مجلة الأصيل للبحوث الاقتصادية والإدارية
El - Acil Journal for Economic and Administrative Research
ISSN: 2571-9866
EISSN: 2661-7854
Volume:10 / N°2/October 2026, PP241-260

From Regulatory Establishment to the First-Ever Issuance: The Emergence of Sovereign Sukuk in Algeria, Economic Implications and prospects.

من التأسيس التنظيمي إلى أول إصدار:

نشأة الصكوك السيادية في الجزائر، التداعيات الاقتصادية وآفاق التطور

Salima GUETTAFI
University center of Barika (Algeria)
Laboratory of Governance Prospects for Sustainable Development
salima.guettafi@cu-barika.dz

Received:31/08/2026 *Accepted:19/10/2026* *Published:31/10/2026*

Abstract :
Sovereign sukuk in Algeria have only recently emerged and progressed, from a regulatory establishment to a first-ever issuance and practical implementation, during the second half of 2025 and the beginning of 2026 under the Decisions No.243 and No.443
This study aims to provide an economic analysis of Decision No.243, tracing the issuance procedures in accordance with Decision No.443, and the post-Decision, highlighting their potential economic implications, prospects, and market response. It also proposes recommendations to support sovereign sukuk development in Algeria.The Methodologyrelies on an analytical approach; Analyzing particularly the aforementioned Decisions with a main focus on their economic prospects.
As a Result, theIjara usufruct Sukukpresents several features with potentially positive economic implications, serving the Algerian investors nature and reflects the state'scommitment to diversify its financing sources. The first issuance reached46.33% subscription rate, representing an encouraging initial indication of market response. However, a comprehensive economic assessment is yet impossible to date, due to the lack of data and the novelty of the experience.

key words: Sovereign Sukuk, Ijara usufruct Sukuk, Decision No.243, Decision No.443, Algeria.

Jel Classification Codes : G18, G23, G28, K00

****Corresponding author***

1. Introduction

The global financial system has undergone rapid transformations and developments in the nature of financing instruments and funding sources, driven by the growing need to diversify savings mobilization channels, develop capital markets, and seek financing instruments that are better suited to supporting economic development in the countries.

The Islamic finance industry, for its part, has experienced extensive developments worldwide, with Islamic sukuk notably witnessing widespread adoption in recent decades ; considering these sukuk one of the most important financiang instuments that comply with the provisions and principles of Islamic Sharia and meet the requirements of modern financing.

Sovereign Sukuk, particularly, have emerged as a key driver of Islamic Sukuk Markets globally, thanks to their significant nature and characteristics that enhance their ability to attract investments and mobilize financial resources efficiently. Furthermore, they play a vital role in financiang national infrastructure projects, covering fiscal deficits, contributing in sustainable development, and achieving other Sharia compliant and economic objectives. Not to mention that sovereign sukuk have confirmed, through the experiences of many countries around the world, their effectiveness and their role in consolidating the importance of the Islamic financial industry locally and globally.

Over the past few years, Algeria has gradually sought to lay the foundations for Islamic Financial industry in line with thedevelopments that this idustry has witnessed, it has increasingly focused on establishing legal and regulatory frameworks, beginning with Islamic banking and, subsequently extending to Takaful insurance. Moreover, and seeking to complete this path, Algeria then turned recently to incorporating Islamic Financial Sukuk, specifically sovereign sukuk, in line with Algeria's need to diversify public treasury financing instruments, and developing the national financial market.

Decision No. 243, dated September 18,2025, and Decision No. 443 dated December 28, 2025 which repealed the former ;issued by the Ministry of Finance, marked a pivotal stage in the process of establishing the legal and regulatory framework for sovereign sukuk in Algeria, paving the way for their actual issuance. However, the

significance of these Decisions lies not only in its importance as a regulatory text that establishes the first-ever official recognition of sovereign sukuk in Algeria and frames their issuance process, but also in the rules it defines concerning the structure and characteristics of the issuance, the assets or rights upon which the sukuk are based, and the mechanisms for regulating the relationship between the various parties. Thus, Analyzing and assessing Decisions No.243 and No.443 constitutes a fundamental step in understanding one of the key regulatory building blocks that paved the way for Algeria 's transition from the regulatrory establishement phase to the actual issuance and implementation of sovereign sukuk. Most importantly, it is crucial to monitor and analyze the aftermath of Decision 443 and its economic prospects.

In this regard, the launch of the first actual issuance ofAlgeria sovereign sukuk in January 2026 in the form of Ijara-usufruct right, constituted a key post-Decision stage, as sovereign sukuk moved from being merely a regulatory project to a financing instrument actually implemented in the national market.Accordingly, a **Research Question** may rise as follows :

" What are the main features of the regulatory framework govering sovereign sukuk in Algeria, and how have Decisions No.243 and No.443 facilitated the transition from regulatory establishment to practical implementation, while shaping their economic prospects?"

