



# Islamic financing for infrastructure



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# Contents

01	Foreword	3
02	The infrastructure gap	4
03	Sustainable development through financial inclusion	5
04	What is Islamic Finance?	6
05	Key Islamic financing models for infrastructure	7
06	Types of sukuk	8
07	Examples of sukuk for infrastructure	9
08	Trinidad and Tobago's capital expenditure	10
09	Infrastructure funding possibilities in Trinidad and Tobago	11
10	The role of the Government of Trinidad and Tobago	12
11	KPMG services	13



# Foreword

This document aims to inform market players in the infrastructure sector in Trinidad and Tobago about alternative financing options to address the infrastructure funding gap and integrate the Muslim community into the local financial system. The Muslim community in Trinidad and Tobago often limits its use of the existing financial system as it contradicts Islamic law, which prohibits interest<sup>1</sup> in transactions.

Islamic financing instruments offer sustainable and ethical financing structures that can drive economic growth and ensure inclusive financial participation for all communities. These instruments are designed to comply with Islamic law, making them attractive to Muslim investors both locally and internationally. However, it is important to note that these investment vehicles are not exclusive to Muslims; they are open to all individuals and organizations seeking ethical and sustainable financing options.

The contents of this document include an overview of the global Islamic Financial Services Industry, infrastructure financing options, and examples of Shariah-compliant<sup>2</sup> financing used successfully across the globe. We hope that the insights from this information demonstrate a viable alternative for financing infrastructure and provide a means for utilizing excess liquidity in Trinidad and Tobago.

KPMG remains available to supporting infrastructure development projects through our Infrastructure Advisory Services. Our expertise can help enable projects that benefit the citizens of Trinidad and Tobago and contribute to the broader development of the Caribbean region. We are dedicated to working collaboratively with the Government, contractors, and financiers to achieve sustainable and inclusive economic growth.



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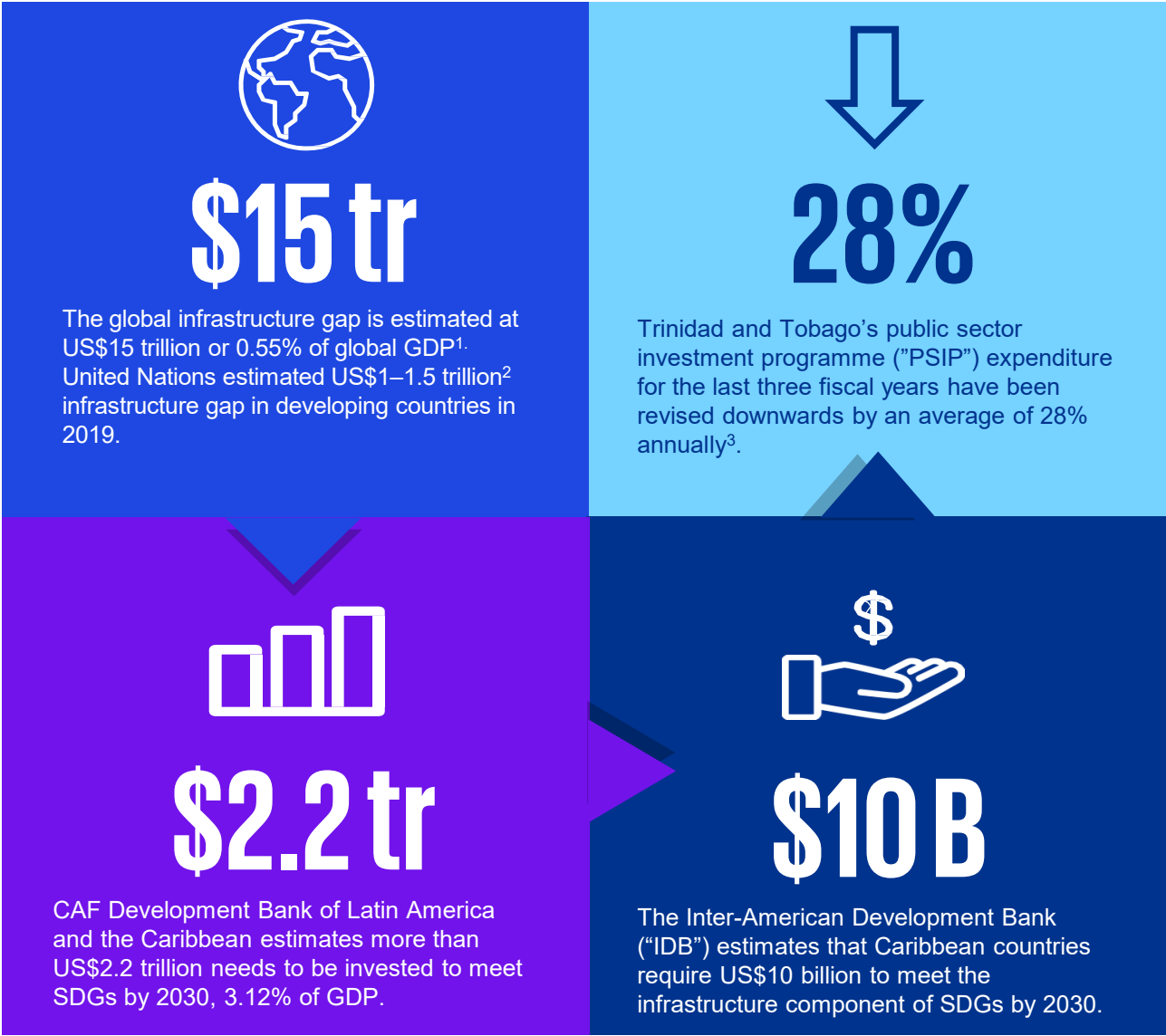


