Sukuk Development in Morocco: Lessons from an International Benchmark

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Abstract: Objective: This study aims to assess the feasibility of developing the Sukuk market in Morocco by conducting an international benchmarking analysis of mature markets such as Malaysia, Indonesia, the United Arab Emirates, Saudi Arabia, and Bahrain, as well as initiatives in the United Kingdom and France, to provide recommendations tailored to the context. Methodology: The research is based on a comprehensive review of secondary data, including reports and publications from recognized international organizations. A comparative analysis is conducted to identify key success factors and lessons applicable to the Moroccan market, given its limited experience, notably the first sovereign issuance in 2018. Conclusions: The results show that the development of Sukuk markets depends mainly on the clarity of regulatory frameworks, the presence of regular sovereign issuances, and the role of public actors. The international benchmark reveals that some of these elements can be mobilized in the Moroccan context, while other factors, particularly those related to market size and investor base, still constitute constraints to the development of the Sukuk market. Originality: This study provides a contextual analysis of the Moroccan Sukuk market, combining lessons learned from international best practices with practical recommendations for strengthening Islamic finance in Morocco. It highlights concrete strategies for regulators, financial institutions, and investors to promote market development. Limitations: The study is based on secondary data; empirical validation through market research and stakeholder interviews could further refine the recommendations. Practical implications: The findings can guide policymakers and financial actors in designing regulatory and financial innovations aimed at developing the Sukuk market. Social implications: The development of the Sukuk market can contribute to inclusive financing solutions and promote alternative investment options, thereby supporting broader economic growth in Morocco.

Keywords: Sukuk; islamic finance; Morocco; international benchmark; financial market development; regulatory framework.

JEL Classification: G15; G18; G23; O16.

Introduction

As an ethical alternative to conventional financial instruments, Sukuk offer unprecedented opportunities in the world of finance. They are a unique investment product thanks to their structure based on real assets that comply with Sharia principles, offering investors a share in these assets and the distribution of a percentage of profits at predefined intervals. This particular structure attracts the attention of Muslim and non-Muslim investors seeking to diversify their portfolios beyond conventional bonds.

Sukuk enable large-scale projects to benefit from privileged access to capital markets. They cover a wide range of activities, from infrastructure construction and development to support for government initiatives. Issuers can thus mobilize considerable resources and offer investors an equitable distribution of risk, thanks to the flexibility they demonstrate (Doaei & Dehnad, 2024; Yang *et al.* 2023).

To be Sharia-compliant, Sukuk issuance must meet a set of strict conditions. Jobst (2007) identified ten key conditions, including the need for a genuine fundraising objective, risk sharing among investors, the prohibition of interest, and the use of productive assets as collateral. In addition, Islamic securitization structures must avoid speculative mechanisms and give priority to Sharia-compliant insurance (Mseddi, 2023).

These instruments are experiencing exponential growth worldwide. In 2023, the global Sukuk market recorded sustained growth, reaching $850 billion, up 10.3% from the previous year (Fitch Ratings). This growth is particularly remarkable in the context of market volatility and geopolitical tensions. According to the same source, the credit quality of Sukuk issuers has also improved.

The Sukuk market is characterized by its alignment with the ethical principles of Islamic finance. By further promoting responsible and sustainable investment, Sukuk respond to the growing concerns of investors who are interested in the social and environmental impact of their investments. The combination of this ethical dimension and its flexibility makes Sukuk a promising financial instrument for the future (Giordano, 2022; Nur, 2024).

In 2018, Morocco issued its first Sukuk certificates, marking an important milestone in the evolution of Islamic finance in the country, but the market for these securities is still in its infancy. Since then, no new issues have been made, indicating untapped potential. This situation raises questions about the reasons for this slowdown.

This study, conducted on international Sukuk markets, aims to better understand this situation and identify areas for improvement. This would help identify best practices. The objective of the study is to compare the experiences of pioneering Sukuk countries such as Malaysia, Indonesia, and the Gulf countries, as well as certain European initiatives, in order to draw lessons for Morocco.

This paper attempts to answer the following question: What lessons can be learned from international markets in order to develop an effective strategy for developing the Moroccan Sukuk market and removing obstacles to its growth?

In this context, this study takes an international comparative approach to examine the conditions under which a national Sukuk market could develop in Morocco. Given Morocco's experience, marked by a single sovereign Sukuk issuance in 2018, the objective is not to assess market performance, but rather to evaluate the feasibility of further market development. By comparing Morocco with certain countries where Sukuk markets are more established, the paper seeks to identify the main institutional, regulatory, and market-related factors that have fostered their development. The analysis aims to draw relevant lessons for the Moroccan context, while highlighting the limitations of direct transposition, in order to provide informed and realistic information to policymakers and market participants.

1. Research Background

The origins of Sukuk date back to medieval times. The term "Sukuk," plural of "Sakk," literally means "deed" or "instrument" in Arabic. These instruments were used to facilitate commercial transactions and were recognized as Sharia-compliant. In his book *Al-Muwatta',* Imam Malik recounts a historical account illustrating the use of Sukuk during the reign of the Umayyad caliph Marwan ibn al-Hakam, thus attesting to their antiquity and legitimacy in the Islamic context. Modern Sukuk derive their legitimacy from the classical contracts of *fiqh al-muʿāmalāt,* which have been used in Islamic commerce for several centuries. Although their contemporary structure meets the requirements of financial markets, their legal and religious foundations remain firmly rooted in the tradition of Muslim law (Usmani 1998; El-Gamal 2006).

Sukuk are Islamic financial instruments representing fractional ownership of a real asset or project. They are the Islamic equivalent of traditional bonds, complying with Sharia principles, including the prohibition of usury (riba). As an alternative form of financing, Sukuk enable companies and governments to raise capital while remaining compliant with Islamic finance (Amrani and Hamza 2017). They can be issued by a government (sovereign Sukuk) or by a company, financial institution, and/or bank (corporate Sukuk).

According to AAOIFI, Sukuk are certificates of equal value representing undivided shares of ownership in tangible assets, usufructs, or services; or ownership of assets of a particular project or specific investment activity. According to the Islamic Financial Services Board (IFSB-23), Sukuk represent certificates conferring an undivided ownership right, proportional to their subscription, over tangible fixed assets, a set of mainly tangible assets, or a commercial enterprise. These assets may be linked to a specific project or investment activity, in accordance with Sharia rules and principles relating to tangible assets.

In addition, Sukuk may be backed by specific assets ("asset-backed") or a portfolio of assets ("asset-based"). In all cases, transactions must be structured in accordance with Sharia principles, so as to avoid any form of riba (interest) or gharar (excessive uncertainty) (IFSB, 2023). In accordance with Article 7-1 of Law No. 33-06, the Higher Council of Ulemas plays a central role in regulating Sukuk in Morocco. This article stipulates that any

Sukuk issue intended for residents must obtain the approval of this religious council in order to ensure that these financial instruments comply with the principles of Islamic finance. Sukuk are generally divided into two main categories, namely asset-backed Sukuk and asset-based Sukuk. The essential distinction between these two forms lies in the nature of ownership and the terms of transfer of the underlying assets (Naifar and Hammoudeh 2016). In the case of asset-backed Sukuk, the underlying asset is effectively sold and transferred to the Sukuk holder through a special purpose vehicle (SPV). The asset thus transferred disappears from the initial issuer's balance sheet, and in the event of default, investors have direct recourse to the asset, with absolute priority over unsecured creditors (Paltrinieri *et al.* 2023). In contrast, asset-backed Sukuk are based on a limited transfer of ownership: the asset is entrusted to the SPV in the form of a trust, while legal ownership remains with the issuer. Consequently, in the event of default, Sukuk holders cannot exercise direct recourse to the asset and are treated in the same way as other unsecured creditors, which limits their level of protection (Paltrinieri et al. 2023).

The AAOIFI report detailed the classification of Sukuk, highlighting the various Islamic contracts that form the basis of these financial instruments. Sukuk Ijara, which are based on lease-purchase agreements, are certainly the most common due to their simple structure and flexibility. These sale and leaseback transactions involve Sukuk holders owning assets leased to debtors, most often used to finance projects (AAOIFI, 2020) . Murabaha Sukuk are agreements to purchase goods, while Moucharaka Sukuk involve profit-sharing agreements between several parties pooling resources for projects or commercial activities. Salam, Istisnaa, Wakala, Muzara'a, and Musaqat Sukuk are other contractual agreements designed to achieve specific objectives (AAOIFI, 2020; Nurhanifah, 2024).

The table below summarizes the main types of Sukuk, which meet specific financing needs (Nur, 2024). AAOIFI distinguishes between fourteen Sukuk structures, but only a few are commonly used.

Table 1. Comparative table of the main types of Sukuk

Type of Sukuk	Structure	Function	Advantages	Disadvantages
Ijara	Lease agreement (lease-purchase)	The issuer sells an asset to investors, who then lease it. The lease payments represent the return. At the end of the term, the asset is generally sold back.	Simple and easy-to-understand structure.	Risk related to the quality of the lessees (issuer).
Musharaka	Partnership	Investors and the issuer pool their funds for a project. Profits and losses are shared proportionally.	Flexibility, sharing of risks and profits.	Risk related to the need for good coordination between partners.
Istisnaa	Manufacturing contract	Investors finance the manufacture of a specific asset. Profits are generated by the sale of the asset once it is completed.	Structure suited to construction or manufacturing projects.	Risk of completing the project on time and within budget.
Mudaraba	Management contract	Investors contribute funds while the issuer manages the investments. Profits are shared according to an agreed ratio.	Structure favorable to long-term investments.	Risks related to the manager's skills.
Wakala	Mandate agreement	The issuer acts as an agent on behalf of investors. Returns depend on the performance of the underlying investments.	Flexibility and ability to invest in a variety of assets.	Agent performance risk.

Source: Prepared by the authors

The Sukuk market has expanded significantly in recent years, consolidating its position as a credible alternative to conventional bonds for international investors. This momentum is mainly fueled by growing demand for Sharia-compliant financial products, particularly among Muslim populations around the world. According to the IIFM report (2024), $174.6 billion worth of Sukuk were issued globally that year, illustrating the growing importance of these instruments in Islamic finance. This trend continues with the issuance of green and sustainable Sukuk by countries such as Indonesia, Saudi Arabia, and the Islamic Development Bank, highlighting the increasingly central role of Sukuk as ethical and faith-based investment instruments (IIFM Sukuk Report 2024).

Although Islamic finance originated in Islamic countries, it has rapidly spread around the world, demonstrating its adaptability. Islamic financial instruments are at the heart of this development, with record issuance levels and promising growth. Their stability, combined with their adherence to ethical principles, makes them particularly attractive to investors. The development of the Sukuk market reflects the growing international acceptance of Islamic finance.

