

The Role of Islamic Sukuk in Financing the Economy

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Abstract:

This study aims to highlight the role played by Islamic sukuk in financing the economy, as a tool for financing, mobilizing financial resources, and promoting economic development. This was done by studying the concept of financial sukuk, their characteristics, issuance controls, importance, and regulatory environment, as well as shedding light on the study of the various methods of financing in the economy using Islamic sukuk and the requirements for their success as a tool for economic development. We concluded that Islamic sukuk, as one of the most important products of Islamic financial engineering, play a major role in financing through their role in achieving economic development, addressing the state's public budget deficit, and eliminating the problem of unemployment.

Keywords: Islamic sukuk, Islamic finance, economic development.

Introduction:

Interest in Islamic finance in general and Islamic sukuk in particular has recently increased in an unprecedented manner worldwide as a whole, and not only at the level of Islamic countries. This came after Islamic banking proved its efficiency and ability to withstand the global crisis of 2008. Islamic sukuk are considered one of the most important and prominent products of the Islamic financial industry, which has been able to attract large numbers of investors from various countries of the world. Their market has grown remarkably in recent years and has witnessed increasing demand in many Islamic and non-Islamic countries, due to their contribution to financing development projects in various economic sectors. They also play the role of financial intermediary between national savings and various investment fields. Individuals and national institutions participate in financing real investment projects and reap their profits instead of the fixed and prohibited interest they obtain from usurious bonds. Thus, they are a financing instrument that attracts foreign capital. Islamic sukuk also contribute to financing the budget deficit, as they are an effective instrument of monetary policy by controlling the amount of money circulating in society, and through their ability to finance major infrastructure projects such as airports, roads, tunnels, railways, ports, energy projects, etc.

Problem Statement: This research comes to shed light on the role that Islamic sukuk can play in promoting economic development and financing the economy. Accordingly, we posed the following problem: What role do Islamic sukuk play in financing the economy?

Importance of the Research:

The importance of the research lies in the fact that it deals with an important instrument of non-traditional financing, namely Islamic sukuk, and determines their role in financing the economy.

Research Objectives:

- To identify Islamic sukuk in terms of their concept, characteristics, issuance controls, importance, and regulatory environment.
- To clarify the various methods by which Islamic sukuk finance the economy.
- To clarify the requirements for the success of Islamic sukuk as an instrument for economic development and the prospects of their industry in Algeria.

-First: The conceptual framework of Islamic sukuk.

-Second: The role of Islamic sukuk in financing the economy.

-Third: Requirements for the success of Islamic sukuk as an instrument for economic development.

-Fourth: Prospects of the Islamic sukuk industry in Algeria.

-First: The Conceptual Framework of Islamic Sukuk:

To answer the problem, the research was divided into the following aspects:

1- The Emergence of Islamic Sukuk:

The idea of securitization originated in the United States of America in 1970, when the Government National Mortgage Association issued sukuk based on mortgage-backed loans. The main objective of securitization was to link the original debts directly to securities by pooling debts in the form of a portfolio and then issuing securities against that portfolio, guaranteed by its collateral.

The emergence of Islamic sukuk dates back to 1983, after the start of operations of the first Islamic bank in Malaysia, Bank Islam Malaysia. Officials of the Malaysian Central Bank noticed that Bank Islam Malaysia refrained from owning government bonds or treasury bonds because they violated Islamic Sharia. Therefore, the Malaysian Central Bank resorted to issuing investment certificates whose mechanisms did not include usury. (Abdel Latif, 2016, p. 307)

Then the Islamic Fiqh Academy issued Resolution No. 05 dated 04/08/1988 concerning muqaradah bonds and investment bonds, which opened the door for Islamic companies to adopt these emerging formulas. In 2002, the Accounting and Auditing Organization for Islamic Financial Institutions issued a Sharia standard for investment sukuk, to be applied to specialized institutions starting from January 1, 2004.