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Note: (1) Interest is used as a translation of the term Riba in Islamic Law which includes interest typically charged and earned by financial institutions, among other features in transactions.  
(2) Shariah-compliant means contracts comply with Islamic law.

# The infrastructure funding gap

There is an infrastructure financing gap worldwide as the capital expenditure required for to meet and update infrastructure is a constant challenge. Currently, most nations are aiming to achieve the United Nations Sustainable Development Goals (“SDGs”) by 2030. The graphic below provides some statistics on infrastructure financing globally, regionally, and locally in Trinidad and Tobago.



Source: (1) Oxford Economics Global Infrastructure Outlook – July 2017  
(2) International Finance Corporation Emerging Market Compass – October 2019  
(3) Public Sector Investment Programme 2023, 2024, and 2025

The financing required to meet infrastructure needs and SDGs can be boosted through the use of Islamic financing instruments as the investments will attract a wider pool of investors and promote sustainable development.

# Sustainable development through financial inclusion

## The Muslim community in Trinidad and Tobago:

Muslims are estimated to be approximately 10% of the Trinidad and Tobago population, and their contribution to the local economy is significant, with large corporates such as:

- **SM Jaleel & Co. Ltd,**
- **Arawak & Co. Ltd,**
- **KC Confectionery Limited,**
- **Chief Brand Products Ltd,**

as well as hundreds of small and medium enterprises (“SMEs”) and Micro SMEs.

Furthermore, Muslim professionals serve in every field in our country including accounting, finance, law, engineering, medicine, science, research, and business.

There are also many charitable organisation founded and run by Muslim community in Trinidad and Tobago including:

- **Khair Foundation**
- **Halimah’s Helping Hands**
- **Islamic Da’wah Movement**
- **Barakah Foundation**
- **Caribbean Da’wah Association.**

These, among many others, play a key role in society and in reducing poverty levels in Trinidad and Tobago.

Thus, there is wealth within the local Muslim community which can be utilised further to benefit the local economy.



