

**INFRASTRUCTURAL GAP FINANCING
IN NIGERIA; THE ROLE OF SUKUK
FINANCIAL INSTRUMENTS**

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Abstract

The importance of infrastructure in the economic development of any country cannot be overemphasised. Infrastructural projects require a constant and dependable source of financing. This source of finance is expected to cover the medium to long term due to the long term maturity and large scale nature of the projects being undertaken. Amongst other side effects of the recent global financial crisis is the drying up of liquidity that would have been used in infrastructural financing. This and other post financial crisis has led to a call for a paradigm shift from the conventional financial monetary system to a system that is free from the problems inherent in the present system. One of such proposals is the introduction of the Islamic-based financial system due to the success that is being recorded in countries / places where it is being practised. This paper discussed the importance and problem of infrastructural financing in Nigeria with a view to identifying the gaps therein. It also critically examined the Islamic financial bond known as "Sukuk" and what is obtained in Islamic based financial systems that have effectively utilised the "Sukuk" financial instruments to overcome its infrastructural financing challenges. The paper identified that there exists an Infrastructural Financing gap in Nigeria and based on this, the paper recommends, amongst other policy measures, that the Nigerian Government should intensify efforts aimed at promoting the issuance of Sukuk in the Nigerian Capital market.

Keywords: Infrastructure financing, Financial crisis, Islamic Bond, Sukuk.

Introduction

The role of infrastructure provision in the attainment of the Millennium Development Goals and the Vision 2020 agenda of the Federal Government of Nigeria cannot be overemphasised (Oteh, 2010). This creates an enabling environment where productive activities take place, encourages investment, allows a wider movement of goods and people, facilitates information flows and ultimately diversifies the economy.

Specifically, infrastructure contributes towards improving the living standards of the citizenry by promoting private sector development and a country's business perceptions and competitiveness. In other words, the availability of infrastructural facilities is very critical to the economic, industrial, technological and social development of any country and, as affirmed by Asue (2008), the state of a country's public infrastructure is a key index for measuring its economic development and growth.

Ngowi, Pienaar, Akindele, and Iwisi, (2006) posit that a vicious cycle exists where there is low level of infrastructure in the sense that lack of infrastructure limits finance and lack of finance limits infrastructure. They argue that inadequate infrastructure curtails income and productivity which makes the financial resources needed to undertake infrastructural needs difficult to mobilise; and that, in as much

as there is infrastructural finance gap, infrastructural gap will continue to widen.

According to Echenim (2010), there exists a huge infrastructural gap in Nigeria. The current state of physical infrastructure in the country is a major developmental challenge for the achievement of the status of one of the top 20 economies of the world. Basic infrastructures like good roads, power supply are lacking, leading to high cost of doing business. Many quoted and unquoted companies like Dunlop NigeriaPlc and Michelin Nigeria have closed down shops (Oteh, 2010). Most of the textile industries have also stopped production, leading to the crash of their share prices. Ahmed (2009), as quoted by Echenim (2010), posits that Nigeria will need about \$15 billion annually over the next five to six years to finance its infrastructural deficit and meet up with its Vision 2020 development plans. In the light of the current economic and financial crisis, raising this huge fund becomes a challenge to the government.

At a meeting of the committee of experts of the 2nd joint annual meeting of the African Union (AU) Conference of Ministers of Economy and Finance and Economic Committee of African (ECA) Conference of Ministers of Finance which was held in 2009, it was reported that the global economic crisis which started in the United States of America as a result of the sharp rise in the number of subprime mortgages sold in the US and the resultant effect which began manifesting in the middle of 2007 into 2008, has spread to all regions of the world. The contagion effect of the crisis had dire consequences for global trade, investment and growth with the magnitude of the effect depending on the extent

of integration of such region into the global economy.