Indeed, international markets are increasingly turning to Sukuk and their popularity is growing, particularly in Western Europe, attracting both Muslim and ethical investors. Although growing, this market remains dominant in Muslim-majority countries such as Malaysia, Bahrain, and the United Arab Emirates (UAE). Today, these countries are major centers of innovation and development in Islamic finance (Doaei & Dehnad, 2024; Grassa, 2024).

A new asset class has emerged in recent years among the various categories of Sukuk. These are Green Sukuk, which are innovative financial instruments that address the challenges of sustainability and financial inclusion. According to (Tahir & Naz, 2024), the significant trend in Sukuk is towards greater integration of sustainability. The rise of sustainable finance and green bonds is helping to direct investment towards projects with a positive impact. These factors combine to create a dynamic environment in which Sukuk are playing an increasingly important role. The future prospects for these markets are promising and open up new opportunities for growth and development (Low, 2024).

In addition, digitization and innovation are profoundly influencing the evolution of Sukuk markets. The use of big data and analytical tools offers market players new opportunities for more informed decision-making and the identification of new opportunities. Furthermore, blockchain, artificial intelligence, and Fintech technologies are transforming trading processes while simultaneously enhancing transparency, security, and efficiency.

Globally, Sukuk are growing in popularity, reaching a value of approximately $1.79 trillion between 2001 and 2022 (Kılınç, 2024) . According to Fitch Ratings, the global outstanding amount of Sukuk in 2023 increased by 7.6% compared to the previous year to reach $765.3 billion, confirming the momentum of the market (Setiawan & Suwandaru, 2024).

According to the IMARC report (2024), the global Sukuk market was valued at $1,063.3 billion in 2023, with a forecast to reach $3,619.3 billion by 2032, representing a compound annual growth rate (CAGR) of 14.1% during the period 2024-2032. The countries of the Gulf Cooperation Council (GCC), notably Saudi Arabia and the United Arab Emirates, play a leading role in this dynamic.

Recent empirical studies have examined the link between Sukuk issuance and economic growth, taking into account the different phases of the global financial cycle, and show that Sukuk mainly contribute to long-term growth, particularly by supporting the financing of infrastructure and development projects, both before and after periods of crisis. Their effect on short-term growth tends to be more limited during periods of high international financial instability, due to global macroeconomic constraints. Sukuk are therefore a useful tool for supporting long-term growth while remaining sensitive to the international financial environment (Naz et al. 2025).

2. Research Methodology

This research takes a two-pronged approach: a longitudinal analysis covering ten years (2012-2022) and an international comparison between seven markets, namely Malaysia, Qatar, Indonesia, Saudi Arabia, Bahrain, the United Arab Emirates, and the United Kingdom.

The objective is to reconstruct emissions trajectories, dominant contractual structures, and regulatory developments from primary institutional sources and sectoral databases. The quantitative component identifies growth trends and structural breaks, while the qualitative component examines the issuance processes and institutional configurations specific to each jurisdiction.

This combination of quantitative data and contextual analysis aims to understand the factors that explain the success or difficulties of each market. It also provides a framework for assessing Morocco's potential and formulating recommendations tailored to local specificities.

2.1. Benchmark Countries Selection Criteria

The reference countries were chosen for their ability to illustrate the different stages of Sukuk market development and the diversity of institutional and regulatory configurations. Malaysia and Indonesia, representing a mature Sukuk market and a rapidly expanding market respectively, were selected as reference cases. Existing empirical studies highlight Malaysia's global leadership in Sukuk issuance and point to a demand-driven model, in which economic growth precedes market development, reflecting a high degree of market maturity. Indonesia, on the other hand, shows a more dynamic trajectory, characterized by a bidirectional relationship between Sukuk market development and economic growth, suggesting a stronger interaction between financial deepening and real economic activity (Muharam et al. 2019).

Saudi Arabia, the United Arab Emirates, and Bahrain were chosen as representatives of the different regulatory and institutional approaches within the Gulf Cooperation Council. Saudi Arabia exemplifies a centralized regulatory framework for Sukuk, with strict oversight of ad hoc entities and judicial constraints related to Sharia compliance and public policy. The United Arab Emirates offers a contrasting model with the coexistence of onshore and offshore financial jurisdictions, notably the Dubai International Financial Centre (DIFC) and the Abu Dhabi Global Market (ADGM), which are based on common law principles and facilitate cross-border investor protection and dispute resolution. Bahrain represents a more conservative supervisory model, in which the central bank plays a direct and formal role in approving Sukuk-related structures, reflecting the importance attached to financial stability and regulatory control (Mohammed Imad Ali et al. 2022).

The United Kingdom is included in the benchmark because it was the first Western country to issue a sovereign Sukuk (British Embassy Bishkek 2015), demonstrating how targeted legal and tax adjustments can enable Sukuk issuance within a conventional financial system. France, on the other hand, serves as a counterexample, highlighting the institutional, legal, and political constraints that can limit the development of Sukuk instruments, despite a high level of sophistication in the financial markets. The comparison between these two Western jurisdictions provides useful information for Morocco, whose financial system has a similar structure, in a context marked by the issuance of sovereign Sukuk.

Collectively, these countries constitute a diverse benchmark that reflects different levels of market maturity, different growth dynamics, and different institutional frameworks. Such diversity is essential for assessing the feasibility of developing the Sukuk market in Morocco and for distinguishing transferable success factors from context-specific constraints.

2.2. Period of Analysis (2012–2022)

The analysis period (2012-2022) was chosen to cover the post-global financial crisis phase, during which Sukuk markets underwent significant structural development, notably thanks to the expansion of sovereign issuances and the consolidation of regulatory frameworks.

From 2012 onwards, we can rely on data that has become more consistent and comparable across countries, thanks to the maturation of regulatory and accounting frameworks. This decade also encompasses contrasting economic phases - moderate growth, oil shock, then pandemic crisis - thus providing a relevant perspective for assessing the resilience and dynamics of this market. Finally, by ending the analysis in 2022, we can use the most recent and consolidated set of reliable data, while incorporating the first visible effects of major national reforms, such as Saudi Arabia's Vision 2030, which have profoundly reshaped the Islamic finance landscape.

2.3. Nature and Sources of Data

This research is based on a quantitative and comparative approach, using only reliable secondary data for the decade 2012-2022. To ensure the accuracy and verifiability of the information used, we conducted a structured collection process based on three types of sources:

Regulatory institutions and official sources

Issuance volumes by country are sourced from the relevant supervisory authorities and central banks. In particular, we consulted the Securities Commission Malaysia (BIX Malaysia), Bank Negara Malaysia, Saudi Central Bank (SAMA), Central Bank of Bahrain (CBB), and Central Bank of the UAE (CBUAE). For the United Kingdom, we referred to the UK Debt Management Office (DMO) and HM Treasury.

Financial markets and trading platforms

Transaction data and prospectus characteristics were extracted from the registers of the Saudi Exchange (Tadawul), Nasdaq Dubai, Dubai Financial Market (DFM), Abu Dhabi Securities Exchange (ADX), Bahrain Bourse, and Indonesia Stock Exchange (IDX).

International organizations and rating agencies

To supplement and verify the consistency of the series, we used publications from the International Islamic Financial Centre (MIFC) and the World Bank, as well as analyses from S&P Global Ratings and Moody's Investors Service relating to international sovereign issuances.

2.4. Methodological Limitations of the Study

Although the data collection was conducted rigorously, several constraints should be noted:

Disparities in data publication

Despite the official nature of the sources, dissemination practices vary across jurisdictions, both in terms of frequency and granularity (distinction between public offerings and private placements). These differences may result in slight discrepancies during annual consolidation.

Scope limited to reported issues

Only transactions registered with regulators were taken into account. Certain small private placements, which are not subject to public reporting requirements in several countries, may have been omitted from our survey.

Limited transparency on payment incidents

The information available on Sukuk defaults or restructurings remains fragmented across several official reports, limiting our analysis to issuance volumes rather than assessing contractual performance after issuance.

3. Research Results

3.1. Malaysia and Indonesia

Overview of the Sukuk market in Malaysia

Since Shell MDS issued its first corporate Sukuk in 1990 worth 125 million Malaysian ringgit (RM), the Malaysian Sukuk market has continued to grow, supported in particular by a favorable issuance environment, incentive policies for investors, and a comprehensive Islamic financial infrastructure (Shahimi *et al.* 2022).

In July 2002, the Malaysian government took an important step by issuing the first Sukuk Ijara, based on internationally traded real estate assets. The aim was to expand the country's range of Islamic financial products and support the liberalization of the Islamic capital market (Hussin *et al.* 2012; Shahimi *et al.* 2022) . Furthermore, the use of Sukuk enabled Islamic financial institutions to comply with Basel III liquidity and capital requirements, particularly during the period 2013-2014 (Global Sukuk Report 1Q, 2015).

In 2017, according to Bix Malaysia, Malaysia captured a 28.8% market share in the first half of the year, with a 20.6% year-on-year increase in issuance, driven by the public, government, and corporate sectors. In 2020, Malaysian companies accounted for 57.5% of Malaysian Sukuk issuance, cementing Malaysia's dominant position in the global market with a 45.1% share (IIFM Sukuk Report, 2022; Labuan FSA, 2021). The country has thus maintained its leading position, with cumulative international and domestic issuances totaling approximately $800 billion over the period 2001-2020 (IIFM Sukuk Report, 2021).

In February 2022, the Malaysian government issued RM4.5 billion worth of Sukuk at an annual profit rate of 4.369%, which generated strong demand, with bids totaling RM7.87 billion, demonstrating investor interest. The Central Bank of Malaysia (BNM) recorded 237 bids for these Sukuk, which mature on October 31, 2028. The yield on the 7-year GII bond rose by one basis point to 3.62%, according to BNM's FAST system, as quoted by The Edge Malaysia.

As highlighted by Al-Fakih et al. (2023) and IIFM Sukuk Report (2022) , Malaysia has been a global leader in the Sukuk market since 2001. Backed by a strong capital market, it has issued nearly $877 billion in Sukuk. The country has maintained this position, with 47% of RM issuances, thanks in particular to the depth of its domestic market (IIFM Sukuk Report, 2023).

Malaysia's rise in the field of Islamic finance is no accident. It is the result of a concerted strategy between many players, including regulators, government organizations, and businesses, all of which have contributed to making the Sukuk market attractive (Shahimi *et al.* 2022) . This market is characterized by its ability to offer tailor-made solutions to meet customer needs, attracting both Islamic and conventional investors, local and foreign.

Key players in the Malaysian Sukuk market

Islamic banks and finance companies: Malaysian Islamic banks play a leading role in the Sukuk market. The main players are Bank Islam Malaysia, Maybank Islamic, and CIMB Islamic, which issue and invest in these instruments to strengthen their capital base and diversify their sources of funding. Similarly, Islamic finance companies such as Amanah Raya Berhad and Lembaga Tabung Haji make a significant contribution by using Sukuk as financing tools.

