engineering (UK), an MBA (UK), and a Diploma in Corporate Treasury (UK), and a Postgrad Diploma in Islamic Studies from ISTAC, International Islamic University. He also qualified as a Chartered Accountant (England and Wales) and attended Harvard University Privatisation course.

He has more than 30 years of experience advising public and private sectors on PPP, privatisation, project financing, M&A and strategic planning. He edited the book 'PPP Policy and Practice - a Reference Guide'.

Appendix 2 **SPEAKER PROFILE**



EUGENE WONG WENG SOON

Managing Director
Securities Commission Malaysia

Eugene Wong Weng Soon is the Managing Director of the Securities Commission Malaysia (“SC”) and is responsible for matters relating to Corporate Finance & Investments which covers IPOs, Private Debt Issuances, Collective Investment Schemes and Take-overs. He also oversees the SC’s ASEAN related initiatives.

Prior to joining the SC in 2009, Eugene has held positions in a merchant bank, a stockbroking company and in the audit and corporate finance divisions of international accounting firms. He is an adviser to the Malaysian Accounting Standards Board and a Board Member of the Audit Oversight Board. Eugene was the immediate past Chairman of the Ethics Standards Board of the Malaysian Institute of Accountants.

Eugene is a Fellow of the Institute of Chartered Accountants Australia and New Zealand, Fellow of CPA Australia and a member of the Malaysian Institute of Accountants. He has an Advance Diploma in Corporate Finance from The Institute of Chartered Accountants in England & Wales (ICAEW) and holds a BComm from the University of Melbourne.

Appendix 2 SPEAKER PROFILE



NOORMAH MOHD NOOR

Chief Executive Officer
Express Rail Link Sdn Bhd

Noormah Mohd Noor joined ERL in October 1997 as General Manager of Finance, and was instrumental in the development of the RM2.4billion high speed rail link between KL Sentral station and the Kuala Lumpur International Airport (KLIA). As a specialist in infrastructure projects, Noormah played a critical role in revamping and successfully completed in 1999 that lead to the implementation of the ERL project. She was appointed CEO in June 2009.

Under her leadership, ERL has charted a double digit growth in the last 4 years which put the company on the global map with numerous industry awards and overseas consultancy services. She is an advocate of technological innovations and took a hands-on approach in ERL's new Automatic Fare Collection system project as part of the company's strategy to improve customer experience.

Noormah is a regular speaker at conferences and seminars both in Malaysia and abroad on rail transport and specifically, air-rail related subjects.

Appendix 2 SPEAKER PROFILE



ACHMED BADARUDDIN BIN M YATIM

Director of Private Partnership (PPP) Unit
Prime Minister's Department

Achmed Badaruddin is currently the Director of Infrastructure at Public Private Partnership (PPP) Unit, Prime Minister's Department. He and his team plan and coordinate the implementation of PPP infrastructure and land development projects.

Previous to that, Achmed served at the Economic Planning Unit, Prime Minister's Department for 16 years. He was in the Infrastructure, Human Capital and Services Industry sections of the EPU and involved in formulation of policies and strategies for the 5-year national development plan documents namely the 9th Malaysia Plan (MP), 10th MP and 11th MP.

Achmed holds a Bachelor of Economics (Hons) from University Malaya and a Master of International Economics & Finance from the University of Queensland.

Appendix 2 **SPEAKER PROFILE**



MOHAMMED PARACHA

Head of Islamic Finance – Middle East & Africa
Norton Rose Fulbright (Middle East) LLP

Mohammed Paracha is a banking lawyer based in Dubai and is also the Head of our Islamic finance practice for the Middle East and Africa.

Mohammed focuses on Islamic financial and banking transactions and has a broad range of transactional experience. Mohammed's main area of skills is with cross-border transactions where he advises clients across a broad range of asset classes and industry sectors.