At the regional level, for instance, African countries like Kenya, Tanzania and Uganda had to cancel plans to raise funds from the international capital markets because of the increase in the risk premium that they will have to pay as a result of the financial crisis (AU/ECA, 2009). The drying-up of this source of external finance created a setback for development because the money that should have been raised would have been used to finance infrastructural development and boost economic growth in these countries. Another fallout of the crisis is the uncertainty over its magnitude as a result of which banks were reluctant to lend due to fear of default and insolvency as reported by Hall (2008) in Connolly and Wall (2010). The volume of export also declined leading to reduction in export earnings which indirectly constrained the ability of Governments to finance imported inputs necessary for production as in the case of Burundi where coffee earnings fell by 36 per cent between October and November 2008. Other major external financing sources like Foreign Direct Investment and Official Development Assistance (ODA) that play important role towards the growth of an economy were also affected

Sanusi (2010) affirms that within the context of the current global economic recession, the declining revenue base of the Nigerian state has made sourcing for alternative means of funding infrastructure inevitable. According to him, Nigeria gets over 95% of its revenue from oil but with the fall in the price of oil, the outflow of foreign exchange has outstripped the inflow. In the same vein, the stock market indices declined by about 67% between March 2008 and March 2009 (AU/ECA, 2009). For instance, in 2008, the Nigerian Stock Exchange (NSE) lost about N556 Billion. This was as a result of foreign investors who had invested in the NSE having to pull out their funds to their home countries because of the economic meltdown being experienced in their home countries and in order for them to shore up their native economies (Agaba and Tenuche, 2010). With this set back experienced by major players (budgetary allocation and capital market) in the funds market, the traditional method of financing and management of infrastructural service has been unable to keep up with the demand for infrastructure services, hence the need to seek for an alternative source of financing.

Infrastructure and Infrastructure Financing

The World Bank (1994) defines infrastructure as an umbrella term for many activities referred to as social overhead capital, which includes services from: public activities such as power, telecommunications, water supply, sanitation and sewage, solid waste collection and disposal, and piped gas. It also includes public works such as road and major dam and canal works for irrigation and drainage; transport facilities such as urban and inter-urban railways, urban transport, port and water ways, and airports.

Infrastructure projects differ in some very significant ways from manufacturing projects and expansion and modernisation projects undertaken by companies (Ngowi et al, 2006). A distinctive feature is that infrastructure sectors tend to be natural monopolies in the sense that they tend to preclude

competition because of increasing return to scale and high fixed costs. Although, technological change can turn natural monopolies into potentially competitive markets, the chances that competition will work in infrastructure sector are very slim (World Bank, 1994). The second distinctive feature is that infrastructure sectors produce mainly non-tradable services in the sense that the services cannot be exported nor imported. There is no threat of import competition. The other features of infrastructure projects include inelastic demand and huge investment required for capital and maintenance.

It is in acknowledgement of the fact that a well functioning economy needs to be attained that governments would seek to develop infrastructure such as housing, railroad, roads, energy, health facilities and telecommunication among others (Oteh 2010). The re-occurring issue is that of financing of the projects.

Infrastructure financing refers to a limited recourse or non-recourse finance that consists of financing very specific assets or projects, with repayment coming only from the cash flow generated by the project asset, without claims on the investors that own the company (Moghalu, 2011). Infrastructure financing is thus a funding structure that relies on future cashflow from a specific project as the primary source of repayment, unlike other corporate lending where the source of repayment could come from any source of revenue of the borrower.

Infrastructure finance can also be referred to as the means of financing the establishment, maintenance, operation and improvement of a country's physical infrastructure systems - transport, water, communications networks and power (World Bank, 1994). Infrastructure financing is a funding structure that involves a huge sum of money invested for a long period of time with high underlying risk resulting from demand uncertainty, environmental surprises, technological obsolescence, political and policy related uncertainties (Mor and Sehwat, 2006). Sources of infrastructure financing as highlighted by Moghalu (2011) include budgetary support through Public Private Partnership (PPP), internally generated fund (majorly taxes and levies), borrowing/debt, fund from international/multilateral institutions (like World Bank, International Finance Corporation, African Development Bank etc. Specialized Institutions such as Bank of Industry, Urban Development Bank of Nigeria, Bank of Agriculture and Nigeria Export-Import Bank (NEXIM) are all major players in infrastructure financing in Nigeria. Government, according to Oteh (2010), is not left out as it finances infrastructural projects through the issuance of bonds. However, the focus of this paper is on borrowing / debt through Islamic bond issuance, an avenue that is yet to be explored by the Nigerian financial players.

Nigerian Situation; Prospects and Challenges

Prior to 1980, the state had been the sole provider of finance for infrastructural facilities giving little or no room for private participation. This socialist ideology was adopted by the then leaders of the country who inherited power from the colonialist in order to legitimize their control of state power and as a

strategy for stimulating and accelerating the much needed post independence economic development of the country. Encouraged by the oil boom of the 1970s, the government embarked on several capital projects like universities, hospitals, road construction, airports, refineries, steel mills etc, (Animashaun, 2010).

