Session IV: Innovation, FinTech and Digital Transformation in Islamic Finance

Application of Islamic Finance in Infrastructure



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Islamic Finance – A Global System, Not a Niche Product

Islamic Finance – From 7th-Century Principles to a USD3.9 Trillion Industry

4+ Trillion-dollar industry

500+ Islamic banks globally

10% CAGR in Islamic assets since 2018

200+ Billion-dollar Sukuk issuance in 2024

80+ Country coverage, incl. non-muslim countries
(UK, Luxembourg, Hong Kong, Japan)

What Changes Under Islamic Finance?

- **No interest (riba):** returns come from rent, profit share, or asset performance
- The **bank is not just a lender:** it is a co-owner, lessor, or partner in the asset
- **Risk must be shared**, not transferred entirely to the borrower
- Every transaction must be backed by a real, tangible asset
- **Money cannot be made from money** alone — it must be tied to economic activity

Infrastructure sectors







Source: Islamic Financial Services Board (IFSB) Stability Report 2025, Open sources

Case Study – Foundation Wind Energy I & II in Pakistan

Islamic instrument: Ijarah (Lease) + Musharaka (Partnership)

50	261.5	20 yr	144,500
MW of capacity	million USD of Project Costs	take-or-pay offtake	MWh of electricity per year

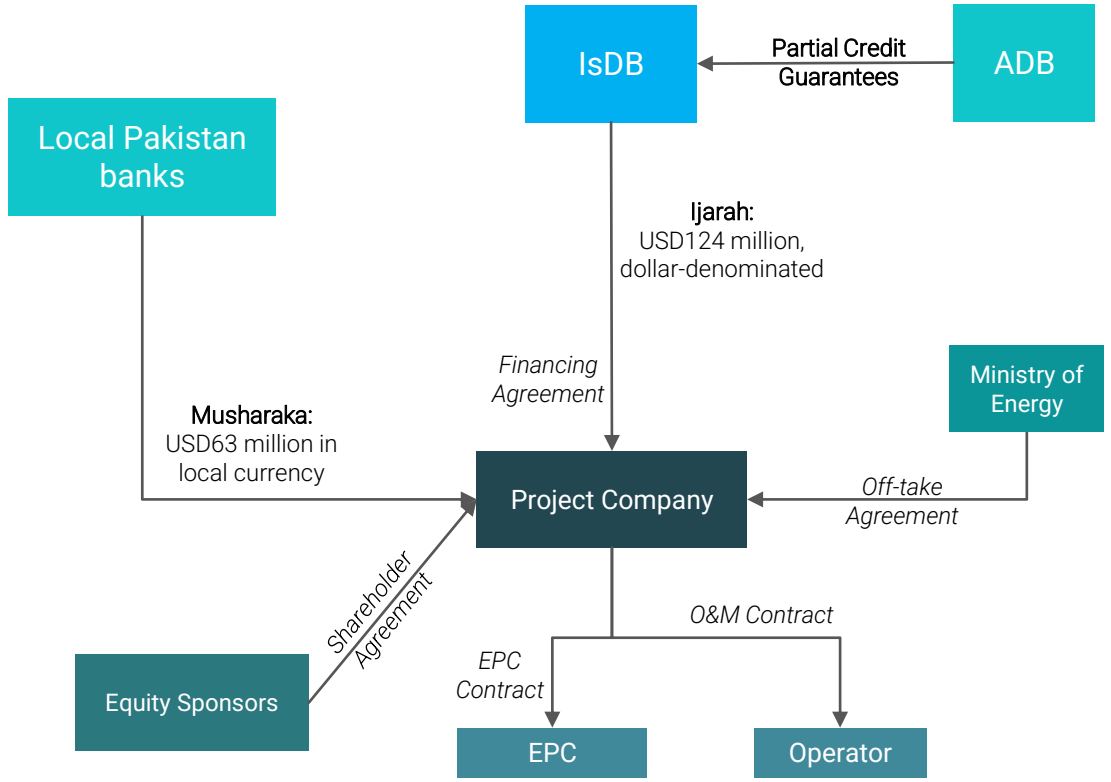
Project Overview

- **Foundation Wind Energy I and II** each involve the construction, erection, and operation of 50 MW of generation capacity near Karachi
- **Sponsors:** Fauji Foundation, Tapal Group, Islamic Infrastructure Fund (backed by ADB and IDB)
- **Debt-to-equity** ratio of 75%