Malaysia continued to maintain the leading position among countries dealing with Islamic sukuk, followed by other Islamic countries such as Bahrain, which was the first among the Gulf countries to adopt them, as well as the United Arab Emirates, Saudi Arabia, Kuwait, and others. (Abdel Latif, 2016, p. 307)

2- Definition of Islamic Sukuk:

Linguistically: The plural of sakk, which is a document acknowledging received money or the like; that is, a document proving a right of ownership. (Boulahia and Abdel Ghani, 2020, p. 3)

Technically: The Accounting and Auditing Organization for Islamic Financial Institutions. **defines them as:** “Documents of equal value representing common shares in the ownership of assets, usufructs, services, assets of a specific project, or a special investment activity, after collecting the value of the sukuk, closing the subscription, and beginning to use them for the purpose for which they were issued.” (Djahiza, Ghoul, and Tahraoui, 2020, p. 115)

The Islamic Fiqh Academy defined them in its fourth conference in Jeddah as: “An investment instrument based on dividing capital by issuing ownership of capital on the basis of units of equal value registered in the names of their owners, considering that they own common shares in the capital and in what it is transformed into according to the ownership share of each of them in it.” (Zidan, 2019, p. 104)

Islamic sukuk can be defined as securities of equal value and fixed duration, issued according to Islamic financing formulas, giving their holder the right to participate with others by a percentage in the ownership and net revenues or profits and losses and assets of an existing investment project, or one that will be established from the proceeds of subscription. They are tradable, amortizable, and redeemable when needed under certain controls and restrictions. The assets of the investment project may be limited to tangible assets, usufructs, services, financial or moral rights, or a mixture of some or all of them according to certain conditions. Accordingly, sukuk do not represent a debt owed by their issuer, but rather establish for their holder a common ownership right in income-generating assets. (Nasser and Rabia, 2013, p. 53)

3- Characteristics of Islamic Sukuk:

Islamic sukuk are characterized by a set of features that distinguish them from other traditional securities, represented in the following:

- Sukuk are documents of equal value issued in the name of their owner to prove the owner's right in the assets issued under them.
- Sukuk are tradable in the securities market within the framework of Sharia conditions and controls for trading the assets, usufructs, and services they represent.
- Sukuk represent a common share in the ownership of assets allocated for investment, whether tangible assets, usufructs, services, or a mixture of them with moral rights, debts, and cash, and they do not represent a debt or obligation owed by their issuer.
- Islamic sukuk give their holder the right to obtain the profits they generate, which requires separating the financial liability of the project from the financial liability of the issuing entity.
- Islamic sukuk are issued on the basis of a Sharia contract and according to Sharia controls that regulate their issuance and trading.
- Islamic sukuk allocate the proceeds of subscription to investment in projects or activities that comply with the provisions of Islamic Sharia.
- The Islamic sukuk obligate their owner to bear investment risks in proportion to the sukuk they own, as sukuk are based on the principle of participation in profit or loss. (Telli and Al-Zahra, 2020, p. 21)

4- Controls for Issuing and Trading Islamic Sukuk:

Islamic sukuk are issued based on a Sharia contract on the basis of one of the Islamic financing formulas. This issuance is governed by general Sharia controls that apply to all Islamic securitization operations, and special Sharia controls according to the formula on which the securitization process was based. These controls are as follows: (Dabbah and Soumia, 2017, p. 125)

- **The first control:** The sukuk must represent common ownership in the project for which the sukuk were issued for its establishment or financing. This ownership continues throughout the project from beginning to end, and entails all rights and dispositions legally prescribed for the owner in their ownership, such as sale, gift, mortgage, and inheritance, noting that sukuk represent the tangible and intangible assets of the project and its debts.
- **The second control:** The contract in sukuk is based on the fact that the terms of contracting are determined by the prospectus, that the offer is expressed by subscribing to these sukuk, and that acceptance is expressed by the approval of the issuing entity, unless the prospectus states that it is an offer; in that case, it is an offer and subscription is acceptance. The prospectus must include all the

data required by Sharia in the contract represented by the sukuk, in terms of indicating the known capital and profit distribution, while stating the special conditions of that issuance, provided that all conditions comply with Sharia provisions.