The collapse of the world oil market of the early 1980s marked the beginning of infrastructural financing problem in Nigeria (Animashaun, 2010). The sharp reduction in her oil earnings from N10.1 billion in 1979 to about N5.161 billion in 1982 coupled with the increase in the percentage of budget deficit, which grew to 12 percent of the GDP in 1983 signalled the end of government led infrastructure financing and execution due to the fact that it could not meet the needs in an optimal manner.

As these financing requirements rose beyond the capacity of the government budgets, this led the government to approach World Bank for loan and eventual adoption of Structural Adjustment Program in 1986. The level of infrastructural facilities gradually declined as the nation's ability to maintain social services and infrastructure reduced because of the implementation of the Structural Adjustment Programme (SAP) which required a reduction in public expenditure as one of the major policy components.

Apart from the problem of dwindling revenue, there were also some inherent drawbacks to public funding for infrastructure development which included the problem of accountability and inefficiency leading to high cost of provision for consumers. Government budget was being strained as a result of the political consideration associated with public funding leading to poor performance and uneconomical pricing (Ngowi et al. 2006).

Expanding the identified gap in infrastructural financing in the country is the recent economic meltdown that ravaged the world economy with the resultant negative effect on the revenue accruing to countries of the world making cost of expanding, improving and maintaining public infrastructure overstretch public resources. According to Oteh (2010), due to the increased demand for sophisticated infrastructure, governments' budgets are no longer sufficient to satisfy the growing need. Real sector operators have attributed their woes and dismal performance to the dearth of infrastructure in the country making efforts for alternative funding sources inevitable.

In recognition of this fact, the Federal Government of Nigeria is actively encouraging and setting up institutions that would regulate and provide incentives for infrastructure financing and development in the country. A fundamental step taken is to shift the Nigerian economy from the socialist economy to free market economy where the state is seen not as provider of infrastructure but as a regulator and enabler. This is to be achieved through the promotion of new models for infrastructure planning, financing, operating and maintenance.

The enactment of the Infrastructure Concession Regulatory Act of 2005 points to the fact that Government alone cannot continue to meet the finance and expertise needed to fill the infrastructural gap. There is the need to explore other

means of funding infrastructural development.

Little attention has been devoted to the means of an alternative source of financing the infrastructure gap. Literature suggests that fund mobilized in the Nigerian capital market for infrastructural development in the last twenty years showed the dominance of Federal Government Sovereign bonds (Oteh, 2010). The opportunities and benefits inherent in the capital market are still begging to be explored. Potential investors are confined to limited capital market financial instruments to choose from, hence the need to introduce other financial instruments into the market so as to give investors the opportunity to diversify their investments. One of the financial instruments that is yet to be traded on the floor of the Nigerian Stock Exchange is the Islamic bond otherwise known as Sukuk. Sukuk, as evidenced from other countries like the Gulf Cooperation Council (GCC) Countries and some Asian countries, has proven to be a steady and dependable source of medium to long term funds for large projects and developmental structures such as the provision of infrastructure while at the same time, ensuring that there is diversification of risks. It is on the basis of this that this article intends to critically discuss the Islamic Bond (Sukuk) and bring out its benefits as an alternative means of financing infrastructure in Nigeria and in the same vein provide an alternative to the traditional bank financing which shows no immediate signs of return in the currently dislocated financial markets.

Sukuk in the Islamic Capital Market.

One of the basic functions of the capital market is the provision of medium to long term funds for the financing of major capital projects such as infrastructural projects which, as asserted by Oladapo and Kassim (2009), helps in the promotion of economic growth and development of any nation. The capital market is known for the mobilization of funds from the surplus sectors to the deficit sectors for such medium to long term investments through the provision of innovative products that meet the specific needs of the agents as well as attract more funds into the system. In order that the market should meet the needs of the investors and fund seekers, there is a need for the market to be kept liquid at all times; and the tradability of the financial instruments is an important factor in this regard. This action, as argued by Oladapo and Kassim (2009), encourages competition in the financial markets by offering choices to potential investors. This, in turn, supports the economy through the creation of both domestic and foreign investment opportunities. Similarly, a major objective of Islamic Finance is the provision of funds for long term infrastructural / developmental purposes. This has the impact of achieving economic growth and development as well as ensuring the wellbeing of the society at large and, as argued by Meera and Larbani (2006), the socio-economic ills of an interest-based society are eliminated.

