Islamic Finance and Asset Recycling

Islamic Finance

Below we explore the type of assets that are suitable for Islamic finance-based assets recycling transactions and the issues that governments typically encounter in such transactions. Check out the section or click the link to find more about Asset Recycling.

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Asset Recycling, Islamic Finance, Dubai

*The **Guidelines to Implementing Asset Recycling Transactions** is intended to be a living document and will be reviewed at regular intervals. Visit the **Asset Recycling: Decision maker's notes** for a practitioner's overview of Asset Recycling programs. To find more, check out the **Section Overview** and **Content Outline** , or **Download the Full Report**.*

Module 9 of the Annex in Asset Recycling.

Financing is a process of providing funds for business activities, making purchases, or investing. Conventional finance achieves this by leveraging the time value of money (TVM) whereas Islamic finance generally achieves this by leveraging the income stream generated from an underlying asset or commodity. By its nature, Islamic finance involves using traditional investment techniques and structures (that comply with the principles of Shari'ah) to leverage the income stream generated from an asset or commodity thus creating arrangements that work in ways that are analogous to, and which achieve the economics of, modern conventional finance. This is what is meant when Islamic finance is described as being "asset-based" financing.

Islamic finance is also often described as involving (even requiring) "risk-sharing". As profit cannot be pre-determined or assured, an Islamic financial institution must assume part of the risks of a given transaction. The financier's assumption of some commercial risks (as opposed to credit risk) relating to the underlying asset will be necessary to ensure Shari'ah compliance. On the other hand, a financier in a conventional financing will seek to ensure that, so far as possible, it does not take on any commercial risk relating to the borrower or the asset it is providing finance for. *Find more below, or visit the Guidelines for Implementing Asset Recycling Transactions section and Content Outline, or Download the Full Report.*

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Overview of Assets Recycling Through Islamic Finance

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Research and Publications in PPPRC

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This section has not been prepared with any specific transaction in mind and are meant to serve only as general guidance. It is therefore critical that the content will be reviewed and adapted for specific transactions.

This is a new section of the website and is currently in draft form. For feedback on the content of this section or to suggest additional links or materials, please contact the PPP Resource Center using the feedback form.

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