

**INNOVATIVE INFRASTRUCTURE FINANCE AS A CATALYST FOR ECONOMIC DEVELOPMENT IN NIGERIA**

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**ABSTRACT**

Infrastructure has emerged as one of the indices for measuring the growth of a nation's economy and a key decision pointer for investor looking to put their money in a country. In Nigeria, financing infrastructure solely through annual budgets has proven unsustainable, resulting in the need for innovative financing processes through capital markets, Private public partnerships (PPP), debt securitization, philanthropic funding. However, these options require sound legal, government and policy support. This essay shows the challenges that financing infrastructure in Nigeria faces which includes: currency risk exposure, inadequate legal and regulatory frameworks, weak capital markets, and issues of bankability that limit investor confidence. Singapore presents a compelling case study which would be discussed in this essay, having successfully utilized robust regulations, deep capital markets, and consistent government support to position itself as a global infrastructure hub and through that grow the economy. Recommendation will be made with a bid to adopt similar reforms, friendlier regulations and strengthen our institutions, with this Nigeria can unlock innovative finance for infrastructure, stimulate private sector participation, and drive sustainable economic development.

Keywords: Infrastructure, Economic development, Finance, Project.

## INTRODUCTION

A 2014 Research by the International Monetary Fund (IMF) shows that sub-Saharan African countries need to meet an infrastructure financing gap of about \$41.6 billion<sup>3</sup>. A decade after Nigeria has doubled its infrastructure deficit with an estimate of \$100 billion in financing gaps annually. Astonishingly, the World Bank has estimated about \$3 trillion over the next three decades for Nigeria to bridge the financing gaps<sup>4</sup>. This shortfall is evident in frequent power outages, congested roads, etc. In bridging the financing gaps, Nigeria is making progress in the state of its infrastructure especially on infrastructure like the Lekki Deep Sea port and the Lekki Corridor which is expected to strengthen Nigeria's logistic value chain<sup>5</sup> and stimulate regional trade. In addition, the establishment of entities like the Infrastructure Corporation (InfraCorp), with substantial seed capital, further underscores Nigeria's commitment to leveraging innovative finance models to develop critical hard and soft infrastructure assets, thereby generating a multiplier effect on business activities and fostering economic expansion. However, its speed has not matched up with the population explosion and increase demand.

While history has shown that infrastructures have been funded by government budgets, foreign loans/grants, and recently some Public-Private Partnerships (PPPs), Nigeria's infrastructure deficit remains a critical impediment to its economic growth, sustainable development, and global competitiveness.<sup>6</sup> Traditional public spending and aid have fallen short; Nigeria's fiscal limits and rising debt mean new solutions are needed. This article examines innovative finance beyond just public budgets and it will analyze current financing challenges and propose solutions. It will do a comparative analysis with Singapore, a developed economy and address the role that regulation play in stimulating infrastructure finance.

- **UNDERSTANDING KEY TERMINOLOGIES IN INFRASTRUCTURE FINANCE**

Infrastructure finance, in an ordinary context means the process of raising funds or capital that can be used in financing large infrastructure projects<sup>7</sup> through debt and equity.<sup>8</sup> Most project finance

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<sup>3</sup>Amadou Sy, Impediment to growth. Finance & Development. June 2016, Vol. 53, No.2. <[Impediment to Growth - Finance & Development, June 2016](#)> Accessed August 20, 2025

<sup>4</sup>Josephine Ogundeji, Stakeholders worry as weak infrastructure slows economic growth. 28<sup>th</sup> March, 2025. The Punch. <[Nigeria's economic growth stifled by infrastructure deficit](#)>Accessed August 20, 2025

<sup>5</sup>Samed Olukoya, Tinubu's Cabinet Approves \$652 million China-backed Road Project Linking Lekki Port to Southern States. May 7, 2025. Investors king. <[Tinubu Cabinet Approves \\$652m China-Backed Road Project Linking Lekki Port To Southern States | Investors King](#)>Accessed August 20, 2025

<sup>6</sup>Josephine Ogundeji, Stakeholders worry as weak infrastructure slows economic growth. 28<sup>th</sup> March, 2025. The Punch. <[Nigeria's economic growth stifled by infrastructure deficit](#)>Accessed August 20, 2025

<sup>7</sup>Nigerian Corporate Finance, 'Understanding Project Finance in Nigeria's infra space' <[Understanding Project Finance in Nigeria's Infra Space](#)>Accessed August 23, 2025

<sup>8</sup>Hero Vired, 'Understanding the instruments of the capital market' April 23, 2024. <[Instruments of Capital Market: Types, Functions, Examples](#)>Accessed August 23, 2025

transactions in Nigeria utilize a combination of both debt<sup>9</sup> and equity<sup>10</sup>. By securing long-term financing options such as debt and equity financing, capital-intensive infrastructures such as roads, bridges, power plants are catered for without strain on government budgets.