The Islamic capital market performs the same functions as a conventional (Interest-based) capital market, except that its operations are guided by Islamic law (Shariah) principles that govern Islamic finance. These principles are based

on the prohibition of Riba (interest), Maysir (gambling / speculation), and Gharar (uncertainty), and the market ensures that its operations exhibit justice and fairness in its dealings. Haron and Nursufiza (2007) affirm that the Islamic capital market is one that provides a steady and dependable source of medium to long term funds for large investments and developmental projects such as infrastructural projects while at the same time, ensuring that there is diversification of risks that arise as a result of the mismatch between assets and liabilities.

One of the financial instruments in use in the Islamic Capital Market is "SUKUK" commonly referred to as the Islamic Bond / Islamic Investment Certificate. According to the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) Shari'a standard No. 17, a sukuk is defined as certificates of equal value representing undivided shares in ownership of tangible assets, usufructs and services (in the ownership of) the assets of particular projects or special investment activities.

Thus, Sukuk can generally be defined as shariah-compliant and tradable asset backed notes that are issued for specific projects. The major distinguishing characteristic of Sukuk aside its non-interest based feature, is that it is asset backed (the securitization feature) which implies that when being traded in the capital market, the investors are actually buying and selling the rights they have to the underlying assets. This tradability feature of Sukuk, is affirmed by Nathif and Thomas (2004) wherein it was defined as a claim that is similar to a note or certificate which is ownership to a claim to an asset or a pool of assets as against a financial claim to a cash flow or receivables in a conventional bond. The certificate thus represents a proportion of or an undivided interest in an asset or a pool of assets.

Omar (2010) states that the primary condition under which Sukuk is issued is the existence of underlying assets on the balance sheet of the issuer which can be a government body, a corporate body or any other entity that wishes to mobilize fund from the capital market. According to the study, the identification of suitable assets is the first and most important step in the process of issuing Sukuk certificates. This is due to the fact that Sukuk in Islamic law does not represent debts owed by the issuer and as a result, it cannot be based on a pool of receivables nor can it be based on assets that are not regarded as Sharia'h- compliant assets.

SUKUK STRUCTURES

Sukuk in general, comes under four main headings, and as Adeshina (2009) points out, the classification of the underlying assets is a major factor in determining the type of Sukuk to be issued.

1. Sukuk Ijarah (Lease-based Sukuk): This is a contract which involves the transfer of the usufruct of an underlying asset by the owner of the said asset to another party, for an agreed tenure, at an agreed consideration. It is worthy to note that the subject matter of the lease must have valuable use and the benefit from the lease must be lawful in Shariah. Ijarah contract may include security

arrangement allowed by Shariah, to secure the rental payments or as security against negligence and/or misuse of the leased asset by the lessee, including charge over the assets, assignments of rights over the lessee's assets, amongst others. Common Ijarah structures include Ijarah Muntahiah Bitamlik (Sale, Leaseback and Ownership Reversion), Ijarah Mausufah Fi Dhima (Forward/Advance Lease) and Lease and Leaseback.

2. Partnership Sukuk: This can be further broken down into

a. Sukuk Mudharaba: Financing whereby the financier provides capital to the client/contractor to build the project. The proceeds of the sale of the completed project is then shared between the investors /capital providers and the client/ contractor based on agreed ratio/percentage. The purpose of issuing this type of Sukuk is usually for venture financing such as projects, real estate, etc, on equity basis and maturity period is medium to long term period. The underlying asset here is equity investment in the venture assets.

b. Sukuk Musharaka: Financing under which both the investors and the client contractor must contribute capital either in terms of cash or asset. While the profit distribution is negotiable, the loss must be proportionately distributed according to capital. Like the Mudharaba Sukuk, it is also issued for venture financing and on equity basis for a medium to long term and equity investment in the venture assets is the underlying asset.

