

**SUKUK AND INFRASTRUCTURE FINANCE: A PATHWAY TO SUSTAINABLE AVIATION
AND MULTIMODAL TRANSPORT DEVELOPMENT IN NIGERIA**

BY

MUHAMMAD SAMBO UMAR, PhD*

AND

AHMAD ABUBAKAR*

ABSTRACT

This paper critically examined the viability of *Sukuk* and broader Islamic infrastructure finance as Sharia-compliant mechanisms for facilitating sustainable aviation and multimodal transport development in Nigeria. The paper explored how asset-based Islamic financial instruments—particularly infrastructure and project-based *Sukuk*—could serve as ethical and efficient alternatives to conventional debt-financing models. It contextualized the infrastructural deficit in Nigeria’s aviation and transport sectors within the broader national development agenda and the Sustainable Development Goals (SDGs). It identified fiscal constraints, institutional inefficiencies, and policy fragmentation as major impediments to sustainable financing. Through comparative analysis of successful *Sukuk* issuances in jurisdictions such as Malaysia, the United Arab Emirates, and Indonesia, the paper derived transferable insights relevant to the Nigerian context. The findings revealed that while Nigeria has recorded some success in deploying *Sukuk* for road infrastructure projects, its application in aviation and multimodal transport remains limited, largely due to regulatory incoherence, insufficient stakeholder awareness, and the absence of sector-specific Sharia-aligned financial frameworks. The paper argued that strategically structured *Sukuk*, when supported by a robust legal, regulatory, and institutional ecosystem, could unlock long-term capital for critical infrastructure, promote fiscal prudence, and reinforce ethical investment practices. It concluded by recommending the development of tailored regulatory frameworks for transport-linked *Sukuk*, enhanced public-private partnerships, and the institutionalization of Sharia-compliant project evaluation and risk management protocols to deepen the role of Islamic finance in Nigeria’s sustainable transport development trajectory.

*Gombe State University, Gombe muhammadsamboumar5@gmail.com and samboubello@yahoo.com

*Research Associate, Shehu Wada SAN and Co. (Legal Practitioners) Abuja, Nigeria., ahmedbuba19@gmail.com and ahmedbuba19@yahoo.com

1. Introduction

Nigeria's economic development has long been constrained by a persistent infrastructure deficit, particularly in critical sectors such as aviation and multimodal transport. As Africa's most populous nation and a regional trade hub, Nigeria faces increasing demand for efficient transportation systems that integrate air, rail, road, and inland waterway networks. The effective coordination and financing of such systems are indispensable not only for national connectivity and regional integration but also for the attainment of the United Nations Sustainable Development Goals (SDGs), especially those related to infrastructure (Goal 9), sustainable cities (Goal 11), and climate action (Goal 13).¹

Traditionally, infrastructure projects in Nigeria have been financed through public budgets, concessional loans, or conventional bonds—mechanisms that are often unsustainable due to fiscal constraints, high debt servicing costs, and currency mismatches.² Moreover, conventional financing methods frequently fall short in addressing ethical concerns, environmental sustainability, and inclusive development. Against this backdrop, Sharia-compliant finance instruments, especially Sukuk, have emerged globally as credible alternatives for funding long-term, capital-intensive infrastructure projects. Sukuk offer asset-backed structures rooted in ethical investment principles, risk-sharing, and real economic activity, making them suitable for development finance in both Muslim-majority and pluralist jurisdictions.³

In Nigeria, Sukuk have made notable inroads into public infrastructure financing, particularly under the administration of the Debt Management Office (DMO), which successfully issued multiple sovereign Sukuk between 2017 and 2022 to fund federal road projects across the six geopolitical zones.⁴ However, despite this progress, the use of Sukuk in the aviation and multimodal transport sectors remains largely unexplored. The regulatory, institutional, and policy environments have yet to adapt sufficiently to facilitate the broader application of Islamic finance to Nigeria's evolving transport infrastructure needs.⁵

This paper explores the role of Sukuk and Islamic infrastructure finance as tools for addressing Nigeria's transport financing challenges. It examines the conceptual and legal foundations of Sukuk, maps the institutional and regulatory architecture in Nigeria, and draws on comparative experiences from

¹United Nations, *Transforming our world: the 2030 Agenda for Sustainable Development* (UNGA Resolution A/RES/70/1, 2015) Goals 9, 11 and 13

²International Monetary Fund, *Fiscal Monitor: How to Mitigate Climate Change* (October 2022) 17–19

³Iqbal Khan and Muneeza I. Malik, 'Infrastructure Financing through Sukuk Instruments: A Sharī'ah Compliant Alternative' (2020) 5 *ISRA International Journal of Islamic Finance* 23, 24–26

⁴Debt Management Office Nigeria, *Sovereign Sukuk* <https://www.dmo.gov.ng/sukuk> accessed 15 July 2025

⁵Zubair Hassan and M Sulaiman, 'Islamic Capital Market for Infrastructure Development in Nigeria: Potentials and Regulatory Challenges' (2021) 11(2) *Journal of Islamic Economics, Banking and Finance* 33, 34–36

Malaysia, the UAE, and Indonesia. Thus, the paper identifies challenges and opportunities specific to the aviation and multimodal transport sectors and proposes practical recommendations for mainstreaming Sharia-compliant infrastructure finance within Nigeria's broader development framework.

