

Insight Bulletin

For People Who Want to Know

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ENDURE THE FINANCIAL PAIN- GOVT

As Central Bank devalues Kwacha by 25%



Sugar one of the raised commodity.

By: Kassim Kajosolo

As the world is still in the wilderness of financial hardships due to covid-19 and Russia-Ukrainian war, Malawi has its Kwacha currency weakened.

Government has since asked Malawians to endure the financial hardships as the country continues to face unprecedented economic challenges.

Minister of Finance Sosten Gwengwe said this at a press briefing in Lilongwe in preparation for the meeting with the International Monetary Fund (IMF).

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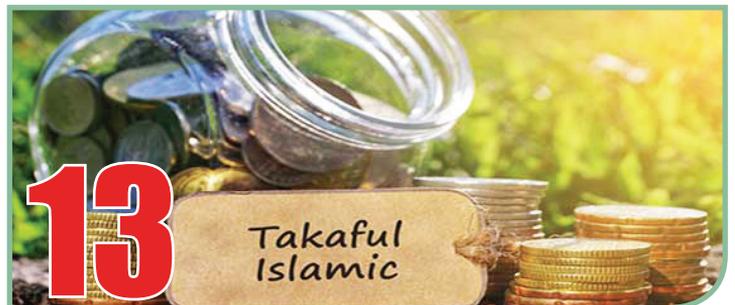
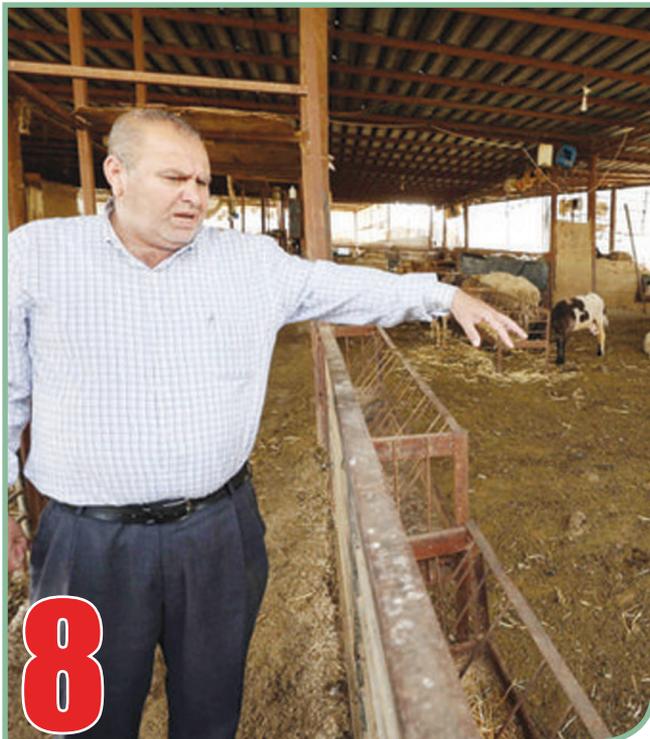
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ISLAMIC VIEW ON CONTRACEPTIVES

By Osman Bwanali

Islam is a strong advocate of marriage and the act of marriage is considered a religious duty through which the family is established and it is only permissible as a way for men and women to engage in intimacy and welcome children as a gift from Allah. Sexual ethics in Islam forbid copulation outside marriage, so its teachings about contraception should be understood within the context of husband and wife and not the other way round.

Few Muslims choose to remain child-free (by choice) but many prefer to plan their families through the use of contraception. Qur'an does not explicitly refer to birth control or family planning but there are verses forbidding infanticide, "Do not kill your children for fear of want." "We provide sustenance for them and you" (Qur'an 6:151,17:31). Some Muslims have interpreted this as a prohibition against contraception as well, but this is not a widely accepted view.

