

The Legal and Regulatory Framework of Sovereign Islamic Sukuk in Algeria: A Critical Review of Contemporary Legislation and Prospects for Its Development

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Abstract:

This paper examines the evolving legal and institutional framework for sovereign Islamic Sukuk in Algeria, focusing on Executive Decree No. 85 (June 1, 2025) and Executive Decree No. 243 (September 18, 2025). It finds that the Algerian framework remains at a foundational stage and is mainly fiscally oriented, lacking key mechanisms such as a Special Purpose Vehicle (SPV) and a permanent Sharia supervisory board. Comparative analysis with Jordan, Egypt, Tunisia, and Dubai shows more advanced legal and operational systems. The study recommends strengthening regulatory structures, improving Sharia governance, and developing secondary markets to enhance transparency and investor confidence.

Keywords: sovereign Sukuk, Islamic finance in Algeria, legal framework.

Jel Classification Codes : G18 ; H63 ; K22 ; O16

Résumé:

Cet article examine l'évolution du cadre juridique et institutionnel des sukuk souverains islamiques en Algérie, en se concentrant sur le décret exécutif n° 85 (1er juin 2025) et le décret exécutif n° 243 (18 septembre 2025). Il constate que le cadre algérien demeure à un stade fondamental et est principalement orienté vers des objectifs budgétaires, tout en manquant de mécanismes clés tels qu'un véhicule ad hoc (Special Purpose Vehicle – SPV) et un conseil permanent de supervision charia. Une analyse comparative avec la Jordanie, l'Égypte, la Tunisie et Dubaï met en évidence des systèmes juridiques et opérationnels plus avancés. L'étude recommande de renforcer les structures réglementaires, d'améliorer la gouvernance charia et de développer des marchés secondaires afin d'accroître la transparence et la confiance des investisseurs.

Mots-clés : sukuk souverains, finance islamique en Algérie, cadre juridique.

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I. Introduction

In the last years, Islamic finance has become a credible alternative to traditional financial systems. This sector has developed various instruments which determine the combination of economic attractiveness on the one hand and full legal and ethical compliance with the norms of Islamic law on the other. Sukuk is one of the instruments that can help countries and governments receive funding for projects in a compliant way. Thus, Sukuk is an Islamic type of bonds balancing the difference between the necessity to open the assets even in compliance with the Shariah principles on the one hand and the artificial constraints of underdeveloped financial systems in Islamic countries on the other hand. The issuance of sovereign Sukuk in Algeria acts as a strategic step towards diversifying sources of public financing and introducing Islamic finance into the national economic architecture. This initiative sets the grounds for some crucial legal and regulatory questions in terms of ownership structures, investor protection, asset registration, and national legislation that should be in tune with the requirements of Sharia. Recent governmental decrees issued in 2025 under the 2024 Finance Law constitute the very first comprehensive attempt to put in place a structured framework for issuing sovereign Sukuk. The latter is nevertheless in an incipient stage and hence calls for more analysis and comparative evaluation in scope and depth. These developments have materialized in practice with the launch of Algeria's first sovereign Sukuk issuance in 2026, where the subscription rate reached approximately 80% of the total offering valued at around USD 2.2 billion, according to statements by the Minister of Finance. This reflects a growing investor confidence in Islamic financial instruments and their ability to mobilize domestic savings.

Research Problem: In light of these developments, the main research question that arises is: To what extent does the current Algerian legal and regulatory framework ensure an effective, transparent, and Shariah-compliant environment for the issuance and management of sovereign Sukuk, while overcoming the institutional, procedural, and fiscal challenges that may hinder their full implementation?

Hypothesis: The study assumes that, although the slowly emerging legal and regulatory framework for the sovereign Islamic Sukuk in Algeria is an important first step, it remains incomplete compared to more mature Arab models. It hypothesizes that such a framework would be effective only once supported by the establishment of specialized institutional mechanisms-independent Sharia supervisory boards or SPVs-and transparent governance standards that are compatible with international best practices in Islamic capital markets.

Study Objectives: This study intends to

1. Discuss the legal and institutional basis of issuing sovereign Islamic Sukuk in Algeria.
2. Compare the Algerian framework with selected Arab jurisdictions, namely Jordan, Egypt, Tunisia, and Dubai, to assess the level of legislative maturity and institutional integration.
3. Identify the main legal, administrative, and technical challenges confronting Sukuk issuance in Algeria, with a focus on Ijara Sukuk.
4. Formulate legal and policy recommendations that contribute to the effective and sustainable development of Islamic public finance in Algeria.

Significance of the Study: The study carries both theoretical and practical importance: on the theoretical level, it adds to the increasing number of studies on Islamic jurisprudence and modern financial regulation, while on the practical level, it presents a structured approach that will enable policymakers and financial authorities to identify the gaps in Algeria's current approach and what needs to be addressed to make the country's Islamic finance sector competitive and credible. Furthermore, placing the Algerian experience within the regional landscape enhances comparative insights into how emerging economies can design regulatory systems that are Sharia-compliant and economically efficient.

