

THE ROLE OF ISLAMIC SUKUK "BONDS" IN PROVIDING GOVERNMENT INVESTMENT NEEDS

Dr. George Nasser Shawaqfeh

Assistant Prof., Department of Finance and Banking Sciences, Faculty of Administration,
Ajloun National University, Jordan.

ABSTRACT: *Islamic and non-Islamic governments have recently expanded significantly towards Islamic Sukuk Bonds as a means of providing financial resources to cover the official government needs. There are strong indicators of expansionary tendencies in the Islamic Issuance Market (IIM), where the IIM has increased significantly, but this requires an integrated legislative framework that complies with legitimacy (Shariah) rules and regulations especially that there was a large demand for Islamic Sukuk after the global financial crisis, with volumes of issuance of Islamic Sukuk reaching more than US \$ 200 billion worldwide.*

KEYWORDS: Islamic Sukuk Bonds, Financial Engineering, Islamic Banks, Islamic Finance, Islamic Issuance Market (IIM)

INTRODUCTION

The Arab and Islamic countries in general and their Islamic banks in particular have an urgent need to embark on a wider renaissance of the innovation and development of their products and financial and banking instruments because of the various challenges they face in terms of savings mobilization tools or financing mechanisms for investment and commercial activities of private individuals and institutions, and the public, whether local or international.

Recent years have witnessed rapid and continuous developments in the provision and diversification of services and banking and financial activities, which have been reflected in the expansion of banking and financial products and the intensive use of technology in providing these services and products. Referring to the innovations in modern financial instruments that are distinguished from financial instruments which were known and the emergence of modern securities combining the characteristics of equity and debt securities ..., the interconnect between the monetary and financial markets, and its impact on the growth of tradable financial instruments, and the expansion of Securitization (Tawarruq) activity, by providing liquidity to the assets with low liquidity, such as loans, debt and other financial assets. (Abdul-Moneim, 2005, 24)

Financial engineering has been able to offer new investment tools, develop traditional securities and modernize financial structuring techniques for banks. Financial engineering offers financial instruments, processes and systems that improve performance, increase profitability, achieve speed and efficiency with cost savings. (Hindi, 1999, 12). The development of financial instruments in the banking system in the Arab and Islamic countries, represented by Islamic banks, is the cornerstone in this context, as it represents raising the efficiency of mobilizing savings and directing resources on investments and various financing needs, especially with high growth rates in savings in Islamic banks. The financial instruments of the Islamic banks

will lead to a decrease in the efficiency of allocating these resources, and some will remain wasted. This will result in the bottleneck of activity and the lack of highlighting the philosophy and characteristics of these banks as an investment broker.

The importance of the study:

The importance of the study stems from its exposure to Islamic Sukuk in the light of its remarkable spread as one of the most important Islamic financial and banking products and shed light on its role in providing investment needs.

The objectives of the study:

In light of the importance of the study, the study aims to achieve the following objectives:

- Understand the concept, importance, types, issues and trading of Islamic Sukuk.
- To highlight the role and fields of Islamic Sukuk in providing official investment needs.
- To highlight the importance of the legislative framework in activating the dealing with Islamic Sukuk and presenting a legislative proposal for them.
- Reviewing some countries experiences in Islamic Sukuk and evaluating these experiences in providing official needs.

The problem of the study:

Islamic Sukuk are one of the most important Islamic financial and banking instruments through which governments seek to develop their financial and banking tools; thus, the problem of this study is to research one of the most important topics of financial and banking transactions by answering the following questions:

- What are Islamic Sukuk, types and characteristics?
- To what extent does Islamic Sukuk contribute to the provision of official needs?
- Is there any importance to the existence of a legislative framework to activate the handling of Islamic Sukuk?

The hypothesis of the study:

Based on the above, the study seeks to test the validity of a single hypothesis:

- There is no role for Islamic Sukuk in providing investment needs to governments.

THE STUDY METHODOLOGY

In order to achieve the objectives of the study and to take note of the aspects of the subject, the descriptive approach was adopted to cover the theoretical aspects of the subject. The empirical approach was adopted in the applied study, which included proposing a legislative framework in dealing with Islamic Bonds and highlighting the experiences of some countries to clarify the role of Islamic Bonds in providing investment needs. A historical look and analysis were taken into account to study the development of Sukuk in terms of the number of issuance and the amount of money invested in them from 2001-2017.

The study covered the following topics:

1. Islamic Sukuk: Their definition, types, characteristics, issuance and trading.
2. Islamic Sukuk and their role in providing investment needs.
3. The importance of the legislative framework in activating the dealing with Islamic Sukuk.
4. Review and evaluate some governments' experiences in Islamic Sukuk in providing official needs.