## Wealth of Muslims globally:

Muslims now account for a quarter of the world’s population. The wealth of Muslims was estimated at over US\$11.9 trillion in 2017<sup>1</sup> and is therefore expected to be significantly more than this now in 2025.

The Islamic Finance industry has enabled productive use of the wealth of Muslims in driving economies through sustainable financing and development.

Source: (1) Islamic Economist: Global Islamic Wealth Management Trends and Opportunities

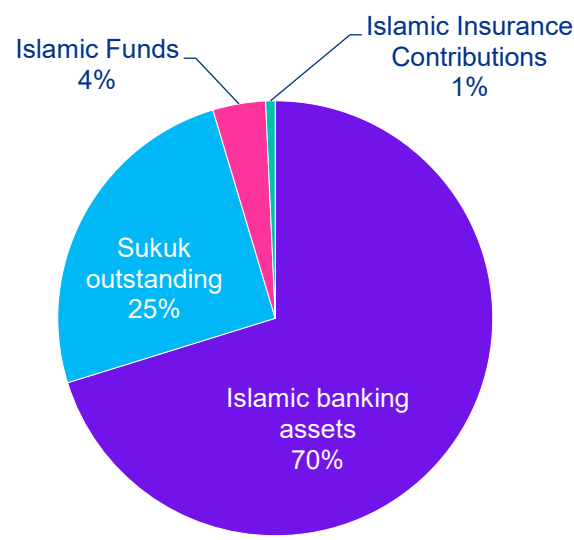
# What is Islamic Finance?

The Islamic Financial Services Industry ("IFSI") is a rapidly expanding sector within the global financial industry that offers an alternative to traditional financing methods. The industry was estimated at US\$4.45 trillion at the end of 2023 and has had a compounding annual growth rate ("CAGR") of 12.9%.

The Islamic Finance industry offers alternative modes of financing which adhere to Islamic law. Key principles of Islamic modes of financing include:

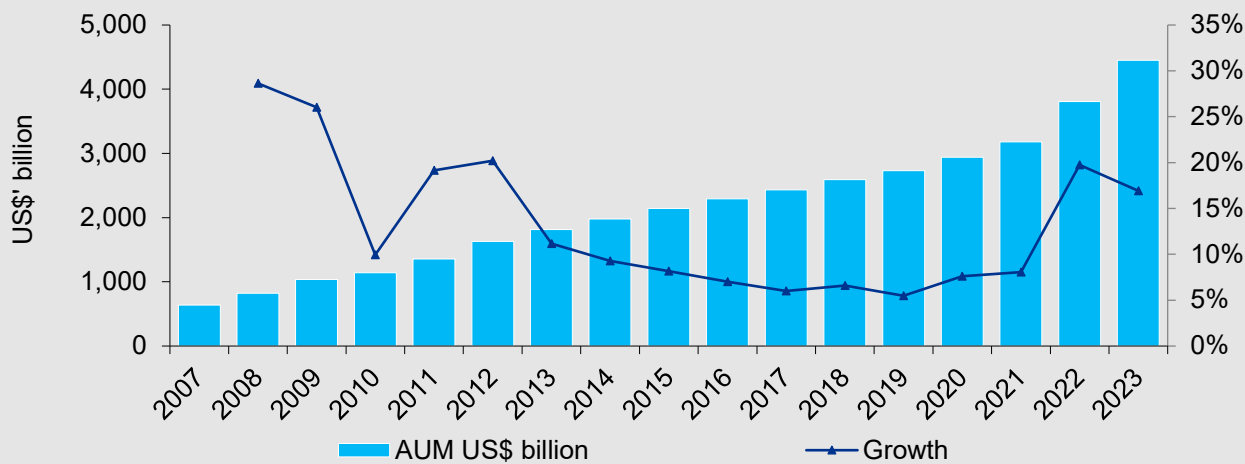
- Prohibition of interest,
- Asset-based financing,
- Risk sharing,
- Prohibition of speculative behavior such as gambling, and
- Ethical business activities – the industry does not facilitate investments in activities which are prohibited in Islam such as alcohol, music, pork, gambling. Green and sustainable projects are promoted.