2. Conceptual Clarification

2.1 The Concept of Sukuk

Sukuk are Sharia-compliant financial certificates that represent ownership in tangible assets, usufructs, or services, structured to generate lawful returns for investors without violating the Islamic prohibition of *riba* (interest). Unlike conventional bonds, which reflect debt obligations with interest payments, *Sukuk* are asset-backed or asset-based instruments involving lawful profit-generating contracts such as *ijarah* (leasing), *murabahah* (cost-plus financing), *musharakah* (equity partnership), and *istisna* (construction financing).⁶

Sukuk offer ethical and risk-sharing features that make them suitable for financing large-scale infrastructure projects while attracting investors who seek Sharia-compliant alternatives. They have become prominent tools in Islamic capital markets, providing liquidity, enhancing financial inclusion, and promoting socially responsible investment, particularly in regions with Muslim populations or interest in ethical finance.⁷

2.2 The Concept of Islamic Finance

Islamic finance refers to financial activities and services conducted in accordance with Sharia principles. It prohibits interest (*ribā*), excessive uncertainty (*gharar*), gambling (*maysir*), and investment in unlawful (*haram*) industries such as alcohol, pork, and adult entertainment.⁸ Key features of Islamic finance include asset-backing, profit and loss sharing, ethical investment, and socio-economic justice. The system is rooted in contracts and transactions that promote real economic activity, fairness, and financial inclusion. Major instruments include *murabahah*, *musharakah*, *muḍarabah*, *ijarah*, *wakalah*, and *salam*, all designed to ensure compliance with Islamic ethical and commercial norms.⁹

⁶Muhammad Al-Bashir Muhammad Al-Amine, *Sukuk and Islamic Capital Markets: A Practical Guide* (Kluwer Law International 2011) 35–37

⁷Iqbal and Malik, (n5) 23

⁸M Kabir Hassan and Mervyn K Lewis, *Handbook of Islamic Banking* (Edward Elgar 2007) 12–15

⁹Obiyathulla I Bacha and Abbas Mirakhor, *Islamic Capital Markets: Theory and Practice* (2nd edn, Wiley 2013) 42–45

Islamic finance has evolved into a global system with applications in banking, insurance (*takaful*), asset management, microfinance, and capital markets. It plays an increasingly important role in development finance by offering sustainable, inclusive, and ethical financial solutions, particularly in infrastructure and public-private partnership (PPP) projects.¹⁰

2.3 The Concept of Aviation

Aviation encompasses the activities and industries involved in the operation of aircraft and airports, including the transportation of passengers and cargo by air. The aviation sector is vital for connecting markets, promoting tourism, enabling emergency response, and facilitating trade and logistics in an increasingly globalized world.¹¹

Civil aviation, in particular, plays a central role in economic development by enhancing mobility, reducing time-to-market for goods, and supporting employment across aviation-related services. In developing economies like Nigeria, efficient and safe aviation infrastructure is essential for regional integration and access to international markets.¹²

2.4 The Concept of Sustainable Aviation

Sustainable aviation refers to the development and operation of air transport systems in ways that minimize environmental impact, enhance energy efficiency, and promote long-term viability. It incorporates technological innovation, alternative fuels, optimized flight operations, and investment in modern and eco-friendly airport infrastructure.¹³

The aviation industry is under increasing pressure to address its carbon footprint and noise pollution. Thus, sustainable aviation focuses not only on reducing greenhouse gas emissions but also on improving operational sustainability, safety, and equitable access to air travel. Investment in sustainable aviation is aligned with the global climate agenda, including the Paris Agreement and the UN SDGs.¹⁴

¹⁰Zamir Iqbal, Habib Ahmed and Abbas Mirakhor, *Introduction to Islamic Economics: Theory and Application* (Wiley 2013) 88

¹¹International Civil Aviation Organization (ICAO), *Annual Report of the Council 2022* (ICAO 2023) 17–19

¹²Nigerian Civil Aviation Authority (NCAA), *Annual Report 2021* <https://www.ncaa.gov.ng> accessed 27 July 2025

¹³International Air Transport Association (IATA), *Fly Net Zero: Delivering Aviation's Net-Zero Carbon Goal* (IATA 2022) 4–6

¹⁴International Air Transport Association (IATA), *Fly Net Zero: Delivering Aviation's Net-Zero Carbon Goal* (IATA 2022) 4–6; United Nations Environment Programme (UNEP), *Sustainable Aviation for Climate Action* (UNEP 2021) 22

2.5 The Concept of Multimodal Transport

Multimodal transport involves the movement of goods or passengers under a single contract but performed using two or more different modes of transport, such as air, rail, road, and inland waterways. It is coordinated to ensure efficient and seamless delivery across national and international routes.¹⁵ Multimodal transport enhances connectivity, reduces transaction costs, improves logistics efficiency, and supports economic competitiveness.