ISLAMIC SUKUK

Definition of Islamic Sukuk:

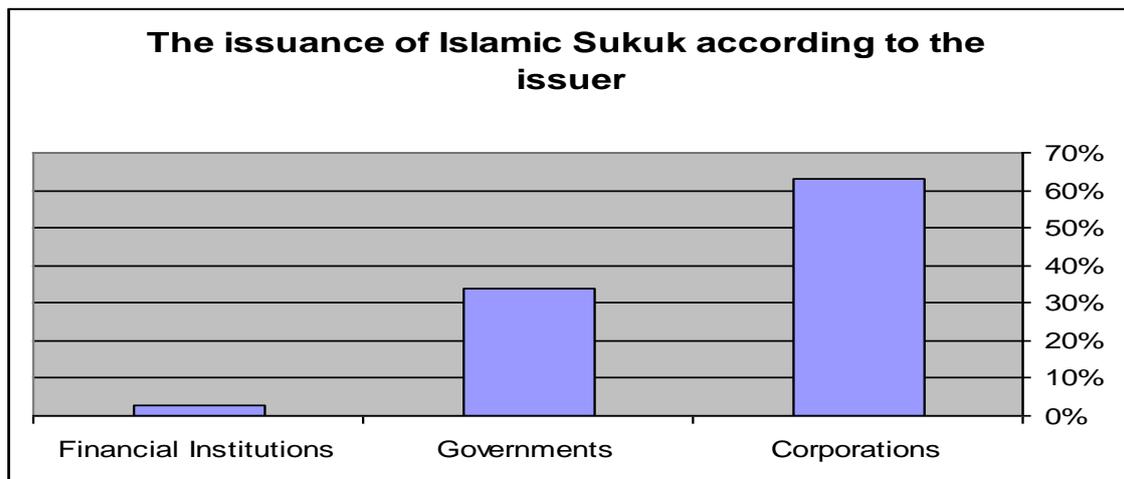
Islamic Sukuk are a document of a certain financial value issued by an institution by the names of those who subscribe in return for payment of the value released, and invest the proceeds of the sale either by itself or by paying to others to invest on its behalf, and works to ensure its circulation and consolidation, participants in the bonds participate in the results of this investment according to the conditions specific to each issue. (Siraj, 1989, 272)

Types of Islamic Sukuk:

Islamic Sukuk vary in many ways depending on their terms, areas of employment, or issuer: In term of terms, they are divided into short-term, medium-term, and long-term Islamic Sukuk. As per area of employment, they are divided into Speculation Sukuk (Mudaraba), Leasing Sukuk (Ijara), Partnership Sukuk (Musharaka), Secure Sukuk -Advance Payment- (Salam), Industrial Sukuk (Istisna'a), Trading Sukuk (Motajara), and Good Loans Sukuk (Al-Qard Al Hassan). As per the issuer, they may be Government's Sukuk, Corporate Sukuk, or Financial Institutions' Sukuk. Table (1) and the figure that follows show the percentage portion of issuance of Islamic Sukuk according to their issuer:

Issuer	Percentage
Corporations	63%
Governments	34%
Financial Institutions	3%
Total	100%

Source: Source: Bin Ammara, 2011



Types of Sukuk According to the Guarantee:

Recently, types of Sukuk have emerged according to the types of guarantee on which the issue is based:

1. Project-guaranteed Sukuk.
2. Asset-guaranteed Sukuk.
3. Sukuk secured by financial statements.

Characteristics of Islamic Sukuk:

Islamic Sukuk are an effective tool that uses developments in the financial and banking markets to serve the objectives of Islamic banking, benefiting from the transformation in the traditional role of banks, the emergence of tradable financial instruments and the idea of comprehensive banking in order to provide Islamic banking and investment services that satisfy the choices and desires of savers, at the same time, highlights the development role of Islamic banks away from interest-bearing loans, gambling and forbidden speculation.

Issuing and Trading of Islamic Bonds:

The fundamentals and rules of issuing Islamic Sukuk are based on the purposes, rules and regulations of Islamic legitimacy. The economic aspect of Islam is aimed at achieving reforming and justice in order to provide the necessary human needs, so that humans are devoted completely to worship in accordance with values and good morals. As there are legitimate bases and rules for the issuance of Islamic Bonds, where the circulation of funds must be considered legitimate, and legitimate contracts must be valid for the production of financial instruments, the prohibition of usury, harm and gambling, the prohibition of monopoly and speculations, and the disclosure of the rules of dividend distribution.