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I.2 Literature Review: The literature on Islamic Sukuk underscores their role as asset-backed, Sharia-compliant instruments, as explored by Sano (2004) in analyzing Ijara Sukuk structures, Bashri (2011) on Sukuk concluding with ownership transfer, and Kahf (2011) in outlining core principles of Islamic finance emphasizing profit-sharing mechanisms.

Regarding sovereign finance, Shaikh (2015) examines financing public infrastructure via sovereign Sukuk, the World Bank (2017) stresses establishing legal frameworks for issuance from a public debt management viewpoint, and Malikov (2017) assesses their impact on economic growth in developing countries' infrastructure sectors.

More recently, Ahmet Ulusoy (2025) offers a comprehensive evaluation of Sukuk in public debt management with forward-looking recommendations, while Azzouza (2025) investigates their effects on domestic and foreign direct investment in Malaysia. Despite these advancements, research on Algeria's legal and regulatory framework for sovereign Sukuk remains scarce, particularly amid recent developments like Decree No. 85 (June 1, 2025) and Decree No. 243 (September 18, 2025), which outline issuance procedures backed by tangible assets. This study addresses this gap through a critical review of contemporary Algerian legislation and prospects for its development, bridging theoretical insights with practical policy implications.

I.3 Definitions and Core Features

I.3.1 The Concept of Islamic Sukuk :Definition per AAOIFI:The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) defines sukūk (in Shariah Standard No. 17) as: “Certificates of equal value representing undivided shares in ownership of tangible assets, usufruct and services or (in the ownership of) the assets of particular projects or special investment activity.”(AAOIFI, 2015) Thus, under AAOIFI, key features include undivided ownership, asset backing, and profit sharing or earning from the asset’s revenue rather than interest

Definition per IFSB :The Islamic Financial Services Board (IFSB) similarly defines sukūk as:Sukūk (plural of sakk) are certificates with each sakk representing a proportional undivided ownership right in tangible assets, usufructs and services, or (in the ownership of) the assets of particular projects or special (IFSB, 2009)

Definition per International Islamic Financial Market (IIFM): according to the IIFMSukuk are defined as“Sukuk are financial certificates that represent proportionate ownership in an underlying asset, usufruct, project, business, or investment activity, in accordance with Shari’ah principles. Sovereign Sukuk are those issued by a government or its agencies.”(IIFM, 2020)

Definition per Securities Commission Malaysia:“... means certificates of equal value evidencing undivided ownership or investment in the assets using Shariah(Malaysia, 2024)

I.3.2 The Concept of Sovereign Islamic Sukuk : Sovereign sukuk are defined as financial instruments that replicate the economic effects of traditional sovereign bonds while adhering to Islamic law (i.e., sharia). Sharia prohibits riba (interest), gharar(excessive uncertainty) and maysir (speculation). In addition,sharia disallows investments in certain prohibited industries(e.g., alcohol, pork, gambling)(HAKIM, 1 juin 2024).

This sukuk is predominantly used to raise funds for government projects, such as infrastructure development programmes (energy, telecommunications, transportation, agriculture, manufacture, and property), provision of public services, empowerment of local industries, and other development programmes in accordance with the government's strategic plan (Arundina, 2018)

I.3.3 Sovereign Islamic Sukuk and their Economic Importance : Sovereign Islamic Sukuk funds the economic activities without considering those Sukuk as a debt on the issuers, but as a partnership between the issuers and investors. From that point we are going to take a look at some advantages of issuing Islamic sukuk. This is clearly illustrated by Algeria's recent 2026 sovereign Sukuk experience, where the proceeds were directed toward financing major public infrastructure and equipment projects, thereby reinforcing the role of Sukuk in supporting productive investment and linking finance to the real economy.

1.3.3.1 Controlling Inflation: When any country issues sukuk, it will spend that fund on capital structures to improve its capabilities in investing money. So, that fund will be directed toward building infrastructures, bridges, factories, and so on. By increasing the money supply with in increasing goods and services, that protects the money from reducing the purchasing power and prevents devalue of money. So, the country protected its labors and employees who are receiving low salaries and wages from increasing the rising of the prices. As a result of that the local government protected its people from economic and social problems that may face during the long run. Moreover, issuing Islamic Sukuk can give solutions to monitor the monetary policy for instance according to the monetary requirements, controlling the money supply, and controlling inflation in parallel with the economic needs.

I.3.3.2 Improving Investments: Increasing the financial resources and funds can help the companies and countries to improve the investments in many sectors such as the agricultural and industrial sectors which are considered as long run sectors, instead of focusing on the consuming sector which is considered to be a short run sector. Also, as advantage to the companies, issuing Sukuk can increase the financial fund for them and take advantage of that by using that money with the new economic opportunities which will be reflected as increasing and enhancing the company's capability to achieve higher levels of profits. (Ghassan Salem Altaieb, 2016)

I.3.3.3 Reducing Public Debt: The issuance of sovereign sukuk plays a vital role in achieving fiscal sustainability and reducing dependence on external borrowing. It helps governments meet financing needs while supporting

economic stability and financial inclusion. As highlighted by Ahmet Ulusoya, sovereign sukuk contribute to “meeting the financing needs, developing financial markets, and maintaining market access, diversifying debt instruments and investor base, maintaining a balanced maturity structure and increasing household savings. (Ahmet ULUSOYA, 2025) In this context, sovereign sukuk offer governments an effective alternative to traditional borrowing methods. By mobilizing domestic savings and banking reserves, they can finance development projects, reduce fiscal deficits, and alleviate the burden of public debt, thereby fostering long-term economic stability and sustainable growth.