Debt and Equity Financing as an option for infrastructure financing is dependent on various factors, like how long the project will be, the level of risk attached amongst other considerations. Equity is structured in ways that the lender has a stake in the project's ownership including the profits and the decision-making power. Debt financing is usually structured as a syndicated loan, often provided by financial institutions, Development Finance Institutions, international investment banks, and domestic banks<sup>11</sup>. Assets provided as security for the debt are commonly held by a security trustee on behalf of the syndicate of lenders. In some cases, sponsors' guarantees are also provided. Debt financing is often an option where the cash flows for the infrastructure project is predictable. Sometimes, in debt financing options, a Special Purpose Vehicle (SPV) is used.

Another important part of project infrastructure are the parties involved. The key players are mostly determined by the project at hand which is why you will see different companies on the erected signpost at the site of ongoing projects in Nigeria. Key players involved in an infrastructure finance transaction includes:

1. **Sponsors:**

Typical sponsors of an infrastructure projects are public-sector entities, such as state or federal governments or their agencies. For commercial projects, including refineries, petrochemical plants, or ports, the sponsors are usually private-sector developers and investors<sup>12</sup>. These individuals or entities are the ones who initiate the project ideas, work on the project execution and provides guarantee for debt repayment or equity where it is equity financing<sup>13</sup>. For instance, in the construction of a power tower or project, the sponsor(s) is usually an independent power producer. Which is why Mainstream Energy Solutions Limited (MESL) is the entity sponsoring Kainji Hydro Power Plant.

2. **Lenders/Financial Institutions:**

They are the providers of the funds used in the project, and often rely on the

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<sup>9</sup> Debt and equity Financing for Infrastructure Projects. 30<sup>th</sup> September, 2024. <[Debt and equity financing for Infrastructure projects: Key differences & benefits](#)>Accessed August 24, 2025

<sup>10</sup> ibid

<sup>11</sup> Oludare Senbore, et al, Nigerian Law & Practice. Project Finance 2021, Chambers Global Practice Guides. <[Chambers-Global-Practice-Guide-project-Finance-2021-002.pdf](#)>Accessed August 24, 2025

<sup>12</sup> Oludare Senbore, et al, Nigerian Law & Practice. Project Finance 2021, Chambers Global Practice Guides. <[Chambers-Global-Practice-Guide-project-Finance-2021-002.pdf](#)>Accessed August 29, 2025

<sup>13</sup> Nigerian Corporate Finance, 'Understanding Project Finance in Nigeria's infra space' <[Understanding Project Finance in Nigeria's Infra Space](#)>Accessed August 29, 2025

projected cash flow for the repayment<sup>14</sup>. These entities include Development finance institutions (DFIs) and investment banks who structures and arrange project finance loans. Commercial banks often participate in these loans as direct lenders.

International financial institutions and international investment banks are also significant providers of debt financing. Government entities may also provide financing for PPP projects through either equity or debt. InfraCorp, co-owned by the Central Bank of Nigeria (CBN), the African Finance Corporation (AFC), and the Nigerian Sovereign Investment Authority (NSIA)<sup>15</sup> also falls into the category of a lender. InfraCorp is expected to raise capital (through debt or equity) from these entities, as well as pension funds and private-sector development financiers, to fund infrastructure development.

3. **Guarantees:**

In Nigeria, institutions like Infracredit, Chapel Hill Denham Nigeria Infrastructure Debt Fund (NIDF) provides debt financing options for infrastructure projects and also serves as credit guarantees for sponsors.

4. **Project Company:**

The project company is the borrower; who can be multinational, local firm, or a joint venture. Typically, a project company fulfill its duties in regards to the operation of the project through an Operations and Maintenance (O&M)<sup>16</sup> contracts. An O&M contracts provides responsibility for the operator (project company) to maintain the quality of the project's asset.

5. **Construction Contractors:**

The construction contractor's primary obligation to deliver the facility is usually executed under Engineering, Procurement, and Construction (EPC) contracts. These agreements ensure construction and commissioning are carried out at a fixed price, within set specifications, and on schedule<sup>17</sup>. Contractors may also participate as equity holders in infrastructure projects while contributing to the project financing itself.

6. **Resource Supplier:**

Resource suppliers play a vital role in infrastructure project financing by providing the essential inputs required for project operations<sup>18</sup>. These may include fuel for power plants, bulk water for treatment facilities, or utility services like water and

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<sup>14</sup> Nigerian Corporate Finance, 'Understanding Project Finance in Nigeria's infra space' <[Understanding Project Finance in Nigeria's Infra Space](#)> Accessed August 30, 2025

<sup>15</sup> Michael Ango, Bridging Nigeria's Infrastructure Deficit through InfraCorp: Prospects, Challenges and Future Outlook. Andersen in Nigeria. 16<sup>th</sup> May 2022. Accessed <<https://www.mondaq.com/nigeria/corporate-governance/1193284/bridging-nigerias-infrastructure-deficit-through-infracorp-prospects-challenges-and-future-outlook>> September 13, 2025.