Government entities and public agencies: The Malaysian government, through the Ministry of Finance and Bank Negara Malaysia (Malaysia's central bank), is one of the main issuers of sovereign Sukuk. Public agencies such as Khazanah Nasional, Malaysia's sovereign wealth fund, and Danainfra Nasional, which specializes in infrastructure financing, play a prominent role by regularly issuing Sukuk to finance strategic projects. The same is true for local and regional authorities, as well as federal states.

International companies and financial institutions: Large Malaysian companies, particularly in the energy, utilities, and real estate sectors, actively issue Sukuk. Similarly, international financial institutions, such as the Islamic Development Bank (IDB), issue Sukuk in Malaysia to raise funds and strengthen their projects.

Regulatory framework for Sukuk issuance in Malaysia

The BNM (Bank Negara Malaysia), established in 1959, ensures the country's monetary and financial stability. Its main functions are to issue currency, provide financial advice to the government, and regulate credit conditions. It issues rules for the issuance and settlement of securities through automated systems such as FAST and RENTAS, setting market standards through the Malaysian Code of Conduct.

The SC (Securities Commission Malaysia) has regulated capital markets since its establishment in 1993 to ensure transparency and efficiency. It supervises the issuance of Sukuk by companies, implements a disclosure-based framework, and collaborates with the BNM in the inspection of financial institutions.

By establishing a clear regulatory framework and offering attractive tax incentives, ranging from tax exemption on Sukuk income to tax neutrality for SPVs, Malaysia has succeeded in structuring the Sukuk market and attracting more and more investors, both domestic and international (Rafiki *et al.* 2024).

Sukuk issuances in Malaysia (2012-2022)

As shown in Table 2 and Figure 1, the Malaysian Sukuk market has shown sustained growth and remarkable resilience. The total number of Sukuk approved in 2022 is 196, the highest level in a decade, for a record amount of RM 99.6 billion, consolidating Malaysia's dominant position in the global Sukuk market. The diversity of projects financed, ranging from infrastructure and energy to sustainable development initiatives and social sectors such as education and health, explains this dynamism. Although some years, such as 2017, saw declines, the market quickly rebounded, illustrating its resilience in the face of economic challenges. The market is notable for its sophistication, structural diversity, and leading role in financing the country's strategic priorities. The Malaysian Sukuk market is not only a driver of national economic growth, but also a global benchmark in Islamic finance.

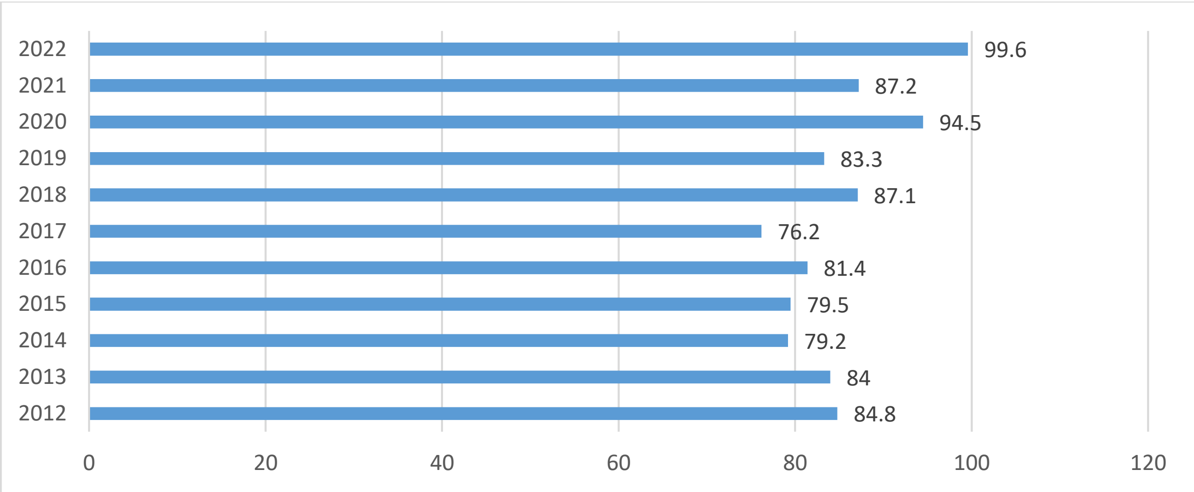
Table 2. Volume of Sukuk issuances in Malaysia for the period 2012-2022 (in RM billion)

Year	Number of Sukuk	Types of Sukuk	Main projects	Amount (in RM billion)
2012	178	Ijara, Murabaha	Infrastructure, Energy	84.8
2013	163	Wakala, Musharaka	Public Projects, Real Estate	84
2014	168	Ijara, Istisnaa	Transportation, Sustainable Development	79.2
2015	161	Murabaha, Wakala	Education, Health	79.5
2016	172	Musharaka, Ijara	Renewable Energy, Transportation	81.4
2017	161	Wakala, Murabahah	Public projects, Sustainable development	76.2
2018	157	Ijara, Moucharaka	Infrastructure, Real Estate	87.1
2019	159	Murabaha, Istisnaa	Transportation, Healthcare	83.3
2020	174	Ijara, Wakala	Ijara, Wakala	94.5
2021	150	Musharaka, Murabaha	Infrastructure, Renewable Energy	87.2
2022	196	Wakala, Ijara	Public projects, Sustainable development	99.6

Source: Author's own processing based on data from Securities Commission Malaysia, Bank Negara Malaysia, and MIFC (2012–2022).

Beyond the diversity of its market, Malaysia also stands out for its innovative approach to green Sukuk, mainly driven by the private sector under the SRI Sukuk Framework established in 2014. Indonesia, meanwhile, has focused on large-scale sovereign issuances to finance sustainable national infrastructure, particularly in the transportation and energy efficiency sectors (Ziarmal 2025).

Figure 1. Volume of Sukuk issuances in Malaysia for the period 2012-2022 (in billions of RM)



Source: Author's own processing based on data from Securities Commission Malaysia, Bank Negara Malaysia, and MIFC (2012–2022).

Overview of the Sukuk market in Indonesia

Indonesia has developed a series of strategies to promote the development of the Sukuk market, including awareness campaigns, events, international partnerships, innovation in financial products, and support for academic research. Thanks to this multidimensional approach, Indonesia has positioned itself as a major player in Islamic finance in Southeast Asia.

The first Sukuk issuance in Indonesia was carried out by PT Indonesian Satellite Corporation (Indosat) in September 2002, for an amount of 175 billion rupiah. This initial initiative quickly prompted other large companies to follow suit (Puspita 2024).

Between 2002 and 2004, Moudaraba-structured Sukuk dominated, accounting for 740 billion rupiah (88%), while Ijara accounted for only 100 billion rupiah (12%). However, between 2004 and 2007, this trend reversed. Ijara-based issuances reached 2,194 billion rupees (92%), with Mudaraba totaling only 200 billion rupees (8%). This attests to the growing maturity of the Sukuk market, both in terms of volume and structural diversity (Puspita, 2024).

The development of sovereign Sukuk in Indonesia has been largely fueled by the establishment of a robust legal framework. Indeed, the 2008 SBSN Law on sovereign Sukuk and its implementing regulations clarified the conditions for issuance and management, encouraging their sustained growth and attracting investors. Previously, regulatory and tax barriers had hampered the growth of this market segment (Puspita, 2024) . At the same time, efforts by BAPEPAM-LK[1] to structure the Islamic securities market have fostered sustained growth in corporate Sukuk issuance, which was limited to less than Rp 5 trillion in the 2007-2010 period but showed an upward trend until 2009 (Maulida & Febriani, 2021) .

In 2018, as part of an ambitious green transition, Indonesia fulfilled its commitment to combat climate change, made when it ratified the Paris Agreement in 2016, by issuing a Green Sukuk, aimed at reducing its greenhouse gas emissions and strengthening its climate resilience (Udzma and Faiz 2024).

In recent years, the Indonesian Sukuk market has clearly experienced sustained growth, particularly during the economic disruptions caused by the Covid-19 pandemic. The outstanding amount of Sukuk has increased year on year, from 30.8 trillion rupiah in 2018 to 42.5 trillion (Febriana *et al.* 2024). In fact, between 2019 and 2023, total issuance increased significantly, according to data from the Financial Services Authority (OJK[2]). In 2023, the number of corporate Sukuk in circulation increased by 4.52% compared to 2022 (221 series) to reach 231 series, while their total value recorded an increase of 4.36%, reaching IDR 44.35 trillion (Putri *et al.* 2024).

The number of Sukuk issuances and their volume have continued to increase in Indonesia, reflecting a growing trend toward diversification of investment options in countries with large Muslim populations (Statistik Indonesia 2023).

[1] BAPEPAM-LK: *Badan Pengawas Pasar Modal dan Lembaga Keuangan* (Capital Markets and Financial Institutions Supervisory Authority)

[2] OJK: Otoritas Jasa Keuangan, the Indonesian Financial Services Authority.

Key players in the Indonesian Sukuk market

The Indonesian government: it is the main issuer of Sukuk in Indonesia. At the end of 2021, the total outstanding amount of sovereign Sukuk was approximately IDR 300 trillion (USD 21 billion), representing 17% of outstanding government securities. These Sukuk are mainly issued to finance infrastructure projects and to cover the budget deficit (Peraturan Menteri Keuangan Republik Indonesia 2021). With nearly 80% of total outstanding Sukuk, the government dominates the market.

State-owned enterprises: PT Perusahaan Listrik Negara (PLN), the national electricity company, issued Sukuk worth IDR 4.5 trillion (USD 315 million) in 2021 to finance energy infrastructure projects, and PT Adhi Karya, a state-owned construction company, issued Sukuk worth IDR 1.5 trillion (USD 105 million) in the same year.

Private companies: PT Indosat TBK, a telecommunications operator, which issued IDR 2.7 trillion (USD 189 million) worth of Sukuk in 2021 to finance the expansion of its network, and Bank Muamalat Indonesia, an Islamic bank, raised IDR 1 trillion (USD 70 million) through Sukuk to support its growth.

Islamic banking sector: Islamic banks, such as Bank Syariah Mandiri, BNI Syariah, and BRI Syariah, are actively involved in issuing and investing in Sukuk to finance their operations and support lending to businesses.

Institutional investors: Institutional investors are also attracted to the Sukuk market, including Islamic pension funds and Islamic investment funds seeking Sharia-compliant products, as well as insurance companies and sovereign wealth funds (Putri *et al.* 2024).

Regulatory framework for Sukuk issuance in Indonesia

The Indonesian Financial Services Authority (OJK) ensures compliance with Sharia principles and regulates Islamic financial products, while the Sharia Securities Law (SBSN) governs the issuance of sovereign Sukuk, helping to strengthen investor confidence, and attractive tax incentives encourage Sukuk issuance and investment. This regulatory framework has led to a 25% year-on-year increase in the total value of Sukuk issued in 2021 (OJK 2021).