Islamic scholars differ in their opinions about contraception, but only the most conservative scholars prohibit birth control in all instances. Fundamentally, all scholars consider allowances for the mother's health and most allow for at least some forms of birth control when it is a mutual decision by husband and wife. Birth control is also becoming a necessity in Islam to regulate intervals

during which pregnancies are to be conceived. Medically, it has been proved that pregnancies should be spaced to give the mother a long lifespan as it has been proved that pregnancies at short intervals endanger the life of the mother and put the health of the children at risk.

During the lifetime of the noble Prophet Muhammad (Peace be upon him), some forms of birth control were practised and the Prophet did not object to their appropriate use such as to benefit the family or the mother's health or to delay pregnancy for a certain period. For example, there are several hadiths (sayings of the Prophet) which indicate that the Prophet knew of birth control of coitus interruption with wife's consent) and approved of it in appropriate circumstances. Therefore, the teachings of Islam in this regard serve as a basis for a woman to have legitimate reasons for using contraceptives such as being sick and unable to bear a pregnancy or being physically weak, or having other reasons why getting pregnant would be harmful to her.

Above all, the woman should seek her husband's permission because the husband has the right to have children. This must also be done in consultation with a medical doctor to find out whether using contraceptives will be harmful to her or not. However, the use of contraceptives to have a permanently child-free marriage is not accepted

in Islam. So sterilization is wrong, partly because it prevents children permanently.

In conclusion, Islam encourages Muslims to have children. There is a great benefit to the individuals in having children because they help in maintaining healthy communities and societies. It is for this reason, that the Messenger of Allah (peace and blessings be upon him) said, "Marry and multiply." [Abu Dawud and Nasa'i]. But if getting pregnant puts the life of the mother in jeopardy then the use of legitimate (Islamic) contraceptives is allowed.

Islamic scholars differ in their opinions about contraception, but only the most conservative scholars prohibit birth control in all instances. Fundamentally, all scholars consider allowances for the mother's health and most allow for at least some forms of birth control when it is a mutual decision by husband and wife.

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<<FROM PAGE 1

ENDURE THE FINANCIAL PAIN- GOVT

He said the country has outlined recovery plans that IMF has seen and is willing to help.

"This is not an ordinary meeting and not our first either, we had meetings both here and in Washington DC, as such the coming of IMF is to discuss conditions and modalities of their help for Malawi to achieve its economic recovery," said Gwengwe.

He also said that the Ministry has outlined recovery plans that the IMF saw and is impressed, hence its coming.

The Minister also added that the country has secured services of a Global Sovereign Advisory Company from France to help the country on how it can reduce and repay its loans.

"We have secured the services of a well-known company from France to help us with modalities on how government can work out loan payments," said Gwengwe.

"This Company has worked and helped a lot of countries like Mali, Benin, Guinea, and Greece, and it is our hope that in the six months that they will be here we will have gotten the much needed assistance," said Gwengwe.

He has therefore urged Malawians to endure the economic hardships as the nation is on the road to financial recovery.

"This signals that things may get worse than before. However government is doing everything possible to fix the economy once and for all," said Gwengwe.

On rumours that Malawi was deliberately giving wrong figures to the IMF, Gwengwe said the report is yet to be out and will



Sosten Gwengwe - Minister of Finance

not comment before the report.

He has however said if the report reveals that Malawi cooked figures to the IMF, the country may be asked to pay back the money.

"If indeed we cooked figures or misrepresented the figures to the IMF, Malawi will have to pay the IMF because the funds were meant for development. This can literally lead to a loss of trust and it is a criminal act that won't be taken lightly," said Gwengwe.

A day after the IMF met government officials, the hardships started following into the veins of the Malawi commodity and market value.

A 25 percent devaluation of the Kwacha which was announced by the Central Bank raised every commodity on the market and economically affected Malawians at large.

Despite the Reserve Bank of Malawi advising business companies and individuals not to take advantage of the

devaluation they instantly raised prices of commodities on the market.

Ilovo Sugar announced the upward adjustment of the commodity two days after the devaluation.

Brown sugar has been raised from K850 to K1100 while white sugar is at K1150 from K850.

In retaliation Social commentator, Peter Chipanga has asked government to think of raising the minimum wage to cater for the high cost of living.