I.3.3.4 Controlling privatization: We can consider issuing Sukuk for standing projects as a temporary privatization for those projects because the government is going to sell that project by issuing Sukuk, and after that, the government will repurchase that project after a period of time according to an agreement with the first buyer. This example is a good example for mega projects such as airports or seaports. (Ghassan Salem Altaieb, 2016) As Salman Shaikh emphasized, “sovereign sukuk can be used to finance public infrastructure projects such as roads, railways, hospitals, and schools in a Shariah-compliant way, generating long-term socio-economic benefits.” (Shaikh, 2015) This illustrates that sovereign sukuk provide governments with an alternative to permanent privatization by allowing them to raise funds for major infrastructure projects while retaining long-term ownership. Such an approach ensures that essential public assets remain under state control, while the benefits of private investment and Shariah-compliant financing are leveraged to stimulate development and efficiency. We can consider issuing Sukuk for standing projects as a temporary privatization for that projects because the government is going to sell that project by issuing Sukuk, and after that the government will repurchase that project after a period of time according to an agreement with the first buyer. This example is a good example for mega projects such as airports or seaports.

I.3.3.5 Enhancing Trade Balance: Enhancing foreign trade performance requires more efficient funding strategies by directing Sukuk issuances towards productive projects and infrastructure, and towards adopting motivational strategies that attract local and international investors. (Azzouza Amani, 2025) By financing productive activities through sukuk, economies can increase local production, reduce import dependency, and improve their trade balance sustainably.

I.3.3.6 Mobilizing Excess Liquidity: “The challenge lies in developing the Sukuk market into a sufficiently liquid and robust market that can provide financing in volumes large enough to meaningfully address development

challenges.” .(Sohail Jaffer). This highlights the need to strengthen sovereign sukuk markets as effective tools to absorb excess liquidity within the banking sector. Through sovereign issuances, governments can channel idle funds held by banks and financial institutions as reserves or deposits into productive and Shariah-compliant investments. Such mobilization not only enhances liquidity management but also contributes to financing national development projects, diversifying investment portfolios, and improving the overall performance of Islamic financial institutions.

I.3.4 Ijarah Sukuk : Ijarah Sukuk are a form of asset-based Sukuk, meaning that these instruments are backed by tangible assets but do not entail the legal transfer of ownership of such assets to Sukuk holders. Consequently, in the event of a default by the issuing entity, the Sukuk holders have no legal recourse to the underlying assets, as they are not legally owned by them (International Islamic Financial Market). Many of the current Sukuk issuances are based on this structure. From a structural standpoint, Islamic Sukuk generally represent undivided ownership of assets without ownership of disposition, implying that even if all Sukuk holders act collectively, they cannot exercise control over the assets (LAifa, 2024). The Algerian 2026 issuance represents a practical example of Ijarah Sukuk based on usufruct rights, where the certificates were backed by a portfolio of state-owned real estate assets, granting investors periodic rental returns without transferring full ownership of the underlying assets.

Conversely, asset-backed Sukuk are issued with full recourse to the underlying assets. In this structure, the ownership of the assets is legally transferred to the Sukuk holders, granting them the right to enforce their claim on and liquidate those assets in the event of default by the issuer (Mohammed, 2013).

Ijarah Sukuk are generally divided into two main types:

I.3.4.1 Ordinary Ijarah Sukuk : One of the most popular and widely used forms of Sukuk is ordinary Ijarah Sukuk. The usufruct (benefit or use) of tangible leased assets, usufructs of assets described in liability, ownership of specified services, or ownership of services described in liability are all represented by them. These Sukuk can be traded and negotiated. (Sano, 2004)(Kahf, 2011).

Depending on the Sukuk structure, the asset, its usufruct, or the service becomes the property of the Sukuk holders after they are issued and financed using subscription proceeds (AAOIFI, 2015). This category is further separated into: a. Sukuk, which denotes ownership of leased property:

A. issued by the owner of a leased asset, an asset that has been promised for leasing, or a financial intermediary working on the owner's behalf. As a result,

the asset belongs to Sukuk holders. These Sukuk are tangible assets that are currently in existence and can be identified.(AAOIFI, 2015)

B. Sukuk, which denotes ownership of leased usufructs, has two subtypes: Sukuk of ownership of usufructs of existing assets, issued with the intention of leasing their advantages (AAOIFI, 2015). Here, the existing asset's usufruct—rather than the asset itself—is owned by the Sukuk holder. The asset's original owner or the lessee, in which case the issuance is predicated on a sub-lease (Ijarah sub-contract), may be the issuer.