Sukuk issuances in Indonesia (2012-2022)

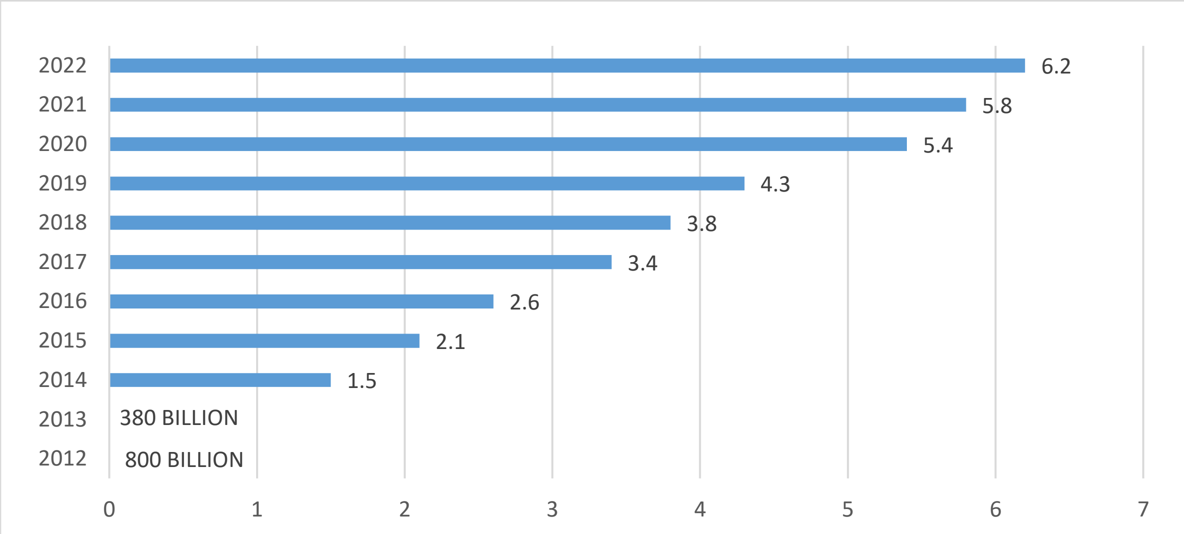
The table and figure present a summary of issuances based on Indonesian government data between 2012 and 2022, indicating that the Indonesian Sukuk market grew steadily between 2012 and 2022, both in terms of the number of issuances and the diversity of projects financed. This demonstrates Indonesia's commitment to using Sukuk as a strategic tool for its economic and social development. The market has experienced remarkable growth, from just three issuances in 2012 to 25 in 2022. This illustrates the growing adoption of this instrument by investors and issuers. Initially dominated by Ijara and Wakala structures, the market has gradually expanded to include other types of structures, offering greater flexibility and enabling a variety of needs to be met.

Table 3. Volume of Sukuk issuances in Indonesia for the period 2012-2022 (in trillion IDR)

Year	Number of Sukuk	Types of Sukuk	Main projects	Total amount (in trillion IDR)
2012	3	Ijara, Wakala	Road infrastructure, Education	0.3
2013	5	Ijara, Wakala	Railways, Energy	0.8
2014	7	Ijara, Wakala, Moudaraba	National roads, Ports	1.5
2015	9	Ijara, Wakala	Airports, Telecommunications	2.1
2016	11	Ijara, Wakala	Dams, Irrigation	2.6
2017	13	Ijara, Wakala, Moudaraba	Social housing, Health	3.4
2018	15	Ijara, Wakala	Renewable energy, Education	3.8
2019	17	Ijara, Wakala, Istisnaa	Rail network, Technologies	4.3
2020	20	Ijarah, Wakala	COVID-19 response, Health infrastructure	5.4
2021	22	Ijara, Wakala, Moudaraba	Educational Infrastructure, Digitalization	5.8
2022	25	Ijara, Wakala, Green Sukuk	Green projects, Smart cities	6.2

Source: Author's own processing based on data from the Indonesia Stock Exchange (IDX) (2012–2022)

Figure 2. Volume of Sukuk issuances in Indonesia for the period 2012-2022 (in trillion IDR)



Source: Author's own processing based on data from the Indonesia Stock Exchange (IDX) (2012–2022)

The funds raised have been used to finance important projects for the country, including road, rail, port, and airport infrastructure, and even social initiatives such as housing, healthcare, and the response to the COVID-19 pandemic. Since 2018, renewable energy projects and Green Sukuk have been the focus of particular attention. In fact, total issuance has grown from IDR 0.38 trillion in 2012 to IDR 6.2 trillion in 2022, reflecting the increasing mobilization of domestic and international capital. This growth underscores the key role of Sukuk in financing strategic projects and Indonesia's appeal for Islamic finance and its dynamism.

However, this quantitative momentum should not obscure certain institutional weaknesses that particularly affect the innovative segments of the Indonesian market. A recent analysis of cash waqf-linked Sukuk (CWLS) reveals that, despite institutional support, their adoption remains limited due to several obstacles: lack of trust in managers, lack of professionalism, weak financial literacy, insufficient transparency, and reduced competitiveness compared to conventional products (Ryandono et al. 2025). These obstacles underscore that the development of a Sukuk market is not simply a matter of increasing volumes but requires a robust institutional ecosystem and credible governance to ensure the sustained engagement of investors.

After providing an overview of Asia, the analysis turns to the Gulf Cooperation Council (GCC), which remains the institutional cradle of modern Islamic finance.

3.2. Saudi Arabia, Bahrain, and the United Arab Emirates

Overview of the Sukuk market in Saudi Arabia

In Saudi Arabia, the development of Sukuk, although promising, has been hampered by a double obstacle: an insufficient understanding of Islamic financial structures and the absence of a clear regulatory framework. Indeed, Alshamrani (2014) highlights the nature of this relative delay due to the initial absence of a specific regulatory framework.

In 2006, Saudi petrochemical giant SABIC led the way by issuing the country's first Sukuk. This initiative coincided with the drafting of the Sukuk Law, demonstrating the simultaneity of regulation and practice. At the same time, the Saudi Electricity Company (SEC) issued Sukuk backed by a pool of assets consisting of electricity meter reading and maintenance rights. This represented a further step in the diversification of the assets underlying Sukuk in Saudi Arabia (Alsaeed, 2012).

In 2011, the Sukuk market enjoyed remarkable success. Saudi Aramco Total Refining and Petrochemical Company (SATORP) issued its first Sukuk, raising SAR 3.75 billion with a three-year maturity, following the SAR 1.8 billion issue by Saudi International Petrochemical Company (Sipchem). Both transactions were oversubscribed 3.5 times, illustrating investors' sustained and growing interest in this type of financial instrument (Alsaeed, 2012) . By 2015, Saudi Arabia had already established itself as a major player in the Sukuk market, ranking second in the world after Malaysia, according to the GIFR. Its influence grew further in 2017 with the introduction of an unprecedented hybrid financial structure combining Moudaraba and Mourabaha as part of a record $9 billion issuance. At the same time, the more traditional but flexible Wakala Sukuk strengthened its dominant position (Nasreen *et al.* 2020).

Following in Malaysia's footsteps, Saudi Arabia has become one of the main players in the global Sukuk market. It accounted for around 30% of the global Sukuk volume in 2021. This trend continued in 2022, with an increase in issuance volumes despite the complex global economic environment. This momentum was fueled by strong demand for low-risk sovereign assets. The GCC governments maintained their dominance of the sovereign Sukuk market, accounting for around 83% of total issuance in the first half of 2022. Saudi Arabia, the leading sovereign issuer, took advantage of rising oil prices to consolidate its public debt (AlTaitoon, 2022).

The medium-term outlook for the Sukuk market in the GCC region is promising. The realization of the many economic visions for 2030[3] , which require significant investment in infrastructure, should boost demand for Sukuk. In addition, the development of sustainable Sukuk, in line with the region's energy transition and sustainable development goals, will pave the way for new investment opportunities (AlTaitoon, 2022). Furthermore, the Saudi authorities are encouraging the diversification of funding sources, thereby contributing to the dynamism of the Sukuk market. They aim to reduce dependence on oil and diversify funding sources.

Key players in the Saudi Sukuk market

The Saudi government: this is the largest issuer, financing major national projects through Sukuk. It has established ambitious Sukuk programs to diversify its sources of financing while strengthening the domestic market.

Saudi companies: Public and private companies use Sukuk to finance their growth and projects.

Islamic financial institutions: Islamic banks and other Islamic financial institutions contribute significantly to Sukuk issuance and market development.

Islamic insurance companies: these companies choose to invest in Sukuk in order to diversify their portfolios and generate returns that are compatible with Sharia principles.

Institutional investors: These include pension funds, sovereign wealth funds, and Islamic investment funds, which are the main institutional investors in the Saudi Sukuk market.

Regulatory framework for Sukuk issuance in Saudi Arabia

The Sukuk market in Saudi Arabia is strictly regulated, primarily by the Capital Market Authority (CMA). These issuances are subject not only to Sharia principles, but also to a specific set of rules governing financial securities (Sukuk Issuance Program 2020).

Eligible investors, generally financial institutions and qualified investors, are also subject to strict admission criteria. Sukuk transfers are governed by detailed procedures to ensure market transparency and integrity. In addition, Sukuk income is subject to a specific tax regime (Sukuk Issuance Program 2020). This evolving regulatory framework is designed to promote the development of a transparent and robust Sukuk market, while ensuring investor protection (Zuhri & Fadil, 2024).

Sukuk issuances in Saudi Arabia (2012-2022)

Table 4 and Figure 3 show that the Sukuk market in Saudi Arabia experienced considerable growth between 2012 and 2022, both in terms of volumes issued and diversification of projects financed. The period 2012-2014 was marked by Murabaha and Ijara structures, with funds allocated to projects in key sectors such as general infrastructure, transportation, energy, health, and education, the total amount of which increased from SAR 15 billion to SAR 25 billion. From 2015 onwards, a Wakala structure broadened the types of Sukuk, providing financing for urban infrastructure and economic diversification initiatives, reaching a total of SAR 40 billion in 2016.

The 2017-2019 period then represented a turning point, with financing aligned with the ambitions of Vision 2030 and flagship projects such as NEOM, renewable energy, smart cities, and tourism. The amounts raised increased significantly, reaching SAR 95 billion in 2019. Finally, green Sukuk were integrated between 2020 and 2022, reflecting a shift towards initiatives focused on sustainability, innovation, and green technologies, in line with specific needs, particularly the management of the COVID-19 pandemic. In 2022, issuances peaked at SAR 160 billion, illustrating the maturity of the Sukuk market in Saudi Arabia and its strategic contribution to financing national priorities and sustainable development goals.