<sup>16</sup> Brickstone. Major Participants in Infrastructure project Financing. Brickstone. Accessed from <<https://brickstone.africa/participants-infrastructure-project-financing/>>

<sup>17</sup> *ibid*

<sup>18</sup> *ibid*

electricity. However, contributions are not limited to physical commodities. In mining projects, for instance, governments may supply access through concessions, while for toll roads or pipelines, the critical input is often the right-of-way granted by local or federal authorities.

7. **Regulatory Bodies:**

Infrastructure Finance Projects are facilitated in accordance with certain guidelines established by certain regulatory bodies like: the Security Exchange Commission (SEC), Debt Management Office (DMO), Industry specific regulatory bodies like: Nigeria Electricity Regulator Commission (NERC) and The Infrastructure Concession Regulatory Commission (ICRC). SEC guides the capital market operation and the fund raising, the DMO guides the issuance of bonds done by the Federal Government. The ICRC is in charge of Infrastructure finance that has to deal with Public-Private partnerships. Where the infrastructure in question deals with the electricity industry, the NERC is a regulatory body that needs to be consulted. The major function of these regulatory bodies is the issuance of permits, promotion of transparency and provision of guidance on the necessary steps to take before issuance.

• **LEGAL MECHANICS INVOLVED IN INFRASTRUCURE FINANCE**

The execution of project finance transactions in Nigeria is guided by some mechanics such as relevant laws, contractual obligations and even the processes that makes an infrastructure finance transaction whole. For instance, the legal frameworks provide a basis for which the transaction is conducted. The contractual arrangements in this article deals with the documentations involved in the transaction, and the processes covers the essentials needed to have a well execution financing phase.

• **LEGAL FRAMEWORKS**

1. **The Companies and Allied Matters Act (CAMA) 2020:** CAMA 2020 is the major legal frameworks guiding the establishment and operations of companies, whether public company or private limited liability. An infrastructure project company is typically private limited liability which means they derive the power to act, including the provisions on their liability from the Companies and Allied matters Act. Section 18<sup>19</sup> makes provisions for the formation and registration of companies including Special Purpose Vehicles (SPV) which is often used in the financing of infrastructure projects.
2. **The Nigeria Tax Act 2025:** The Nigeria Tax Act applies to Infrastructure Finance transactions, it covers issues of double taxation, chargeable tax on loan capital,

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<sup>19</sup>Companies and Allied matters Act (CAMA) 2020

Economic Development tax incentives which applies to Infrastructure Project in free trade zone.

3. **Nigeria Insurance Industry Reform Act (NIIRA) 2025:** Insurance in Infrastructure finance mitigates risks for project companies, lenders, and sponsors by transferring potential losses to insurers.
4. **Industry Specific Laws and Regulations:** These include the National Electricity Regulatory Commission (NERC) Regulations, the Land Use Act, The Petroleum Industry Act 2021, The National Environmental Standards and Regulations Enforcement Agency (NESREA) Act.
5. **The Infrastructure Concession Regulatory Commission (Establishment, Etc.) Act, 2005 (ICRC Act):** The ICRC Act is a major legal framework that deals with project financing. Section 1 of the Act established the ICRC to regulate and monitor public-private partnerships (PPPs) and concessions. Section 2 empowers the ICRC with the ability to issue guidelines and standards for PPP agreements.
6. **The PPP Manual (2018):** This guides project identification, business case preparation, procurement, and contract management.
7. **The PPP Project Financial Model Guide (2025):** It provides a codified framework and standards for preparing, testing, and presenting PPP financial models in Nigeria.

- **CONTRACTUAL ARRANGEMENTS**

The contractual and documentation framework for infrastructure finance in Nigeria involves several critical aspects, primarily focused on securing the lenders' interests and ensuring enforceability.

- **Concession Agreements:** According to Section 36 of the ICRC Act, a concession is a contractual agreement in which the project proponent or contractor undertakes the construction, financing, operation, and maintenance of any infrastructure, facility, and will also supply any necessary machinery and equipment.<sup>20</sup> Depending on the needs of the grantor, concession agreements can take many different forms. Some stipulate that the concessionaire must design, build, and operate the infrastructure for profit before returning ownership to the grantor at the end of the concession period (i.e., Design, Build, Own and Transfer, or DBOT), while others specify that the

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<sup>20</sup> Sefton Fross, 'A Negotiation of Concession Agreements in Nigeria (An Introduction to key concepts in PPPs) 12 November, 2020 <<https://www.mondaq.com/nigeria/government-contracts-procurement-ppp/1005180/negotiation-of-concession-agreements-in-nigeria-an-introduction-to-key-concepts-in-public-private-partnerships#:~:text=A%20concession%20according%20to%20Section%2036%20of%20the.any%20infrastructur e%20and%20the%20provision%20of%20any%20services>> Accessed August 30, 2025

concessionaire must only build (or rehabilitate), operate, and transfer the infrastructure (Build Operate Transfer, or BOT), leaving the design phase to the public authority grantor.