"It's sad to note that there comes a devaluation whilst we are still nursing the financial hardships," said Chipanga.

"Government should raise the minimum wage to at least K75,000 or higher," he said.

Democratic Progressive Party (DPP) through its spokesperson Shadreck Namalomba has asked the Tonse government to call for a referendum as a vote of no confidence is vital due to the financial hardship hovering the country.

"Malawians are suffering and government is not doing anything tangible. If they do not want to help Malawians they should resign," said Namalomba.

Gospel Kazako, Minister of Information has since asked DPP to be quiet saying the financial problems Malawians are facing started with them.

"Plundering of money and government resources by DPP is the reason we are having these problems now, so they should keep quiet," said Kazako.



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Mohammed Basheer tours his farm in the village of Wadi Al-Faraa after major foot-and-mouth outbreak hit West Bank

PALESTINE FARMERS

SOUND ALARM OVER FOOT-AND-MOUTH

An outbreak of foot-and-mouth disease in the West Bank early this year has killed thousands of livestock, pushing Palestinian farmers already living under occupation to the brink of bankruptcy.

Mohammed Basheer said he had to incinerate hundreds of his dead lambs after the outbreak devastated livestock across the West Bank, leaving him with more than just a stinging financial loss.

For Basheer, the ordeal underlines the unique challenges facing farmers in the occupied Palestinian territory, who complain that they are underserved by the Palestinian Authority (PA) and face constant threats from Jewish settlers.



MERS

OUTBREAK

"I got no help from the PA, not even a telephone call," Basheer, who owns thousands of livestock near the city of Nablus, said, voicing frustration over what he described as inaction from the Palestinian Agriculture Ministry.

BUT THE PA'S AGRICULTURE MINISTRY HAS NOT CARRIED OUT A REGULAR VACCINATION DRIVE SINCE 2019. A MINISTRY OFFICIAL, WHO REQUESTED ANONYMITY, SAID A NORMAL YEAR SEES 60 TO 70 PERCENT OF GOATS AND SHEEP IN THE WEST BANK VACCINATED AGAINST THE DISEASE.

Palestinian farmers blamed the PA for halting a vaccinations program that had proven essential in protecting livestock against an endemic disease.

And with animals absent from large stretches of grazing land, farmers fear land grabs from Jewish settlers who have repeatedly set up illegal outposts on West Bank land they claim is unused.

The PA "should protect us because we protect the land," Basheer said.

"The farms protect the land. If you remove the farmers, Israel takes the land."

A new strain of foot-and-mouth disease, which causes potentially lethal fevers and blisters in young animals, was detected in livestock last November in Jordan.

It soon spread across the West Bank, a territory occupied by Israel since 1967, and heavily reliant on agriculture.

But the PA's Agriculture Ministry has not carried out a regular vaccination drive since 2019. A ministry official, who requested anonymity, said a normal year sees 60 to 70 percent of goats and sheep in the West Bank vaccinated against the disease.

That figure dropped to 20 percent in 2020 and 2021, the official said.

The ministry blamed the COVID-19 pandemic, saying the disease vaccines were harder to source as vaccine-makers worldwide pivoted operations to meet demand for COVID-19 jabs.

The ministry also blamed Israel, claiming it obstructed the PA from procuring sufficient supply.

The Israeli Defense Ministry body responsible for civil affairs in the Palestinian territories said the allegation was false.

"There has been no formal request from the Palestinian Authority for the import of such vaccines," the body said in a statement.

"Nonetheless, considering the health requirement that has arisen, the State of Israel has transferred vaccine doses that were in its possession to the Palestinian Authority."

The Palestinian ministry has officially confirmed around 2,000 animal deaths as a result of the FMD strain this year.

But farmers and the agriculture ministry official said livestock deaths were likely far higher than the acknowledged toll.

Basheer said FMD losses had cost him \$150,000 and accused Israel of hoarding vaccines.