For countries like Nigeria, with vast geographical diversity and infrastructural challenges, a robust multimodal transport system is key to achieving sustainable development and inclusive growth. The integration of ports, railways, highways, and air transport facilities can significantly boost national and regional trade.¹⁶

3.1 Legal Framework for Sukuk Issuance, Infrastructure Finance and Multimodal Transport in Nigeria

In Nigeria, the legal framework governing Sukuk and infrastructure development is derived from a combination of federal legislation, financial regulations, and sector-specific enactments. Below is a brief analysis of key legal instruments relevant to Sukuk deployment in aviation and multimodal transport financing.

3.1.1 The Investment and Securities Act 2007

The Investment and Securities Act (ISA) 2007 is the principal legislation regulating capital markets in Nigeria. It provides the legal basis for issuing, trading, and regulating securities, including non-interest capital market instruments such as Sukuk. Section 213(1) of the Act empowers the Securities and Exchange Commission (SEC) to regulate Islamic capital market products. This legislative mechanism has enabled the issuance of Sovereign Sukuk by the Debt Management Office (DMO) for road infrastructure since 2017. However, the ISA is largely silent on sector-specific instruments such as transport-linked Sukuk, leaving a gap in regulatory alignment for aviation and multimodal development.¹⁷

¹⁵United Nations Conference on Trade and Development (UNCTAD), *Review of Maritime Transport 2023* (UNCTAD 2023) 51

¹⁶African Development Bank (AfDB), *Multimodal Transport Strategy for Africa 2021–2030* (AfDB 2021) 33

¹⁷Investment and Securities Act 2007, s 213(1)

3.1.2 The Securities and Exchange Commission Rules (as amended)

Pursuant to its mandate under the ISA, the SEC issued the Rules on Non-Interest Capital Market Products in 2013 (updated in 2015 and subsequently amended), which provide operational clarity on the issuance of Sukuk in Nigeria. The Rules define Sukuk, outline the roles of Sharia advisory boards, and require issuers to obtain a no-objection letter from the SEC prior to launching an offer. While these Rules offer a procedural foundation, they do not address the legal peculiarities of infrastructure-backed Sukuk or sectoral complexities specific to aviation or intermodal logistics systems.¹⁸

3.1.3 The Companies and Allied Matters Act 2020

The Companies and Allied Matters Act (CAMA) 2020 governs corporate structuring and special purpose vehicles (SPVs), entities commonly used in Sukuk transactions. Under CAMA, SPVs may be incorporated as limited liability companies or trustees to serve as asset-holding entities in Sukuk issuances. CAMA provides the flexibility for non-interest financial products to comply with Sharia principles without conflicting with corporate governance requirements.¹⁹

3.1.4 The Debt Management Office (Establishment, Etc.) Act 2003

The Debt Management Office (DMO) Act establishes the DMO as the agency responsible for managing Nigeria's public debt. It has played a central role in structuring and issuing sovereign Sukuk, notably for road projects. However, the Act does not make explicit reference to Islamic finance, nor does it contemplate its use in aviation or multimodal transport sectors. Nonetheless, the DMO has shown administrative flexibility in aligning public debt instruments with Islamic finance principles.²⁰

3.1.5 The Infrastructure Concession Regulatory Commission Act 2005

The ICRC Act provides the legal basis for public-private partnerships (PPPs) in Nigeria. Sukuk instruments, especially *Istisnā'* or *Ijārah*-based structures, can be aligned with concession frameworks to finance and operate transport infrastructure. The Act allows for long-term lease and design-build-finance-operate (DBFO) models, which are compatible with Sharia-compliant contracts. However, there is no explicit

¹⁸Securities and Exchange Commission, 'Rules on Non-Interest Capital Market Products' (SEC Nigeria, 2013, as amended) s 5

¹⁹Companies and Allied Matters Act 2020, ss 18–40

²⁰Debt Management Office (Establishment, Etc.) Act 2003, ss 6–7

provision facilitating Sharia-screened project evaluation, creating ambiguities in aligning PPP models with Islamic finance norms.²¹

3.1.6 The Federal Airports Authority of Nigeria Act

This Act establishes the Federal Airports Authority of Nigeria (FAAN) and confers on it the power to develop, manage, and finance airport infrastructure. While the Act empowers FAAN to enter into contractual and financing arrangements, it lacks any reference to Sharia-compliant instruments or non-interest partnerships. The absence of enabling clauses restricts FAAN's ability to tap into Islamic capital markets for aviation development unless specifically approved by the Federal Executive Council.²²

3.1.7 The Nigerian Railway Corporation Act

This Act governs the operations and development of rail transport infrastructure in Nigeria. Like the FAAN Act, it does not address Islamic financing options. Although it grants operational and financial powers to the Nigerian Railway Corporation (NRC), there is limited legislative support for innovative non-interest finance such as Sukuk, potentially hindering multimodal integration through Sharia-compliant funding.²³

3.2 Regulatory Framework for Sukuk and Infrastructure Finance in Nigeria

In addition to the enabling legal framework, a robust regulatory architecture has been established to oversee the issuance, compliance, and operation of Sukuk instruments and Islamic financial transactions. These regulators play complementary roles in ensuring Sharia compliance, investor protection, market integrity, and financial system stability. These include the following.