In terms of legality, the trading of Sukuk, i.e., the transfer of the ownership of the bond from one person to another is one of the legally permissible acts. The bond is only a document of its deeds, benefits and debts, and takes into account the jurisprudential provisions in the disposition of the types of property represented by the bond; exposure of bond is and exposure of supply. It is well known that the provisions of Islamic legitimacy (Shariah) do not restrict the conduct of the offers unless they are forbidden or admixed to commit wrongdoing or cheating, but the provisions of the Islamic Legitimacy impose some restrictions on the behavior related to debt and liquid money.

Islamic Sukuk and their role in providing investment needs:

The role and areas of Islamic Sukuk in providing official needs

Recent expansion of government needs:

The government has a significant role in the contemporary economies in terms of the diversity of its roles, which include the control of markets and the treatment of its shortcomings, social welfare programs, and the enhancement of the human efficiency of citizens. Thus, increase funding for education and scientific research activities, paying great attention to public health programs, training and tackling problems of social tension in some regions and social groups and integrating them into society.

These expansive roles require more public expenditure and therefore, the search for sources of finance other than sovereign public resources (taxes). Here, the role of Islamic Sukuk is one of the most effective and efficient financial instruments. This is evidenced by the tendency of many countries in Europe (Germany in particular) The Arabian Gulf and Malaysia to use these Sukuk in providing resources to finance some aspects of public spending. (*AAO, IASB Standard 5: 1: 1 and other materials, 2007*)

Some reports have noted a decline in governments' tendency to borrow from conventional intermediaries, and the trend towards selling government securities, such as equity and others, directly to open market investors, thus, traditional banking financing in particular is further shrinking in its role in providing governmental financing, as well as the sale of government securities to a wide range of investors, including individuals and companies of all kinds, allows the provision of any required volume of funds. (*Abadi, no. 4*)

Islamic Sukuk are a recent trend in this regard, given the nature of conventional-fixed-interest-bearing securities, which have the effect of increasing the burden on the public budget because of the high cost of fixed benefits, especially on those government activities that have no return or less than the established interest rate.

Islamic Sukuk and their adequacy to official needs:

Each type of Islamic Sukuk has a suitable area for its use, characterized by its responsiveness to official needs in a flexible manner. The following are the types of government Sukuk which may include:

Government Speculation and Partnership Sukuk (Mudaraba and Musharaka)

In order to finance a specific project that generates income according to the Speculation or Partnership form, in which the participants participate in the profit or loss in the outcome of the project. These bonds may also be in accordance with the decreasing participation formula; in which bonds holders exit over the years where their financial contributions decrease annually till they are definitely liquidated.

Government Leasing Sukuk (Ijarah):

Islamic Leasing Sukuk include the provision of assets such as equipment and machinery in the finished with ownership form (Ijarah Muntahia Bittamleek). Leasing Sukuk are issued with the value of this equipment, and the subscription proceeds are allocated to the provision of such equipment and machinery to the government to use its services in exchange for the holders' annual remuneration which is distributed among them in according to relative quotas, The difference between Leasing Sukuk on Partnership and Speculation Sukuk is that, the yield is fixed in Leasing while variable up or down in the other both.

Government Industrial Sukuk (Istisna'a):

The contemporary application of Islamic Sukuk in the financing of official needs is using the Industrial form by providing manufactured equipments to the government institutions such as hospital and aircraft equipment for the ministries of transport and communications, and others.

Government Secure Sukuk (Salam):

They are used more widely than other Sukuk to provide specific financial needs to governments, such as urgent liquidity requirements for spending on periodic general obligations at times when

government liquidity is not available, in exchange for the obligation to provide agricultural goods and products in specified quantities and specifications at a specific time in the future (Advance payment).