We need to refer to the Qur'an and the Bible for guidance

MAM SAYS NO TO DEATH PENALTY ABOLITION

By: Lovemore Katanda

Muslim Association of Malawi (MAM) says it does not hold the view that death penalty

should be abolished unlike what other stakeholders in the country are recommending.

Regional secretary for the Association

in the South, Sheriff Kaisi, said abolishing death penalty will make the country a breed for murders as criminals will not be afraid of committing murder.

"It seems people in this country do not understand death penalty. Let us refer to those countries that abolish this provision and you will find there are a lot of murder cases in those countries. We feel this provision should be a deterrent to those who want to indulge in murder," he said.

Kaisi added that during the Kamuzu Banda era when the death penalty provision was applied, murder cases were rare because people were afraid to commit murder.

Kaisi further indicated that stakeholders need also to refer to the Qur'an and the Bible for guidance in course of application of the law.

"This is God ordained. But because of human rights provision, we defend those who commit murder in the name of the right to life parrying away the fact that those murdered had also been deprived of the same right to live. It is, perhaps, in view of this that from an Islamic perspective, the law need not to be repealed," he said.

The Legal Committee of Parliament is conducting meetings in all regions of the country to hear stakeholders' views on the death penalty law for Members of Parliament to come up with an informed opinion on the matter. In Blantyre, the committee had its last consultation meeting on 27th May 2022. Speaking at the meeting Vice Chairperson for the Committee, MacDowel Mkandawire, said since the public hearings were rolled out in all the three regions of the country, stakeholders have indicated that they

MKANDAWIRE ADDED THAT MOST STAKEHOLDERS FEEL THAT PARLIAMENT CAN CHANGE SOME SECTIONS OF THE COUNTRY'S CONSTITUTION WITHOUT NECESSARILY CALLING FOR THE NATIONAL REFERENDUM AS RECOMMENDED BY OTHER STAKEHOLDERS SUCH AS THE LAW SOCIETY.

were geared to have the death penalty abolished or repealed.

Mkandawire added that most stakeholders feel that Parliament can change some sections of the country's constitution without necessarily calling for the national referendum as recommended by other stakeholders such as the law society.

"If resources permit, we will go down into the constituencies to engage the rural masses seeking views from the chiefs and religious leaders among others," he said.

According to Mkandawire, the national consultation meetings were aimed at soliciting views on the issues of the death penalty, and thereafter, a report will be submitted to the Ministry of Justice for review.

"It is untrue that the abolition of the death penalty would lead to an increase in the crime rates in the country. Research has even shown

us that in other countries that had abolished the death penalty, murder rates had remained unaltered or had even declined," he said.

But in a separate interview, Senior Chief Lukwa of Kasungu concurred with the Muslim Association of Malawi, saying government is about to do a grave mistake if the death penalty is to be abolished, saying the decision will lead to a high rate of crimes in villages, towns, and cities of this country.

Lukwa observes that many people will have no conscious to indulge in criminal activities that warrant capital punishment.

On 28 April 2021, the Supreme Court of Appeal found that the death penalty contradicts the Constitution of the country as it violates the right to life.

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What are the Differences Between Islamic and Conventional Finance?

The main difference between conventional finance and Islamic finance is that some of the practices and principles that are used in the conventional finance are strictly prohibited under Sharia.

PRINCIPLES OF ISLAMIC FINANCE

Islamic finance strictly complies with Sharia. Contemporary Islamic finance is based on a number of prohibitions that are not always illegal in the countries where Islamic financial institutions are operating:

These differences are:

1. PAYING OR CHARGING AN INTEREST

Islam considers lending with interest payments as an exploitative practice that favors the lender at the expense of the borrower. According to Sharia,

interest is usury (*riba*), which is strictly prohibited.

2. INVESTING IN BUSINESSES INVOLVED IN PROHIBITED ACTIVITIES

Some activities, such as producing and selling alcohol or pork, are prohibited in Islam. The activities are considered *haram* or forbidden. Therefore, investing in such activities is likewise forbidden.

3. SPECULATION (*MAISIR*)

Sharia strictly prohibits any form of speculation or gambling, which is called *maisir*. Thus, Islamic financial institutions cannot be involved in contracts where the ownership of good depends on an uncertain event in the future.