3. Sale-Based Sukuk: Here, there are three main Sukuk structures namely;

a. Sukuk Murabaha; This is the sale of goods at a selling price comprising the cost or purchase price and the profit margin. Cost price and profit margin must be fully disclosed to the buyer and payment of selling price by buyer can be on the spot or deferred, depending on the agreement between both parties. According to the AAIOFI(2004), Sukuk al-Murabaha are certificates of equal value issued for the purpose of financing the purchase of goods through Murabaha so that the certificate holders become owners of the Murabaha commodity. The issuer of the certificate is the seller of the Murabaha commodity, the subscribers are the buyers of that commodity, and the realised fund is the purchasing cost of the commodity. The certificate holders own the Murabaha commodity and are entitled to its final sale price upon the re-sale of the Commodity.

b. Sukuk Istisna'a: Istisna'a is a contractual agreement for manufacturing goods and commodities, allowing cash payment in advance and future delivery or a future payment and future delivery. A manufacturer or builder agrees to produce or build a well described good or building at a given price on a given date in the future. Price can be paid in instalments, step by step as agreed between the parties. Istisna'a can be used for providing the facility of financing the manufacture or construction of houses, plants, projects, and building of bridges, roads and highways. Sukuk al-Istisna'a are certificates that carry equal value and are issued with the aim of mobilising the funds required for manufacturing products that are owned by the certificate holders. The issuer of these certificates is the manufacturer (supplier/seller), the subscribers are the

buyers of the intended product, while the funds realised from subscription are the cost of the product. The certificate holders own the product and are entitled to the sale price of the certificates or the sale price of the product sold on the basis of a parallel *Istisna'a*, if any. *Istisna'a* Sukuk are quite useful for financing large infrastructure projects.

c. Sukuk Salam: Salam is the sale of a specific commodity, well defined in its quality and quantity which will be delivered to the purchaser on a fixed date in the future against an advanced full payment of price at spot. Sukuk al-Salam are certificates of equal value issued for the purpose of mobilising Salam capital so that the goods to be delivered on the basis of Salam come to the ownership of the certificate holders. The issuer of the certificates is a seller of the goods of Salam, the subscribers are the buyers of the goods, while the fund realised from subscription is the purchase price (Salam capital) of the goods. The holders of Salam certificates are the owners of the Salam goods and are entitled to the sale price of the certificates or the sale price of the Salam goods sold through a parallel Salam, if any.

4. Hybrid Sukuk-Sukuk Istithmar: In a hybrid Sukuk such as Istithmar, the underlying pool of assets can comprise *Istisna'a*, Murabaha receivables as well as *Ijara*. The reason behind having a portfolio of assets comprising different classes is that it allows for a greater mobilization of funds.

The use of Sukuk in Infrastructural Financing: Empirical Evidence from other Countries.

The International Islamic Financial Market (2009) Sukuk report indicates that the total Sukuk global issuance increased to US\$136 billion from a figure of US\$1 billion in 2001. These Sukuk were issued at both the international and domestic financial markets of the countries involved. Table 1 below shows the regional breakup of global Sukuk issues as at June 2009.

Table 1: Regional Breakup of Global Sukuk Issues as at June 2009
(all figures in US\$ billions)

	GCC	Malaysia	Others	Total
Value of Domestic <i>Sukuk</i>	\$16	\$67	\$18	\$101
Share of Domestic <i>Sukuk</i> Market	16%	66%	18%	100%
Value of International <i>Sukuk</i>	\$29	\$3	\$3	\$35
Share of International <i>Sukuk</i> Market	83%	9%	9%	100%
Value of total Global <i>Sukuk</i>	\$45	\$70	\$21	\$136
Share of total Global <i>Sukuk</i> Market	32%	53%	15%	100%

Note: GCC (Gulf Cooperation Council) countries includes Saudi Arabia, U.A.E., Bahrain and Qatar. Others includes US, Germany, Gambia, Sudan, Indonesia, Pakistan, Brunei and Singapore, UK and Cayman Islands. From table 1, it is seen that Malaysia has the highest percentage of domestic issuance at 66% while the highest issuance in the international market is the Gulf Cooperation Council Countries (GCC) at 83% with Malaysia dominating the global Sukuk market with a total percentage issuance of 53%. This indicates the dominating role it plays in the Islamic finance sector.

Recent country case and specific Sukuk issued for infrastructural and project development includes;

Malaysia:

- The Malaysian Global Sukuk issued by the Government of Malaysia in 2002 with an issue size of US\$600 million for general funding purposes such as the acquisition of land parcel for construction purposes.
- The Syarikat Prasarana Negara Berhad (a Malaysian public infrastructure company) sukuk of US\$670 million (RM 2 billion in local currency) in 2008 to part finance public transport system expansion, development and other infrastructure improvement programs.
- The US\$540 million Islamic residential mortgaged-backed securities issued by Cagamas MBS Berhad in 2005. Cagamas is a wholly-owned subsidiary of Malaysia's National Mortgage Corporation incorporated for the purpose of securitising housing loans that are given to civil servants.
- The US\$4.8 million Binariang GSM Sdn Bhd corporate sukuk issuance in 2007 used in buying out Maxis Communications Bhd (Malaysia's leading telecommunication company).
- The Pengurusan Aset Berhad, US\$5.92 million sukuk issuance in 2009 to raise funds for the management of the country's water assets. Pengurusan Aset Berhad is a state owned water asset management company set up for the purpose of achieving an efficient and quality sustainability of the water industry. This won the 2009 deal of the year for project and infrastructure finance.