- **Project Agreements/Contract:** A project contract is a legally binding agreement that clearly defines the rights, responsibilities, and obligations of all parties involved in the project. The contract defines the network of relationships to manage and allocate risk in order to enable the success of the project. Common examples include: Engineering, Procurement, and Construction (EPC) contracts, operational and maintenance (O&M) agreements etc.
- **Financing Agreements/Contract:** A finance contract refers to a legal binding agreement between project sponsor and its lenders, it outlines the terms under which debt and equity are provided to fund a specific infrastructure project, the repayment schedules, interest rates and the protection accorded to lenders to secure their investment. It is typically governed by Nigeria law, however for foreign lenders they prefer to embrace English law.

- **THE NEED FOR INFRASTRUCTURE FINANCE IN NIGERIA**

Infrastructure finance holds immense importance for Nigeria due to several compelling reasons:

- **Bridging the Infrastructure Deficit:** Nigeria faces a substantial infrastructure gap, and infrastructure finance, especially through PPPs, is seen as a viable means to resolve this significant deficit. The government actively promotes initiatives like the Highway Development and Management Initiative (HDMI) to attract private sector involvement in constructing and rehabilitating roads.
- **Catalyst for Economic Growth and Expansion:** The development of hard infrastructure assets (roads, ports, bridges) and soft infrastructure (broadband penetration) through mechanisms like Infra-Corp is expected to have a multiplier effect on the growth and expansion of business activities across the country.
- **Attracting Private Sector Investment and Expertise:** With the government facing capital constraints, infrastructure finance is critical for attracting private-sector expertise and funding. This includes increased investment in large-scale projects, which complements public efforts.
- **Leveraging Legislative Reforms:** Recent legislative changes, such as the Petroleum Industry Act (PIA), are designed to create a more conducive environment for investment in the oil and gas sector. This is expected to secure much-needed investments for projects like new refineries, gas

infrastructure, and pipeline networks, enhancing project finance transactions.

- Addressing Sector-Specific Challenges: In sectors like agriculture, infrastructure finance is vital for providing solutions to issues such as the absence of adequate storage and processing facilities and inefficient transportation networks. Investment in these areas is envisaged to generate an inflow of project finance transactions that address these critical needs.
- **INNOVATIVE FINANCING OPTIONS IN NIGERIA**
  - a. Public-Private Partnerships (PPPs): A major method of financing projects is the involvement of private entities with the major role of the private entities being provision of funds used in financing a project in exchange for the revenue generated from such project. In the execution and management of such infrastructure project, the models mostly employed can be Public-Private Partnerships (PPPs). PPP first emerged in the United Kingdom in the wake of the conservative revolution of Margaret Thatcher<sup>21</sup>. In PPPs, the Private entities enter into a contractual agreement with the public sector with the sole function of financing the project. PPPs are guided by the Infrastructure Concession Regulatory Commission Act 2005, Public procurement Act, 2007, Fiscal Responsibility Act, 2007, the PPP Manual 2018 and recently, the PPP Project Financial Model Guide 2025 (the Guide). In addition to these are state legislations that govern PPP Projects in these states, such as the PPP Law of Lagos State<sup>22</sup> A major example of PPP project is the Lekki Deep Sea Port and the Shiroro Hydro Electric Power Plant.<sup>23</sup>
  - b. Blended Finance: Blended Finance has recently emerged as a powerful tool for financing infrastructure finance globally, it combines different sources of funding, including public, private, and philanthropic capital to address the most pressing development needs- while making these projects financially viable and attractive for investors.  
  
Blended concessional finance, as defined by the Developmental Finance Institution ('DFIs') Working Group, is the strategic use of concessional capital from donors or third parties alongside DFIs regular commercial financing to

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<sup>21</sup>Kalu Emenike, 'Infrastructure Finance Mechanism and Challenges in Nigeria' Independent Journal of management & Production. V.6, n.3, July – September 2015.

<sup>22</sup>Ajibola Asolo & Aminat Tijani, 'The Investment and Securities Act 2025: Leveraging Capital markets to Boost Public Infrastructures Development. <[The-Investment-and-Securities-Act-2025\\_Leveraging-Capital-Markets-to-Boost-Public-Infrastructure-Development.pdf](#)> Accessed September 05, 2025

<sup>23</sup> FEC Approved PPP Projects. ICRC website <<https://www.icrc.gov.ng/projects/fec-approved-ppp-projects/>> Accessed September 05, 2025

attract private sector investment into sustainable development initiatives.<sup>24</sup> Simply put, blended finance uses public or philanthropic capital to de-risk investments, enhance returns, and encourage private sector participation in projects that might otherwise be deemed too risky or unprofitable. The goal of blended finance is to unlock private capital by using concessionally – financial support provided at below-market rates to reduce risk and enhance commercial viability of the investments.