In order to lease assets that are not yet in existence but are sufficiently detailed to remove any doubt, sukuk of ownership of usufructs of assets described in liability are issued (AAOIFI, 2015).

C. Sukuk, which represents ownership of services: Issued by a designated party or a party described in liability with the intention of providing a service, the service fee is deducted from the subscription proceeds (AAOIFI, 2015). In this case, the service is owned by the Sukuk holder. These services could be offered, for example, by a particular Algerian university or public hospital, or by an unidentified organization that satisfies specific requirements, like "a state-recognized Algerian public university." Similarly, service-based Sukuk might stand for specific medical services rendered by unaffiliated private clinics.

I.3.4.2 Ijarah Sukuk with Ownership Transfer (Ijarah MuntahiaBittamleek) : Ijarah (leasing) and ownership transfer are combined in this kind of Sukuk. It is usually applied to large-scale, expensive projects and is based on the Ijarah MuntahiaBittamleek contract, which is a lease that ends with ownership. With the money raised from the subscription, the issuing company buys the assets, leases them to the buyer, and sells the Sukuk to investors. Ownership of the assets is transferred to the lessee upon the completion of the lease term, when all installments have been paid, totaling the entire contract cost. During the lease period, the Sukuk holders and the issuer have both received rental income (Bashri, 2011).

In contrast to regular Ijarah Sukuk, this kind of Sukuk signifies ownership of assets, usufructs, or services that are already in existence or are specified in liability. Ijarah Sukuk with ownership transfer, on the other hand, is a debt obligation resulting from the lease agreement, whereby the lessee acquires ownership and possession of the leased asset at the conclusion of the term.

Because they are physical assets, regular Ijarah Sukuk can be freely traded, but Ijarah MuntahiaBittamleek Sukuk can only be traded under specific circumstances. As required by Sharia principles governing debt transactions, trading is limited to par value once the asset is delivered and the contract turns

into a debt instrument. Prior to this, they represent real assets and may be traded at market price.

Since the state is unlikely to transfer ownership of public assets like administrative buildings or major infrastructure projects like highways and airports, ordinary Ijarah Sukuk are thought to be the most appropriate type of sovereign Sukuk in Algeria. Sukuk holders can instead lease these assets, which will yield recurring returns.

Given the large number of government-owned assets and the straightforwardness of the typical Ijarah structure from a legal and Sharia perspective, this model is in line with Algeria's economic and legal realities. Legally, ownership remains with the state; Sharia-wise, the contract avoids the complexities associated with Ijarah Muntahia Bittamleek, particularly concerning ownership transfer, which requires a separate contract and cannot be enforced through a binding promise. Furthermore, the lease ending with ownership agreement is based on contemporary Western law, which presents a number of Sharia issues with regard to its legality and contractual framework

I.4 The Legal and Regulatory Framework of Sukuk in Algeria

I.4.1 Legislative Developments and Recent Reforms

I.4.1.1 Decree No. 01: Decree dated June 1, 2025, defining the modalities of issuing sovereign Sukuk by the Public Treasury – A Critical Legal Reading

The decree dated June 1, 2025, constitutes a foundational regulatory step toward operationalizing the provisions of Article 179 of the 2025 Finance Law (Law, 2024) It establishes the executive framework for the issuance of sovereign Sukuk by the Algerian Public Treasury. However, a closer analytical reading of its content reveals several legal and regulatory observations. (Decree, 2025)

First, while the decree specifies that Sukuk are to be used for financing commercial-purpose infrastructures and equipment, it fails to define clear and objective criteria for determining what qualifies as “commercial.” This ambiguity may create confusion in practice when distinguishing between public-interest projects and those generating economic returns.

Second, while the decree allows for a variety of Sukuk structures (Ijarah, Musharakah, Mudarabah, Istisna‘, and Wakalah), it makes no mention of the precise legal and financial features of each structure or the methods for distinguishing them in terms of accounting and governance. This disparity could result in inconsistent real-world application.

Third, the decree correctly mandates a Supreme Islamic Council Sharia compliance certificate before subscription, which is a crucial regulatory protection. However, it makes no mention of post-issuance Sharia supervision to

guarantee continued compliance. An institutional weakness that needs to be fixed is represented by this absence.

Fourth, there are several possible interpretations because the decree permits the Treasury to assign the issuance authority to another organization without outlining the specifics or the legal requirements for doing so. This necessitates more detailed explanation in later regulatory documents.

Finally, even though the decree mentions including necessary information in the issuance resolution, it ignores the necessity of a certified financial disclosure and an official prospectus, both of which are essential for maintaining investor confidence and transparency.

As a result, this decree serves as a framework for the integration of Islamic financial instruments into Algeria's public finance. To guarantee coherence between the financial and Sharia dimensions and to clarify operational and supervisory aspects, complementary regulatory texts are still needed.