3.2.1 Securities and Exchange Commission (SEC)

The Securities and Exchange Commission (SEC) is the apex capital market regulator in Nigeria and the primary body responsible for the issuance and oversight of Sukuk. SEC's Non-Interest Capital Market (NICM) framework provides comprehensive guidelines for the issuance of Sharia-compliant instruments, including governance structures, asset-backing, credit enhancement, disclosure requirements, and the role of the Sharia Advisory Committee.²⁴ SEC has also set up an internal NICM unit and issued policy

²¹Infrastructure Concession Regulatory Commission (Establishment, Etc.) Act 2005, ss 1–6

²²Federal Airports Authority of Nigeria Act, Cap F5, Laws of the Federation of Nigeria 2004, s 2

²³Nigerian Railway Corporation Act, Cap N129, Laws of the Federation of Nigeria 2004, s 3

²⁴Securities and Exchange Commission, 'Rules on Sukuk Issuance in Nigeria' (SEC, 2021); see also SEC, 'Non-Interest Capital Market Framework' (2020).

documents such as the “Capital Market Master Plan (2015–2025),” which recognises Islamic finance as a growth frontier.²⁵

3.2.2 Central Bank of Nigeria (CBN)

The Central Bank of Nigeria regulates Islamic banking institutions and ensures the financial system accommodates non-interest models in line with monetary policy. Through its Non-Interest Financial Institutions Department (NIFID), the CBN supervises Islamic banks, provides liquidity management tools (e.g., CBN-Sukuk Al-Ijara), and engages in the development of Sharia-compliant monetary instruments.²⁶ Although the CBN does not directly issue project-specific Sukuk, its policies greatly impact the participation of Islamic financial institutions in Sukuk markets, particularly for infrastructure financing.²⁷

3.2.3 Debt Management Office (DMO)

The Debt Management Office (DMO) serves both as issuer and facilitator of sovereign Sukuk in Nigeria. It structures Sukuk offerings, oversees investor relations, and coordinates with executing ministries (e.g., Federal Ministry of Works and Housing) to ensure effective use of Sukuk proceeds for designated infrastructure projects. The DMO also ensures periodic reporting and accountability on Sukuk-funded transport projects and engages in investor education to build market confidence in Islamic securities.²⁸

3.2.4 Infrastructure Concession Regulatory Commission (ICRC)

The Infrastructure Concession Regulatory Commission (ICRC) regulates and monitors Public-Private Partnership (PPP) arrangements, which are often vehicles for infrastructure finance. Sukuk can be integrated into concession models for transport infrastructure under ICRC oversight. The Commission ensures that value-for-money principles, risk allocation, and legal due diligence are upheld in structuring such Sukuk-based concessions.²⁹ The ICRC thus plays a supportive role in the harmonisation of Sukuk with Nigeria’s PPP policy objectives.

²⁵SEC, ‘Nigerian Capital Market Master Plan (2015–2025)’ (2015).

²⁶CBN, ‘Framework for CBN Sukuk Al-Ijara Liquidity Management Instrument’ (2017).

²⁷Central Bank of Nigeria, ‘Guidelines for the Regulation and Supervision of Institutions Offering Non-Interest Financial Services in Nigeria’ (CBN, 2011).

²⁸Debt Management Office, ‘Sovereign Sukuk Project Report’ (DMO Nigeria, 2022).

²⁹Infrastructure Concession Regulatory Commission, ‘PPP Project Guidelines and Templates’ (ICRC, 2020).

3.2.5 National Pension Commission (PenCom) and NAICOM

The National Pension Commission (PenCom) and the National Insurance Commission (NAICOM) are not direct Sukuk regulators but influence the market through asset allocation rules for pension and insurance funds. PenCom's guidelines permit investment in Sukuk as alternative assets, allowing pension funds to diversify into infrastructure-linked, Sharia-compliant securities.³⁰ Similarly, NAICOM's push for Takaful (Islamic insurance) opens the space for Takaful operators to invest in risk-free government Sukuk, further deepening the Islamic finance market.

4.1 Opportunities for Sukuk in Nigeria's Aviation and Multimodal Transport Sectors

The deployment of Sukuk for infrastructure financing in Nigeria presents vast and largely untapped opportunities, particularly in the aviation and multimodal transport sectors. These opportunities lie not only in the ethical and Sharia-compliant structure of Sukuk but also in its capacity to mobilise long-term capital, diversify funding sources, stimulate economic growth, and improve public service delivery through inclusive and sustainable infrastructure development.