His transactions are predominantly asset related involving real estate, ships, aircraft and project assets or complex structured transactions in new markets where tax, legal and Shariah principles need to be navigated in order to deliver optimum returns to Islamic investors.

Mohammed trained and qualified with our practice and gained international recognition for his work as the sole legal member of the Bank of England's committee on Islamic finance where he assisted the UK Government in establishing London as an international Islamic finance hub.

Mohammed is recognised as a key individual by Chambers Global Directory 2017, which comments "Dubai-based Mohammed Paracha is a respected practitioner with a specialist focus on Islamic finance in the Middle East region. Market sources describe him as a "solid finance lawyer" and a "very good name in the market"."

Mohammed is a regular speaker at conferences and has appeared on various news media talking about Islamic finance and related topical issues.

Mohammed is fluent in Urdu and Punjabi.

Appendix 2 **SPEAKER PROFILE**



ZAMIR IQBAL

Lead Financial Sector Specialist, Finance & Markets Global Practice
World Bank

Zamir Iqbal lead Financial Sector Specialist at the Finance and Markets Global Practice of the World Bank. He heads the World Bank Global Islamic Finance Development Center in Istanbul. He has more than 25 years of experience of risk management, capital markets, and asset management at the World Bank Treasury. Islamic finance is his research focus and he has co-authored several articles and books on Islamic finance on the topics of banking risk, financial inclusion, economic development, financial stability, and risk-sharing. His co-edited book, “Economic Development and Islamic Finance” was published by the World Bank in 2013. He earned his PhD in international finance from the George Washington University and serves as Professional faculty at Carey Business School of Johns Hopkins University.

The World Bank Global Islamic Finance Development Center, Istanbul, Turkey

Islamic Finance Development Center was opened on October 31, 2013 by President Kim. The Center serves as a Knowledge Hub from where the Bank generates and disseminates practical knowledge on how to make Islamic finance more relevant for growth and development. The Center also contributes to the design and delivery of technical assistance and advisory services on Islamic finance in Bank client countries. The Center focuses mainly on research and analytical work to generate knowledge on various aspects of Islamic finance, particularly how Shariah-compliant financing instruments can support inclusive growth and poverty reduction in our client countries. It also organizes workshops, conferences and seminars to disseminate research findings and to catalyze debate amongst various stakeholders in the industry.

Appendix 2 SPEAKER PROFILE



DATO' MOHD IZANI GHANI

Executive Director
Khazanah Nasional Berhad

Dato' Mohd Izani Ghani graduated from London School of Economics (LSE), University of London in 1991. Thereafter he obtained professional qualification from Association of Chartered Certified Accountants (ACCA) and was conferred fellowship in 2000.

He is currently the Executive Director of Khazanah Nasional Berhad (Khazanah). On the funding front, he was instrumental in establishing ringgit Sukuk programs and landmark exchangeable Sukuk in various currencies for Khazanah. The world's first exchangeable Sukuk into Telekom Malaysia shares of US\$750 million was successfully launched in September 2006. This was followed by another blow-out success of exchangeable Sukuk into PLUS Expressways shares of US\$850 million in June 2007. In March 2008, the company issued exchangeable Sukuk into a Hong Kong-listed stock of Parkson Retail Group for US\$550 million. These were followed by many other landmark transactions thereafter. In June 2015, Khazanah launched an innovative social impact Sukuk in the Malaysian capital markets where the proceeds were used for Trust School Programme, an initiative to improve the quality of schools under Private Public Partnership with the Government. He is currently working on the next tranche of social impact sukuk to fund more Trust Schools under the programme.

Dato' Mohd Izani Ghani is also a board member of Malaysia Airports Holdings Berhad, Bank Muamalat Malaysia Berhad and other special purpose companies of Khazanah Nasional Berhad.