- **The third control:** The sukuk must be tradable after the end of the specified subscription period, considering this authorized by the partners, under the following conditions:

A. If the project capital collected after subscription and before the commencement of work is still cash, then trading the sukuk is considered an exchange of cash for cash, and the rules of currency exchange apply to it, including the mutual receipt of both countervalues in the exchange session before separation, freedom from option, and equivalence if one of the two currencies is sold for the same type. This means that the nominal value paid is the basis on which the sukuk is sold without increase or decrease.

B. If the capital becomes debts, then the rules of dealing with debts apply to the trading of sukuk.

C. If the capital becomes mixed assets consisting of cash, debts, tangible assets, and usufructs, then it is permissible to trade the sukuk according to the mutually agreed price, provided that the predominant component in this case is tangible assets and usufructs.

5- Importance of Islamic Sukuk:

- They contribute to reviving the economy by benefiting from capital that refrains from participating in projects financed through usury.

- They enable governments and companies to obtain legitimate financing that helps them expand their activities and projects and finance the budget deficit.

- They are a Sharia-compliant alternative to investment certificates and bonds.

- They help manage liquidity at the macroeconomic level.

- They help develop local and global Islamic financial markets by creating Islamic securities.

- They provide continuous and real financing for the state from resources already existing in the economic cycle, which reduces inflationary effects.

- They provide innovative solutions to financing problems. (Mukhtaria, 2019, p. 36)

6- The Regulatory Environment of Islamic Financial Sukuk:

Islamic financial sukuk are issued in one of two ways: either through public or direct securitization (simple), in which sukuk are first issued for all resources and then directed toward establishing the

investment project; or through private or indirect securitization (structured), where sukuk are issued for the purpose of converting existing projects or assets into cash liquidity. This is done by converting those assets into equal units represented by sukuk, which are then offered in the financial market to attract investments.

Sukuk are issued either by government institutions (the public sector), by natural persons (the private sector), or by associations and institutions that do not aim only to make profit. The securitization process generally takes place through parties that directly participate in the securitization process, such as the entity and company originating the securitization portfolio, the special purpose vehicle known as: (SVP) special purpose vehicle, and investors, i.e., holders of securitization sukuk, as well as through parties that may assist in the securitization process, such as the credit rating company, the issuance manager and advisor, the custodian, and others.

The securitization process passes through three stages:

The stage of issuing sukuk: This stage is carried out through the following steps:

The first step: The originating company identifies the assets to be securitized by limiting and collecting its various assets in one investment pool known as the securitization portfolio and transferring them to the SVP, which is an independent entity established by the originating company by a decision of the Capital Market Authority according to special conditions and procedures.

The second step: Securitizing the assets and then selling them, where the SVP company reclassifies the assets and divides them into parts or units that suit and meet the needs and desires of investors, then converts them into sukuk and sells them to investors.

The stage of the sukuk portfolio: After the sukuk are sold to investors, the SVP company manages this portfolio on behalf of the investors throughout the issuance period by collecting the periodic returns and income generated from the assets and distributing them to the investors. It also provides all the services needed by the portfolio.

The stage of sukuk amortization: Paying the nominal value of the sukuk on the dates specified by the prospectus. (Al-Zahri, 2017, p. 52)

Second: The Role of Islamic Sukuk in Financing the Economy:

The formula of Islamic investment sukuk has succeeded in financing development in many Islamic and non-Islamic countries such as the Gulf states, Jordan, Malaysia, Indonesia, some European countries, and Turkey. Its application also became widespread after the global financial crisis, and it is considered one of the latest financing formulas in the world today. This formula is characterized

by many advantages that suit many segments of investors, businessmen, and governments, because it is flexible, easy to issue and trade, and low-risk. It also accommodates a segment of investors who do not want to speculate in the stock exchange, as well as investors who do not want to enter into suspicions of usurious transactions such as interest-bearing bonds. Financial and business experts believe that the future belongs to this formula after it was recommended by global financing institutions and approved by Islamic fiqh academies.