4.1.1 Mobilisation of Long-Term Capital from Ethical and Institutional Investors

One of the most promising opportunities offered by Sukuk is its appeal to a growing pool of ethical investors and Sharia-compliant institutional financiers across the globe. Infrastructure development, particularly in aviation and transport, demands substantial upfront capital with long gestation periods. Sukuk structures such as *Ijārah*, *Murābahah*, *Istiṣnā'*, and *Wakālah* can be strategically designed to match the long-term nature of such projects. For instance, *Ijārah* Sukuk, which allows investors to own usufructs in tangible assets, is well-suited for funding airport terminals, railway corridors, cargo terminals, and inland dry ports, all of which generate periodic income streams to service investors' returns over time.³¹

Several countries have successfully utilised this potential. In the UAE, Dubai Airport Freezone Authority (DAFZA) issued a Sukuk valued at US\$1 billion to finance the expansion of its aviation logistics infrastructure.³² Similarly, in Malaysia, the government and private entities have issued Sukuk to fund the Kuala Lumpur International Airport (KLIA) and upgrade transportation hubs, establishing a replicable

³⁰National Pension Commission, 'Regulation on Investment of Pension Fund Assets' (PenCom, 2019), s 5.4(e).

³¹Bilal, K. M., 'Sukuk and the Future of Islamic Project Finance: Legal and Economic Perspectives' (2020) 37 *Journal of Islamic Banking and Finance* 42

³²Al Suwaidi, H., 'Dubai's Sukuk Strategy: Leveraging Aviation and Freezone Assets' (2018) *Gulf Economic Review* 17

model for asset-based financing.³³ Nigeria, through the Debt Management Office (DMO), has already recorded some success by raising over ₦742.5 billion between 2017 and 2022 via Sovereign Sukuk for road infrastructure.³⁴ This experience can be expanded to multimodal transport systems, including aviation, railway interchanges, and port connectivity projects.

4.1.2 Fostering Public-Private Partnerships (PPPs) and Risk Sharing

Another opportunity lies in Sukuk's alignment with risk-sharing principles, which fosters public-private partnerships. By contrast to conventional debt which transfers risk almost entirely to the borrower, Sukuk promotes equitable distribution of both risk and returns among stakeholders. This model is critical for aviation and transport infrastructure, which are typically capital-intensive and exposed to various operational and macroeconomic risks. Sukuk facilitates infrastructure delivery through Build-Operate-Transfer (BOT) or *Istiṣnā'*-based structures, wherein the private sector assumes design and construction responsibilities while the government provides regulatory oversight.

Nigeria's Infrastructure Concession Regulatory Commission (ICRC) has expressed commitment to expanding PPPs in critical transport infrastructure, including greenfield airport development and railway upgrades. Sukuk financing can complement this ambition by enabling structured participation from Islamic financiers. For instance, the Lekki Deep Sea Port and Abuja-Kaduna Rail Line could have integrated Sukuk-based financing at design or expansion stages to ease fiscal pressure and attract private sector collaboration.

4.1.3 Advancing Sustainable Development Goals (SDGs)

Sukuk, particularly Green Sukuk and Sustainable Sukuk, offers a structured pathway to meet Nigeria's commitments under the Sustainable Development Goals (SDGs), especially SDG 9 (industry, innovation, and infrastructure), SDG 11 (sustainable cities and communities), and SDG 13 (climate action). Green Sukuk is designed to finance environmentally friendly and energy-efficient infrastructure, making it an ideal instrument for sustainable aviation investments such as solar-powered terminals, eco-friendly runways, or carbon offset technologies.³⁵

Countries like Indonesia and Malaysia have pioneered Green Sukuk issuances for sustainable transport projects. Nigeria can leverage similar mechanisms for mass transit systems in urban centres such

³³Securities Commission Malaysia, *Annual Report 2021* (SCM 2022) 114

³⁴Debt Management Office (Nigeria), 'Sovereign Sukuk Factsheet 2017–2022' <https://www.dmo.gov.ng> accessed 28 July 2025

³⁵World Bank, *Green Sukuk: Leveraging Islamic Finance for Climate Action* (World Bank 2021).

as Lagos, Kano, and Port Harcourt where carbon footprints are rapidly rising and for the development of energy-efficient airport terminals. This approach not only enhances Nigeria's sustainability credentials but also increases access to climate finance and concessional funding.

4.1.4 Financial Inclusion and Market Deepening

Sukuk presents a credible avenue for enhancing financial inclusion by attracting underserved segments of the population, particularly faith-sensitive investors who avoid interest-based instruments. By issuing retail Sukuk denominated in small investment tranches and made accessible through digital platforms government and corporate entities can tap into domestic savings, diaspora funds, and Islamic microfinance institutions. This model has been successfully demonstrated by the Indonesian government through its *Sukuk Tabungan* (Savings Sukuk), which attracted retail investors from across the archipelago.³⁶

In Nigeria, retail Sukuk could be structured to finance small- to medium-scale transport initiatives, such as rural airstrips, waterway terminals, and regional transport interchanges. This would not only deepen the domestic capital market but also democratise investment in national development projects.