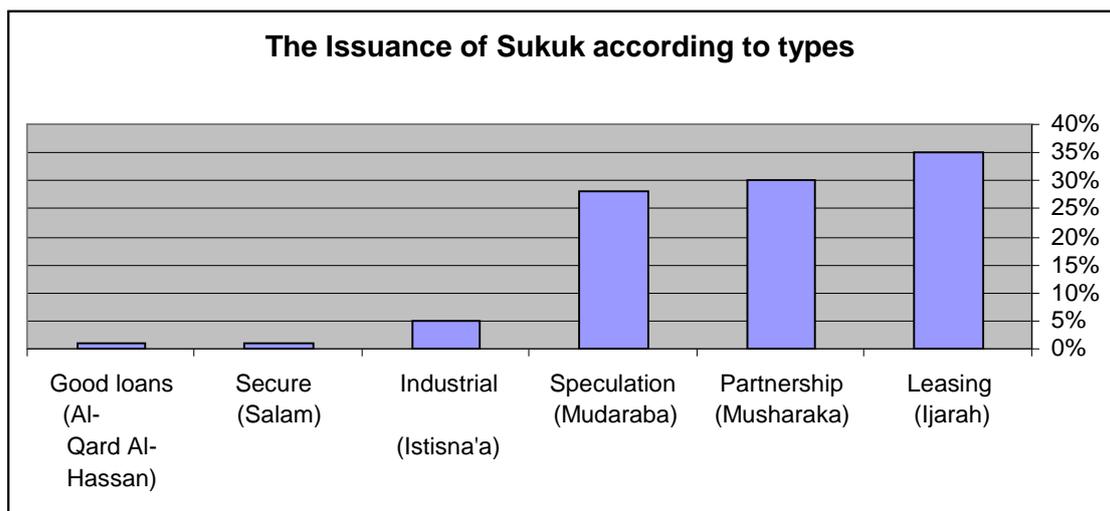
Government Good loans Bonds (Al-Qard Al-Hassan Sukuk):

There are some activities and public facilities that previous versions of bonds are not suitable to provide finance for them and the government needs funds to finance these services; and thus, resorted to the request for loans from individuals and institutions and invites them to subscribe in bonds that are usually short-term; the government grants the repayment of these loans as scheduled. The role of good loan Sukuk highlighted in the deployment of social projects and interdependence and public education ...etc.

Table (2) and the figure that follows show the percentage issuance of Sukuk according to types.

Table (2) The Issuance of Islamic Sukuk According to their types	
Type	Percentage
Leasing (Ijarah)	35%
Partnership (Musharaka)	30%
Speculation (Mudaraba)	28%
Industrial (Istisna'a)	5%
Secure (Salam)	1%
Good loans (Al-Qard Al-Hassan)	1%
Total	100%

Source: Bin Ammara, 2011



The importance of a legislative framework in activating the dealing with Islamic Sukuk:

The importance of a legislative framework for Islamic Sukuk:

The formulation and setting of a legislative framework is important in activating the Islamic Sukuk, especially in the field of official needs, due to the following factors:

1. Islamic Sukuk are an innovative financial tool. Therefore, they need to be detailed in their legislative framework to ensure that they are regulated and that the fundamentals of transactions in this tool are unified and that the views are not disputed. The legislative framework shall ensure uniformity of the legal and practical systems of dealings.
2. The Sukuk bring the money from a wide public of individuals, as well as, of companies and institutions, and is therefore, a public vessel in which the society's money is invested. It should ensure that it is protected in a manner consistent with its nature and the general nature of its interaction between individuals and institutions. The public vessel must be legally protected for the protection of community funds.
3. The characteristics of the Islamic Sukuk are varied according to the types on which they are based upon; it is also varied in terms of purpose of use, recruitment, Etc. It is therefore, important to establish the basic legal framework for regulating transactions of these Sukuk.
4. In view of the modernity of dealing with Islamic Sukuk, we need to build a custom in practice around it. This custom is granted by the behavior unit to ensure that it does not depart from it. The basis for establishing this custom is initially by defining the appropriate regulatory framework for this new financial instrument, so that the parties get used to deal with it, and then issued by them spontaneously and self-sufficiency because of their confidence that the commitment to the rules of the legislative framework ensures the protection of the financial rights of the parties, and the commitment of each party's duties and knowledge of its rights accurately and clearly, and enter the Islamic Sukuk Market according to behavioral understanding.

Key points proposed in the legislative framework for the Islamic Sukuk:

1. Recognition of the legitimacy of Islamic Sukuk, which does not include any specific type of interest, this is done by legislation that allows governments and companies to issue Islamic Sukuk of all types; It may stipulate the definition of these types, or leave them open to the development of new types, and only declare the issuance of Sukuk.
2. In case of Sukuk with variable returns, reference should be made to the rules governing the determination and distribution of this dividend.
3. Recognition of Islamic Sukuk as a financial instrument The Central Bank may use in its operations in the open market, either on the asset or liability side.
4. Allow operating banks to purchase part of the government Sukuk and consider them as a liquidity instruments for these banks.
5. Determining the rules and regulations for the issuance of Sukuk, the rules and regulations of its circulation, as well as, the penalties prescribed for violating them.
6. Establishing the legal framework for litigation in disputes over Sukuk.
7. establishing govern rules to protect the rights of the Sukuk holders, preventing the manipulation of their rights and regulating the activity of intermediaries.
8. Processing the conditions of the redemption of the Sukuk in their various conditions, before the expiry of their terms, and on time, as well as, the rules for their conversion into shares or to other securities.