Application of Islamic Finance

- **Ijarah** (lease), USD-denominated, provided by the IsDB
- **Musharaka** (profit-sharing partnership) with consortium of local banks, denominated in Pakistani rupees
- **100 % Islamic financing** - ADB participated as a **partial credit guarantor** for IsDB, not a direct lender

Financing structure



Source: Open Sources

Case Study – Konya Integrated Health Campus in Turkiye

Islamic instrument: Istisna'a (construction finance)

838	355	28 yr	2,100+
beds	million EUR of Project Costs	Concession term	staff

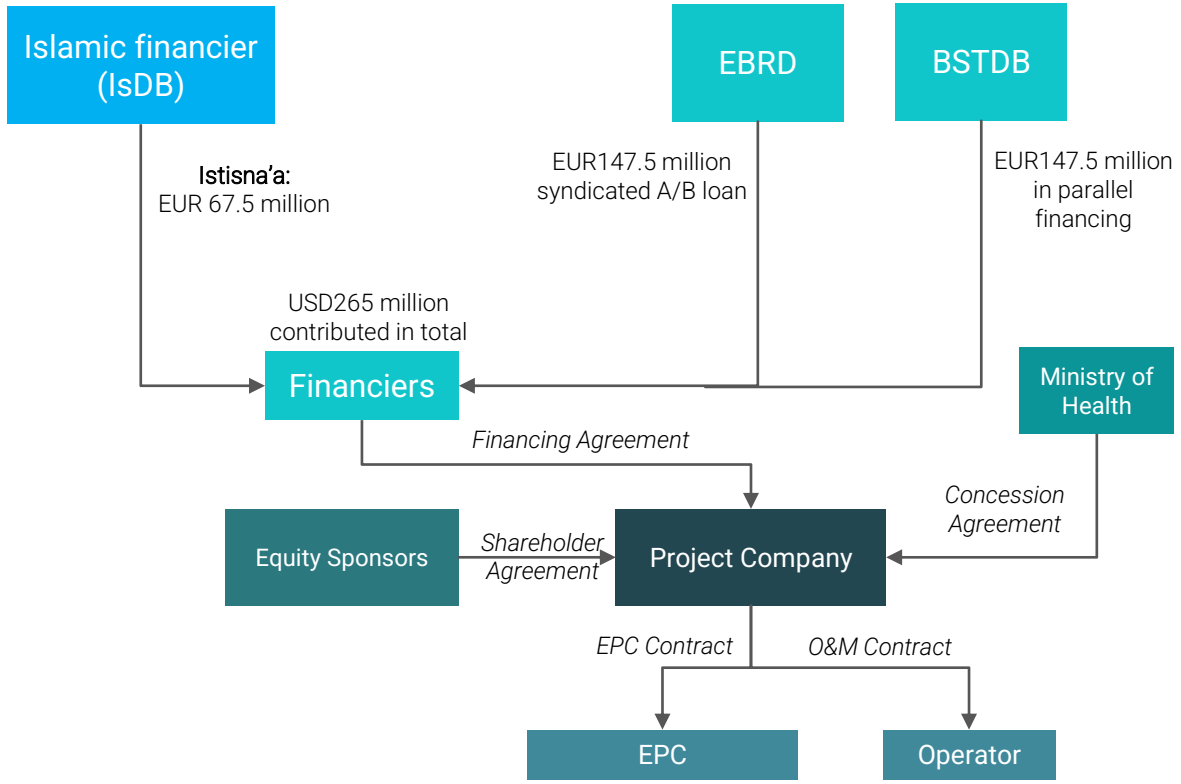
Project Overview

- **The Konya Integrated Health Campus** is located in Karatay district, Konya Province and comprises two hospitals
- Design-Build-Finance-Lease-Transfer (DBFLT), Facility Management model with fixed quarterly availability payments
- **Sponsor:** YDA Group

Application of Islamic Finance

- **Istisna'a:** applied to advance funding of construction and development
- **Challenge:** Aligning the fixed-price, fixed-repayment nature of Istisna'a (which Sharia requires) with the floating-rate conventional tranches.
- **The solution:** keeping separate legal documentation for each tranche.