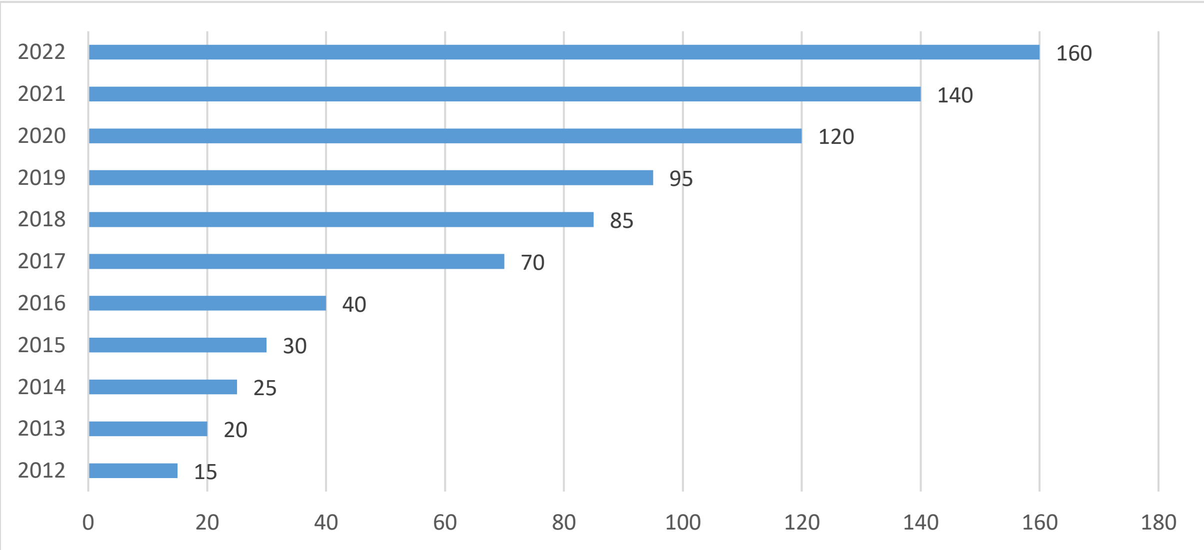
[3] The "Vision 2030" economic development plan is generating demand for financing for numerous projects, and Sukuk are a preferred financing instrument for these projects.

Table 4. Volume of Sukuk issuances in Saudi Arabia for the period 2012-2022 (in SAR billion)

Year	Number of Sukuk	Types of Sukuk	Main projects	Total amount (in trillion IDR)
2012	2	Murabaha	General infrastructure	15
2013	3	Ijara, Murabaha	Transportation, Energy	20
2014	4	Ijara, Murabaha	Health, Education	25
2015	5	Ijara, Murabahah, Wakalah	Urban Infrastructure	30
2016	6	Ijara, Murabaha, Wakala	Economic diversification	40
2017	8	Ijara, Murabaha, Wakala	Vision 2030, NEOM	70
2018	10	Ijara, Murabaha, Wakala	Renewable energy	85
2019	12	Ijara, Murabaha, Wakala	Smart cities, Tourism	95
2020	15	Ijara, Murabaha, Wakala	COVID-19 response, Health	120
2021	18	Ijara, Murabaha, Wakala, Green Sukuk	Green Projects, Technology	140
2022	20	Ijara, Murabaha, Wakala, Green Sukuk	Sustainability, Innovation	160

Source: Author's own processing based on data from the Saudi Central Bank (SAMA), the Capital Market Authority (CMA), and Saudi Exchange (Tadawul) (2012–2022)

Figure 3. Volume of Sukuk issuances in Saudi Arabia for the period 2012-2022 (in SAR billion)



Source: Author's own processing based on data from the Saudi Central Bank (SAMA), the Capital Market Authority (CMA), and Saudi Exchange (Tadawul) (2012–2022)

As part of Vision 2030, Saudi Arabia has taken a symbolic step forward with the publication of the first green Sukuk framework by the Saudi Electricity Company, marking the kingdom's commitment to energy transition and the financing of sustainable projects. However, recent work highlights that the development of this segment continues to face several structural obstacles: the absence of a harmonized definition, lack of investor awareness of the benefits of these instruments, insufficient standardized assessment standards and robust regulatory frameworks, and the time required to structure and approve these issuances (Shalhoob 2023). These challenges serve as a reminder that financial innovation in sustainability requires not only political will, but also an appropriate institutional ecosystem capable of strengthening investor confidence and broadening access to the international market.

Bahrain, an important player within the Gulf Cooperation Council, is characterized by a greater focus on regional financial services and diversification of issuers.

Overview of the Sukuk market in Bahrain

Bahrain's Sukuk market offers exciting prospects, highlighting the strategic integration of Islamic finance into a dynamic regional environment. Bahrain, one of the Gulf's leading financial centers, has strengthened its Sukuk market while diversifying the Islamic financial instruments it offers. The Bahraini authorities have successfully strengthened their regulatory framework, developed market infrastructure, and encouraged innovation to attract investors and encourage Sukuk issuance.

The Central Bank of Bahrain has implemented regulatory reforms that have contributed decisively to the growth of the Sukuk market. By creating an environment conducive to innovation, Bahrain has established itself as a leader in Islamic finance, strengthening the soundness of its financial institutions. This leadership was demonstrated as early as 2001 with the issuance of the first sovereign Sukuk, followed by the introduction of the short-term Sukuk salam, which marked an important milestone in the evolution of the market (Archer & Abdel Karim, 2017).

The country's sovereign wealth fund, Mumtalakat Holding Company, made Sukuk history by becoming the first Sukuk issuer in Malaysia. Praised by analysts, the transaction raised nearly USD 1 billion, consolidating Bahrain's reputation as one of the region's leading players in the Sukuk field. In addition, the Bahrain Stock Exchange has expanded its services by offering innovative investment instruments such as Sukuk Ijara, which is aimed at both individual and corporate investors (Archer & Abdel Karim, 2017).

Sukuk occupy an important place in Bahrain's financial activity. Sukuk issuance has grown steadily in recent years, due to increased investor demand for Sharia-compliant financial products. According to Fitch Ratings, the total amount of Sukuk issued in Bahrain in 2023 was $16.1 billion, an increase of 12.5% over the previous year. This growth is due in particular to the diversification of the Bahraini government's sources of financing and the rollout of new infrastructure projects.

Islamic banks are making a major contribution to the development of the Sukuk market in Bahrain. They hold a steadily growing market share, representing 25.5% of total banking assets in 2023 (Fitch Ratings). By offering a wide range of Sharia-compliant financial products and services, these banks are meeting the needs of an ever-growing customer base.

The outlook for the Sukuk market in Bahrain remains positive. Continued government support, regulatory stability, and innovation are all factors conducive to the sector's growth. However, new challenges await market players, which the sector will need to address to ensure the sustainability of its activities and continue to grow at a steady pace (Fitch Ratings).

Key players in the Sukuk market in Bahrain

Bahraini government: the main market player, it issues sovereign Sukuk to finance strategic infrastructure projects and cover budget deficits. These issues reflect the authorities' desire to diversify sources of public financing, while ensuring compliance with the principles of Islamic finance.

Islamic banks and financial institutions: Certain Islamic banks, such as the Bahrain Islamic Bank and Kuwait Finance House (Bahrain), as well as renowned Islamic financial institutions such as Al Baraka Banking Group and Gulf Finance House, are among the main issuers. They issue Sukuk to finance their operations, diversify their sources of income, and support development projects in various sectors, particularly real estate and energy.

Bahraini companies: Bahraini public and private companies use Sukuk to cover a variety of needs, including financing their activities, developing their projects, and managing their liquidity. Issuers come from various sectors, including energy, real estate, and telecommunications.

Islamic insurance companies: These companies, which are players in the Takaful sector such as Takaful International, are also active in the Sukuk market, issuing these instruments to diversify their portfolios and consolidate their capital base. Thanks to these issues, they can invest in projects that comply with Islamic finance principles and support their expansion and strategic objectives.

Regulatory framework for Sukuk issuance in Bahrain

The Central Bank of Bahrain is at the heart of the supervision of this market, ensuring that Sukuk-related activities comply with Islamic finance principles and international standards. This pillar-based regulatory framework is distinguished by its balanced approach between Sharia compliance, prudential supervision, and innovation. It guarantees the quality and safety of Islamic financial products by requiring Islamic financial institutions to establish Sharia committees and apply rigorous prudential standards. In addition, by promoting transparency and encouraging the development of new products, it helps to make the Sukuk market more attractive to investors and issuers (O'Brien-Mcqueenie *et al.* 2022) .

Sukuk issuances in Bahrain (2012-2022)

The table and figure above provide a chronological overview of the evolution of Sukuk issuance in Bahrain, highlighting the exponential growth of these instruments. The increasing diversification of the financial structures used, which go beyond traditional structures such as Ijara and Murabaha, allows for more complex products to be included.

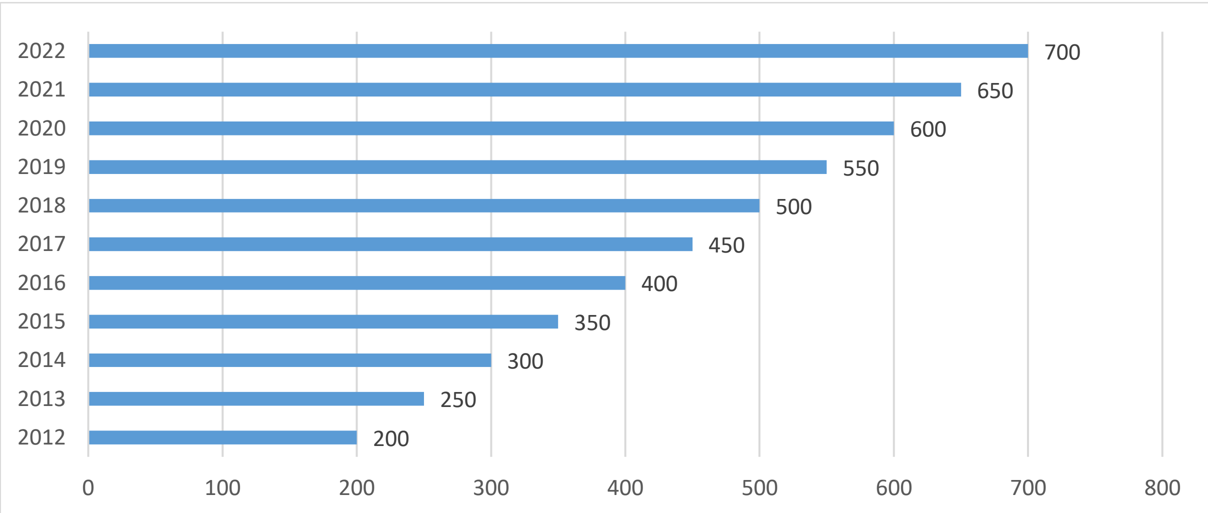
In addition, the distribution of Sukuk funds has evolved over time. Originally focused on general infrastructure and urban development projects, investments have since shifted to strategic sectors such as energy, technology, healthcare, and, most recently, sustainable development. This shift illustrates the market's adaptation to the changing needs of the Bahraini economy and the emergence of new priorities, including energy transition and digital innovation. The COVID-19 period has also highlighted the resilience of the Sukuk market. Sukuk issuances in response to the pandemic demonstrate this instrument's ability to cope with difficult economic conditions while playing a stabilizing role.