Global IFSI assets by sector



Source: Islamic Financial Services Board IFSI Stability Report 2024

Global IFSI Assets Under Management ("AUM")



Source: Global Islamic Finance Report 2024



# Key Islamic financing models for infrastructure



## Equity

Equity gives investors the ability to directly own infrastructure assets or shares in companies that operate these assets.

- This can be done through the privatization of utility companies, ports, airports, telecommunication organisations;
- Or by offering equity investments in existing infrastructure assets;
- Or offering equity for new infrastructure projects or companies;
- Or Public-Private-Partnerships (“PPP”).



## Sukuk

Sukuk are certificates of equal value representing undivided shares in ownership of tangible assets, and services, or the assets of particular projects or investment activity. Sukuk holders are entitled to economic returns in terms of rental income or profits derived from the underlying asset or business activity.

Sovereign Sukuk are becoming a popular alternative to bonds to meet governments’ budgetary needs.

The asset-backed nature of Sukuk play a crucial role in driving real economic growth and supporting infrastructure development.





# Types of sukuk

1. Certificates of ownership in **leased assets**.
2. Certificates of ownership of **usufructs** – existing assets or services, or described future assets or services.
3. **Salam sukuk** – for goods to be delivered on the basis of Salam<sup>1</sup> become owned by the certificate holders.
4. **Istisna'a sukuk** - for the production of goods so that the goods produced become owned by the certificate holders.
5. **Murabahah sukuk** - for the purpose of financing the purchase of goods through Murabahah<sup>2</sup> so that the certificate holders become the owners of the Murabahah commodity.
6. **Musharakah sukuk** - for establishing a new project, developing an existing project or financing a business activity on the basis of a partnership contract so that the certificate holders become the owners of the project or the assets of the activity as per their respective shares.
7. **Sharecropping sukuk** - for financing a project on the basis of Muzara'ah<sup>3</sup> so that the certificate holders become entitled to a share in the agriculture produce according to the terms of the agreement.
8. **Irrigation sukuk** - for the irrigation of fruit bearing trees, spending on them and caring for them on the basis of a Musaqat<sup>4</sup> contract so that the certificate holders become entitled to a share in the crop as per agreement.

9. **Agricultural sukuk** - for planting trees and undertaking the work and expenses required by such plantation so that the certificate holders become entitled to a share in the land and the plantation.

Sukuk for infrastructure projects can be structured using a single type from those listed here or using a combination of the various underlying contracts. The type and structure of the financing arrangement will depend on the type of infrastructure, requirements for the project, and risk appetite of investors.

Note: (1) Salam – Sale of a commodity for deferred delivery in exchange for immediate payment of the price.  
(2) Murabahah - Sale of a commodity with a defined and agreed profit mark-up based on the purchase price.  
(3) Muzara'ah – Partnership in crops in which one party presents land to another for cultivation and maintenance in consideration for a common defined share in the crop.  
(4) Musaqat - Partnership that depends on one party presenting designated plants/trees that produce edible fruits to another to work on their irrigation in consideration for a common defined share in the fruits.

Source: Accounting and Auditing Organisation for Islamic financial institutions Shari'ah standards.