Appendix 2 SPEAKER PROFILE



KHALID FERDOUS HOWLADAR

Managing Director and Founder
Acreditus

Khalid Ferdous Howladar is the Managing Director and Founder of Acreditus, a boutique advisory practice created to serve the risk, rating and Islamic finance needs of Gulf and Islamic Banks, Corporates and Governments. With his global perspectives, he is a trusted authority in the fields of banking, GCC risk, structured and Islamic finance. Other interests include fintech and inclusive capitalism. Previously, Khalid spent 15 years at Moody's Investor's Service in senior roles covering securitisation, banking and Islamic finance in London and Dubai since 2007.

Khalid was the GCC Team Leader/Senior Vice President for the Banking team responsible for rating a diverse portfolio of around 60 financial institutions. He was a Credit Committee Co-Chair for the European, Middle East & Africa Banking team and a senior member in GCC Sovereign and Sukuk committees. Prior to these leadership roles, he was an analyst in the structured finance team responsible for rating a diverse, \$150 billion mix of GCC securitizations, leveraged loan, synthetic, high yield, asset-backed and project finance CDOs & CLOs.

Concurrently, as Moody's first Global Head of Islamic Finance, he was responsible for the formation and strategy of a new global and cross-business line team of Analytical, Commercial and Media representatives to provide holistic and insightful coverage of this fast growing and dynamic sector through strong research, outreach and risk analytics. His leadership took the firm to first place in the IFN Awards for best Rating agency in 2015 after six year's absence.

Khalid has provided over 100 risk briefings on both regional credit markets and Islamic finance to stakeholders such as the BlackRock, Fidelity, AIG, Threadneedle, Ashmore, ECM, LIM, Goldman Sachs, JPM AM, Franklin Templeton and BlueBay the amongst others. His research and views have often been quoted by the FT, Bloomberg, Reuters, WSJ, The Economist, CNBC Arabiya and other media outlets.

He is a well-respected speaker at conferences with his passionate and dynamic style engaging audiences at the most senior levels in Washington and globally for institutions such as the World Bank, IMF, ECB, IIF, IsDB, AMF and Government shareholders of the IILM. He is a keen UAE educational supporter and has lectured students in Abu Dhabi (Paris-Sorbonne and New York Universities) and Dubai (Cass and London Business School) in risk, ratings, banking and Islamic Finance. Previously Khalid spent four years at Credit Suisse in the Emerging Markets Fixed Income Risk team. He holds an MSc in Finance from London Business School, an MSc in Advanced Information Technology and a BEng in Software Engineering both from the Imperial College of Science and Technology and Medicine.

Appendix 2 SPEAKER PROFILE



ASHRAF MOHAMMED

Assistant General Counsel and Practice Leader, Islamic Finance
Asian Development Bank

Ashraf Mohammed is Assistant General Counsel in the Office of the General Counsel of the Asian Development Bank (ADB) and is Head of the Central and West Asia Region Legal Team. Mr. Mohammed is also the Practice Leader for Islamic Finance at ADB, overseeing all the ADB's activities in this area. He is a UK qualified Solicitor with over 30 years of legal experience. Before joining ADB in 2004, Mr. Mohammed was European General Counsel for a NASDAQ listed international telecommunications company where he was responsible for corporate finance and debt restructuring in Europe. Mr. Mohammed has also been a partner in two leading commercial law firms in London, undertaking company and commercial work, corporate finance and mergers and acquisitions for a wide range of clients, including international banks and multinational corporations, as well as acting for insolvency practitioners on insolvency matters.

At ADB, Mr. Mohammed has worked in many countries across Asia on both private sector and public sector projects and programs, in numerous development sectors and financial intermediation. As ADB's Practice Leader for Islamic Finance, he has advised on Sukuks and worked on Shariah transactions including the Islamic Financial Services Board Working Group on the Core Principle Standards on Islamic Finance Regulations.

Mr Mohammed studied law at Kingston University in the UK where he obtained an LLB and is a member of the Law Society of England and Wales.