Table 5. Volume of Sukuk issuances in Bahrain for the period 2012-2022 (in millions of BHD)

Year	Number of Sukuk	Types of Sukuk	Main projects	Total amount (in trillion IDR)
2012	3	Ijara, Murabaha	General infrastructure	20
2013	4	Ijara, Murabaha, Salam	Urban development	250
2014	5	Ijara, Murabaha, Wakala	Energy, Transportation	300
2015	6	Ijara, Murabaha, Wakala	Housing, Education	350
2016	7	Ijara, Murabaha, Wakala	Health, Technology	400
2017	8	Ijara, Murabaha, Wakala	Economic Diversification	450
2018	9	Ijara, Murabaha, Wakala	Financial infrastructure	500
2019	10	Ijara, Murabaha, Wakala	Smart cities, Tourism	550
2020	12	Ijara, Murabaha, Wakala	COVID-19 Response, Health	600
2021	14	Ijara, Murabaha, Wakala, Green Sukuk	Sustainable Projects	650
2022	15	Ijara, Murabaha, Wakala, Green Sukuk	Innovation, Digital Economy	700

Source: Author's own processing based on primary data from the Central Bank of Bahrain (CBB) Statistical Bulletins and the official listing records of Bahrain Bourse (2012–2022).

Figure 4. Volume of Sukuk issuances in Bahrain for the period 2012-2022 (in million BHD)



Source: Author's own processing based on primary data from the Central Bank of Bahrain (CBB) Statistical Bulletins and the official listing records of Bahrain Bourse (2012–2022).

Bahrain is not only a regional financial center, it also stands out for its proactive approach to technological innovation in the field of Islamic finance. In particular, the country has launched pilot projects aimed at issuing Sukuk via a private blockchain based on Ethereum, incorporating smart contracts to automate the distribution of rental income, repayment schedules, and late payment notifications (Sidiq and Muliana 2025). This automation, applied to Sukuk ijarah, aims to improve transparency, security, and operational efficiency while complying with Sharia principles. In addition, the Central Bank of Bahrain has established a formal regulatory framework for crypto-assets, accompanied by a regulatory sandbox designed to test Sharia-compliant fintech innovations before their deployment in the market. This strategy positions Bahrain as a testing ground for digital Islamic finance.

Overview of the Sukuk market in the United Arab Emirates

While Malaysia has traditionally dominated the global Sukuk market, the United Arab Emirates (UAE) has emerged as a major player, particularly in the international Sukuk segment.

The UAE ranked fourth globally in terms of total value of Sukuk issued during the period 2004-2019. However, it ranks first in terms of international Sukuk issuance, reflecting its appeal to foreign investors. The international market accounted for nearly 91% of Sukuk issued by the UAE, reflecting a diversified financing strategy and openness to global investors. Between 2008 and 2019, this market grew at an average annual rate of 32.36%, significantly boosting the UAE's GDP. These issuances were mainly used to finance major infrastructure and development projects (Steit and Hassan 2022).

The country has successfully positioned itself as a key player in the global Sukuk market, thanks in particular to an innovative financing strategy and a favorable economic environment (Steit and Hassan 2022). The growth of this market has diversified the country's sources of financing and supported its economic development. This performance has confirmed the role of the United Arab Emirates as a major player in the Sukuk sector in the Gulf region (Hanefah *et al.* 2013).

Onagun (2015) pointed out that the most common Sukuk structures in the United Arab Emirates include Sukuk Ijara, Musharaka, and Mudaraba, which enable the financing of projects such as major infrastructure, while ensuring financial stability even during economic downturns. Major institutions such as Dubai Islamic Bank (DIB) and the Islamic Development Bank demonstrate the impact of these instruments: DIB, in particular, is a global leader in Sukuk issuance, covering a variety of assets such as aircraft and real estate, through mechanisms such as Murabaha, Istisnaa, and Ijara. Furthermore, according to Standard and Poor's, the success of Sukuk is due to sustained investor demand for Islamic products, which represents a major opportunity for the United Arab Emirates capital market.

The UAE marks the beginning of a new chapter in the history of Islamic finance. Emirates Islamic has successfully issued its first sustainability Sukuk, worth $750 million, on the Dubai Nasdaq. This unprecedented transaction has attracted particular interest from international investors, demonstrating Dubai's financial center's commitment to sustainable finance and Sharia compliance, as announced by the WAM news agency in its article on June 5, 2024.

Key players in the Sukuk market in the United Arab Emirates

Federal and local entities: These include the UAE federal government and the various emirates (Dubai, Abu Dhabi, Sharjah, etc.), which are the main issuers. They finance large-scale infrastructure projects, sustainable development initiatives, and social programs.

Specialized government agencies: certain public companies, such as the Electricity and Water Authority (DEWA) and the Dubai Roads and Transport Authority (RTA), use Sukuk to finance their specific investments, thereby enabling the development of the country's essential infrastructure.

Islamic banks and financial institutions: As pillars of the Islamic financial system in the United Arab Emirates, Islamic banks (such as the Dubai Islamic Bank (DIB) and the Islamic Development Bank (IDB)) are the main players in Sukuk issuance. They diversify their sources of financing through Sukuk, thereby strengthening their position and contributing to the development of the market. In addition, conventional banks are increasingly partnering with Islamic banks or issuing Sukuk directly, reflecting a growing trend toward convergence between the two financial systems. For their part, Islamic investment funds such as Shuaa Capital and Dubai Islamic Investment (DII) act as catalysts, investing in long-term, high-potential projects, often in the form of Sukuk.

The private sector: The private sector in the United Arab Emirates is another key player in Sukuk issuance. Publicly traded companies, especially in the real estate, energy, and infrastructure sectors, use Sukuk to finance their expansion projects, acquisitions, and growth. This provides them with an alternative source of financing that is generally more flexible than traditional bank financing. Private companies, particularly small and medium-sized enterprises (SMEs), also use Sukuk to obtain financing that would otherwise be difficult to obtain.

International investors: The country also welcomes international players wishing to participate in the development of the Sukuk market. The Islamic Development Bank, for example, issues Sukuk to finance development projects in the region and beyond, helping to catalyze the Sukuk market. Similarly, some non-governmental organizations (NGOs) issue Sukuk to finance social and humanitarian projects, thereby promoting the development of a sustainable and responsible Sukuk market.

Regulatory framework for Sukuk issuance in the United Arab Emirates

In the United Arab Emirates, the Sukuk market is based on a regulatory framework influenced by international norms and Islamic standards. Participation in bodies such as the United Nations Commission on International Trade Law (UNCITRAL) and the Islamic Financial Services Board (IFSB) is voluntary, but these institutions provide essential guidelines. UNCITRAL, for example, promotes the harmonization of international commercial laws, which primarily influences the regulation of Sukuk markets by encouraging member countries to adapt their national legislation to align their practices with global standards. However, although the UAE was a member of UNCITRAL from 1968 to 1977, it is no longer affiliated with the institution, limiting its direct impact on the UAE's legal framework.

On the other hand, the IFSB sets specific standards for the Sukuk market, ensuring transparency and Sharia compliance throughout the Sukuk lifecycle, without imposing excessive burdens on issuers. In the United Arab Emirates, the Dubai Financial Services Authority (DFSA) and the Central Bank are active members of the IFSB, ensuring supervision in line with international best practices.

In addition, strict Sharia-related disclosure and governance requirements are imposed on domestic and foreign issues, including the publication of Sharia Committee Fatwas, dispute resolution methods, and asset reallocation mechanisms in the event of non-compliance. These requirements help ensure market stability and adequately protect investors.

Sukuk issuances in the United Arab Emirates (2012-2022)

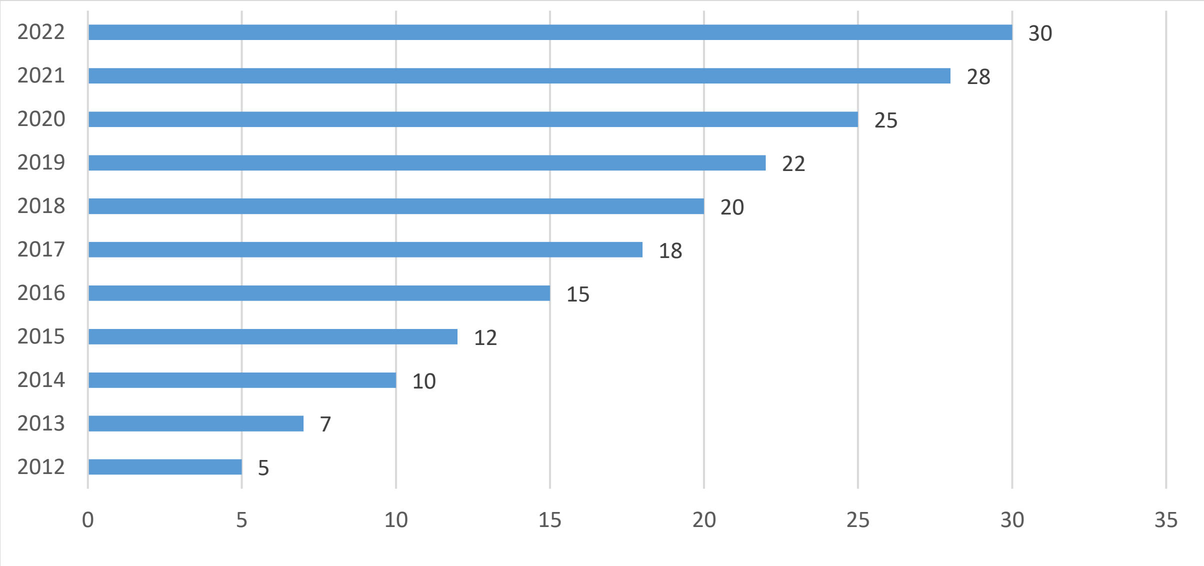
The number of Sukuk issued has grown steadily year on year. The table 6 and Figure 5 show the growing appeal of this Islamic financial instrument in the United Arab Emirates market. The range of Sukuk types, mainly ijara, murabaha, and wakala, highlights the flexibility of this instrument, which can meet a wide range of financing needs. In addition, many sectors participate in Sukuk-financed projects, including infrastructure, energy, and social projects such as housing and healthcare.