9. Establish a full framework of legal legislation to deal with Islamic Sukuk, namely, the legal regulation of the Islamic Sukuk Market, in all its aspects, such as rules of engagement, specialized agencies in valuation, etc.

Legislative Proposal for Islamic Sukuk (Legal Aspects of Islamic Sukuk):

The legal aspects governing the Sukuk:

The handling of Islamic Sukuk requires the fulfillment of the legal aspects that govern, including:

The Issuing Contract:

It is the contract in which the basis of bond issued upon, which must be a legitimated contract, which determine the relationship between the issuer and the investors according to their types and legitimacy.

Special Purpose Company:

Is the legal entity that represents the investors, to be the container in which the ownership of the assets is transferred and through which the transaction takes place as a representative of the multiple investors who cannot be dealt with individually.

The Issuing Manager:

Who is responsible for the issuance, promotion process, and covering the required funding, and determines the value of the Sukuk and distribution to investors.

The Investors:

They are the multiple subscribers in Sukuk, i.e. the issued Sukuk holders.

The Bond:

It is a security that gives the holder financial rights to the private purpose company, or to the assets in which the proceeds of the Sukuk have been invested, with financial value, and the terms and rights of the Sukuk holders.

The Trading Market:

It is the place or market in which Sukuk are traded such as in Cosomborg, Qatar or the United Arab Emirates. (*Annual Report of the Islamic Development Bank, 2005, 166*)

Sukuk Trading Activity:

The development of Islamic Sukuk transactions is also dependent on the completion of the institutions of the Islamic Sukuk Ruling System, the Financial Market for Islamic Sukuk, and the establishment and development of regulatory systems to face the developments and risks. (*Annual Report of the Islamic Development Bank, 2004, 78*)

In addition to regulating the market and the systems in the field of the first issue and trading in the legal market, in particular, the report of the investor protection system, transparency and stability of the system and the legal market infrastructure such as trading, clearing, settlement systems, and market regulations in compliance with legitimacy (Shariah). (*Annual Report of the Islamic Development Bank, 2003, p. 88*)

The Accounting and Auditing Organization for Islamic Financial Institutions (ICAO) adopted in November 2002 a provision for a legal standard relating to investment in Sukuk; among the salient features of this provision are the following:

- In cases of collective Securitization (Tawarruq), the accounts receivable and the assets in the cash judgment should not exceed 49% of the total amount of foliate.
- In cases of Industrial Sukuk (Istisna'a) or Leasing Sukuk (Ijarah), the issue may be executed under a major contract followed by minor contracts.
- The option of transferability may be included in the debt contract.
- The option of blending contracts and developing mixed tools. (*Annual Report of the Islamic Development Bank, 2003, 88 & 91*)

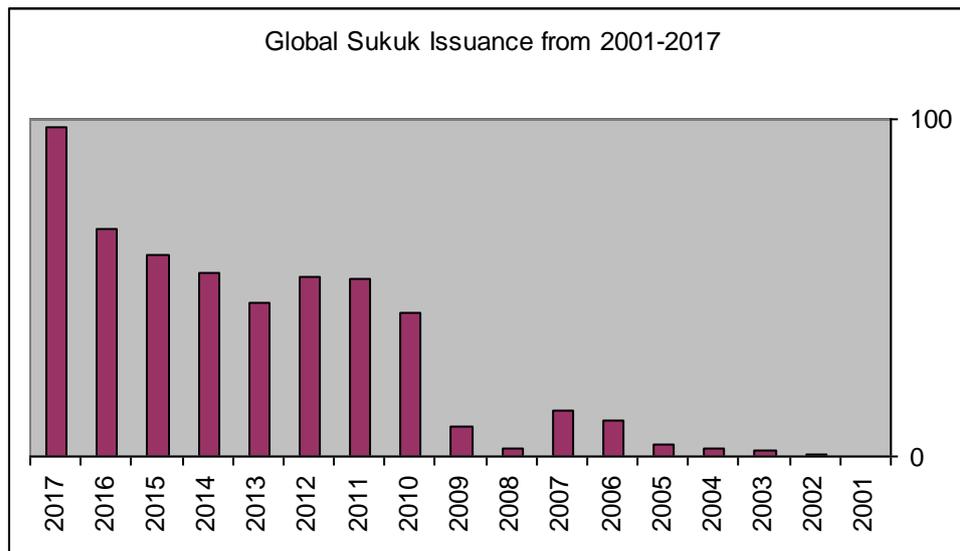
Over the past years, there have been many Sukuk issuance activities by governments and companies, based on Secure (Salam), Leasing (Ijara), Industrial (Istisna'a), and the combination of Industrial and Leasing (Istisna'a and Ijarah), on the basis of bundled portfolios. The major increase in bond issuance came mainly due to the standardization of the model of the agreement from legitimate prospective.

