

Introduction: Islamic Finance in Asset Recycling

Full Description

Interestingly, "asset-based" and "risk-sharing" are not only key features of Islamic finance, they are also fundamental features of typical assets recycling transactions. In asset recycling transactions, revenue generating public assets are identified for monetization purposes and then monetized proceeds are ring-fenced and invested in new or existing infrastructure assets. Islamic finance is well-suited for assets recycling transactions and is already well-established as part of the project and asset finance industry for many years, driven by high investments in infrastructure in the Middle East.

In this paper, 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 and dive into the pros and cons of some selective Islamic finance products which are suitable for structuring an asset recycling transaction. There are numerous Islamic finance products and each of them are different. While certain Islamic finance products appear to be suitable for structuring an asset recycling transaction, others may not work. The chart below summarises a suitability analysis undertaken further below in this paper in respect of a selection of popular Islamic finance products:

Islamic Finance Product	Sale and leaseback	Long Term Head Lease & Short Term Sublease	<i>Sukuk al-ijarah</i>	Equity Sharing Structures e.g., <i>musharakah</i>	A Sale Based Structure e.g., <i>murabahah</i>	A Lease-Based Structure e.g., <i>ijarah</i>
Ease of Asset Control Transfer	?????	?????	?????	?????	?????	?????
Stability	?????	?????	?????	?????	?????	?????
Market Appetite	?????	?????	?????	?????	?????	?????
Simplicity	?????	?????	?????	?????	?????	?????
Overall Suitability	?????	?????	?????	?????	?????	?????

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Page Specific Disclaimer

The Guidelines have not been prepared with any specific transaction in mind and are meant to serve only as general guidance. It is therefore critical that the Guidelines be reviewed and adapted for specific transactions To find more, visit the Guidelines to Implementing Asset Recycling Transactions [Section](#)

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