Table 6. Volume of Sukuk issuances in the United Arab Emirates for the period 2012-2022 (in billion AED)

Year	Number of Sukuk	Types of Sukuk	Main projects	Total amount (in trillion IDR)
2012	4	Ijara, Murabaha	General infrastructure	5
2013	5	Ijara, Murabaha, Wakala	Transportation, Energy	7
2014	6	Ijara, Murabaha, Wakala	Expo 2020 Dubai, Housing	10
2015	7	Ijara, Murabaha, Wakala	Education, Health	12
2016	8	Ijara, Murabaha, Wakala	Smart Cities, Innovation	15
2017	9	Ijara, Murabaha, Wakala	Economic Diversification	18
2018	10	Ijara, Murabaha, Wakala, Green Sukuk	Renewable energy	20
2019	12	Ijara, Murabaha, Wakala, Green Sukuk	Sustainable development	22
2020	14	Ijara, Murabaha, Wakala, Green Sukuk	COVID-19 Response, Health	25
2021	16	Ijara, Murabaha, Wakala, Green Sukuk	Advanced Technologies	28
2022	18	Ijara, Murabaha, Wakala, Green Sukuk	Digital economy, Space	30

Source: Author's own processing based on data from the Central Bank of the UAE (CBUAE), Nasdaq Dubai, Dubai Financial Market (DFM), and Abu Dhabi Securities Exchange (ADX), 2012–2022.

Figure 5. Volume of Sukuk issuances in the United Arab Emirates for the period 2012-2022 (in billion AED)



Source: Author's own processing based on data from the Central Bank of the UAE (CBUAE), Nasdaq Dubai, Dubai Financial Market (DFM), and Abu Dhabi Securities Exchange (ADX), 2012–2022.

Their evolution reflects the country's economic priorities at a given time. In recent years, for example, there has been an increasing focus on sustainable development and advanced technologies.

Funds raised through Sukuk have increased significantly during this period, demonstrating the important role Sukuk play in financing corporate and infrastructure projects in the United Arab Emirates. One of the main reasons for this increase is growing investor confidence in the market.

Recent studies shed new light on official reports concerning the UAE. They show that not all Sukuk have the same effect on banking performance. For example, while Tier One Sukuk help maintain earnings per share, liability Sukuk (debt) tend to reduce overall profitability. This is often due to higher financing costs. For Emirati banks, the current trend is therefore to favor securities that strengthen equity rather than debt, while following international standards such as AAOIFI to reassure investors (Mouselli et al. 2024).

After examining mature models in Asia and the Gulf, it is essential to turn to the United Kingdom and France. These two examples are particularly instructive for Morocco. Indeed, these markets show how to integrate Sukuk into a traditional financial environment, and studying their issuances provides a better understanding of the adjustments needed to move from an isolated experience to a regular and diversified market.

3.3. United Kingdom and France

Overview of the Sukuk market in the United Kingdom

The United Kingdom, where Islamic finance is still a niche market, has established itself as a major Western player in the sector. The Sukuk market dates back to 2007 and has gone from strength to strength . This momentum is perfectly illustrated by the London Stock Exchange (LSE), which recorded 57 Sukuk in 2015 with a total value of $51 billion.

In the first quarter of 2023, more than 55 Sukuk were listed, with a total value of over $50 billion (Fitch Ratings). The United Kingdom is thus demonstrating its determination to position itself as a leading center for Islamic financial products on the international stage. Several factors motivated this initiative, including the need to diversify funding sources, strengthen economic ties with Gulf countries, and consolidate London's position as a global financial center.

Indeed, the first Sukuk issuances on British soil, by renowned players such as the International Finance Corporation (IFC) and GE Capital, represented an important step and a real revolution for other issuers. Asutay and Hakim (2018) pointed out that the UK's issuance of sovereign Sukuk further enhanced the attractiveness of the UK market. In 2014, it reached a milestone by issuing its first sovereign Sukuk, cementing its credibility as an Islamic financial center (Fitch Ratings). The UK government thus became the first Western government to issue sovereign Sukuk, which were oversubscribed more than 11 times (British Embassy Bishkek, 2015). This launch encouraged other countries outside the Organization of Islamic Cooperation (OIC) to issue their own Sukuk, thereby contributing to the internationalization of this financial instrument.

The United Kingdom also stands out for its ability to attract cross-border Sukuk issuances compared to other major financial centers, such as Malaysia and the Gulf Cooperation Council (GCC) countries. This success can be attributed to a number of factors, including the stability of its financial system, the depth of its capital market, and the attractiveness of its financial center (Asutay & Hakim, 2018).

The United Kingdom enjoys a strong reputation in the international financial services market and regularly attracts investment, particularly from the Gulf States. We can therefore count on the country maintaining its role as the Western hub for Islamic finance.

Key players in the UK Sukuk market

Financial institutions: These institutions form the backbone of the UK Sukuk market. Specialized players such as HSBC Amanat and Gatehouse Bank play a key role in issuing and structuring these Islamic financial instruments. They act as an interface between issuers and investors, tailoring products to the specific needs of each.

Law firms: Law firms specializing in Islamic finance, such as Norton Rose Fulbright, perform an essential function. They ensure that Sukuk transactions comply with Sharia principles and provide the legal expertise necessary to guarantee the security of transactions.

Rating agencies: These play a key role in assessing the risk associated with Sukuk. They provide investors with an objective analysis of the issuer's quality, enabling them to make informed decisions.

UK government: The UK government is a key player in this area. It has paved the way for other issuers by issuing sovereign Sukuk, thereby helping to consolidate London's reputation as a player in international finance.

Regulatory framework for Sukuk issuance in the United Kingdom

The United Kingdom has established a specific regulatory framework to encourage the development of Sukuk within its territory. This is part of a broader effort to enhance London's attractiveness as a financial center and to meet the growing demand for financial instruments based on Islamic finance principles.

The Financial Services and Markets Act 2000 (FSMA) is at the heart of this system. It has been amended to clarify the legal status of Sukuk and distinguish them from other financial instruments. Sukuk are no longer treated as collective investment schemes (CIS) and their regulation has been considerably simplified (Clifford Chance, 2010).

Sukuk are a specific type of investment that allows them to benefit from a favorable regulatory regime, similar to that of traditional bonds. Sukuk issuers are also treated more favorably, which reduces compliance costs and simplifies their marketing. To benefit from this favorable regulatory framework, Sukuk are subject to a number of criteria. In particular, they must be listed on a recognized stock exchange, which guarantees their transparency and liquidity. This requirement also minimizes the risk of regulatory arbitrage (Clifford Chance, 2010).

The Financial Conduct Authority (FCA) also plays an important role in regulating Sukuk in the United Kingdom. It ensures compliance with regulatory standards and the specific features of Islamic finance. In particular, it supervises the issuance, trading, and transparency of these instruments, thereby strengthening investor confidence.

Sukuk issues in the United Kingdom

In 2014, the United Kingdom became the first non-Muslim country to issue sovereign Sukuk, but the volume of these instruments remains modest compared to the markets studied above. A few issues have been made, mainly in the public infrastructure and renewable energy sectors, demonstrating the country's commitment to sustainable development.

The table and figure below detail Sukuk issuance in the United Kingdom between 2014 and 2021. They show that the country has favored lease agreements (Ijara) to structure its Sukuk. The projects financed mainly concern strategic sectors such as public infrastructure, education, and renewable energy, reflecting the country's commitment to sustainable development. The amounts raised have increased significantly over the years, reflecting growing interest in this type of financial instrument.

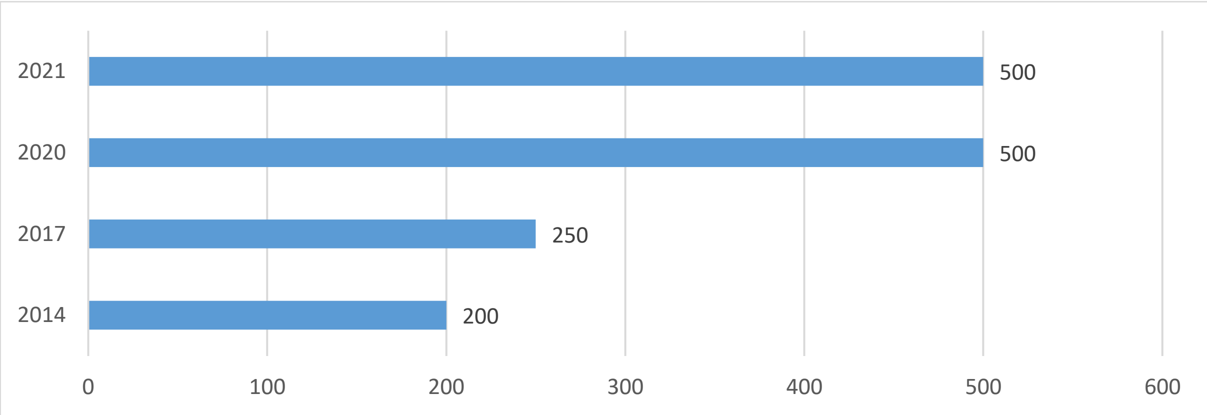
A qualitative analysis conducted by Aava Karumo (2025) among key stakeholders reveals remarkable convergence beyond ethical or religious considerations for the United Kingdom, whose success is based on a pragmatic and unhindered approach to Islamic finance, seen primarily as a driver of economic growth and consolidation of its status as a global financial center. This position can be explained by a secular state framework, whose regulatory flexibility and multi-stakeholder engagement reflect a strategic and inclusive vision.

Table 7. Volume of Sukuk issuances in the United Kingdom (in millions of GBP)

Year	Number of Sukuk	Types of Sukuk	Main projects	Total amount (in trillion IDR)
2014	1	Ijara	Public infrastructure development	200
2017	1	Ijara	Development of educational infrastructure	250
2020	1	Ijara	Infrastructure and sustainable development	500
2021	1	Ijara	Renewable energy projects (solar)	500

Source: Author's own processing based on official data from HM Treasury, UK Debt Management Office (DMO), Al Rayan Bank PLC, and World Bank Group reports (2014–2021)

Figure 6. Volume of Sukuk issuance in the United Kingdom (in million GBP)



Source: Author's own processing based on official data from HM Treasury, UK Debt Management Office (DMO), Al Rayan Bank PLC, and World Bank Group reports (2014–2021)

Thus, London's ability to seize this market opportunity stems as much from a consistent political will to adapt its financial ecosystem to attract capital and innovate, based on purely commercial and competitive logic, as from respect for religious principles. This operational pragmatism, combined with proactive institutional support, is the foundation on which the momentum observed has been built.

Overview of the Sukuk market in France

France is strategically well positioned to develop Sharia-compliant financial products. Major French banks such as BNP Paribas, Société Générale, and Crédit Agricole have extensive expertise in Islamic finance and have opened specialized international divisions.

In July 2008, the Autorité des marchés financiers (AMF) approved the listing of Sharia-compliant investment funds and Sukuk on the Paris Stock Exchange. These initiatives have been supported by appropriate tax reforms. In 2009, the Sukuk Guide clarified the applicable legal and tax frameworks, while in 2010, to facilitate the issuance of Sukuk in France, a legislative amendment abolished the double stamp duty (Grassa & Hassan, 2015).