Review and evaluation of government experiences in Islamic Sukuk in the providing of official needs

The past years have witnessed a qualitative development in the field of Islamic banking and finance, with the aim of issuing Sukuk to be used as a saving and investment tool for both Islamic banks and companies in various activities as well as governments; The government's tendency towards using Sukuk was to provide official financing needs, there have been many countries that have taken this trend. Table (3) shows a historical review for the bulk of global issuance of Islamic Sukuk from 2001-2017:

Year	Issuance in MM US\$	Percentage change	accumulative percentage
2001	0.100	0	0
2002	0.800	700.00%	700.00%
2003	1.655	106.88%	806.88%
2004	2.253	36.13%	843.01%
2005	3.820	69.55%	912.56%
2006	10.605	177.62%	1090.18%
2007	13.811	30.23%	1120.41%
2008	2.140	-84.51%	1035.90%
2009	8.700	306.54%	1342.45%
2010	42.623	389.92%	1732.36%
2011	52.800	23.88%	1756.24%
2012	53.200	0.76%	1757.00%
2013	45.370	-14.72%	1742.28%
2014	54.254	19.58%	1761.86%
2015	60.000	10.59%	1772.45%
2016	67.400	12.33%	1784.79%
2017	97.900	45.25%	1830.04%

Source: LMC, IFIS & other sources



According to table (3) the Sukuk investments in 2001 was only of US\$ 100 million increased by about 21.53% as compared to 2004, and to 425.23% in 2010, and to 978% as compared to 2017. The decrease in 2008 was due to the financial crisis in 2008 while the further increase was due to the great development in liquidity specially in the gulf countries which are rich in oil, in addition to, according to S & P, some countries worldwide prefer to use Sukuk instead of traditional bonds because they have less pressure on their budgets.

The following is a review of some of the countries that issued and dealt with some applications of Islamic Government Sukuk to cover the financial needs as a substitute for traditional public debt instruments with interest:

The Experience of Pakistan:

Pakistan's experience was the oldest experience in this field. In 1980, Pakistan issued medium and long-term Partnership (Musharaka) Certificates in exchange for interest-bearing Sukuk. The Partnership Certificates were funded by individuals and institutions and were given a return every six months under consideration until final settlement. The Government of Pakistan encouraged the dealing of these bonds in the early years to ensure a minimum profit for participating bonds, and in recent years, Pakistan has tended to adopt Speculation Bonds.

The Government of Pakistan issued US\$ 600 million of Leasing Sukuk (Ijara) for five years, the yield on the bond was based on the inter-bank rates in London in US dollars for six months + 220 basis points, Dubai Islamic Bank (DIB) took part in the management of these Sukuk, which witnessed a large turnout exceeded expectations, as the IPO closed at US\$ 1.2 billion. The issue was again replicated with a target volume of US\$ 500 million, but was boosted by strong investor demand; while the third Government Issue by Pakistan is carried out by HSBC. By the end of 2016 Pakistan has issued US\$ 16 billion of Sukuk. (*Salamh, 2017, 6*)

The Experience of Bahrain:

For the Bahrain experience, the Leasing Sukuk (Ijara) has been used to provide the necessary resources to the government to establish some projects, especially infrastructure projects. The

Sukuk have been traded on the Bahrain and Luxembourg Stock Exchanges. The Bahrain Monetary Agency (BMA) began issuing Leasing (Ijara) and Secure (Salam) Sukuk in 2001. A series of Islamic Sukuk issuance in early 2003 reached about 11 government issuances by the Bahrain Monetary Agency (BMA) in form of Leasing Bonds with a total value of US\$ 21.1 billion.