1- Contribution to Achieving Economic Development:

Investment is considered one of the pillars of economic growth, especially in developing countries, due to the increase it produces in the country's productive capacity. It is also one of the effective means of changing the structure of the national economy in favor of correcting its structural imbalances. As its volume increases, the rate of economic growth increases through increasing productive added value and employing the labor force. Sukuk have the main characteristics that enable them to rise on the development ladder, the most important of which is that they are linked to real investments. These investments are a successful alternative proving that investment resulting from interest is not real, and that it increases the usurer's wealth while harming and impoverishing the borrower. It is known to all that economic development requires the existence of real investment that serves the production process in an attempt to promote the economic capabilities within the state. In addition, Islamic sukuk, or rather the investment methods subject to securitization, are characterized by adopting development priorities according to what is required by the system of economic rationality and in a way that achieves the greatest possible Sharia objectives. (Noureddine, Ibrahim, and Abdelhamid, 2018, p. 257)

The contribution of Islamic sukuk to achieving economic development is represented in the following:

1-1- The Role of Islamic Sukuk in Collecting and Mobilizing Local Savings:

Islamic sukuk are characterized by their ability to mobilize and collect financial resources, because they meet the desires of all groups. They vary in terms of their value, as well as in terms of their maturities, whether short, medium, or long term. They also vary in terms of the method of obtaining the return, and in terms of their liquidity derived from the possibility of trading them in the secondary market or not. Islamic sukuk also have the feature of not being exposed to interest rate risks, because they do not deal with interest in the first place. Islamic sukuk are also not exposed to inflation risks; rather, they are positively affected by inflation, because these sukuk represent real assets in the form of tangible assets and services whose prices rise with the rise in the general level of prices, which leads to an increase in the returns of the sukuk representing those assets. (Zaabi, 2017, p. 332)

1-2- The Role of Islamic Sukuk in Financing Investment Projects:

Investment sukuk are considered an instrument that helps collect capital to finance the establishment of an investment project by mobilizing its resources from investors, through offering sukuk according to various Islamic financing formulas in financial markets, so that the proceeds of subscription constitute the project capital. Islamic sukuk are diverse in a way that makes them suitable for different economic sectors. Murabaha sukuk are suitable for commercial activities, salam sukuk are most suitable for financing agricultural projects, extractive industries, and craftsmen, while istisna sukuk are used to finance the construction and real estate sector. Participation sukuk are the most suitable for financing all types of long-term, medium-term, and short-term investments. They are also suitable for all types of economic and commercial activities, including industrial, agricultural, and service activities, because of the flexibility of their rules and the possibility of concluding them in any field. The same applies to mudarabah sukuk, except that they are distinguished from participation sukuk by separating project management from ownership. (Dabbah and Soumia, 2017, p. 132)

1-3- The Role of Islamic Sukuk in Financing Infrastructure Projects:

Infrastructure can be defined as the physical components of interconnected systems that provide the necessary goods and services required to enable, sustain, or improve the conditions of community life. Infrastructure facilitates the production of goods and services, in addition to distributing products in markets, as well as basic social services such as schools and hospitals. According to the World Bank, it consists of transport and communication facilities, water, energy, and information and communication technology. In the economic field, it is defined as including all services and facilities that have a direct or indirect impact on economic and commercial life, such as: road and water networks, sewage and electricity networks, communication networks, in addition to administrative, financial, and legal laws and regulations. (Dabbah and Soumia, 2017, p. 127)

Islamic sukuk are an instrument that can be used to finance infrastructure projects and major projects that require large capital for their establishment, thereby achieving benefits for both the issuer and the investor. Islamic sukuk meet the needs of states in financing such projects instead of relying on treasury bonds and public debt. For example, governments can issue ijara sukuk to finance public-benefit projects that the government wishes to establish to achieve the public interest, not for profit, such as financing the construction of bridges, airports, roads, dams, and other infrastructure projects. In this case, the government is the lessee from the sukuk holders, who are the owners of these assets leased to the state. The government, as lessee, then makes these projects available to citizens for use and benefit. It is also possible to use usufruct ijara sukuk to finance housing and real estate development programs. Islamic banking, with its diverse instruments, is capable of leading

government project financing programs with high efficiency, low cost, and different maturities. (Derbouche, Hasnia, and Tegrart, 2018, p. 252)