4.1.5 Enhancing Fiscal Discipline and Asset-Backed Governance

Sukuk issuance requires that the underlying project be clearly defined, asset-backed, and periodically monitored. This requirement enhances fiscal discipline, transparency, and accountability. These features have been largely absent in many publicly funded transport projects in Nigeria. The Sukuk process through the use of special purpose vehicles (SPVs), project rating, Sharia auditing, and trustee reporting introduces an additional layer of governance and scrutiny that aligns with Nigeria's broader objective of public sector reform and infrastructure efficiency.³⁷

Through the institutionalisation of these mechanisms, Sukuk-financed projects in the aviation and transport sectors can minimise leakages, enhance delivery timelines, and build public trust. The experience of Pakistan's Sukuk-financed motorways, where independent oversight mechanisms were deployed to ensure project efficiency, is particularly instructive.

³⁶Ministry of Finance (Indonesia), *Sukuk Tabungan Report 2022* (Jakarta, 2023).

³⁷El-Gamal, M. A., 'Incentive-Compatible Governance in Islamic Finance: Lessons from Sukuk Structuring' (2019) 26 *Review of Islamic Economics* 95

4.2 Challenges to Sukuk Deployment in Nigeria's Aviation and Multimodal Transport Sectors

Despite the clear potential of Sukuk as a Sharia-compliant mechanism for financing sustainable infrastructure, several structural and operational challenges have continued to inhibit its broader deployment within Nigeria's aviation and multimodal transport sectors.

4.2.1 Regulatory Fragmentation and Legal Incoherence

One of the most pronounced barriers to Sukuk deployment in the aviation and transport sectors is the lack of a coherent regulatory framework that specifically accommodates Sharia-compliant financial instruments. While Nigeria has successfully issued sovereign Sukuk through the Debt Management Office (DMO), these issuances have largely focused on road infrastructure under general public financing instruments without sector-specific adaptation. The existing legal architecture, including the Investments and Securities Act 2007, does not adequately articulate provisions tailored to sectoral Islamic finance structures, particularly for aviation and multimodal systems. This regulatory gap creates uncertainty for both domestic and international investors seeking clarity and consistency in Sharia governance, asset securitisation, and project structuring.³⁸

4.2.2 Institutional Capacity and Stakeholder Awareness

There is a conspicuous lack of capacity within key transport and aviation regulatory institutions such as the Nigerian Civil Aviation Authority (NCAA), Nigerian Railway Corporation (NRC), and the Federal Airports Authority of Nigeria (FAAN), to understand, evaluate, or promote Islamic finance solutions. The absence of dedicated Sharia advisory units within these agencies constrains the design and implementation of sector-specific Sukuk projects. Furthermore, many transport policymakers and project financiers remain unfamiliar with the asset-backed, ethical risk-sharing models of Sukuk, often perceiving them as more complex or less flexible than conventional financing.³⁹

4.2.3 Asset Identification and Structuring Constraints

Aviation and multimodal transport projects typically involve large-scale, high-capital expenditure with long gestation periods, often requiring complex, multi-stakeholder contracts. Structuring such projects under

³⁸Investments and Securities Act 2007 (Nigeria); see also SEC, 'Rules on Sukuk Issuance in Nigeria', Rule 571 (2021).

³⁹Aliyu Dahiru Mohammed, 'Islamic Finance and Sustainable Infrastructure in Nigeria: The Missing Link' (2021) 13(2) *African Review of Economics and Finance* 191

Sukuk frameworks demands the availability of Sharia-compliant, revenue-generating assets that can serve as the underlying basis for Sukuk issuance. In practice, many aviation-related assets, such as air navigation services or airport security infrastructure, pose challenges for direct securitisation due to their public utility character or non-revenue status.⁴⁰ The difficulty in isolating cash flow streams from these projects hinders the ability to develop commercially viable Sukuk structures without significant government guarantees or hybrid models.

4.2.4 Lack of Standardised Sharia Frameworks and Jurisprudential Divergences

Although the Central Bank of Nigeria and the Securities and Exchange Commission have made strides in promoting Islamic finance, the absence of a harmonised Sharia framework across financial and sectoral regulators leads to inconsistency in project approvals and *fatāwā* (legal opinions). Jurisprudential differences among Sharia scholars, especially in matters of *ijarah*-based aviation leasing or hybrid *wakālah-murābahah* structures, can delay project timelines or deter investor confidence.⁴¹ Moreover, the lack of integration between Sharia boards and technical project evaluators often results in disjointed project planning and execution.