# Examples of sukuk for infrastructure

There have been many sukuk issuances globally over the last few decades. Below are a few examples:

- In 2014 HM Treasury UK issued its first sukuk - a £200 million sukuk to acquire the lease of land and buildings. The United Kingdom has since issued 12 international sukuk between 2014 and 2023.
- In 2018, Indonesia issued a US\$1.25 billion Green Sukuk to fund renewable energy projects, including geothermal and solar power plants.
- In 2019, Türkiye issued a US\$300m Green Sukuk to finance the construction of a wind power plant.
- In 2020, Malaysia issued a US\$1.3bn Green Sukuk to fund sustainable infrastructure projects, such as green buildings, energy-efficient structures, and sustainable water management systems.
- Air Lease Corporation (“ALC”), a US company listed on NYSE, issued a US\$600 million sukuk in March 2023 for general corporate purposes including the purchase of commercial aircraft and repayment of existing debt. This was the first of its kind for ALC and was tailored to attract investors across the Middle East, Europe and Asia.
- Government of Pakistan (“GOP”) issued over US\$20 billion in domestic sukuk since 2020. In 2023 the GOP listed a US\$108 million sukuk on the Pakistan stock exchange with the objective to expand their investor base and promote inclusivity.



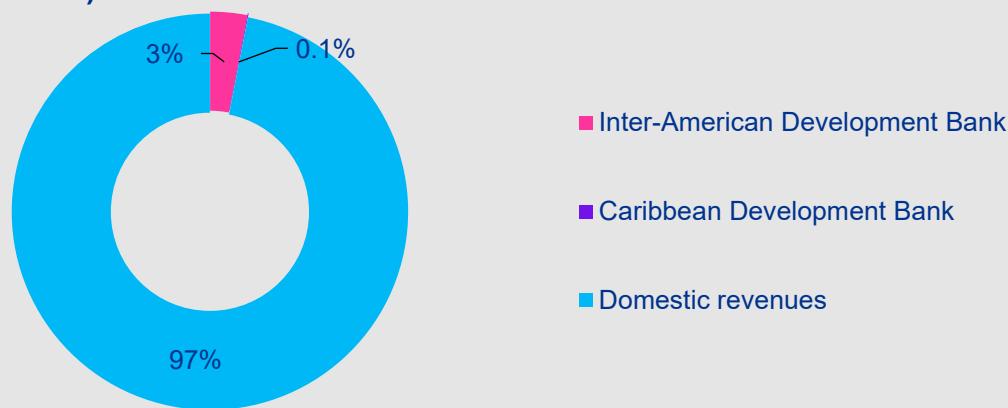
- In October 2023, Saudi Arabia’s Public Investment Fund raised US\$2.25 billion for general corporate purposes. This sukuk is listed on the London Stock Exchange’s International Securities Market and is the largest sukuk issuance by a sovereign wealth fund.
- Tarfin Tarim A.S., an agricultural finance company in Türkiye, through an SPV, issued a short-term sukuk in February 2024 on the Istanbul Stock Exchange. The proceeds of the sukuk were used to extend financing to local farmers who are members of the Tarfin Tarim A.S. co-operative.

In addition to these, there are many sukuk issuances in Muslim minority countries including the USA, Luxembourg, South Korea, Philippines, and South Africa, among others.

Source: Dawn E-paper - Corporate window: Developing infrastructure with sukuk  
International Islamic Financial Market Sukuk Report 2024  
Clifford Chance briefing note – Dissecting UK Government sukuk October 2014

# Trinidad and Tobago's capital expenditure

Trinidad and Tobago fiscal 2025 public sector investment: TT\$5.7 billion (US\$0.8 billion)



Source: Public Sector Investment Programme 2025



The Public Sector Investment Programme which was published for fiscal 2025 showed limited funding sources, with 97% of expenditure expected to be funded by domestic revenue. The consideration of Islamic Financing options will avail the government and infrastructure developers to additional capital to enable innovation and enhance local infrastructure and government projects.

## Possibilities for the future:

### Domestic capital markets

- Privately placed sukuk which facilitates funding from wealthy individuals / corporates
- Shariah compliant private equity funds
- Shariah compliant pension funds
- Equities and sukuk listed on the Trinidad and Tobago Stock Exchange

### International stock exchanges

Securities can be listed on stock exchanges, such as:

- The Luxembourg Stock Exchange
- London Stock Exchange

### Multi-lateral organisations, such as:










- The Islamic Development Bank
- Saudi Fund for Development



# Infrastructure funding possibilities in Trinidad and Tobago

Additional funding sources for infrastructure can help Trinidad and Tobago to achieve the United Nations SDGs through Trinidad and Tobago’s vision 2030.