2- The Role of Islamic Sukuk in Addressing the State's Public Budget Deficit:

The state's public budget deficit is defined as the inability of the state's public revenues to meet public expenditures, that is, public expenditures exceed public revenues. The International Monetary Fund also defined the budget deficit as the increase of current expenditures over current revenues. (Tayeb and Ahmed, 2020, p. 74)

Islamic sukuk open the door wide to comprehensive popular participation by individuals in meeting the financing needs required to support the public budget, which expresses the financial program expected to be implemented by the government to achieve its economic and non-economic objectives. Therefore, it needs huge funds to implement its economic programs and cover the existing deficit in its budget. (Ghouini, 2018, p. 275)

There are many types of Islamic investment sukuk that can work to finance the state treasury and transfer resources to the state, including:

Financing through the mudarabah formula: Through it, the state works to purchase the share of mudarabah or participation sukuk holders according to many conditions.

Financing through one of the ijara formulas: These sukuk are used to prepare the financial resources needed to finance the purchase of various means and equipment.

Financing through salam formulas: The state sells by salam a specific commodity that it produces, where the buyer pays the price to the state, provided that the state delivers the commodity at a later date.

Financing through the istisna formula: For manufacturing specific products or accomplishing certain projects, etc.

In addition to the previous sukuk, there are many other sukuk used in financing the public budget:

Wakala sukuk: Documents of equal value that represent activities and projects managed through investment agency, used to finance productive projects or to develop existing projects.

Participation sukuk: They are a mechanism through which the state treasury can attract funds for the completion of major projects by offering shares, whereby the state offers the shares of institutions for sale in the financial market with the aim of financing new projects.

Murabaha sukuk: They are issued with the aim of financing a murabaha sale contract for goods such as equipment. (Djahiza, Ghoul, and Tahraoui, 2020, p. 117)

3- Eliminating the Problem of Unemployment and Idle Funds:

Islamic investment sukuk contribute to eliminating the problem of unemployment, increasing the level of employment, and activating idle funds, since these sukuk fulfill the desires of both investors and savers alike. The mudarabah method represents an important incentive toward motivating the unemployed person (because of not owning capital) to work seriously, and this will contribute to financing and ensuring the success of economic development. The participation method represents encouragement for owners of capital to cooperate with one another in investment work, especially those who own funds that are not sufficient to cover the expenses of their investment. Likewise, the owner of agricultural land can agree with someone who cultivates and irrigates it in return for this farmer obtaining part of the yield, and this is what muzara'ah and musaqah sukuk achieve. As for the murabaha and salam methods, they contribute to financing capital goods for craftsmen and small new agricultural and industrial producers who lack sufficient experience and financial solvency. Ijara sukuk ending with ownership also encourage the worker to work seriously in order to move through his work from being a lessee to becoming the original owner. Qard hasan sukuk also play a role in increasing the volume of employment and the continuity of the development process by lending to investors and securing the necessary liquidity for them. (Zaabi, 2017, p. 332)

4- Achieving the Fair Distribution of Wealth:

Islamic sukuk are considered a means of achieving justice in the distribution of profits and losses, as they enable all investors to benefit from the real profit resulting from the project in a fair proportion. Thus, wealth is spread on a wider scale without being confined among a small number of wealthy people. Perhaps this is one of the greatest objectives of the Islamic economy. Islamic investment is based on the principle of the possibility of profit in return for the possibility of loss, which is the basis of justice in economic activity. Sukuk based on participation methods generally include justice in the distribution of profits. In a company, profits are distributed according to agreement and according to the number of shares participating in the investment process. The same applies to the mudarib, who obtains profits in return for his work, while the owner of capital obtains profit in return for his contribution with capital. Meanwhile, the farmer in the cases of muzara'ah and musaqah obtains the yield at a certain percentage, just as the owner of the land or crops does. As for sale-based methods, the justice of profit distribution is largely linked to the forces of supply and demand in the market, the level of prevailing prices, the genuine desire of the seller and buyer to sell and buy and trade in

goods, market conditions in general, in addition to the craftsman obtaining his right in a manner proportional to his work and effort. (Mukhtaria, 2019, p. 45)