Appendix 2 **SPEAKER PROFILE**



PROFESSOR DR ASHRAF BIN MD HASHIM

Chief Executive Officer
ISRA Consultancy

Prof Dr Ashraf Bin Md Hashim is the Chief Executive Officer of ISRA Consultancy. He is also a Senior Researcher at International Research Academy for Islamic Finance (ISRA) and a Professor at International Centre of Education in Islamic Finance (INCEIF).

Dr Ashraf currently sits on the Central Bank of Malaysia's Shariah Advisory Council (SAC BNM) as Deputy Chairman and the Securities Commission of Malaysia's Shariah Advisory Council (SAC SC). He is also the Chairman of Shariah Committee of Bursa Malaysia (Malaysia Exchange House). In addition, he also serves as member of National Fatwa Council of Malaysia, a registered Shariah adviser of Security Commission, advising a few REIT companies particularly in Singapore. He is also a member of Shariah Committee for Tabung Haji (Pilgrimage Fund) and Association of Islamic Banking Association Malaysia (AIBIM). He is actively involved in many consultation works related to Islamic finance in Malaysia and abroad, among others the Islamic Bank of Australia (Project) and Noor Takaful Nigeria. Recently, he has also been appointed as Chairman for Panel of Experts in Muamalat Matters under the Islamic Development Division, Prime Minister Department.

Dr Ashraf obtained his PhD (Islamic Law) from University of Birmingham, United Kingdom. His Masters in Fiqh and Usul Fiqh from University of Jordan and his BA in Shariah from Islamic University in Medina, Saudi Arabia.

Appendix 2 **SPEAKER PROFILE**



FARIS H. HADAD-ZERVOS

Representative to Malaysia
Country Manager, Malaysia, East Asia and Pacific

Faris Hadad-Zervos is the World Bank Country Manager for Malaysia, based in Kuala Lumpur. Hadad-Zervos, a US national, joined the World Bank in 1996 with the Private Sector Development Department. He served as Manager of the Technical Cooperation Program with the Gulf Cooperation Countries (2000-2003), Head of Mission for Iraq (2003-2005), Operations Manager for the West Bank and Gaza (2005-2008), Acting Director for Fragile States in the Operations Department (2010-2011) and Country Manager for Bolivia (2012-2015). In 2008, Hadad-Zervos took a leave of absence from the World Bank to serve as the Deputy Head of the Quartet Office for the Middle East Peace Process, based in Jerusalem.

Appendix 2 **SPEAKER PROFILE**



ABAYOMI A ALAWODE

Head of Islamic Finance
World Bank

Abayomi Alawode joined the World Bank in 1997 as a Young Professional and is currently Head of Islamic Finance in the Bank's Finance and Markets Global Practice. Previously, he worked in various capacities including as Practice Manager (Financial Systems Practice), Lead Financial Sector Specialist (East Asia and Pacific Region) and as Program Leader/Senior Financial Specialist (World Bank Institute). He also served as Adviser, Financial Stability at the Central Bank of Bahrain from 2006 to 2010. Before joining the World Bank, Abayomi was a Lecturer in Economics at the Obafemi Awolowo University, Ile-Ife, Nigeria (1990-1994) and an Instructor in Development Economics at the University of Cambridge.

He holds a BSc and MSc (both in Economics) from the Obafemi Awolowo University, Ile-Ife, Nigeria and an MPhil in Development Studies from the University of Cambridge, England. He is the author of several academic papers on monetary and financial sector issues.

Appendix 2 **SPEAKER PROFILE**



ARSHAD MOHAMED ISMAIL

Head of Global Banking Business, Group Islamic Banking
Maybank Islamic

Arshad Ismail is Head of Global Banking Business, Group Islamic Banking at Maybank. Maybank Islamic is the largest Islamic bank in Malaysia and also one of the largest Islamic banks globally.