4.2.5 Public-Private Partnership (PPP) Misalignment

Although PPP frameworks are key to unlocking private capital in infrastructure development, existing PPP guidelines in Nigeria are largely designed around conventional debt instruments and guarantees. There is limited technical guidance or policy incentive for the adoption of Sharia-compliant PPP models such as build-operate-transfer (BOT) under *ijarah* or *istisnā'* contracts. As such, Sukuk structures do not naturally integrate into current PPP planning cycles, leading to missed opportunities for Islamic infrastructure finance.⁴²

5. Comparative Jurisprudence and Global Best Practices

This section undertakes a critical analysis of comparative practices and jurisprudential adaptations in select jurisdictions that have successfully mainstreamed Sukuk in financing aviation and multimodal transport infrastructure. The focus is on Malaysia, Indonesia, the United Arab Emirates (UAE), and Saudi Arabia,

⁴⁰Salman Syed Ali, 'Islamic Modes of Infrastructure Financing' (2008) Islamic Development Bank Working Paper No. 143

⁴¹ISRA, *Sukuk: Principles and Practices* (ISRA, 2nd edn, 2020) 215–223

⁴²Infrastructure Concession Regulatory Commission (ICRC), 'PPP Manual for Nigeria' (2020) <https://www.icrc.gov.ng> accessed 28 July 2025

with a view to identifying transferable lessons and structural innovations that may inform Nigeria's strategic roadmap.

5.1 Malaysia

Malaysia remains the leading jurisdiction in Islamic finance, largely due to its robust legal, regulatory, and institutional frameworks. The country pioneered the global Sukuk market by issuing the first sovereign Sukuk in 2002 and has since maintained dominance through continuous innovation and regulatory clarity.

The legal basis for Sukuk in Malaysia is primarily found in the Capital Markets and Services Act 2007, complemented by the guidelines of the Securities Commission Malaysia (SCM). The Sharia Advisory Council of the SCM is empowered to issue binding Sharia rulings, ensuring consistent compliance across financial products. Additionally, Malaysia enforces a dual banking and capital market system that allows for Islamic instruments to function seamlessly within the larger financial architecture.

In 2018, Malaysia issued a RM 2 billion Sukuk to finance infrastructure at Kuala Lumpur International Airport and linked express rail systems. This was structured as an Ijarah Sukuk, backed by underlying leased assets, ensuring asset-backing and Sharia compliance. Investors were drawn to the transparency and risk-sharing embedded in the structure. Malaysia's use of green Sukuk for low-carbon transport infrastructure also demonstrates its commitment to sustainable finance and serves as a model for environmentally conscious infrastructure development.⁴³

5.2 United Arab Emirates (UAE)

The UAE has created an enabling legal ecosystem for Islamic finance, especially in Dubai, which aspires to be the global Islamic economy capital. The Dubai International Financial Centre (DIFC), with its own independent legal system based on common law, has simplified Sukuk issuance through predictable regulatory procedures and dispute resolution mechanisms.

The UAE government has used Sukuk Al-Ijarah and Sukuk Al-Murabaha to fund large transport projects, including parts of the Dubai Metro expansion and airport terminal upgrades. These transactions were facilitated by special purpose vehicles (SPVs) underpinned by tangible infrastructural assets, ensuring Sharia compliance.

⁴³Securities Commission Malaysia, *Capital Market Masterplan 2: 2011–2020* (SCM, 2011).

Furthermore, the Dubai Financial Market (DFM) and Nasdaq Dubai provide listing platforms for Sukuk, enhancing liquidity and investor confidence. The UAE's embrace of blockchain-based Sukuk also provides Nigeria with insights into the digitisation of Islamic capital markets to increase transparency and investor outreach.⁴⁴

5.3 Indonesia

Indonesia, the largest Muslim-majority country, has successfully incorporated Sukuk into its national development financing strategy. The Law No. 19/2008 on Sovereign Sukuk provides the foundational legal framework, under which the government regularly issues project-based Sukuk for roads, bridges, airports, and rail networks. A landmark case is the issuance of Project-Based Sukuk (PBS) to fund airport upgrades in Java and Sumatra. Indonesia has also pioneered Retail Sukuk and Green Sukuk, thereby democratizing investment and aligning with sustainable development goals (SDGs).

The success of Indonesia's Sukuk programme is attributed to strong coordination between the Ministry of Finance, the National Sharia Board (Dewan Syariah Nasional), and the Financial Services Authority (OJK). Nigeria could emulate this inter-agency synergy and use of tailored instruments to attract both institutional and retail participation.⁴⁵

5.4 Saudi Arabia

Saudi Arabia has elevated Sukuk from being a financial tool to a national economic enabler. Under its Vision 2030 agenda, Sukuk has been deployed to finance massive infrastructure projects, including the expansion of King Abdulaziz International Airport and other multimodal transport links.