This study derives its importance from the significance of tracking,and analyzing the current reality of islamic Sovereign sukuk in Algeria. The Decisions No.243 and the subsequent first-ever issuance under the Decision No.443 represent a significant case study for analysis, it adresses a research gap by providing an economic analysis of newly developed regulatory framework in the Islamic finance industry in Algeria, specifically, sovereign sukuk. The significance of the study does not merely lie in its historical significance as the first regulatory framework and the first-ever actual sovereign sukuk issance in Algeria, but rather in the opportunity to test the capacity of the established legal and regulatory framework to accomodate the requirements of the actual issuance and its economic implications. Therefore, analyzing the Algerian experience requieres moving beyond a descriptive reading of the decisions, to analyzing and
assessing the actual process of sovereign sukuk issuance.

Research Objectives :

This study aimed to achieve the following main objectives :

- Highlight the role of sovereign sukuk as a key driver of global sukuk market development, with particular focus on the Algerian first experience.
- Provide an economic analysis of Decision No.243 as a key milestone in the establishment of the first legal and regulatory framework governing sovereign sukuk in Algeria. And highlighting its economic implications
- Examine the Decision No.443 and analyze the transition from regulatory establishment to the actual first-ever issuance of sovereign sukuk in Algeria; as well as tracing the post-decision, its market and economic implications based on the evidence currently available.
- Propose recommendations, for transforming the first Algerian sovereign sukuk experience into a dynamic and continiously evolving market that achieves its ojectives within and integrated Islamic financial ecosystem.

Methodology

This current study adopts an analytical approach to examine the status of sovereign sukuk in Algeria in light of their leagal and regulatory establishment and first-ever issuance.Analyzing particularly Decisions No. 243 and No. 443 which repealed the former. mainly analyzing their economic implications and prospects.

The sovereign Sukuk experience in Algeria is relatively recent, having emerged with the enactment of the 2025 Finance Law, while the first sovereign sukuk issuance was launched in Early 2026. In this regard it should be noted that the data required to comprehensively assess Algeria' s first sovereign sukuk issuance are not yet available due to the novelty and the short period since the first-ever issuance. Therefore, the study relyed on official Decisions and statements issued by the ministry of Finance, making economic analysis of the Dcisions and Post-Decision No.443 tracking the market response and developments. Moreover, recommendations will be proposed to support sovereign sukuk development in Algeria.

Previous Studies

Sovereign sukuk in Algeria have only recently emerged, following their introduction in the 2025 finance law, starting by establishing a legal and regulatory framework during the second half of 2025, moving to the first-ever issuance and practical implementation during the beginning of 2026, under the Decisions No. 243 and No.443 which repealed it. In this regard, several studies have attempted to examine the legal and regulatory framework governing these sukuk in Algeria.(Othmani Merabet, 2025) addressed a

comprehensive conceptual framework of sovereign sukuk and examined their legal and regulatory framework in Algeria, focusing on their features and legal basis. Moreover, the study primarily addressed the beginnings of legal and regulatory establishment through article 179 of 2025 finance law and the decision No.243. However, (Othmani Merabet, 2025) did not address subsequent legal development soranalyze their economic implcations, since the study was conducted in 2025 before some developments later. Rather, it relied on the Egyptian legal framework in presenting the regulatory foundations of sovereign sukuk in genearl and their development in Algeria. In the other hand, (Laifa & Dib, 2026)analyzed the evolution of this framework through excutive decree No.85 dated June 1,2025 and decision No.243 dated September 18, 2025, arguing that the framework remains at a foundational stage; The study also aimed to compare the Algerian framework with those experiences of Jordan, Egypt, Tunisia, and Dubaiin an attempt to identify legal, regulatory, and technical challenges that may hinder the sustainable development of sovereign sukuk in Algeria. The study also identifiedinstitutional gaps related to asset evaluation, secondary market development, permanent Sharia supervisory structure after issuance. Moreover, it revealed that the framework lacks important mechanisms, particularly a Special Purpose Vehicle (SPV). While (Lakrid & Guendouz, 2025) examined the Algerian framework of sovereign sukuk against AAOIFI standards, with the aim of identifying shortcomings and enhancing them. The study then concluded that current framework remains deficient and requires a comprehensive legal system that may cover all stages of sukuk lifecycle and development in Algeria, in accordance with AAOIFI guideline.

The previous studies among many others have primarily focused on addressing and analyzing the foundations ofthe Algerian sovereign sukuk legal and regulatory framework, specifically Decision No.243 and preceding decrees.

The current study extends the existing literature by analyzing economically the legal and regulatory framework of sovereign sukuk in Algeria, starting by an analysis of Decision No. 243 and reading of the decrees and laws preceding it. It focuses in particular on the development of this framework through the transition from regulatory establishment to the first practical sovereign sukuk issuance, under the Decision No.443. Moreover, it goes beyond a simple regulatory establishment to analyzing its initial market response, and its potential economic implications. This study, discusses recent development to date August 2026, and the insights from the first experience and recorded issuance figures.it trackes the

most important developments of Algerian sukuk up to the end of August 2026.