Arshad started his career as a lawyer in the mid 90s with a focus on corporate and commercial law, and also Islamic finance. He subsequently joined CIMB Islamic in 2003 as one of its pioneer members and spent a significant amount of time originating, structuring and executing Sukuk transactions. Arshad then relocated to the United Arab Emirates to take on the role of Global Head of Sukuk at HSBC Amanah. During his time there, Arshad and his team successfully originated, structured and executed many Sukuk transactions in the Gulf Cooperation Council region and Asia. HSBC Amanah's dominance in the Sukuk market under Arshad's leadership was acknowledged when Euromoney awarded HSBC Amanah the Best Sukuk House Award in 2007. After HSBC Amanah, Arshad had stints in Saudi Arabia and again in the United Arab Emirates where he focused on real estate fund management, corporate finance and investment banking before returning to Malaysia at the end of 2011.

Arshad holds a LLB (Hons) degree from the International Islamic University, Malaysia and a Master of Business Administration (MBA) from the London Business School. He was also elected to the Securities Commission – Oxford Centre for Islamic Studies (OCIS) Visiting Fellowship in Islamic Finance at OCIS, University of Oxford for the academic year 2015/16.

Appendix 2 **SPEAKER PROFILE**



JULIUS CAESAR PARREÑAS

Senior Advisor
Nomura Research Institute

J C Parreñas is Senior Advisor at Nomura Research Institute. He coordinates the Advisory Group on APEC Financial System Capacity Building, the Asia-Pacific Financial Forum (APFF), the Asia-Pacific Infrastructure Partnership (APIP) and the Financial Infrastructure Development Network (FIDN). He regularly represents the APEC Business Advisory Council (ABAC) in the APEC Finance Ministers' Process. From 2014 to August 2016, he was Senior Advisor at Nomura Securities Co, Ltd and Nomura Institute of Capital Markets Research. From 2009 to 2014, he was Advisor on International Affairs of the Bank of Tokyo-Mitsubishi UFJ, Ltd and Senior Advisory Fellow of the Institute for International Monetary Affairs in Tokyo.

From 1998 to 2009, Dr Parreñas was Senior Advisor to the Chairman of Chinatrust Financial Holding Co, Ltd, Policy Advocacy Coordinator of the Asian Bankers' Association and alternate member of the APEC Business Advisory Council from 2000 to 2009. Previous to this, he served in various positions, among others, as Executive Director of the Center for Research and Communication in Manila, Executive Director of the ASEAN Free Trade Area Advisory Commission under the Office of the President of the Republic of the Philippines, and professor at the University of Asia and the Pacific Graduate School of Economics. He was an advisor and consultant to several international, public and private institutions and major companies from Asia, Europe and America.

He received his PhD, magna cum laude, from the Ludwig Maximilian University in Munich, Germany in 1988. He has authored over 100 publications on international finance, economics and trade.

Appendix 2 SPEAKER PROFILE



AAMIR A REHMAN

Managing Director
Fajr Capital

Aamir A Rehman is a consultant to the World Bank Group on Islamic finance and infrastructure funding.

Mr Rehman has served as an advisor to the UN World Humanitarian Summit, the International Fund for Agricultural Development, the Islamic Development Bank, and the Islamic Financial Services Board. He is a co-founder and shareholder of Fajr Capital, a private equity group with over \$700m in capital, where he was a managing director from 2009 to 2016. His prior roles include serving as global head of strategy for HSBC Amanah, the Islamic finance business of the HSBC Group. Mr Rehman is author of the books *Gulf Capital & Islamic Finance: The Rise of the New Global Players* (McGraw-Hill 2009) and *Dubai & Co.: Global Strategies for Doing Business in the Gulf States* (McGraw-Hill 2007).

He holds a bachelor's degree from Harvard College, a master's degree from the Harvard Graduate School of Arts and Sciences, and an MBA from the Harvard Business School.