4. UNCERTAINTY AND RISK (*GHARAR*)

The rules of Islamic finance ban participation in contracts with the excessive risk and/or uncertainty. The term *gharar* measures the legitimacy of risk or uncertain in nature investments. *Gharar* is observed with derivative contracts and short-selling, which are forbidden in Islamic finance.

In addition to the above prohibitions, Islamic finance is based on two other crucial principles:

- Material finality of the transaction: Each transaction must be related to a real underlying economic transaction.
- Profit/loss sharing: Parties entering into the contracts in Islamic finance share profit/loss and risks associated with the transaction. No one can benefit from the transaction more than the other party.

WHAT ARE SUKUK BONDS AND ARE THEY DIFFERENT FROM TYPICAL BONDS?



Currently, discussions about sukuk bonds and Islamic Finance are on the increase. Here in Malawi, the Government has just approved the Introduction of Islamic Banking in the country

Sukuk is one mode of financing. Meanwhile, many established players on the international capital markets are issuing sukuk in order to excel in their businesses but how do these bonds work?

A bond is an obligation by an Issuer to return the money borrowed from

an investor after an agreed period of time, and to pay a return, typically in the form of interest, during and/or at the end of the life of that obligation. Hence, the main facets of a bond issue are the credit worthiness of the borrower and the issuer of the bond, in repaying back the loan and servicing it as agreed.

Essentially, a sukuk bond is not much different, but its structure has to adhere to the rules established by Sharia (Islamic principles)

Without entering into the convolutions of Islamic Finance, and focusing on

sukuk bonds, if a borrower decides to borrow money directly from investors in terms of the Islamic perspective of finance, the issuer has to avoid paying interest because this is tantamount to Riba (interest), or the generation of money from money.

Understanding covered bonds or collateralised loan obligations may help us understand sukuk bonds. Whereas a typical bond indicates a debt obligation between the investor (the lender) and the issuer (the borrower), a sukuk indicates the ownership of an asset backing that obligation. Obviously, the asset

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What are Sukuk Bonds and are They Different From Typical Bonds?

backing the sukuk would be Sharia-compliant. This concept would be readily understood by ethical investors who would not consider investments that finance activities which are not aligned to their creed, belief, or opinion.

A sukuk has a secondary market in the same way as a typical bond has and investors may buy, hold, or sell the sukuk after this has been issued in the primary market. Hence, liquidity considerations are also relevant for sukuk bonds. That said, the price of the sukuk is linked to the value and credit dynamics of the assets backing the sukuk. If the asset backing the sukuk increases in value, the value of the sukuk increases commensurately. In a typical bond structure, the interest received on a bond (Riba in terms of Islamic Finance) forms part of the overall return received on the bond. With a typical bond, the interest

rate dynamics also contribute to the return on the bond if changes in interest rates cause the value of the bond in the secondary market to change. In other words, the buyer of a sukuk bond is indirectly buying an asset that has value rather than entering into a loan obligation with the issuer of a typical debt instrument.

It is therefore suggested that, the asset backing the sukuk is critical. Consequently, the value of sukuk is linked to the increase in value and productivity of real assets and not with profit on money and inflation dynamics. Perhaps, focusing more on the economic value added created through the financing of real assets would help societies to increase productivity and real economic wealth sustainably and over the long term. Importantly, the number of investors in the Islamic world cannot be ignored and

therefore Sharia compliant vehicles capable of attracting their wealth are increasingly relevant. The sukuk is a good starting point for issuers to tap into this reality.

IMPORTANTLY, THE NUMBER OF INVESTORS IN THE ISLAMIC WORLD CANNOT BE IGNORED AND THEREFORE SHARIA COMPLIANT VEHICLES CAPABLE OF ATTRACTING THEIR WEALTH ARE INCREASINGLY RELEVANT. THE SUKUK IS A GOOD STARTING POINT FOR ISSUERS TO TAP INTO THIS REALITY.

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