Bahrain

- Central Bank of Bahrain international sukuk issuance of US\$750 million issued on behalf of the Government of Bahrain in 2009.
- Al Dur IWPP's US\$1.6 billion Ijarah Islaimc financing for independent water and power projects issued in 2009.
- An Islamic liquidity management instrument is also used by the Central Bank of Bahrain in the management of liquidity in the financial system. This is used to assist Islamic financial institutions to manage their liquidity problems.

Saudi Arabia

- The US\$ 390 million *ZamZam Tower project which consists of 1400 residential properties in 2007.*
- Saudi Electricity Company (SCECO) US\$1.9 billion in 2009.

- Saudi Hollandi's Bank US\$ 180 million construction facilities for Arabian Amines, a company in the oil and gas sector.

United Arab Emirates

- Notable amongst the U.A.E. Sukuk is the Dubai US\$ 2.5 billion Nakheel sukuk issued in 2006. The money raised through the issuance was used to finance the general corporate activities of the Nakheel Group, a Dubai property Developer Company. The company had the objective of adding over 1,000km of coastline to Dubai with a view to hosting over 3 million people when completed.
- The 2009 US\$1 billion issuance of the Tourism Development and Investment Company in Abu Dhabi to promote tourism.

Others

- In Pakistan, US\$22.6 million sukuk issuance for the development of world class industrial parks in 2007 with the objective of supporting the industrialization process.
- €100 million Ijara Sukuk in 2004 by the Federal State of Saxony-Anhalt in Germany.
- In the United States of America, the East Cameron Gas Musharakha sukuk issued in 2006 with an issue size of US\$165.7.
- The Islamic Development Bank (IDB) US\$3.5 billion sukuk issuance. Funds raised are to be utilised for financing projects in the areas of agriculture, infrastructure and power sectors in member countries.
- The US\$299 million Tamweel sukuk issued in Cayman Islands by Tamweel, a leading provider of Sharia compliant residential properties in the United Arab Emirates (U.A.E).

The successes resulting from the issuance of these various Sukuk in the capital markets of these different countries (as an alternative to government funding / private debt) is an indicator that the Islamic Bond as a major source of financing long term infrastructures and projects has come to stay. It is observed that with the introduction of Sukuk in the capital market of these countries, the level of infrastructural development has improved. It is also noted that with the significant emergence of Sukuk funds (which serve as an alternative to equity fund and bond fund), there is a growth in conventional and Islamic asset fund managers who are capable of managing the funds. This is evidenced by recent economic events which have shown an increased desire and demand for Sukuk that is being used widely in the areas of oil and gas, water, power and transportation. Studies on the impact of the recent financial crisis on Islamic finance also show that the crisis had a lesser impact on Islamic finance than the conventional finance (Ahmed, 2010; Gray, 2010 and Hasan and Dridi, 2010).

Conclusion and Recommendations

In the light of the infrastructural financing gap identified in the Nigerian economy and Government's efforts aimed at finding an alternative to the financing of infrastructure in order to promote long term economic growth and development, this paper recommends that Sukuk financial instruments be introduced into the Nigerian Capital Market. However, in order to tap into the benefits inherent in the Sukuk market, it is necessary for the Government, the issuers and the operators amongst other measures to

1. Intensify efforts aimed at creating an enabling environment for Sukuk to be issued as a financial instrument of the Nigerian capital market. This includes enhancing the regulatory and legal framework presently existing in the market to include Islamic financial instruments.
2. Identify projects / structures for Sukuk issuance and in so doing, identify the underlying assets that can be used in the issuance by both the issuer and the regulatory authorities.
3. Educate the citizenry on the reasons / need to use the Islamic Bond in view of recent happenings in the global economic scene. In this regard, both the operators and the regulatory authorities have the duty of sensitising the public.
4. Build manpower / competence / expertise in the areas of alternative sources of financing for infrastructure and specifically in Islamic finance.

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