Appendix 2 **SPEAKER PROFILE**



RAFE HANEEF

Chief Executive Officer
CIMB Islamic Bank

Rafe Haneef has been currently appointed as the CEO of CIMB Islamic Bank. He was previously the CEO of HSBC Amanah Malaysia and the Managing Director of HSBC Amanah Global Markets in Asia Pacific. He is credited leading landmark sukuk transactions for various sovereigns, supranationals and corporates such as Malaysia, Qatar, Indonesia, the IDB, the World Bank, Sime Darby, Axiata, and Emirates.

Previously Rafe was the Head of Islamic Banking for Citigroup Asia based in Kuala Lumpur, where he was responsible for developing Malaysia as a regional Islamic finance hub for Citigroup and expanding its Islamic business footprint across the region. He also established the Global Islamic Finance Department at ABN AMRO based in Dubai. His other previous roles include Managing Director at Fajr Capital.

Rafe read law and Shariah at the International Islamic University in Malaysia. He was admitted to the Malaysian Bar and was practicing law in Malaysia, specialising in Islamic finance, before later pursuing his Master of Laws at Harvard Law School and subsequently qualified to the New York Bar.

Appendix 2 **SPEAKER PROFILE**



TENGGU MUHAMMAD TAUFIK

Senior Executive Director
PricewaterhouseCoopers Advisory Services Sdn Bhd

Tengku Muhammad Taufik leads the Oil & Gas industry group in PwC Malaysia. Prior to joining us, he worked in the oil & gas industry, primarily focused on capital structuring and valuations of projects across the value chain and was also the CFO in a listed oil & gas services company. He also plays a significant role in our work relating to the Trans-Pacific Partnership Agreement and our Deals business with both the public sector and the government-linked companies, and continues to lead work in the Capital Projects & Infrastructure space in these areas.

Taufik holds a BA (Hons) in Accounting and Finance from Strathclyde University, and is a member of the Institute of Chartered Accountants in England & Wales. Taufik joined PwC in 2015 after accumulating 15 years' experience in the Oil & Gas industry.

Appendix 2 SPEAKER PROFILE



PROFESSOR WALID HEJAZI

Academic Director
University of Toronto

Prof Walid Hejazi is an Associate Professor of Business Economics, and Academic Director, at the Rotman School of Management, University of Toronto. He has developed and teaches a successful MBA course in Islamic Finance, the first such course in Canada. He is extensively involved in the move to enhance the prevalence of Islamic Finance in Canada.

He is currently writing a book on Islamic project finance, has several ongoing research projects in Islamic Finance, and has 2 doctoral students pursuing research in the area. He has published over 50 articles in academic peer reviewed journals, has advised several Canadian and foreign governments on themes related to international trade, foreign investment, international tax structures and global competitiveness, and has appeared many times before Canadian parliamentary committees on these themes. He has also delivered lectures in over 30 countries.

Appendix 2 **SPEAKER PROFILE**



MICHAEL J T MCMILLEN

Global Head of Islamic Finance and Investment
Curtis, Mallet-Prevost, Colt & Mosle LLP

Michael J T McMillen is Global Head of Islamic Finance and Investment of the international law firm of Curtis, Mallet-Prevost, Colt & Mosle LLP. He is internationally recognized for his work in Islamic finance and project and infrastructure finance. Michael teaches Islamic finance at the University of Pennsylvania Law School, The Wharton School and other institutions. Michael is the author of ISLAMIC FINANCE AND THE SHARI'AH and a book on the history of lease financings and nineteenth century American history that will be released in 2017. He is a two-time recipient of the Euromoney award for Best Legal Advisor in Islamic Finance and has received the Sheikh Mohammed Bin Rashid Al-Maktoum award for Outstanding Contributions to Islamic Finance. He twice served as Chair (and was the founding Chair) of the Islamic Finance Section of the American Bar Association. Michael received his MD from the Albert Einstein College of Medicine, his JD from the University of Wisconsin Law School, and his BBA from the University of Wisconsin – Madison.