2. The Significance of sovereign Sukuk in the Development of the Global Sukuk Market

Since their emergence and use during the 1980s and 1990s; Sukuk have become widely used and increasingly accepted as a legitimate financing instrument alternative to conventional financing. Although their issuance has fluctuated over different periods of theirdevelopment, sukuk have continued to gain prominence as afinancing tool that combines legitimacy in compliance with Islamic Sharia on the one hand, and modern financing requirements on the other hand. The Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) defined Sukuk as: " Certificates of equal value representing undivided shares in ownership of tangible assets, usufruct, and services, on (in the ownership of) the assets of particular projects or special investment activity "(AAOIFI, 2026, p. 468).

According to (Guendouz, 2022) Sukuk are distinctive instruments that combine modern financing requirements with the application of Islamic finance contracts.They also combine efficiency and flexibility from an economic standpoint, and sharia credibility from another. A wide range of Islamic finance contracts can be employed in structuring sukuk, making them suitable for financing various types of projects, companies and even sovereign entities, using them to finance infrastructure projects, business development, capital adequacy, and budget deficit. Moreover, they are compatible with many profit-oriented and charitable sectors, public-privatepartnerships, sovereign sectors, and others.

Based on the forgoing, it is evident that many entities may benefit from the issuance of sukuk, including governments, the public sector represented by its various public institutions and sectors, banks and financial institutions, and companies including those operating in the private sector.In this regard, Sukuk can be classified according to the issuing entity, as stated by the Union of Arab Securities Authorities (UASA, 2024) as follows :

- **Sovereign or Government Sukuk**, issued by governments.
- **Quasi-Sovereign Sukuk**, issued by public entities and institutions affiliated with governments.
- **Financial Institution Sukuk**, issued by banks and financial institutions, particularly Islamic Financial Institutions.
- **Corportae Sukuk**, issued by various companies, whether agricultural, industrial, commercial, or service-oriented, provided that such issuance is permitted under the prevailing legislation in the country.

Hence, to examine the evolution of the global sukuk market up to 2025 and the latest development in 2026, while highlighting the significance of sovereign sukuk within this evolution. The Analysis begins below by defining sovereign sukuk and then highlights the position of sovereign sukuk in the global sukuk markets

2.1. Defining Sovereign Sukuk

Sovereign Sukuk, also known as Government sukuk, are defined as " those sukuk issued by government entities, usually used for the purposes of the state's public policies, including providing public goods and services, financing infrastructure projects, or mobilizing saving and channeling them towards specific projects. In some cases, they can be used to finance fiscal deficits; thus, this type of sukuk performs exactly the functions of government bonds"(Guendouz, 2022, p. 77). Sovereign sukuk can be also defined as " Financial certificates issued by various government entities, which may be represented or acted upon the ministry of finance, based on Sharia principles and marketed through brokerage firms or banks to the public both domestically and internationally "(Daoudi & Kardoudi, 2014, p. 3). In fact, the sovereign sukuk share the same characteristics as Islamic sukuk, they are certificates of equal value, indivisible, and establish rights for their holders in proportion to their respective shares in the ownership of the underlying assets. However, the distinguishing feature of sovereign sukuk is that both the issuer and beneficiary entity is the government, the fact that gives a set of advantages and characteristics that may not be available in other types of sukuk, particualrly in terms of the greater reliability associated with transactions involving government-issued instruments, which are generally perceived as carrying lower levels of risk.

As government-issued sukuk, they differ from other types of sukuk in that they are less risky than those issued by non-governmental entities. Furthermore, their purpose is the public interest not profit-making. Therfore, they are directed towards financing infrastructure projects or bridging the governmet's funding gap, or serving as an instrument for implementing economic policy (Abdessalam, 2024).

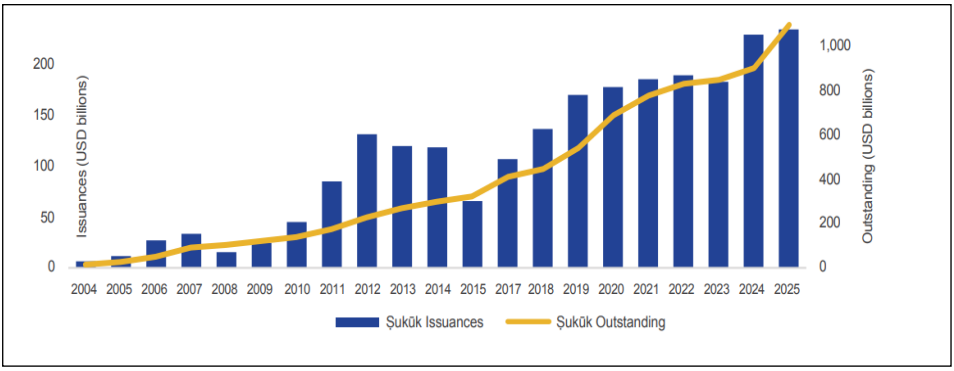
Therefore, the continous development of Sovereign sukuk can be observed in both, the global islamic sukuk market, and increasingly in domestic markets as many governents have adopted them as one of the most important financing alternatives that demonstrate effectiveness and economic significance.including Algeria.