According to the AMF, issuers of Sukuk worth more than €50,000 have a certain degree of flexibility in terms of financial reporting. They may publish their documents in English and are exempt from publishing their annual accounts in France, provided that their registered office is located outside the European Economic Area. This flexibility is intended to attract international investors and make it easier for these issuers to meet their regulatory obligations.

In November 2011, Paris Europlace published a guide on promoting Sukuk. These financial instruments represent a strategic opportunity for French companies and the French government on the international Sukuk market. The first Sukuk issue in France, carried out in the same year, amounted to €5 million and concerned the fast food sector (Grassa & Hassan, 2015).

France and the Islamic Development Bank (IDB) are consolidating their historic partnership to promote sustainable Islamic finance. The two countries have stepped up their joint initiatives since 2020, notably by supporting the MDGs in Africa and investing in education for the Muslim community in France. Their goal is to mobilize climate finance from the IDB, particularly through the development of green Sukuk and the creation of appropriate regulatory frameworks in member countries (IFN Sustainable 2023).

Key players in the Sukuk market in France

AMF: The French financial markets regulator is a key player in defining the regulatory framework for Sukuk.

Direction Générale du Trésor: this department has provided clarification on the tax aspects of Islamic finance.

Paris Europlace: this association has contributed to the development of Islamic finance in France by publishing guides and organizing events.

French banks: Major French banks such as BNP Paribas, Société Générale, and Crédit Agricole have acquired expertise in Islamic finance and offer Sharia-compliant products and services.

Regulatory framework for the issuance of Sukuk in France

Authorization and supervision by the AMF: The Autorité des marchés financiers (AMF) is at the heart of the regulatory framework for Sukuk in France. It is responsible for authorizing the listing of Sharia-compliant investment funds and Sukuk on the Paris Stock Exchange and for defining the rules applicable to these instruments (Grassa & Hassan, 2015).

In order to bring Sukuk into line with traditional financial products, France has established a particularly attractive tax framework for Sukuk. This tax parity, confirmed by several regulatory texts, takes the form of the elimination of double stamp duty, the deductibility of issuers' remuneration, and exemption from withholding tax for non-resident investors. These measures strengthen the competitiveness of the French financial market and attract a greater number of issuers and investors to the market.

Sukuk issues in France

Following the first Sukuk issue in 2011 to finance the opening of a halal restaurant in the fast food sector "Al Farooj initiative", a second Orasis Sukuk issue was launched in June 2012 by Legendre Patrimoine in the form of Islamic certificates open to individual and institutional investors. This transaction, approved by the Independent Committee for Islamic Finance in Europe (CIFIE), was backed by a tangible asset in the solar energy sector (photovoltaic installations) and offered a contractual yield of around 7% per annum, with investment conditions starting at several thousand euros. Unlike the first issue, which was strictly reserved for companies, the Orasis Sukuk was an offering accessible to the general public while complying with the principles of Islamic finance in force in France (Zawya 2012; CIFIE 2012).

The French government has laid the legal and tax foundations for Sukuk issuance. In collaboration with the various stakeholders involved, France is working to attract ethical investors and boost the attractiveness of the Paris financial center.

There is also significant growth potential in France for Sukuk aligned with ESG criteria, such as Green Sukuk. These meet the growing need for sustainable and ethical investments. Nevertheless, their development remains limited.

Although the French Sukuk market is still in its infancy and has not yet led to wider adoption or sovereign issuances, it offers undeniable growth potential. However, weak domestic demand, international competition, and the complex structure of Sukuk pose significant challenges. Furthermore, the lack of consolidated data makes it impossible to accurately determine the volume of issuance in this market, but it is clear that initiatives are already underway, and more importantly, investors' willingness to invest in sustainable finance points to a promising future for this market.

4. Discussions

The objective of this study was to assess the feasibility of developing the Sukuk market in Morocco based on international benchmarks, in a context marked by limited experience, with only one sovereign issuance in 2018. The comparative analysis of reference markets highlights a wide variety of development trajectories, but also identifies institutional regularities and common mechanisms that are useful for assessing the scope for maneuver in the Moroccan case.

4.1. The Moroccan Case Put to the Test of International Benchmarks

The issuance of Morocco's first sovereign Sukuk in October 2018 marks an important step in the process of institutionalizing Islamic finance in Morocco. Structured as an ijara Sukuk backed by public real estate assets, this five-year, 1 billion dirham bond was a resounding success with investors, as evidenced by its 3.6 times oversubscription rate (Bank Al-Maghrib 2019). This enthusiasm reflects the existence of latent demand for Sharia-compliant financial instruments and confirms their credibility as an alternative to conventional bond instruments.

At the institutional level, this issue is part of a gradual and structured process that began in the early 2010s. Preliminary work carried out since 2012 has made it possible to anticipate the necessary legal adjustments and to initiate a dialogue between public authorities, regulators, and market players (Al-Khawarizmi Group, 2012). The creation of a dedicated vehicle by Maghreb Titrisation, as well as the mobilization of public real estate assets as underlying assets, demonstrate a desire to align the requirements of Islamic finance with modern securitization standards. Investor remuneration, based on the rents generated by these assets, has made it possible to comply with Sharia principles while guaranteeing a competitive return (Maghreb Titrisation, 2022). The regulatory framework has thus been reformed and the scope of the securitization law has been extended to Sharia-compliant assets. New legal concepts have also been introduced to regulate the specific characteristics of Sukuk, requiring a certificate of compliance to be issued by a Sharia committee prior to any issuance. In addition, the Moroccan Capital Market Authority (AMMC) has made a major contribution to the implementation of this framework by establishing precise standards and ensuring strict market supervision (Essaf, 2023).

However, compared to the experiences of Malaysia, Indonesia, and the United Arab Emirates, it is clear that this initial issuance, while significant in symbolic terms, was not followed by sustained momentum. Unlike these countries, whose recurring sovereign issuances helped structure a benchmark yield curve and stimulate the gradual entry of public and private issuers, the Moroccan market remained in its infancy. This discontinuity hinders collective learning, slows down the development of market players' skills, and reduces the market's attractiveness to institutional investors, particularly foreign ones.

4.2. Regulatory Framework and Structural Constraints: Comparative Lessons

The international benchmark clearly highlights the decisive role of a stable, transparent legal and tax framework that is tailored to the specific characteristics of Sukuk. In Malaysia and Indonesia, tax neutrality, explicit legal recognition of Sukuk structures, and clarification of the responsibilities of the various players have been key factors in the development of the market. Conversely, the delays observed in Saudi Arabia during the initial absence of a specific framework illustrate the dissuasive effects of regulatory uncertainty.

In Morocco, despite significant progress made by the regulatory authorities, some ambiguities remain. Due to their hybrid nature, Sukuk cannot be treated in the same way as conventional bonds without adjustments. The lack of fully established equivalence in tax, accounting, and legal matters creates uncertainty that weighs on both potential issuers and investors. This situation contrasts with the more mature frameworks observed in some Gulf countries and Malaysia, where the rules applicable to Sukuk are now largely integrated into common financial law.

In addition to these regulatory constraints, there are also cultural and organizational factors. Lack of knowledge about Sukuk mechanisms, both among the general public and among some financial sector professionals, is a significant obstacle. However, the benchmark shows that awareness campaigns, stakeholder training, and academic involvement, as in Indonesia, play a key role in the dissemination and acceptance of these instruments.

4.3. Transferability of Models and National Specificities

This comparative analysis highlights that not all factors observed in the reference markets are fully transferable to the Moroccan context. The depth of the Malaysian domestic market, the size of the Gulf countries' sovereign wealth funds, and the absorption capacity of institutional investors in these economies are based on specific economic structures. On the other hand, certain levers seem more easily mobilizable in Morocco, notably the regularity of sovereign issuances, the increased involvement of public enterprises in infrastructure project financing, and the explicit integration of Sukuk into national sustainable finance strategies.

The experiences of the United Kingdom and France offer additional perspectives in this regard. They show that even in the absence of a deep domestic market or frequent sovereign issuances, it is possible to develop an environment favorable to Sukuk through legal clarification, regulatory expertise, and openness to cross-border issuances. These factors reinforce the idea that the development of the Moroccan market could be based on both internal factors and strategic integration into international Islamic finance circuits.

However, the country still faces structural challenges that hinder the development of the Sukuk market. In terms of regulation, the lack of an appropriate legal and tax framework is a major constraint. Due to their Sharia-compliant nature, Sukuk cannot truly be treated as conventional bonds without far-reaching reforms ensuring their equivalent tax and regulatory treatment. In addition, the persistent legal uncertainty surrounding these instruments is a source of confusion for both issuers and investors, limiting their appeal and preventing the creation of a harmonized market.

Similarly, on a cultural level, the lack of knowledge and understanding of Islamic financial instruments among the general public, local investors, and financial sector players is also an obstacle to their adoption. The lack of expertise in Sukuk mechanisms and infrastructure, both among industry professionals and regulators, exacerbates this shortcoming.

Nevertheless, Morocco has considerable potential for the development of Islamic finance. The country's demographic structure, with a Muslim majority, provides fertile ground for the adoption of Sharia-compliant financial instruments. Furthermore, its geographical proximity and economic ties with established Islamic financial centers offer the Kingdom a strategic opportunity to establish international partnerships and promote the transfer of skills and know-how.

Conclusion

This study highlights that the development of the Sukuk market in Morocco is not only feasible but also offers significant opportunities, provided that it is part of a coherent long-term strategy. International references show that the most dynamic markets are based on a combination of continuous sovereign issuances, regulatory clarity, appropriate tax incentives, and active participation by public and private actors.

This has several practical implications for the Moroccan authorities. It seems essential to improve the clarity of the legal and tax framework applicable to Sukuk in order to reduce the uncertainty perceived by issuers and investors. The establishment of a regular sovereign issuance program could help structure the market, create price benchmarks, and stimulate the emergence of quasi-public and private issuances. In addition, integrating Sukuk into energy transition and public infrastructure financing policies would align these instruments with national sustainable development priorities.

Finally, it is necessary to strengthen skills, raise awareness among market players, and develop international partnerships in order to move beyond the experimental stage and firmly establish Sukuk in the Moroccan financial landscape. With this in mind, international experience should not be replicated mechanically but rather serve as a reference to inform strategic and institutional choices tailored to the Moroccan context.

Declarations

Credit Authorship Contribution Statement: All authors contributed equally to the conception, design, analysis, and writing of this manuscript.

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Declaration of Use of Generative AI and AI-assisted Technologies: The authors declared that generative AI and AI-assisted technologies were used exclusively for language-related purposes, including editing, rephrasing, and improving the clarity of the manuscript. The AI tools were not used to generate original scientific content, data, interpretations, or conclusions, and the author takes full responsibility for the content of this article.

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