I.4.1.2 Decree No. 243: Decree No. 243, issued September 18, 2025, pertaining to the issuance of sovereign Sukuk secured by tangible assets An Analysis of Legal Texts. Algeria's first real step in putting sovereign Sukuk issuance mechanisms into place is Decree No. 243, issued September 18, 2025. It outlines the technical, monetary, and legal requirements for issuing Ijarah Sukuk secured by the usufruct rights of real estate assets owned by the state. According to Algerian legislation, these Sukuk are a form of sovereign financing that involves giving subscribers the right of usufruct of state-owned assets in return for a set yearly rental return. The Public Treasury then agrees to restore the usufruct at the end of the lease period.

In order to mobilize national savings through instruments that act as alternatives to interest-based public debt, the legislator attempted to create an Islamic financing model that combines real investment in productive assets with stable returns, all while adhering to Sharia principles (Decree, No 243, concerning the issuance of the first type of sovereign Islamic Sukuk in Algeria, backed by tangible assets., 2025).

Nonetheless, a legal analysis highlights a number of important issues that need to be taken into account: In order to reflect the authorities' desire for a low-risk, institutionally compatible structure, the decree first adopts the Ijarah Sukuk model as its primary option. However, limiting issuance to a single form might limit innovation in Islamic capital market instruments and financial flexibility. Second, the decree does not outline the valuation process or transparency requirements, even though it requires the National Equipment Fund to value assets at market value, pending Ministry of Finance approval. The fairness of pricing and information symmetry among stakeholders are called into question

by this omission. Third, the decree establishes significant measures to protect investors, such as tax exemptions on lease payments and a 6% annual rental return. However, these guarantees have a tendency to follow a logic of quasi-fixed returns, which means that they must be carefully aligned with the Islamic jurisprudence of financial transactions' principle of acceptable risk-sharing (ghurm). Fourth, the decree laudably expands the eligibility for subscriptions to individuals and institutions both domestically and abroad, enabling early buyback options and secondary market trading. This increases market dynamism and liquidity, but it also necessitates a strong system of market surveillance to guarantee ethical trading and stop speculation. Lastly, a significant step toward disclosure and transparency is the requirement to draft an information memorandum. However, the accuracy and conformity of such documentation with international Islamic financial reporting standards AAOIFI, IFSB are critical to the success of this measure. In summary, Decree No. 243 is a key component in the creation of the Algerian sovereign Sukuk market, but it requires ongoing legislative and oversight assistance to fully integrate Sharia compliance with investment appeal. These regulatory frameworks have been translated into practical implementation through the 2026 sovereign Sukuk issuance, confirming Algeria's transition from a theoretical framework to actual practice in Islamic finance.

II. Methodology : To investigate the institutional and legal framework that governs sovereign Islamic Sukuk in Algeria, this study uses a qualitative, analytical and comparative methodology. The main source of the research is a thorough analysis of financial circulars, regulatory decrees, and legislative texts pertaining to Sukuk issuance from 2012 to 2025. In order to evaluate the Algerian framework's coherence, effectiveness, and adaptability within the larger framework of Islamic finance, the analysis integrates legal interpretation with economic evaluation. In order to identify best practices and gaps in institutional coordination, market integration, and legislative design, the comparative dimension draws on the experiences of Jordan, Egypt, Tunisia, and Dubai. Three steps make up the methodological process. First, the development of Algeria's strategy for Islamic sovereign financing is traced through an analysis of the country's legal framework. Second, the study identifies procedural and structural flaws that limit investor confidence and Sukuk implementation. Lastly, the study develops policy-focused suggestions to improve future Sukuk issuances' economic viability, legal certainty, and transparency. The results of this multifaceted approach will be able to make a significant contribution to the discussion of contemporary Islamic public finance and regulatory development in emerging markets because it offers both analytical depth and practical insight.

III. Results

Preliminary indicators from Algeria's first sovereign Sukuk issuance in 2026 point to a relative success, with subscription levels reaching approximately 80% before closing, reflecting the instrument's capacity to attract domestic savings.

III.1 Comparison of Algerian Law with Other Legal Systems

Three steps make up the methodological process. First, the development of Algeria's strategy for Islamic sovereign financing is traced through an analysis of the country's legal framework. Second, the study identifies procedural and structural flaws that limit investor confidence and Sukuk implementation. Lastly, the study develops policy-focused suggestions to improve future Sukuk issuances' economic viability, legal certainty, and transparency.

The results of this multifaceted approach will be able to make a significant contribution to the discussion of contemporary Islamic public finance and regulatory development in emerging markets because it offers both analytical depth and practical insight.

Based on the terms of the Finance Law of 2024, the Algerian decrees issued in June and September 2025 constitute the first real attempt to create a reasonably extensive regulatory framework for the issuance of sovereign Islamic sukuk. The objective of this endeavor is to incorporate Islamic financial mechanisms into the national economic system and diversify public financing instruments. Even though this experience is a crucial first step, its institutional reach and legislative flexibility are still constrained. It has so far only been used for sovereign issuances that are overseen by the Public Treasury, without the creation of autonomous organizations like Sharia supervisory boards or Special Purpose Vehicles (SPVs).