2.2.The Position and Significance of Sovereign Sukuk in the Global Market

The Islamic capital market witnessed strong growth in 2026, driven primarily by the continued expansion of the global Sukuk market, reaching USD 1.10 Trillion in outstanding sukuk, with a new high in

sukuk issuance estimated at USD 234.5 billion in 2026 compared to USD 230.4 billion in 2024(IFSB , 2026)(IFSB, 2025). this is due to the continued deepening in established markets and increased activity in newer jurisdictions. See figure 1

Fig 1. Global Sukuk Issuance and Outstanding (2004-2025)



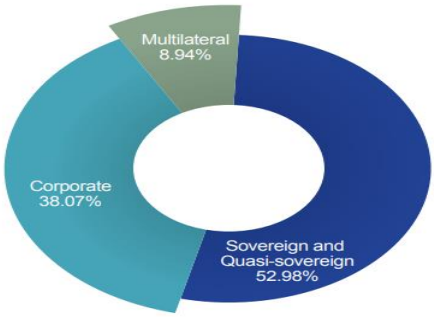
Source : (IFSB , 2026, p. 18)

Sovereign sukuk and quasi-sovereign sukuk represented the largest share of total issuance in 2024, estimated at approximately (52.9%). this is despite the growing issuance of corporate sukuk in the global Islamic sukuk market, increased by (21.2%) in 2024 reaching USD 87.7 billion ; while issuance by multilateral institutions, including the Islamic Development Bank and the International Islamic Liquidity Management Corporation, also exceeded USD 20 billion, driven by efforts to mobilise developement funding and faciliatate cross-border liquidity management(IFSB, 2025, p. 40). Moreover, issuances in 2025 were driven by an increase in quasi-sovereign issuances (66%) of which were international issuances, and by increase in corporate issuers taking advantage of favourable financing conditions (IFSB , 2026, p. 17). Nevertheless, the sukuk market witnessed strong performance duringthe third quarter of 2025, both in terms of issunce volume and the diversity of issuers, with governments accounting for the largest share of issuances (alarabiya, 2025).

Despite these developments, the market structure showed a clear concentration represented by sovereign sukukwhich was most pronounced in 2024 (See figure 2) and to a lesser extent in 2025 compared to quasi-sovereign sukuk. where the public sector represented the largest and dominant issuer in 2024 accounting for (52.98%) of total sukuk issuances through sovereign and quasi-sovereign sukuk compared with (38.07%) for corportae sukuk and

(8.94%) for multilateral issuances. This may reflect the sovereign suskuk significance as a key driver of market growth, particularly for the the primer beneficiary and issuer, the government.
Therefore, the following will examine the nature and reality of sovereign sukuk in Algeria.

Fig 2. Dominance of Sovereign and Quasi-Sovereign sukuk in the global market



Source :(IFSB, 2025, p. 41)

3. From Regulatory Establishment to First Sovereign Sukuk Issuance in Algeria : Economic Implications of Decisions No.243 and No.443

The Integration of Islamic financial products into the Algerian Financial system has faced several challenges. Moreover, and despite adopting Islamic banking and later Takaful insurance in previous stages, the issue of adopting Islamic sukuk in the Algerian financial system has been challenging, especially in the context of a relatively underdeveloped capital market. However, given the Algerian economy's need to diversigy funding sources, mobilize resources for developement projects, revitalize the economy on the one hand, and stimulate the financial market on the other ; the Algerian government took an important step towards establishing a legal and regulatory framework for sovereign sukuk making a significant milestone in the development of Islamic Finance in Algeria. Decision No 243 served as the cornerstone of this framework and the subsequent Decision No. 443, which repealed it, have marked the actual starting point of Algeria's first-ever sovereign Sukuk issuance, potentially paving the way for significant ecomomic and social development

3.1.The Regulatory Foundations of Decisions No.243 and No.443

Decisions No.243 and the subsequent Decision No.443 which repealed the former, emerged within a gradual process of establishing the legal and regulatory foundations for sukuk and its issuance later, the finance law of 2025 paved the way for the introduction of these sovereign sukuk

a. Articles 179, 132 of the 2025 Finance Law

The article 179 of the finance law of 2025 Authorizes the issuance of sovereign sukuk by the Treasury, reflecting the government' s commitment to introduce this financing instrument and marking its first step in the legislative shift towards adopting and allowing the issuance of sovereign sukuk in Algeria. It also contributes to the development of the Algerian financial Islamic industry. The article states that " The Public Treasury is authorized to issue bonds called sovereign sukuk, representing usufruct rights to assets belonging to the state, adressed to natural and legal persons, with the aim of participating in the financiang of the state's public commercial Facilities and equipements"(Official Gazette, 2024, p. 63)

Furthermore, Article 132 of the same Finance law stipulates the exemption of these sukuk from income tax, corporate profit tax, registration fees, and property tax for a period of five years. Therefore, the 2025 finance law reflects strong political commitment of the Algerian government to further consolidating Islamic financial transactions in Algeria and laying the initial foundations for a comprehensive legal frameworkgoverning and regulating the issuance of sovereign sukuk. It entended to provide key instruments for the islamic financial industry, offering solutions and alternatives to meet the state's financing needs, while also enabling Islamic Banks and Takaful insurance companies to invest their liquidity (Nacer, 2024)

b. The executive decree of June 2025 Establishing the procedures for the Issuance of Soverein Sukuk

Following the authorization granted by the finance law for the issuance of sovereign Sukuk, an executive decree dated June 1, 2025, was published in the official Gazette specifying the procedures for issuing sovereign sukuk by the public treasury or by another duly authorized entity acting on its behalf. The decree sets out the various mechanisms, conditions, and procedures govering their issuance (Official Gazette, 2025, pp. 15-16)

c. The Decisions No.243 and No.443

Decision No.243 dated September 18, 2025 repealed, pursuant to article 20 thereof, Decision No.180 dated June 4, 2025 (Ministry of Finance, 2025). Accordingly, Decision No.243 was regarded as the operative decision governing the issuance of the first sovereign sukuk in Algeria and as the first effective implementation step establishing the practical framework for such issaunce. However, it has been repelaed by the Decision No.443.