In 2004, Bahrain issued Islamic Sukuk with a total of US\$ 1.3 billion; The Government of Bahrain announced that it would convert part of its debt into Islamic Sukuk. An official told Reuters that the Bahrain Monetary Agency (BMA) had converted US\$ 300 million of conventional bonds into leases in 2004, to replace US\$ 100 million worth of bonds that have matured. And by the end of 2016 a value of US\$ 14 billion were invested in Bahrain. (*Abadi, n.o*)

The Experience of Qatar:

In 2002, the State of Qatar issued Islamic Sukuk for the first time in its public finance; and then in 2004 issued Islamic Sukuk in the amount of US \$ 700 million; The Sukuk were of a secured type by projects; as in the government project for the establishment of Hamad Medical City in Doha where Leasing Sukuk were issued to raise funds from investors on an annual variable yield. On 31st August 2006, Standard Chartered Bank (SCB) acted as joint lead manager and book runner for US\$ 270 million Sukuk issue by Qatar Real Estate Investment Company (QREIC). (www.islamicfinancenews.com)

The Experience of Egypt:

Law No. 146 of 1988 introduced a new type of financing in Egypt which is considered an alternative to bonds and Treasury bills:

- Investment Bonds.
- Variable-yield Financing Bonds.

The law sets forth the rules for the issuance of these bonds and the distribution rules for the bondholders, permits the issue of convertible bonds into shares, and the financing bonds are listed on the stock exchange within one year from the date of coverage or the closing date. The system of these bonds has been flexible in terms of:

1. Partnership (multiple or specific).
2. Refund: Refunded or converted into shares.
3. Terms: Short, medium, or long.
4. Return: monthly, annual or at the end of the period.
5. Trading: listed or unlisted in the Stock Exchange.
6. Funding: continuous or temporary.
7. Entity: Public Sector or Private Sector.

Thus, these bonds have created public sector financing instruments in accordance with the Islamic system, but so far this tool has not been practically activated. (*Salamah, 2017*)

The Experience of Malaysia:

The start of Islamic banking in Malaysia dates back to 1983 with the promulgation of the Islamic Banking Law and the establishment of the first Malaysian bank "Bank Islam Malaysia Berhad". In 1993, the system of interest-free banking entered into operation, which established an Islamic cash market there. The government investment law of 1983 allowed the government to issue interest-free certificates, known as "government investment certificates", which were

made available to all institutions in the Malaysian financial and banking system, as well as, individuals, the aim of these certificates was to obtain the government funds to finance their expenditure on development projects. What distinguishes these certificates is that the return on them is not determined in advance and is based on the principle of the good loan. The balance of these certificates exceeded several billion dollars. (Iqbal, 1997, 29).

The first issuance of Islamic Sukuk in Malaysia was in 1995 to build an electric power plant worth US\$ 350 million; Malaysian Government' Islamic Sukuk were later developed, for example, at the end of 2004, Norbia Bank in Bahrain managed the IPO of Islamic Sukuk in favor of the Malaysian State of Sarawak, where the amount required for issuance was US\$ 350 million, while the amount subscribed with was of about US\$ 1.3 billion. The Sukuk issued by the Government of Malaysia were asset-based, in accordance with the Leasing (Ijara) form, giving Sukuk holders a variable rate of return. Malaysia has witnessed the largest number of Sukuk issues with a total volume of around US \$ 267 billion and alone accounted for around 68% of Sukuk issuance in the world. (Bu-Abdullah, 2015)

The Experience of Iran:

In the Islamic Republic of Iran, the Government issues Partnership Sukuk (Musharaka) for a specific project, to be issued by the secretaries of the issue, and the issuer guarantees a minimum profit, if the profit increased, it shall be distributed after the completion of the Project, if no profit is realized, the burden of loss falls on the issuer. The Millie Bank of Tehran is the custodian of Sukuk of Tehran Municipality and guaranteed a minimum return. In 1994, the Tehran Municipality issued partnership (Musharaka) to rebuild the "Nafap" highway in accordance with these conditions. (CIBAFI, 2010)

The Experience Germany:

Islamic Sukuk are not only used throughout the Islamic countries but has been used by the authorities of some states in Non-Muslim Countries.