The energy sector particularly that of clean energy account for over 90% of the total amount of blended finance investment. Nigeria being in need of energy solution (electricity, solar and clean energy) needs to tap into the global surge in blended finance transactions.

One of the strongest advantages of blended finance is the ability to de-risk infrastructure project through credit enhancement, equity investment, technical assistance and political risk-mitigation. Rwanda's Kigali Bulk Water Project was finance through blended finance, a project that was undertaken to provide clean drinking water to Kigali's resident, by blending concessional loan with commercial finance, the project has become bankable scalable. Blended finance offers Nigeria the opportunity to address infrastructural deficits and contribute to sustainable development.

c. Infrastructure Investment Funds (IIFs)

Infrastructure Investment Funds is another innovative approach used to finance large scale infrastructure development. Infrastructure Investment Funds pool capital from institutional investors- including pension funds, insurance companies, Development Financial Institutions (DFIs) and sovereign wealth funds. These funds are tailored to align with long term nature off infrastructure investments, offering both investors and project developers a reliable means to address long gestation periods and the significant capital requirements often associated with infrastructure development.<sup>25</sup>

The key advantage of IIFs is that they provide a structured mechanism for channeling private capital into public infrastructure project. The Funds not

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<sup>24</sup> DFI Working Group on Blended Concessional Finance for Private Sector Projects, 'Joint Report, March 2023 Update' (2023) <<https://www.ifc.org/content/dam/ifc/doc/mgrt/2023-03-dfi-bcf-joint-report.pdf>> Accessed September 05, 2025.

<sup>24</sup> Afri Fund Capital, 'Case Study: Kigali Bulk Water PPP Project – Replicable Success Factors' (2025) <<https://afrifundscapital.com/kigali-bulk-water-ppp-project-replicable-success-factors/>> accessed September 05, 2025.

<sup>25</sup> Rebecca Lake, 'Infrastructure Funds: Definition and Examples' (2019) <<https://finance.yahoo.com/news/infrastructure-funds-definition-examples-231430619.html>> accessed August 17, 2025

only support government-led initiatives but also creates opportunities for private players to participate.

The Nigeria Capital Market plays a crucial role in raising Infrastructure Investment Funds through structured vehicles- like debt or quasi- equity instruments. In the past decade, the Nigeria Capital Market through Securities and Exchange Commission (SEC) has approved several infrastructure fund shelf programs running into 1.5 trillion naira.<sup>26</sup> There are several successful cases of infrastructure funds in the Nigeria capital markets, serving as role models for future investment vehicles:

Chapel Hill Denham Nigeria Infrastructure Funds (NIDF): NIDF is the first listed infrastructure debt fund in Nigeria, NIDF focuses on lending to projects such as energy, transport and utilities.<sup>27</sup>

Coronation Infrastructure Fund (CIF): The fund launched under NGN 200 billion shelf-program. CIF raised #8.79 billion from its Series 1 issuance. The fund was recently listed on the Nigeria Exchange (NGX), in other to provide liquidity, transparency, and accessibility.<sup>28</sup> The fund has since paid #1.7 billion in dividends.

United Capital Infrastructure Funds: This fund pools capital from institutional investors and strategically invests in a diverse portfolio of infrastructure projects across Nigeria, fostering economic growth and development.<sup>29</sup> ARM/Harith Infrastructure Fund, Stanbic-IBTC Infrastructure Fund etc. Infrastructure Investment Funds offer several benefits for funding infrastructure projects. Prominent among them being that it offers investors stable return. While Nigeria has made little progress in this regard, more still needs to be done to encourage such investment.

- d. Green Bonds and Sustainable Finance: Green Bonds and Sustainable Finance are crucial for infrastructure development in a climate conscious World. Sub Saharan Africa remains highly vulnerable to climate change; Nigeria is no exception to this vulnerability.

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<sup>26</sup> Banjo Olaniran, 'SEC Nigeria Approves 5 Infrastructure Fund Shelf Programmes Totalling N 1.5 Trillion' Business metrics (2024) <<https://businessmetricsng.com/sec-nigeria-approves-5-infrastructure-fund-shelf-programmes-totalling-n1-5-trillion>> accessed August 17, 2025

<sup>27</sup> NIDF –Nigeria Infrastructure Debt Fund <<https://nidf.ng/>>accessed August 19, 2025

<sup>28</sup> Helen Oji, 'Coronation lists N8.79 billion Series 1 Infrastructure fund on NGX' Guardian (2025) [https://guardian.ng/business-services/capital-market/coronation-lists-n8-79-billion-series1-infrastructure-fund-on-ngx/#google\\_vignette](https://guardian.ng/business-services/capital-market/coronation-lists-n8-79-billion-series1-infrastructure-fund-on-ngx/#google_vignette) accessed August 19, 2025.