Decision No.443 dated December 28, 2025, establishing the procedures for the issuance of Ijarah usufruct sukuk, constitued the formal regulatory basis for moving from regulatory establishment to the actual launch of Algeria's first-ever sovereign sukuk issuance. It therefore, represents a key turning point from the establishement of the leagal and regulatory framework to practical issuance.

Under this Decision, the subscription process was initiated, marking the official launch of Algeria's First Sovereign Sukuk issuance. Hence, it would be important to provide an analytical reading of the Desicion No.243, tracing the issuance procedures in accordance with Decision No.443 and its developments, while highlighting their potential economic implications and prospects.

3.2. Decision No.243: Analysis of the Regulatory Features and Economic Implications

Based on the Decision No.243 dated September 18, 2025,an analytical reading of the Decision will be presented in this section to understand the nature and characteristics of sovereign sukuk in Algeria, analyzing its economic significance, the potential economic implications and prospects as follows:

- According to Article 4 of the Decision, the sovereign sukuk are approved by the High Islamic Council following the issuance of a Sharia compliance certificate by the National Sharia Advisory Committee for Islamic Finance of the High Islamic Council. This enhances their credibility and legitimacy, and potentially encouraging investment among broader segments of Algerian society. Moreover, they will contribute to supporting financial inclusion.
- According to the Decision, the Algerian Sovereign sukuk are structured as Ijara sukuk, Usufruct-based Ijara sukuk, with a maturity of 7 years. Where they have been defined by the ministry of finance as " an innovative financial instrument compliant with islamic

finance standards based on enabling the state to lease the usufruct of tangible real assets for a specified period of seven years, in return for annual rental payment to sukuk holders"(Ministry of Finance, 2025) .
The choice of Ijara sukuk by the Algerian legislator and policymakers for the first sovereign sukuk issuance may be attributed to their widespread use in sukuk markets worldwide, and to their relatively simple structure compared to other sovereign sukuk structures, such as Musharaka and Istisna'a sukuk, or hybrid sukuk that combine different contracts.
Therefor, Ijara sukuk represent one of the simplest sukuk structures with relatively lower sharia compliance risks for both the High Islamic Council and investors, as it involves transferring the usufruct rights of assets to investors and subsequently leasing those rights back to the state. This may enhance their investment and serves the Algerian Financing sources' diversification, financing infrastructure projects, addressing fiscal deficit, and especially reducing reliance on oil revenues, and more importantly, laying the foundations for a domestic Islamic Capital market, thereby contributing to the development of the Islamic Financial industry in Algeria.

- Furthermore, these sovereign sukuk are freely tradable, the fact that may later lead to the emergence of a secondary sukuk market, and potentially support the development of an active secondary market given their flexibility and liquidity, as the public treasury may repurchase them early at their market value, upon the request of sukuk holders, after 3 years from the subscription date.
- Among the key features of Sovereign Ijara sukuk is that investors aquire usufruct rights in exchange for a fixed annual rental payment equivalent to 6% of the subscribed amount for the usufruct right. Thus, the returns on these sukuk are generated from rental payments, providing investors with stable and regular cash flows and, consequently enhancing their investment attractiveness of a large segment of Algerian investors. Especially, since it is available exclusively for Algerian natural persons, resident or non-resident, and Algerian legal persons those are subject to Algerian law, with exclusion of foreigners during this initial and experimental phase. This in fact, serves the nature of Algerian investors who tends towards low-risk investments that generate fixed and predictable returns.

- The attractiveness of these sukuk is enhanced by the exemption of rental payments made to their holders from all taxes, in a clear strategy to attract more investors, in addition to mobilizing informal savings and channel them to a legitimate sharia compliant instrument, backed by the state that generates fixed rental returns with full tax exemptions.
- Regarding for the sukuk issuance amount, it was estimated at DZD 296.65 billion, equivalent to USD 2 billion. The sukuk were issued for subscription in two denominations: 100,000 and 1.000.000 Algerian Dinars. While this total amount may be considered substantial for a first sovereign sukuk issuance, its potential economic benefits and objectives could be achieved and significant if the experience is supported by effective regulatory and sharia compliance, close monitoring, and adequate investors awareness. Under such conditions, these issuances could become an effective financing instrument serving the various objectives identified above and potentially extending beyond other projects.