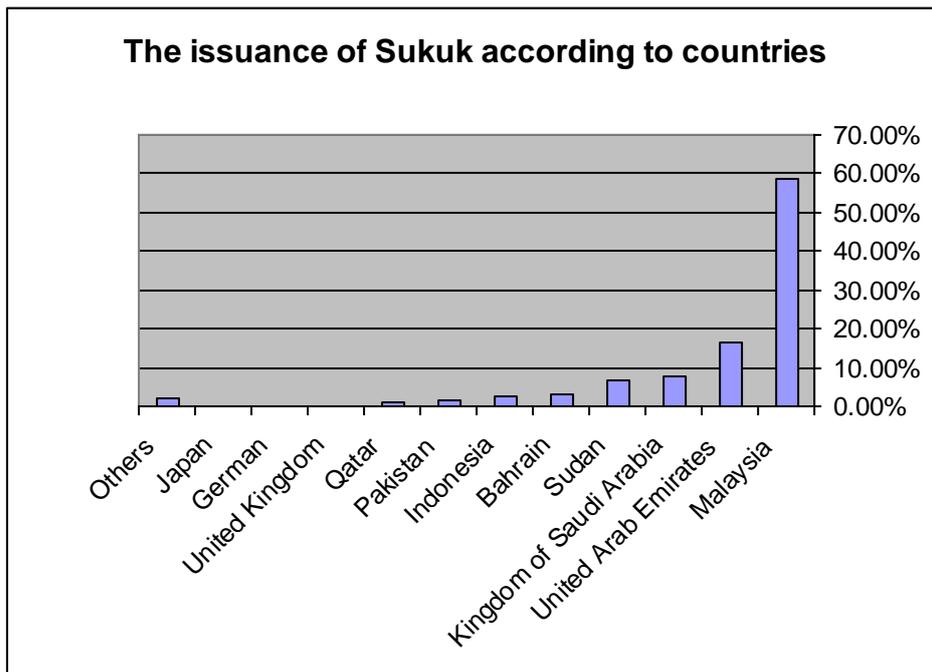
Kuwait Finance House participated in the issuance of the first Islamic Leasing Sukuk for a European country in favor of Saxony Anhalt of Germany, a five-year term Sukuk worth 100 million Euros and Kuwait Finance House's share was of 30 million Euros. (Abadi & Dualeh, 1998)

Table (4) shows the percentage portion of country wise issuance of Sukuk, in which Malaysia has come first, followed by United Arab Emirates and was Japan came in last.

Table (4) The Issuance of Islamic Sukuk According to countries	
Country	Percentage
Malaysia	58.51%
United Arab Emirates	16.33%
Kingdom of Saudi Arabia	7.78%
Sudan	6.62%
Bahrain	3.19%

Indonesia	2.36%
Pakistan	1.75%
Qatar	1.27%
United Kingdom	0.14%
German	0.06%
Japan	0.05%
Others	1.94%
Total	100

Source: Nawal & other sources.



Thus, based on what has been presented in this study, the hypothesis adopted earlier has been refuted to become:

- There is a significant role for Islamic Sukuk in providing investment needs to governments.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions:

The use of Islamic Bonds to finance the public expenditure of some projects and activities by some governments is considered a radical change, because it establishes a necessary element to complete the structure of the financial system, and establishes a component of the completion of an Islamic Financial Market (IFM). The government's experience in issuing Islamic Bonds is still in its early stages, both in terms of the quantity and structure of the instruments used. Public debt instruments continue to constitute the vast majority of government financing.

Data on IPO operations in some Islamic bonds issuances (Malaysia, for example) showed that the invitation to subscribe to Islamic Bonds has attracted Islamic and traditional Asian, Middle

Eastern and European financial institutions and banks, indicating the broad base of institutions and banks willing to deal with Islamic Bonds. The use of Islamic Bonds as a tool to finance public expenditures in non-Muslim countries provides evidence of the validity of Islamic Bonds from the perspective of efficiency and effectiveness as a financing tool (e.g. Germany).

The principles, rules and contracts of Islamic transactions constitute a flexible basis for the development of various Islamic financial instruments, including the issuance and trading of Islamic Bonds for various purposes, activities and terms, as well as, a wide variety of these bonds, including Speculation (Mudaraba), Partnership (Musharaka), Secure (Salam), Industrial (Istisna'a) ... etc. As well as, the diversity in the issuers of these bonds, there are government bonds, banks and institutions bonds, and corporate and project bonds. Complete absence of a legislative framework for the Islamic Bonds in some Islamic countries has been noted, as well as, in some other Islamic countries is not completed; The legislative framework is a vital factor in the expansion of the Islamic Bonds Market, as it provides protection and control of transactions and the establishment of customs and acquiescence, and allows the attraction of new traders to the market.

Recommendations:

The process of issuing and trading of Islamic Bonds requires technical controls and updating of the legislative framework and institutions that complement the Bonds Issuance and Trading Market in accordance with legitimacy (Shariah) principles, rules and contracts. Therefore, this study recommend completing this framework to cover all aspects and activities related to dealing in the Islamic Bonds Market, wither at the issuance market level or at the legal market level, as well as, the necessity for existing an active Secondary Market taking into account the compatibility of this legal framework with the rules and regulations of Islamic Legitimacy (Shariah), where the replacement of public debt instruments with Islamic bonds is a qualitative shift that should be supported and provided with appropriate tools for this transformation. Further, more studies and researches must be made to show the economic benefits of Sukuk.

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