Given the variety of models in Jordan (2012), Tunisia (2013), Egypt (2013), and Dubai (2014), it is especially crucial to compare this experience with its Arab counterparts in order to evaluate the level of institutional integration and legislative maturity. Because of their extensive legal coverage and the clarity of their executive and supervisory mechanisms, these jurisdictions serve as more sophisticated regulatory references. As a result, the following comparative analysis attempts to determine the parallels and discrepancies between the Algerian and Arab frameworks through a number of fundamental aspects, including the institutional structure, disclosure and transparency, Sharia supervision, asset nature, issuing authorities, legal foundation, and trading mechanisms. The unique characteristics of the Algerian model and its place on the larger map of Arab legislative development in the area of Islamic sukuk can be extracted thanks to this comparison.

Table (01): Comparative Analysis of the Legal and Institutional Frameworks for Sovereign Islamic Sukuk in Selected Arab Countries

Indicator / Country	Egypt	Tunisia	Jordan	Algeria
Legal Basis	Law No. 10/2013	Law No. 30/2013	Islamic Finance Sukuk Law No. 30/2012	Ministerial Decrees (June–September 2025) based on the Finance Law of 2024 (08-24)
Issuing Authority	Government and private sector	Public and private entities through a management company (SPV)	Governmental and private entities	Public Treasury (sovereign issuance only)
Nature of Assets	Public assets; private issuance permitted	Assets or usufruct rights via joint funds	Governmental and project-based assets, usufruct rights, and shares	Government assets or usufruct rights (primarily Ijara-based)
Sharia Supervisory Authority	Centralized and decentralized Sharia boards + issuance committees	Central Sharia Board with limited authority	Central Sharia Board within the Central Bank	The National Islamic Finance Committee (approval-based system)
Implementation Structure	Central SPV + issuance committees	Independent management company (SPV)	Presence of a private SPV company	Administrative unit (Public Treasury) – no SPV
Disclosure and Prospectus	Detailed technical and legal disclosure + Sharia compliance report	Issuance prospectus including Sharia certification	Separate financial and Sharia disclosure	Centralized and detailed disclosure + Sharia compliance certificate
Trading and Taxation	Tradable with partial exemptions	Tradable without explicit tax exemptions	Tradable and exempted from taxes	Tradable on the secondary market with tax exemptions
Types of Sukuk	Various types including hybrid models	Limited types	Various types	Ijara (leasing), Istisna' (manufacturing), Musharaka

				(partnership), Mudaraba (profit-sharing)
Institutional Maturity	High (mature and diversified system)	Moderate	Advanced (integrated regulatory framework)	Foundational (integrative approach under development)
Developmental Stage	Advanced stage	Intermediate stage	Mature stage	Foundational stage

Source: Prepared by the researchers

Though it lacks an integrated institutional infrastructure like a Special Purpose Vehicle (SPV) and an independent Sharia supervisory board, the Algerian model of 2025 is a first step toward integrating Islamic financial instruments within public finance. Jordan (2012) and Egypt (2013), on the other hand, have put in place more developed frameworks that are in line with global standards. Dubai provides the most extensive and advanced standards in Sharia compliance and technical governance, while Tunisia follows a formal legal model. Therefore, the Algerian framework is a cautious foundational phase that is exclusively concerned with sovereign financing and is distinguished by the lack of institutional autonomy (SPV and permanent Sharia oversight). On the other hand, Tunisia maintains an intermediate regulatory level, Dubai is the most advanced model in terms of Sharia flexibility and financial governance, and the experiences of Jordan and Egypt show greater legislative and institutional coherence.

III.2 Legal Challenges of Ijarah Sukuk in Algeria : The efficacy of Ijarah Sukuk as a Sharia-compliant financing tool within the Algerian financial system is constrained by a number of important legal issues. Since issuing entities frequently run into administrative and legal roadblocks when assigning or transferring ownership of public assets to Sukuk holders, the first challenge relates to asset ownership identification and registration. Strict legal restrictions governing public property and the intricate bureaucratic processes necessary for asset registration are the root causes of this challenge. Therefore, the issuance of Ijarah Sukuk necessitates accurate legal documentation and unambiguous registration of the underlying assets in the issuing entity's name or for investors' benefit. The defense of the rights of Sukuk holders is another important concern. Investor confidence is weakened and legal disputes are possible when there are

no clear legal provisions outlining their rights in the event of the lessee's default or non-compliance. Therefore, in order to ensure equity, openness, and efficient legal recourse in the relationship between Sukuk holders and issuers, a thorough legislative framework is needed. The enforceability of assets presents another difficulty. Algerian law restricts the seizure or disposition of public assets, which complicates investors' ability to recover their rights if the government fails to meet its obligations. Therefore, one of the main obstacles to the success of sovereign Ijarah Sukuk is the absence of a clear enforcement mechanism. The issue of usufruct transfer without full ownership, a structural characteristic of Ijarah Sukuk that Algerian law does not yet sufficiently acknowledge, is equally significant. The practical application of such contracts may be significantly complicated by the lack of a clear legal distinction between ownership (*milkiyah*) and usufruct (*manfa'ah*). Moreover, taxation and fees pose additional constraints, as the imposition of extra taxes or registration fees on usufruct transfers reduces the attractiveness of Sukuk compared to conventional bonds, particularly in the absence of specific tax exemptions for Islamic securities. Lastly, Ijarah Sukuk secondary market regulation is still in its infancy. The investment appeal of these instruments is reduced by weak institutional and legal frameworks that restrict tradability and impede liquidity. For Algeria's Sukuk framework to be in line with Sharia law and international best practices, it is imperative that clear legislative provisions be established that allow for the transparent and legal transfer of rights and benefits among investors.