According to this analysis, Decision No.243 was a significant milestone in establishing the legal and regulatory framework for the issuance of sovereign sukuk in Algeria. Moreover, its economic prospects which are currently governed by Decision No.443 may lead to a strategic development of Algeria's financial industry and potentially a significant experience in diversifying the states financing sources.

In fact, a comprehensive assessment of this issuance experience requires a longer observation period. Nevertheless, it would be important in this current study to analyze the actual issuance procedures under Decision No.443 and trace the implementation and evolution of the issuance process.

3.3. Analysis of the First Sovereign sukuk Issuance under Decision No.443 and the future prospects

Decision No.443 dated December 28, 2025, was subsequently issued to repeal Decision No.243, concerning the issuance of sovereign sukuk backed by real assets, aiming to establishing the procedures for issuing Ijara-usufruct sukuk, and paving the way for the opening of the first-ever subscription in January 2026.

According to Article 1 of the Decision, the subscription was scheduled to open in January 2026 for a period of 2 months and with a total issuance amount of DZD 296.65 billion (Bouzred, 2025). And according to Article 6, "the subscription shall be closed before the

date specified in Article 1 if the targeted amount is reached. The subscription period may be extended by a decision of the minister, and the public shall be informed in advance of the new closing date"(Bouzred, 2025, p. 2)

The public treasury announced the official launch of the subscription to the sukuk ijara usufruct, starting from january 27, 2026 (Ministery of Finance, 2026). However, it was extended to April 30, 2026, with the aim to enabling the large possible investors, both institutional and individual, in participation

In this regard, the subscription rate reached approximately 46.33% of the target amount of issuance, with a recorded value of DZD 137.428 Billion(Algerie Clearing, 2026); while regarding the remaining gap which is estimated at 159.222, remains to date unclear whether the treasury intends to complete the financing through additional issuance.

This rate in fact, provides an initial indication of Market response to Algeria's first sovereign sukuk issuance. However, it can not determine whether the experience has been succesful or reflects a failure, even if the subscription rate represents less than 50%. Rather, the available information remains insufficient to date to draw a definitive conclusion especially in light of the the lack of data due to the novelty of the initiative and the short period since the first subscription.

This highlights the need for at least medium-term monitoring to asses subsequent developments.Instead, this study provides an attempt to suggest a set of recommandations aimed at transforming the first issuance into the foundation for strengthening the sovereign sukuk issaunce and its market development in Algeria ; as follows :

- ✓ Focusing on strengthening the investors awareness' and financial literacy to attract the larget possible segment especially individuals
- ✓ Enhance financial inclusion through leveraging the accessibility of sukuk for small savers to channel informal savings into formal Sharia-compliant financial channels
- ✓ Taking advantage of the nature of these sukuk that aligns with the Algerian investor nature, in introducing new sukuk structures, allowing a sukuk structures diversification, and serving multiple financing purposes in line with the state' s financing needs.

- ✓ Establish regular sovereign sukuk issauances, enabling the building of investors' confidence and encouraging investements in sukuk accros different structures. This builds a solid base and may broaden it through attracting foreign investors later
- ✓ Studying the possibility of gradually opening the Market of foreign investors.
- ✓ Strengthening and activate secondary market through the establishement of clear mechanisms for trading and liquidity, ensuring that sukuk will not remain merely instruments to be subscribed or held until maturity.
- ✓ Strengthen institutional coordination between the stakeholders

the Ministry of Finance, the public treasury, Sharia authorities, the banks and insurance companies, especially the Algiers Stock exchange and the COSOB, to insure the efficiency of issuance and trading processes.

- ✓ Establish a post-issuance monitoring framework, allowing different benchmarks, data and financial analysis, policy-oriented research, and policy-decision. This will enhance the development of sovereign sukuk market in Algeria.
- ✓ Moreover, and most importantly is to create an integrated Islamic Finance ecosystem in Algeria, through avoiding developing sovereign sukuk, Islamic banking, and takaful insurance as isolated components, such enhancing the participation of Islamic banks more actively not only as distributors but as market maker, and institutional investors in these sukuk, as well as establishing appropriate regulatory and investment framework for takaful insurance companies allowing them to allocate part of their reserves and investment portfolios to sovereign sukuk. Thus, reinforcing the regulatory and institutional coordination between these three main components, would contribute to the development of sovereign sukuk market and the whole Islamic finance industry in Algeria.

4. Conclusion:

The establishment of a regulatory framework of sovereign sukuk in Algeria and their first-ever issuance under Decision No 243 and Decision 443 that has repealed it, represent a milestone in the establishing the foundations of sovereign sukuk and Islamic capital market in Algeria, as well as an important step in the gradual development of the Islamic finance industry in the country.

The conducted analyisis in this study revealed the importance of sovereign sukuk with their substantial share, as a key driver of the global Islamic market developement . As for Algeria, the development of sovereign sukuk has recently progressed from the first regulatory establishment to the first-ever issuance and practical implementation, only during the second half of 2025 and the begining of 2026, where the adoption of Decision No.243 dated September 18, 2025, constitued an important milestone, for lying the foundations of sovereign sukuk and paved the way to Decision No.443 which sebsequently repealed it, and established the procedures for the first-ever actual issuance of Ijara sukuk-usufruct. This transition represents a significant shift from official recognition of Sovereign sukuk as important financiang instrument that may serve the state's financing needs, to their issuance and contribution into the development of an Islamic capital market, financing infrastructure projects, and Algeria's economic development in general.