Third: Requirements for the Success of Islamic Sukuk as an Instrument for Economic Development:

Islamic sukuk work to provide capital markets with new financial and investment instruments by offering diverse investment opportunities and alternatives to all categories of investors, achieving suitable returns for them with an acceptable degree of investment risk. The investor can compare between the available types of sukuk in terms of expected return, time period, and the degree of risk facing each type of issued sukuk. Thus, they achieve many advantages for investors and issuing entities, leading to an increase in their attractiveness in capital markets. However, their success as a capital market instrument requires the provision of several requirements, the most important of which are:

- Ensuring the feature of compliance with the provisions of Islamic Sharia, because if this requirement is not achieved, confidence in the issued sukuk and in the financial system in general will be lost.
- Ensuring that sukuk holders own common shares in real assets in order to guarantee compliance with the provisions of Islamic Sharia and to guarantee the rights of sukuk holders.
- Ensuring that the proceeds of the sukuk are used for the purpose for which they were issued; that is, ensuring that the seller of the sukuk uses the proceeds of the sukuk for the purpose for which they were allocated. This guarantees his ability to service the sukuk assets in terms of maintenance and preserving their benefits, as well as paying rental installments and other dues of sukuk holders.
- Ensuring that all precautions have been taken so that sukuk holders do not need to dispose of their assets by leasing them to another party or selling them, because this would remove the element of stability and threaten the entire financial market.
- Providing a complete legislative environment that regulates the processes of issuing and trading sukuk, which should include at least the following:
 - Recognition of Islamic financing contracts in civil law, so that courts do not treat those contracts as usurious contracts and so that they acknowledge the ownership of sukuk holders of the assets represented by the sukuk.
 - Adoption of a law for Islamic banks and financial institutions that provides the legislative framework for Islamic financial products, including sukuk.
 - Establishing controls for the governance of Sharia boards, which set the appropriate framework for supervision and auditing of Islamic financial products, including sukuk as well.

- Establishing controls for the governance of the special purpose vehicle that purchases the assets and issues and distributes the sukuk, and which ultimately represents the interests of sukuk holders, so that sukuk holders own common shares in it in proportion to the sukuk held by each of them. The originator of the assets may also join them as a partner by the value of the sukuk he holds. (Al-Hamli, 2014, p. 99)

Fourth: Prospects of the Islamic Sukuk Industry in Algeria:

With the launch of Islamic banking about four and a half years ago in Algeria, banks began receiving the savings of citizens wishing to deposit their money without benefiting from usurious interest and directing these savings to finance Islamic banking projects. This was the first stage that preceded the launch of financing according to the formulas available at the level of banks. This stage consists of waiting for resources to enter their treasuries through current accounts and deposit accounts, after which they begin granting financing using the various formulas that obtained Sharia compliance and authorization from the Bank of Algeria. The more Islamic savings there are, the greater the possibility banks will have to finance investment projects.

A total of 2.5 million participating bonds, which are Islamic sukuk affiliated with the company “AOM,” were launched for the first time in the financial market in Algeria before March 31, 2021. The value of the participating bond was equivalent to 1,000 Algerian dinars, directed to financing tourism projects in return for profit sharing for a period of 06 years. The Stock Exchange Commission obtained the temporary visa to issue this type of bond on July 01, 2020. The Islamic Council also granted the company “AOM” approval that these participation bonds are securities associated with Islamic financial sukuk on September 30, 2020. Both “CNEP Bank” and “Al Salam Bank” were partners in the operation. Islamic sukuk contributed to reviving the financial market and saving the tourism sector in Algeria, which was facing numerous difficulties. Major workshops were launched in this sector, but due to debts, investors are suffering, which makes Islamic financial sukuk one of the available solutions for financing these projects.

Based on this, the legal and regulatory framework governing the Islamic sukuk market was launched during 2023 by the Ministry of Finance, by inviting banking institutions active in the field to generalize Islamic banking products in order to achieve financial inclusion. This created a favorable environment for the growth and development of the Islamic financial industry in Algeria.