<sup>29</sup> Razaq Ayinla, 'United Capital Infrastructure Fund distributes N4.6bn to unit holders since inception' BusinessDay (2025) <<https://businessday.ng/companies/article/united-capital-records-24-99-gross-return-shares-over-n4-6bn-in-dividends/>> accessed August 20, 2025.

Green bonds are simply debt instruments used to raise capital specifically for projects that have positive environmental or climate benefit, such as renewable energy, clean transportation, afforestation. As concerns over climate change intensify globally, green bonds are gaining traction as an effective means of financing sustainable projects. Nigeria became a frontrunner in this space as the first African nation and only the fourth country to issue sovereign green bonds channeling the funds into renewable energy and afforestation initiatives. The green bond issued in 2017 by the Federal Government of Nigeria (FGN) raised NGN10.69 billion, with a 13.48% 5- year tenor.<sup>30</sup>

These bonds have paved way for private and public entities to participate in sustainable finance in the energy, infrastructure, and transport sector. Despite these, Nigeria trailblazer in sustainable financing is still underwhelming, Nigeria needs to step up to match other African economies, such as Egypt- \$750 Million in sovereign green bonds, \$478.7 million Sustainability Panda Bonds<sup>31</sup>, to mention but a few. As we move towards a sustainable world, sustainable finance and green bonds offer Nigeria the opportunity to drive impactful change and revamp our infrastructure.

- e. Sukuk Islamic Bonds: Sukuk Islamic Bonds have gained wide acceptance as a strategic tool for financing critical features globally. Sukuk is a form of Islamic financial instrument structured to comply with Sharia law, which prohibits interest-based financing. Unlike conventional bonds that represent debt obligations, Sukuk bonds represent partial ownership in an asset, or a project, thus creating a link between financing and real economic activity. The returns are generated through the performance of the underlying asset, thereby ensuring proper use of funds.

Nigeria has made some progress in issuing Sukuk bonds to fund its infrastructure since the first issuance in 2017. The Federal Government has raised a total of over NGN 1.1 trillion through seven issuances of Sukuk with the recent being NGN 300 billion sovereign sukuk issuance in May 2025,<sup>32</sup> aimed at developing key national infrastructure. Several parts of the funds

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<sup>30</sup> Jude Chiemeka, 'Nigeria green bonds are a key step in our sustainable finance agenda' (2025) <<https://focus.world-exchanges.org/articles/nigeria-green-bonds>> accessed August 20, 2025.

<sup>31</sup> Africa Development Bank, 'Egypt issues Africa's first Sustainable Panda Bond worth 3.5 billion RMB backed by African Development Bank and Asian Infrastructure Investment Bank' <<https://www.afdb.org/en/news-and-events/press-releases/egypt-issues-africas-first-sustainable-panda-bond-worth-35-billion-rmb-backed-african-development-bank-and-asian-infrastructure-investment-bank-65097>> accessed August 20, 2025.

<sup>32</sup> Peter Moses, 'FG Issues N1.1 trn Sukuk Bonds to Finance 5,820 Km Road' Daily Trust (2024) <<https://dailytrust.com/fg-issues-n1-1trn-sukuk-bonds-to-finance-5820-km-road/>> accessed August 21, 2025.

have been used to finance notable infrastructure project in Nigeria, notable ones include: Rehabilitation of Enugu-Port-Harcourt expressway, Dualization of Kano-Maiduguri Road, Construction of the Kaduna Eastern Bypass to mention but a few.<sup>33</sup>

Sukuk Bonds in financing infrastructure offers several benefits which include: it increases accountability and transparency in the deployment of capital, Broaden the investor base, less risky in that it is backed by a tangible asset. The bonds have proven to be effective and innovative alternative to traditional debt financing. We advocate that Nigeria should build on successful momentum by making Sukuk a core part of its infrastructure financing strategy. By expanding the scope of Sukuk use across different sectors, enhancing investor education and fostering a robust regulatory framework, with these in place Nigeria can actualize and harness the benefits of this innovative financial instrument to address its infrastructure needs, drive economic growth, and improve the quality of life for its citizens.