The first issuance dated January, 27, 2026 and lasted to April 30, with an intended amount of DZD 296.65 billions, resulted in a subscription rate of 80%. represents an encouraging initial indication of market response, given the characteristics of these sovereign sukuk. Where the economic analytical reading of the Decisions No.243 and No. 443 has reveald the following results:

- ✓ The sharia compliance of Algerian sovereign sukuk may encourage investement among various segments of Algerian society, support financial inclusion
- ✓ The Usufruct-based Ijara sukuk, chosen by the Algerian legislator, with a maturity of 7 years, for the first sovereign sukuk issuance, may be attributed to their widespread use in sukuk markets worldwide, and to their relatively simplicity compared to other sovereign sukuk structures, with relatively lower sharia compliance risks, This may enhance their investment, as well as serving the Algerian Financing sources' diversification, financing infrastructure projects, and especially reducing reliance on oil revenues, laying the foundations for a domestic Islamic Capital market
- ✓ Furthermore, they are freely tradable, the fact that may later lead to the emergence and potentially support the development of an active secondary sukuk market given their flexibility and liquidity, as the public treasury may repurchase them early at their market

value, upon the request of sukuk holders, after 3 years from the subscription date.

- ✓ Investors aquire usufruct rights in exchange for a fixed annual

rental payment equivalent to 6%, providing stable and regular cash flows. This, enhances their investment attractiveness of a large segment of Algerian investors, serving the nature of Algerian investors who tends towards low-risk investments that generate fixed and predictable returns.

- ✓ In a clear strategy to attract more investors, mobilizing

informal savings and channel them to a legitimate sharia compliant instrument, these sukuk are enhanced by the exemption of rental payments made to their holders from all taxes.

- ✓ The total amount of DZD 296.65 billion may be considered

huge for a first-ever issuance, but the economic objectives could be achieved if the experience will be supported by sound regulatory, dynamic supervision, and investors' awarness.

Moreover, the aformentioned rate of subscription 46.33% does not providesufficient evidence to comprehensively assess this first experience, given itsnovelty, the limited period since its implentation, and the lack of post-issuance data; but the rate itself, can be considered a significant market response amd a starting point for the development of sovereign sukuk market in Algeria, particularly in light of **the Recommendations of this study** ; those are outlined as follows :

- ✓ Focusing on strengthening the investors awareness' and

financial literacy to attract the larget possible segment especially individuals

- ✓ Enhance financial inclusion through leveraging the

accessibility of sukuk for Small savers to channel informal savings into formal Sharia-compliant financial channels

- ✓ Taking advantage of the nature of these sukuk that aligns with

the Algerian investor nature, in introducing new sukuk structures, allowing their diversification, and serving multiple financing purposes in line with the state' s financing needs.

- ✓ Establish regular sovereign sukuk issauances, enabling the

building ofinvestors' confidence and encouraging investements in sukuk accros different structures. This builds a solid base and may broaden it through attracting foreign investors later

- ✓ Studying the possibility of gradually opening the Market of foreign investors.'
- ✓ Strengthening and activate secondary market through the establishement of clear mechanisms for trading and liquidity, ensuring that sukuk will not remain merely instruments to be subscribed or held until maturity.
- ✓ Strengthen institutional coordination between the stakeholders

the Ministry of Finance, the public treasury, Sharia authorities, the banks and insurance companies, especially the Algiers Stock exchange and the COSOB, to insure the efficiency of issuance and trading processes.

- ✓ Establish a post-issuance monitoring framework, allowing different benchmarks, data and financial analysis, policy-oriented research and policy-decision. This enhances the development of sovereign sukuk market in Algeria.
- ✓ Moreover, and most importantly is to create an integrated Islamic Finance ecosystem in Algeria, through avoiding developing sovereign sukuk, Islamic banking, and takaful insurance as isolated components, such enhancing the participation of Islamic banks more actively not only as distributors but as market maker, and institutional investors in these sukuk, as well as establishing appropriate regulatory and investment framework for takaful insurance companies allowing them to allocate part of their reserves and investment portfolios to sovereign sukuk. Thus, reinforcing the regulatory and institutional coordination between these three main components, would contribute to the development of sovereign sukuk market and the whole Islamic finance industry in Algeria.

5. Bibliography List:

- Regulatory Decisions:

- Bouzred, A. (2025). *Decision No 443 of the Minister of Finance , dated December 28, 2025, concerning the issuance of sovereign sukuk backed by real assets* . Ministery of Finance Algiers, Algeria.
- Official Gazette. (2024). 2025 Finance Law. *Official Gazette of the People's Democratic Republic of Algeria. Issue No. 84*. Algeria.
- Official Gazette. (2025). Decision dated 5 Dhu al-Hijjah 1446 AH, corresponding to June 1, 2025, determining the procedures for the issuance of sovereign Sukuk by the Public Treasury. *Official Gazette of the People's Democratic Republic of Algeria. Issue No. 38*. Algeria.

