

Turkmenistan–Afghanistan–Pakistan–India gas pipeline project



AFGHANISTAN

By Manezha Sukhanyar

The peace talks between the Taliban and the Afghanistan government have reached an advanced level, putting an end to 18 years of war in Afghanistan. In March 2019, the Taliban's meeting with US government officials raised hope for peace along with presidential elections to be held in July 2019. These developments will have their consequences not only on the security situation in Afghanistan, but also on some ongoing development projects and the overall condition of the country's economy.

The Turkmenistan–Afghanistan–Pakistan–India (TAPI) gas pipeline project is one of Afghanistan's most important development projects that

will generate hundreds of megawatts of electricity, which will in turn generate revenue via transit fees and taxes, create job opportunities, provide training and capacity-building for Afghans as well as promote local businesses and goods.

For the financing of the TAPI project, the IDB has agreed to provide US\$700 million, with an additional US\$300 million for the remaining portion of the pipeline.

Additionally, the Asian Development Bank and the Islamic Corporation for the Insurance of Investment and Export Credit are keen to provide US\$500 million and US\$300 million respectively. Recently, Saudi Arabia expressed an interest to support the financing of the same project.

The successful implementation of the TAPI project will have considerable effect on the Afghanistan economy, and will promote and support investments and local production. However, how the peace process and the presidential elections will affect the project implementation is not clear.

Additionally, in view of the recent developments of Islamic banking as well as its acceptance by the wide majority of Afghans and the government support toward this sector, has the option of providing financing for the TAPI project via Islamic banking been discussed or considered? This is also not clear so we need to watch this space. ☺

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Islamic finance and ethical trends



THE US

By Aliredha Walji

In all parts of the world, people are increasingly interested in purchasing and consuming ethically-sourced products. This trend holds true across diverse sectors, from food and consumer products to financial services to media and recreation.

According to Global Impact Investing Network, three out of four millennials are willing to pay extra for sustainable offerings, and 'impact-investing' assets are estimated at US\$114 billion as of 2016, according to the State of the Global Islamic Economy Report 2018/19 by Thomson Reuters/Dinar Standard. The US market is no exception, with a very loyal consumer base for ethical offerings. Over 80% of US consumers of socially responsible business brands are willing to pay a greater than 30% premium and are willing to repeat their purchases more than three times when their needs are met, according to Adnan Durrani, the founder and CEO of American Halal.

The fact that consumers are willing to pay so much more for responsible

products and services highlights a demand in the US market that is looking to be filled. Islamic finance, with its focus on fulfilling Islamic criteria for Halal and Tayyab (usually translated as 'lawful' and 'good'), is perfectly poised to meet this demand — not only for US Muslim consumers, but also potentially for US consumers at large.

In addition, Islamic finance's focus on equity investment, as opposed to debt or leverage, has powerful implications for all discussions regarding the ethics of excessive debt. The devastating impact of this type of debt was demonstrated during the worldwide financial crisis of 2008, when the overinflation of assets during the boom cycle was followed by the Great Recession, with dire hardships affecting many individuals as a result.

The connections between the Muslim economic space and wider ethical trends were the main topic of discussion at the 27th June 2019 roundtable strategy session titled 'Muslim Entrepreneurs for Social Good', hosted by Dinar Standard.

Practitioners in the finance field made up a large portion of the attendees,

given the prominent role that finance plays in entrepreneurial success across many sectors. Their discussions centered on the ethical trends that can be addressed by Islamic finance, including financial inequality and education through the development of programs aimed to raise financial literacy. The importance of eliminating debt and moving instead toward wealth accumulation also emerged as a theme.

Islamic finance at its core has to do with adhering to quantitative and qualitative metrics that ensure broader screens are met by avoiding certain red-flag industries like gambling, alcohol, tobacco and such.

When Islamic criteria and ethical principles such as environmental sustainability or social responsibility are brought together, the combination can lead to the successful acceptance of Islamic finance not only within the US Muslim community but in US society as a whole. ☺

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