- f. Infrastructure Debt Securitization: Infrastructure debt securitization involves pooling debt from infrastructure projects and issuing it as securities to investors. These debt assets are converted into tradable securities on the stock exchange (secondary market), this model enables governments and project owners to free up capital for new projects and gives institutional investors a way to access long-term and stable income streams. The way it works is that the cash flows generated by infrastructure assets- like power plant, Railway or toll roads are used to pay interest and principal to investors holding the securitized debt. These securities are structured into tranches, with varying level of risks and return. Senior tranches have a higher claim on cash flows and are rated in investment-grade, attracting risk-averse investors like pension funds and insurance companies, junior tranches offer higher yields for investors who are willing to take on more risk. It can be traded on the secondary market.<sup>34</sup>In 2006, Peru used debt securitization to finance the construction of the IIRSA Interoceania Sur highway, a major road concession to the tune of \$226 million<sup>35</sup> also the Asian Development Bank (ADB) has also

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<sup>33</sup> Inwalomhe Donald, 'Sukuk as an Instrument of Economic Development' Business Day <<https://businessday.ng/opinion/article/sukuk-as-an-instrument-of-economic-development/>> accessed August 21, 2025.

<sup>34</sup> Danny Alexander 'How financial products can attract infrastructure capital from institutional investors' <<https://www.mckinsey.com/industries/private-capital/our-insights/how-financial-products-can-attract-infrastructure-capital-from-institutional-investors>> accessed August 22, 2025.

<sup>35</sup> Carlos Albarracin and Augusto Caceres, 'New Debt Instrument Helps Infrastructure Financings in Peru' Norton Rose Fulbright (2012) <<https://www.projectfinance.law/publications/2012/may/new-debt-instrument-helps-infrastructure-financings-in-peru/>> accessed August 22, 2025.

utilized debt securitization to finance renewable energy projects such as wind farms and solar power plants.<sup>36</sup> From the Africa demography, while the concept is still emerging on the continent, there are notable initiative which includes Africa Development Bank (AFDB) and Emerging Africa Infrastructure Funds (EAIF) which have driven infrastructure securitization, with AFDB participating in a \$500 million fund for various projects and South Africa's Bayport Securitization Programmes, which raised over R 350 million.<sup>37</sup> These examples reflect the growing interest for debt securitization in financing long term infrastructure project across the continent. Infrastructure debt securitization offers Nigeria a transformative opportunity to mobilize private capital, enhance market liquidity, and bridge Nigeria's Infrastructure gap when aligned with proper policy support and market development.

- **CHALLENGES FACING INFRASTRUCTURE FINANCING IN NIGERIA**

The Major Challenges facing Infrastructure Finance in Nigeria are as follows;

- i. **Exposure to Currency Risks:** Exposure to currency risks is an important feature of infrastructure financing. Infrastructure project revenues are often generated in local currencies, while servicing of foreign capital, whether debt or equity, involves payment in foreign currency. Fluctuations in the exchange rate of naira, as well as capital controls limiting currency convertibility pose a big problem to foreign investors invariably leading to reluctance in investing in long term infrastructure.
- ii. **Inadequate Legal and Regulatory Framework:** Inadequate regulatory framework still hinders infrastructure financing in Nigeria. Inadequate regulatory framework, poor policies and poor enforcement scare investor who requires strong institutional support to ensure their investments are secure and yield returns.
- iii. **Risks associated with Infrastructure Finance:** Infrastructure investments are typically up-front, with high degree of asset specifically and risky revenue streams stretching many years into the future. Investors are very hesitant to commit their money into such investment without adequate contractual protection.
- iv. **The issue of Bankability:** There are very few bankable projects, most projects preparation are not sophisticated enough to address bankability concerns from the outset. Key

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<sup>36</sup> Thiam Hee Ng and Jacqueline Yujia Tao, 'Bond Financing for renewable energy in Asia' Energy Policy (2016) 95, p.509-517 <<https://www.sciencedirect.com/science/article/abs/pii/S0301421516301197>> accessed August 22, 2025.

<sup>37</sup> Bayport Securitization, 'Bayport Securitization raises R350m of debt funding' (2014) <<https://www.bayportfinance.com/wp-content/uploads/2018/08/SENS-BAYA44BAYA46-20140331-Final.pdf>> accessed August 22, 2025.

challenges include inadequate funding for expensive feasibility studies and the lack of strong precedents, given the relatively short history of PPP projects in the country and the success rate.

- v. High cost of projects: High cost of projects discourages infrastructure financiers. Due to economic and political factor, the cost of undertaking project in Nigeria is relatively higher compared to costs of similar projects in other countries. Thus, the opportunity cost of financing infrastructure projects in Nigeria is relatively high.
- vi. High preference for quick win sector: Most private sector investments in African infrastructure have been in quick return sectors such as telecoms. Telecom projects have a quicker gestation period whilst investment in concessions will be recouped over a much longer period ranging from 25-30 years.

- **SINGAPORE SUCCESS AS A CASE STUDY:**

Singapore's success in infrastructure finance is often cited as a global model. In a data released by Global Infrastructure Hub, Singapore leads the world in infrastructure governance drive with a score of 83.4 (out of 100), its recovery rate of 88.7 cents on the dollar is twenty percent above the average for high income countries.<sup>38</sup>

The city-state transformed from a developing economy in the 1960s into one of the world most advanced financial and infrastructure hubs by combining visionary leadership, strong institutions, and sound policy frameworks.