- E-book:

- Guendouz, A. (2022). *Sukuk: Theoretical and Practical Framework.*Arab Monetary Fund.Abu Dhabi. UAE.

- Journal Articles

- Abdessalam, M. A. (2024). Sovereign Sukuk and Their Importance in Achieving Sustainable Development: A Comparative Jurisprudential Study. *Annals of the Faculty of Islamic and Arab Studies*, 881-962.
- Laifa , A., & Dib, S. (2026). The Legal and Regulatory Framework of Sovereign Islamic Sukuk in Algeria: A Critical Review of Contemporary Legislation and Prospects for Its Development. *Journal of Finance, Investment and Sustainable Development*, 343-359.
- Lakrid, A., & Guendouz, A. (2025). The Issuance of Sovereign Sukuk in Algeria considering the Standards Issued by the Accounting and Auditing Organization AAOIFI. *Al-Manhal Economic Journal*, 235-264.
- Othmani Merabet, H. (2025). Legal Regulations for Issuing Sovereign Sukuk in Algeria. *journal El Ryssala for studies and research in Humanities*, 649-680.

- Seminar Articles :

- Daoudi , T., & Kardoudi, S. (2014, May 5-6). Conference Paper Presented at the International Conference on "Financial Innovation &Engineering Products & Applications: Between Conventional& Islamic Financial Industries". *The Effectiveness of Islamic Sukuk in Financing the Government Budget Deficit*:UniversitySetif 1. Algeria.DetailedWebsite : http://dspace.univ-setif.dz:8888/jspui/handle/123456789/969?mode=full. Consulted on: 31.07.2026

- Reports and Forum works:

- IFSB . (2026). *Emergence of Hybrid Risks in Islamic Banking Enhancing Prudential Frameworks and adressing vulnerabilities in an evolving landscape.*Islamic Financial Services Board.Kuala Lumpur.Malaysia
- IFSB. (2025). *Islamic Financial Services Industry Stability Report NAVIGATING SHALLOW WATERS: Adressing Structural Vulnerabilities and Shoring Up Resilience to Global Shocks.* Islamic Financial Services Board IFSB.Kuala Lumpur Malayzia.
- IIFM. (2025). *IIFM SUKUK REPORT a compreensive study of the Global Sukuk Market.* IIFM. International Islamic Financial Market .Manama. Kingdom of Bahrain.
- UASA. (2024). *Guidelines for the Issuance and Listing of Islamic Sukuk in Arab Capital Markets.* Union of Arab Securities Authorities.Dubai. UAE.

- Websites:

- AAOIFI. (2026). *Shari'ah Standard No. (17) Investement Sukuk*. Detailed website: https://aaoifi.com/ss-17-investment-sukuk/?lang=en. consulted on: 29.07.2026.
- alarabiya. (2025). *Fitch : Total Rated Sukuk Exceed USD 231*

Billion by the End of the Third Quarter.Detailed Website: https://www.alarabiya.net/aswaq/special-stories/2025/11/03/%D9%81%D9%8A%D8%AA%D8%B4-%D8%A7%D8%AC%D9%85%D8%A7%D9%84%D9%8A-%D8%A7%D9%84%D8%B5%D9%83%D9%88%D9%83-%D8%A7%D9%84%D9%85%D8%B5%D9%86%D9%81%D8%A9-%D9%8A%D8%AA%D8%AC%D8%A7%D9%88%D8%B2-231-%D9%85%D9%84%. consulted on: 29.07.2026.

- Algerie Clearing. (2026). *central securities depository in Algeria*. Detailed Website: https://www.algerieclearing.dz/index.php/fr/sukuk. consulted on: 28.08.2026.
- Ministery of Finance. (2026). *Launch of the subscription to the sovereign sukuk ijara -January 27, 2026*.Detailed Website: https://www.mf.gov.dz/index.php/en/activites-4/2352-launch-of-the-subscription-to-the-sovereign-sukuk-ijara-january-27-2026. consultedon 10.08.2026.
- Ministry of Finance. (2025). *Decision No. 243 dated 18 September 2025 regarding the issuance of sovereign bonds backed by real assets.*Algeria: Ministry of finance.Detailed Website: https://sukuk.mf.gov.dz/. consulted on: 16.08.2026.
- Ministery of Finance. (2025). *What is Sovereign Ijara Sukuk*. Detailed Website: https://www.mf.gov.dz/index.php/ar/115-2025-06-12-12-00-38/2248-2025-06-12-12-04-14. consulted on 15.08.2026.
- Nacer, H. (2024). *An Analytical Reading of Article 174 of the 2025 Finance Law on Sovereign Sukuk*.Detailed Website: https://islamic-economics.net/%D9%82%D8%B1%D8%A7%D8%A1%D8%A9%D9%81%D9%8A-%D8%A7%D9%84%D9%85%D8%A7%D8%AF%D8%A9-174-%D9%85%D9%86-%D9%82%D8%A7%D9%86%D9%88%D9%86-%D8%A7%D9%84%D9%85%D8%A7%D9%84%D9%8A%D8%A9-%D9%84%D8%B3%D9%86%D8%A9-202/. consulted on 12.08.2026.