Financing structure



Source: Open Sources

Case Study – KLIA2 Terminal Expansion in Malaysia

Islamic instrument: Sukuk al-Ijarah (lease certificates) — via Islamic Commercial Paper (ICP) and Islamic Medium-Term Notes (IMTN) programme

45	1.23	25 yr	950
million passengers/year	billion USD of Project Costs	Concession term	million USD of Sukuk issue

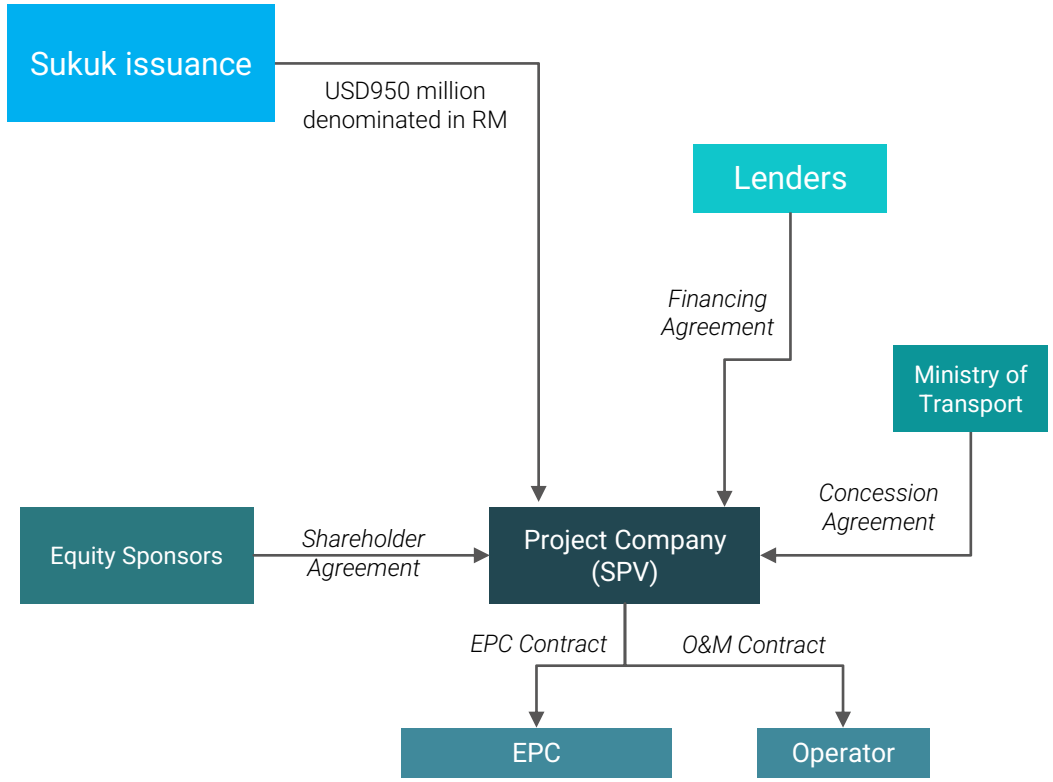
Project Overview

- **Malaysia Airports Holdings Berhad (MAHB)** is concession holder, operating, managing and maintaining Kuala Lumpur International Airport (KLIA). KLIA2 is located 45 km south of original KLIA terminal

Application of Islamic Finance

- **The Sukuk programme** was executed through **Malaysia Airports Capital Berhad (MACB),** an SPV set up as a MAHB's subsidiary. MACB's income is solely derived from **Ijarah rental payable by MAHB,** which is used to service the issuer's debt obligations.
- MAHB revenues are passenger charges, aeronautical fees, concession revenues.
- 1. **MAHB identified the Islamic assets** – income-generating, separable and tangible.
- 2. **MACB issued Sukuk certificates through two programmes:** short-term and long-term.
- 3. **MACB** simultaneously **leased those assets back to MAHB under an Ijarah agreement**.