A key driver was the establishment of clear long-term infrastructure planning through agencies such as the Urban Redevelopment Authority (URA) and the Land Transport Authority (LTA). These bodies integrated urban planning with financial sustainability, ensuring that projects were both feasible and bankable. Singapore also created a transparent and predictable regulatory environment, which fostered investor confidence.<sup>39</sup>

The government actively mobilized private capital through well-structured Public-Private Partnerships (PPPs), while maintaining strict governance standards to minimize risks. Infrastructure projects such as Changi Airport, the Mass Rapid Transit (MRT) system, and port facilities were financed through a mix of government funding, user charges, and private investment, ensuring financial viability.<sup>40</sup>

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<sup>38</sup> Kathy LAI, 'How Singapore and the GIF are bridging the infrastructure gap in Asia and beyond' World Bank Blogs (2018) <<https://blogs.worldbank.org/en/ppps/how-singapore-and-gif-are-bridging-infrastructure-gap-asia-and-beyond>> accessed August 23, 2025.

<sup>39</sup> Kathy LAI, 'How Singapore and the GIF are bridging the infrastructure gap in Asia and beyond' World Bank Blogs (2018) <<https://blogs.worldbank.org/en/ppps/how-singapore-and-gif-are-bridging-infrastructure-gap-asia-and-beyond>> accessed August 23, 2025.

<sup>40</sup> Ibid

In addition, Singapore developed strong financial institutions and positioned itself as a regional hub for project finance.<sup>41</sup> By leveraging its stable macroeconomic environment, innovative financing models, and disciplined implementation, Singapore successfully built world-class infrastructure that continues to attract global investors and set benchmarks for other nations.

- **LESSONS FOR NIGERIA AND STRATEGIES FOR DEEPENING INFRASTRUCTURE FINANCING IN NIGERIA**

From the discussion overall it strongly shows that much needed investment in Nigeria's infrastructure is one of the critical challenges facing the country development, the government as well as the private sector players can take certain steps to enable a greater number of infrastructure development projects attract adequate financing as seen from the success story of Singapore.

- A. **Excellent Legal Framework:** The government must establish and implement a coherent and comprehensive framework for such projects at both of the state and federal level covering recurring issues including risk allocation and mitigation strategies.
- B. **Proper Structure:** Policy makers must ensure that infrastructure is structured to an investment grade level that is hedged against macroeconomic risks and are regulated or licensed in some form.
- C. **Enhance the capacity of the capital market to supply long term debts capital in terms of infrastructure bond,** the capital market is crucial for financing of infrastructure project with long term assets whose costs may take within 10 to 30 years to recoup. The infrastructure type bond can be issued in the local (NGX) or international capital markets and structured to be secured and serviced by cash flows generated from a specific project or a portfolio of projects, without recourse to the sponsors.
- D. **Government-driven Intervention / Support:** Government can play a vital role by providing guarantees that ensure the continuity of projects, thereby offering assurance to investors. Several states in Nigeria, including Lagos, Imo, Ekiti, Gombe and Delta States have already adopted this approach by issuing state bonds to finance infrastructure development.
- E. **Proper Project Appraisal:** When selecting infrastructure development projects, priority should be given to clearly known public needs that can only be addressed through direct Public Private Partnership (PPP) intervention or any other type of intervention. Such projects should be capable of generating sustainable cash flows,

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<sup>41</sup> FEP FINANCE CLUB, 'How Singapore became a Global Financial Center' (2024) <<https://fepfinance.org/2024/05/02/article-how-singapore-became-a-global-financial-center/>>accessed August 23, 2025.

ensuring that private sector investors can recover their investments while delivering long term benefits.

- F. Local Currency Financing: Local currency financing would solve currency risk in Nigerian infrastructure by aligning project revenues and debt service in the same currency, it will help to prevent losses from Naira depreciation and ensuring stable, long-term debt repayment. Nigeria government has to look inward to the funds that are sitting idle without any use (pension funds, Insurance funds) to finance infrastructure project in Nigeria.

#### • CONCLUSION

We submit that Infrastructure Investment Funds (IIF), Blended Finance, Public-Private Partnerships (PPP), Bonds (Sukuk, Green), Sustainable Finance and Infrastructure Debt Securitization are critical instruments for bridging Nigeria's infrastructure deficit. When supported by sound regulatory frameworks, ethical governance and Institutional credibility, these models can unlock substantial domestic and foreign capital while ensuring long-term project sustainability. However, their success is highly dependent on political will, rule of law, policy consistency and strong oversight to guarantee accountability and investor's confidence. By replicating lessons from Singapore, where well-structured financing models resulted in rapid economic transformation, Nigeria can position infrastructure as the pathway for economic development and national prosperity.

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