III.3 Implementation and Regulatory Challenges :The actual implementation of Sukuk in Algeria is hampered by a number of institutional and regulatory barriers. A lack of legal and Sharia expertise in Sukuk structuring, poor marketing and investor awareness strategies, a generally weak technological infrastructure within the Islamic capital market, and poor coordination amongst key authorities (the Ministry of Finance, the Central Bank, and Sharia boards) are some of these. When taken as a whole, these deficiencies show a disconnect between the Algerian financial system's operational preparedness and the legal recognition of Sukuk.

III.4 Legal Gaps in Ijarah Sukuk :Sukuk's legal structure is essential to maintaining investor protection, market efficiency, and issuance integrity. However, actual application reveals enduring legal gaps that compromise the

effectiveness and legitimacy of Sukuk al-Ijarah, especially in jurisdictions that are unfamiliar with Islamic finance. The absence of a clear legal framework for the registration and ownership transfer of leased property is the most important of these. Numerous laws don't specify how Sukuk holders' ownership is monitored or how it is returned at the conclusion of the contract. Moreover, secondary market trading is still mostly unregulated, which reduces Sukuk's liquidity and investor appeal. There are also unclear terms regarding who is responsible for the leased asset's upkeep and insurance, whether it is the lessee, Sukuk holders, or the issuing company. Similar to this, early termination procedures are frequently ambiguous, which makes it more difficult to recover assets or receive compensation in the event of a contract violation. Lastly, because Sukuk holders might not have priority rights during asset liquidation, legal protection in bankruptcy situations is still limited. Together, these gaps highlight how urgently a specific legislative framework for Islamic Sukuk must be created in order to guarantee ownership clarity, ease trading, and organize contractual relationships in accordance with Sharia law and modern financial governance standards. In order to boost investor confidence and establish Ijarah Sukuk as a useful instrument for sovereign financing and sustainable economic development, it is imperative that such a framework be completed.

III.5 Ijarah Sukuk Risk Assessment :An essential component of Sukuk structuring is risk assessment. The leased asset is subjected to a rigorous creditworthiness analysis of the lessee's ability to fulfill regular rental obligations, as well as a technical and legal evaluation to guarantee its suitability and market value during the lease period. All of these flaws highlight how urgently a specific legislative framework for Islamic Sukuk must be created in order to guarantee ownership clarity, ease trading, and distribute contractual risk. This framework must also indicate who is responsible for maintenance, insurance, and force majeure situations. Comprehensive guarantees and insurance coverage for certificate holders should also be required by sukuk frameworks. Maintaining transparency requires regular disclosure procedures, such as reporting on rental payments and asset performance on a regular basis. Furthermore, clear default management procedures that enable asset recovery or reimbursement in the event of lessee nonpayment must be in place. When taken as a whole, these clauses guarantee that Sukuk al-Ijarah can function as a transparent, stable, and Sharia-compliant instrument in both private and sovereign financing schemes.

IV. Discucion

IV.1 Practical Examples for Addressing Ijarah Sukuk Challenges :Several structural and legal issues that call for specialized institutional and regulatory solutions have been brought to light by the actual application of Ijarah Sukuk in Algeria. By establishing state-owned asset companies expressly tasked with holding and managing assets meant for Sukuk issuance, the difficulty of transferring or allocating ownership of public assets can be lessened. For instance, a public authority such as the Ministry of Transport could establish an “Asset Holding Company” to which ownership of transport infrastructure—such as a railway station—is transferred, and then issue Ijarah Sukuk backed by that asset to investors. The lack of explicit statutory provisions outlining Sukuk holders' rights in the event of default presents another problem. This can be resolved by including specific provisions in the issuance prospectus that clearly outline the rights of investors, the processes for disposing of assets in the event of default, and dispute resolution procedures like arbitration. Furthermore, by using usufruct rights rather than full ownership transfer, the legal restrictions that prohibit the seizure or transfer of government-owned assets may be circumvented, giving Sukuk holders the ability to utilize the asset for a predetermined amount of time without violating state ownership.

Taxation presents another concern, as the transfer of benefits or usufructs might trigger additional taxes or fees. The introduction of particular tax exemptions for Islamic Sukuk or the application of the "tax neutrality" principle, which guarantees that Sukuk receive the same fiscal treatment as conventional bonds, are two potential solutions. Additionally, the establishment of Sharia-compliant trading platforms and the incorporation of Ijarah Sukuk into the national stock exchange under requirements for transparent disclosure can address the underdeveloped secondary markets for Sukuk trading. Finally, to ensure the legal enforceability of usufruct transfers without transferring full ownership, it is essential that Ijarah contracts be notarized and registered as usufruct rights in public registries, thereby strengthening investor protection.