Financing structure



Source: Open Sources

Case Study – BAKAD Almaty Ring Road, Kazakhstan

Islamic instrument: Istisna'a (Installment Sale financing facility)

66	743	20 yr	~75,000
kms of motorway	million USD of Project Costs	Concession term	vehicles/day

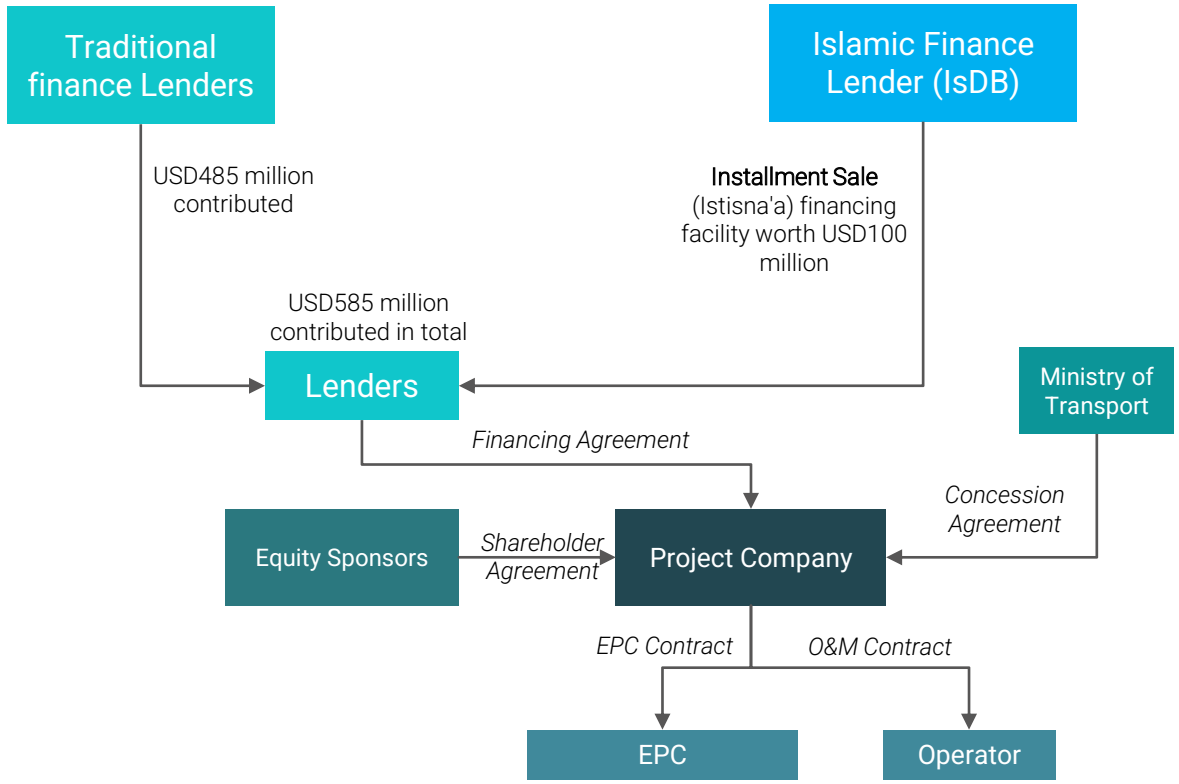
Project Overview

- BAKAD is a bypass motorway around Almaty
- **Sponsors:** consortium of Turkish and Korean companies
- **Lenders:** EBRD, EDB, IsDB
- **PPP model:** DBFOMT with quarterly availability payments

Application of Islamic Finance

- **The Installment Sale financing facility** structure allows IsDB to finance the construction phase (through a purchase and resale mechanism) without charging interest
- Specific set of assets are to be procured using the facility

Financing structure



Source: IsDB, Open Sources

Q&A SESSION



THANK YOU

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