The Capital Market Authority (CMA) and the Sharia Committee of the Saudi Central Bank (SAMA) oversee Islamic capital markets. The legal system, based on Hanbali jurisprudence, has been harmonized with modern financial needs through detailed guidelines on Sukuk structures. In 2021, the Saudi government issued over \$13 billion in sovereign Sukuk, with a significant portion directed at aviation infrastructure. Moreover, public-private partnerships (PPPs) involving Sukuk have been encouraged to facilitate capital mobilisation while ensuring Sharia-compliant profit-sharing and risk distribution models.⁴⁶

⁴⁴Dubai Islamic Economy Development Centre, *The State of the Global Islamic Economy Report 2022* (Thomson Reuters, 2022)

⁴⁵Republic of Indonesia Ministry of Finance, *Green Sukuk Framework* (2021) <https://www.djppr.kemenkeu.go.id> accessed 27 July 2025

⁴⁶Capital Market Authority of Saudi Arabia, *Annual Sukuk Reports 2021* <https://cma.org.sa> accessed 27 July 2025

5.0 Conclusion, Findings and Recommendations

5.1 Conclusion

The paper critically examined the viability and potential of Sukuk and other Islamic infrastructure financing tools in bridging Nigeria's infrastructural gap, particularly in the aviation and multimodal transport sectors. Through a conceptual and doctrinal analysis, it was established that while Islamic finance—rooted in the principles of ethical investment, risk sharing, and asset-backing—offers a sustainable and Sharia-compliant alternative to conventional debt financing, its practical application in Nigeria remains narrowly focused and largely underutilised beyond road infrastructure projects.

The exploration of successful Sukuk models from countries such as Malaysia, Indonesia, and the United Arab Emirates revealed transferable best practices that Nigeria can adopt, especially in developing sector-specific financial frameworks and institutional readiness. The study argued that Islamic finance instruments, particularly project and infrastructure-based Sukuk, can catalyse long-term investment in aviation and transport sectors if buttressed by a robust legal, regulatory, and institutional framework. Moreover, it underscored the imperative of harmonising fiscal policies, enhancing stakeholder awareness, and introducing innovative Sharia-aligned structures that accommodate the unique risks and capital demands of the transport industry.

5.2 Key Findings

The key findings made by this paper are as follows;

1. **Limited Application of Islamic Finance in Transport Infrastructure:** Despite Nigeria's success in utilising Sukuk for financing roads, its deployment for aviation and multimodal transport remains largely unexplored due to regulatory incoherence and lack of tailored financial frameworks.
2. **Legal and Institutional Framework Deficiency:** There is no dedicated legislation in Nigeria addressing Islamic finance within the aviation and multimodal sectors. The relevant laws, such as the Investments and Securities Act 2007 and the SEC Rules, remain general in scope, lacking sector-specific provisions to accommodate Sharia-compliant finance for transport development.
3. **Missed Opportunities in Sustainable Development Goals (SDGs):** The potential alignment of Islamic finance principles such as ethical investing and social responsibility with SDG goals (e.g.,

SDG 9 on resilient infrastructure and SDG 11 on sustainable cities) remains underexploited in Nigeria's aviation and transport sectors.

4. **Institutional Fragmentation and Stakeholder Apathy:** Stakeholders across government, financial institutions, and private developers demonstrate limited understanding of Islamic infrastructure finance, hampering collaborative progress in Sukuk structuring and issuance.
5. **Potential for Green and Sustainability Sukuk:** The global growth in green and sustainability-linked Sukuk presents untapped opportunities for Nigeria to integrate climate-conscious infrastructure financing within its transport policy.

5.3 Recommendations

Against the above findings, this paper has made the following recommendations;

1. **Establish Sector-Specific Islamic Finance Regulations:** There is a pressing need for tailored laws or subsidiary regulations under existing financial statutes to facilitate the deployment of Sukuk and other Sharia-compliant instruments in aviation and multimodal transport sectors.
2. **Capacity Building and Awareness Creation:** The government, in partnership with professional institutions such as the Chartered Institute of Islamic Finance Professionals of Nigeria (CIIF), should conduct nationwide stakeholder engagement, education, and training to promote understanding and practical implementation of Islamic infrastructure finance.
3. **Sharia Governance Integration:** All transport-related Sukuk initiatives should involve Sharia advisory boards from inception, ensuring end-to-end compliance and investor confidence in the instruments.
4. **Public-Private Partnerships (PPPs):** The government should develop Sharia-compliant PPP frameworks specifically designed to attract Islamic investors into aviation terminals, cargo hubs, inland dry ports, and rail corridors.
5. **Green Sukuk Innovation:** Nigeria should explore the issuance of Green Sukuk for sustainable aviation initiatives, such as airport solar infrastructure, eco-airports, and carbon-neutral multimodal transport systems, learning from the Indonesian and Malaysian experiences.
6. **Strengthen Regulatory Coordination:** Agencies such as the Securities and Exchange Commission (SEC), Debt Management Office (DMO), Federal Ministry of Transportation, and the Nigerian Civil Aviation Authority (NCAA) must work together to create a unified roadmap for the institutionalisation of Islamic finance in infrastructure development.
7. **Pilot Sukuk Projects in Aviation and Rail Sectors:** As a starting point, pilot projects such as airport expansions, intercity rail upgrades, and integrated urban transport terminals should be financed via Sharia-compliant structures to demonstrate viability and attract market confidence.