There are many possible solutions that can be proposed to activate the issuance and dealing of Islamic sukuk in the financial market in Algeria, the most important of which are:

- The need to establish a special legal, legislative, and tax system regulating the issuance and trading of Islamic sukuk.
- Adding a clause to the Money and Credit Law recognizing Islamic financing contracts (participation contracts, mudarabah contracts, and others).
- Establishing a Sharia supervision system concerned with monitoring these institutions' respect for Sharia controls in their issuance and dealing with Islamic sukuk.
- Including an article in the tax law that clarifies and determines the tax base applied to Islamic sukuk, with the possibility of exempting them in order to encourage dealing in Islamic sukuk, whether by issuance or trading.
- Precisely determining the legal nature of Islamic sukuk as ownership instruments and not debt instruments.
- Determining the sources of the law applicable to these sukuk (the law specific to sukuk, then Islamic Sharia).
- Establishing either a sukuk holders' body for each issuance or a general national body (national association) funded from issuance fees.
- Amending the regulation relating to banking conditions (prices of Islamic financial services) by allowing the inclusion of variable returns of Islamic sukuk, while excluding the guarantee of the nominal value of the sukuk and the return. (Derbouche, Hasnia, and Tegrart, 2018, p. 255)

Conclusion:

Islamic sukuk are considered one of the most important and prominent products of financial engineering that have gained great popularity due to their great importance, whether for investors or for the economy as a whole. They provide the optimal alternative to usurious bonds. Their multiplicity, diversity, and response to most economic activities have made them the main source for obtaining financing for those with deficits and the best investment instrument for those with surpluses. They are characterized by many advantages that suit different segments of investors and businessmen who do not wish to speculate on the stock exchange or who have religious restrictions related to usury. They can meet their needs without any burden on the budget. They also contribute to treating indebtedness and deficits, as they are an effective instrument for providing liquidity for development projects. They cover governments' inability to provide the capital necessary to finance government projects by involving members of society (individuals and institutions) according to Islamic financing formulas. Thus, they contribute to financing infrastructure projects and others. Many Islamic and non-Islamic countries have applied them as a financing alternative.

Through our study, we reached the following results:

- A sukuk is a security like other traditional securities such as stocks and bonds. It agrees with them in some administrative procedures in terms of issuance and regulation, but it differs from other traditional securities in that it is a security that adheres to the rules of Islamic Sharia in all its stages.
- Islamic sukuk have gained great popularity at the global level and contributed to creating a qualitative shift in various financing operations, especially after the global financial crisis of 2008.
- The process of issuing and trading Islamic sukuk requires controls and mechanisms in order to comply with the provisions of Islamic Sharia.
- Sukuk are an important instrument for collecting and mobilizing savings.
- Islamic sukuk are considered an alternative to traditional financing instruments that result in problems, and they are capable of covering the public budget deficit and achieving economic development.
- Islamic sukuk play an important role in financing the economy through their role in financing investment projects, infrastructure projects, and addressing the state's public budget deficit.
- One of the most important requirements for the success of Islamic sukuk as an instrument for economic development is the need to provide a complete legislative environment that regulates issuance processes.
- Islamic sukuk in Algeria can contribute to reviving the financial market and saving the tourism sector by financing major projects whose owners suffer from debts.

Recommendations:

Based on the above, we can present the following suggestions:

- The state should support these products by encouraging them through laws and regulations and by holding open introductory seminars on this Islamic financial instrument and its advantages.
- The need to benefit from the experiences of countries that have achieved success in applying Islamic sukuk.
- The need to establish scientific frameworks and laws that clarify the accounting standards for Islamic sukuk, as well as the mechanisms for their application.
- The need to create a secondary market in which Islamic sukuk are traded in order to facilitate their liquidation and thus increase demand for them by savers.

- Working to ease and remove the restrictions imposed on Islamic sukuk, such as taxes, in order to encourage and attract Islamic financial institutions to enter this field.
- The obligation to separate usurious funds from funds allocated to Islamic banking.

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