IV.2 Addressing Legal Gaps in Ijarah Sukuk :A crucial first step in improving Ijarah Sukuk's effectiveness as Sharia-compliant financing instruments that meet the needs of contemporary financial markets is filling in the legal gaps surrounding them. Therefore, it is necessary to pursue legislative and regulatory development in order to safeguard the rights of all parties. To make asset registration, ownership transfer processes, and the protection of Sukuk holders' rights during the lease term more clear, a specific Ijarah Sukuk law ought to be passed. To improve liquidity and transparency, secondary market trading should

also be governed by clear frameworks that mandate disclosure requirements and trade registration. The law should also clearly define who is responsible for insurance and maintenance, allocating duties equitably among Sukuk holders, the issuer, and the lessee. In order to ensure prompt asset recovery or compensation, legal procedures must also be established for early contract termination in cases of breach, permitting recourse to financial arbitration or expedited judicial processes. Last but not least, improved legal protection in insolvency situations is essential, giving Sukuk holders priority claims over project revenues or assets in the event that the issuer or lessee defaults.

IV.3 Operational and Institutional Remedies :From an operational perspective, procedural reform and institutional capacity-building are both necessary to close the legal and regulatory gaps. In order to standardize asset registration, ownership (or usufruct) transfer, and the legal status of Sukuk holders, it is still important to adopt specific Sukuk legislation. Recognizing usufruct as an alternative to ownership aligns Islamic jurisprudence with public law constraints while preserving investors' economic interests. Since it improves market liquidity and makes investor participation easier, creating a viable secondary market for Sukuk trading is equally crucial. In order to prevent ambiguity in contractual obligations, maintenance and insurance responsibilities must also be enshrined in legislation. Procedures for contract termination should also be described in detail, including accelerated court proceedings and arbitration access. By giving them legal precedence in asset recovery, legal reforms should further protect Sukuk holders' rights in the event of issuer insolvency. Establishing independent financial or technical supervisory bodies is one example of an institutional measure that can improve oversight and ensure asset integrity. In comparison to traditional bonds, fiscal incentives such as tax exemptions for Sukuk transactions would increase their competitiveness.

IV.4 Critical Assessment and Analysis

IV.4.1 Strengths in the Algerian Legislative Framework :Among the many advantages of the Algerian legal system are its integration with the national financial system, conformity to Sharia law, and clarity in defining the legal nature of Sukuk. New supervisory procedures, a wider range of asset classes appropriate for Sukuk structuring, and adaptable issuance models that support both corporate and sovereign financing are examples of legislative innovations.

IV.4.2 Challenges and Constraints : But there are still major obstacles. In order to keep up with global developments in Sukuk markets, Algeria's legislation still needs interagency coordination and complementary laws. Practically speaking, effective implementation is hampered by a lack of specialized knowledge, an undeveloped secondary market, and low investor awareness.

IV.4.3 Impact of Legislation on the Financial Market : Short-term responses from investors, financial institutions, and regulatory agencies may be prompted by the implementation of Sukuk-related regulations, as evidenced by the steady increase in issuance volumes. Long-term, it is anticipated that these legal changes will strengthen financial inclusion and macroeconomic stability by promoting the expansion of the Islamic financial market, drawing in foreign capital, and diversifying public funding sources.

IV.5 Recommendations : Developing Sharia-compliant trading platforms within the national exchange, incorporating investor protection provisions in prospectuses, and creating government-owned asset companies to streamline Sukuk issuance are all examples of workable solutions. To draft comprehensive regulations, interministerial technical and legal committees should be established in cooperation with financial institutions and Sharia supervisory authorities. Comparative analysis from Bahrain, the United Arab Emirates, and Malaysia provides useful models that can be modified for Algeria's regulatory environment. Simultaneously, focused training initiatives ought to improve judges', attorneys', and financial professionals' ability to properly interpret and implement Sukuk contracts.

IV.6 Future Strategy : The strategic vision for Algerian Sukuk by 2030 should include both quantitative and qualitative goals, performance indicators to monitor progress, and phased development plans. Algeria will be able to enhance cross-border cooperation, elevate its position in the global Sukuk market, and integrate with regional and global Sukuk markets through partnerships and membership in international Islamic finance organizations.

V. Conclusion

The study comes to the conclusion that Algeria's sovereign Sukuk framework is still in its infancy even though it represents a major step toward incorporating Islamic finance into public funding. Although the dual decrees of

2025 established the foundation for regulatory recognition, they also exposed weaknesses in Sharia governance, asset registration procedures, and institutional autonomy. Comparative experiences show that cogent legal, fiscal, and supervisory ecosystems are necessary for sustainable Sukuk markets. In order to achieve both compliance and economic efficiency, Algeria's next course of action should concentrate on creating an independent SPV framework, improving transparency, and encouraging secondary market dynamics.

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