Consider the possibilities of obtaining funding to create or enhance

 <b>Housing</b>	 <b>Healthcare</b>	 <b>Education</b>
 <b>Digital infrastructure</b>	 <b>Agriculture and food production</b>	 <b>Construction and upgrades to schools</b>
 <b>Investments in innovative research</b>	 <b>Infrastructure for utilities</b>	 <b>Renewable energy</b>

# The role of the Government

The Government of Trinidad and Tobago is well positioned to lead and facilitate the IFSI in Trinidad and Tobago and pioneer the development in the Caribbean region. The role of the government will include:

1. Introduction of regulations and guidelines to formalize the inclusion of Sharia-compliant financing structures in local capital markets;
2. Introduction or amendment of regulations to facilitate the creation and investment options for Sharia-compliant pension funds;
3. Introduction of these alternative financing structures to both institutional and individual investors through private placements and the Trinidad and Tobago Stock Exchange;
4. Leading the way for corporates to be comfortable to issue similarly structured instruments;

5. Utilisation of local talent including local law firms, shariah scholars, and finance experts to introduce shariah compliant instruments to the capital market under the initial guidance of international experts in the field.

## Benefits to the Government and the people of Trinidad and Tobago:

- Access to additional funds, both locally and internationally, for infrastructure development. This will enable increased development in the country and the Caribbean region
- Inclusion of Muslims in the capital markets in Trinidad and Tobago to utilize excess liquidity
- Trinidad and Tobago will be the pioneer of innovative and sustainable financing structures in the Caribbean



# KPMG services - Infrastructure

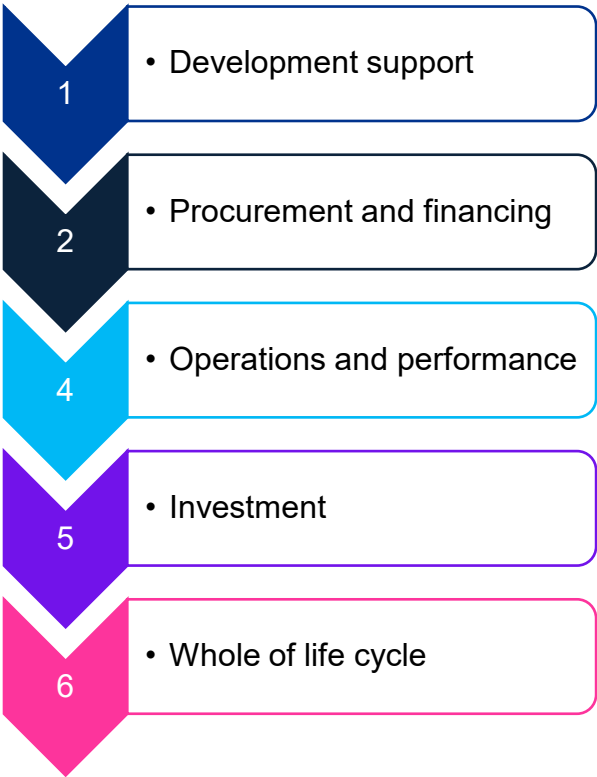
## How can we help?

From strategy development through to operations and performance, our cross-functional teams provide advice to infrastructure contractors, operators, investors, and government organizations at every stage of complex projects and programs, including:

- planning, structuring and management of new infrastructure investments;
- procurement and financing support;
- improvement and monitoring of construction and operations;
- investment due diligence assistance;
- infrastructure related audit, tax, accounting and compliance reviews.

## Our services

We provide a wide range of service in relation to infrastructure. These include:





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