



# Sukuk and Waqf: Proposal of Structures During the Crisis Linked to Covid-19 Pandemic – Case of Morocco

Hafssa Yerro, Bezoui Oumaima \*

*Hassan II University, Casablanca, Morocco*

\*Corresponding author: [boumaima@hotmail.fr](mailto:boumaima@hotmail.fr)

---

## Abstract

The Covid-19 crisis is an unprecedented situation in modern society that requires unique and unprecedented solutions. Islamic finance, as a system that works for the good of the community, is an appropriate solution to this situation. Through its traditional Islamic economic institutions (Waqf and Zakat), and once they are put in collaboration with Islamic financial instruments such as Sukuk, the result will allow new funds to be integrated into the market and used for the purpose supporting activities and populations damaged by the crisis. It is under this aspect that we present this article, which demonstrates that Islamic finance and more particularly Sukuk, can be used as an economic catalyst in the event of crisis. Various studies have examined the issuance of Sukuk; yet no research has ever studied the specific use of Sukuk for protection against Covid-19 or for strengthening populations that were economically affected by the crisis, nor has it display the various Sukuk structures that could be used to empower people or help overcoming the crisis. Our research attempts to understand the basic content of Sukuk issuances and the scope of their use as a tool for economic empowerment in times of crisis. It also provides several past experiences that may support future Sukuk issuance for mitigating and combating the impact of the Covid-19 crisis. Our study both shows successful examples that could be implemented in Morocco and helps predict issues and challenges that could hinder the success of future Sukuk issuances.

*Keywords: Covid-19, Crisis, Sukuk, Waqf, Zakat*

© IIUM Press

---

## 1. Introduction

The subprime financial crisis highlighted the stability of Sukuk (Hanim et al., 2010; Ahmed, 2010). Similarly, multiple studies have indicated that Sukuk are a viable solution in the event of financial crises due to their lower volatility compared to stocks and their ability to diversify a portfolio (Sclip et al., 2016) and their relative stability (Hanim et al. 2010).

The Covid-19 crisis has also shaken the world economy and raised the need for financing for populations whose activity has been affected by the recession and the global slowdown in economic activity. In Morocco, health instability has caused and amplified the economic crisis (also linked to the poor cereal harvest), which has deteriorated the financial situation and the quality of life of poor populations. The situation is similar for the active populations of the economic segments most affected by the deterioration of the overall financial capacity of Moroccan households, in particular activities related to entertainment, hotels and tourism. In this regard, the EU delegation note of the commercial section of the European Union in Morocco indicates a loss estimated at 34.1 billion dirhams in terms of tourism turnover in 2020 and 14 billion dirhams in terms of turnover for the hotel industry, for a fall of nearly 6 million tourists (-98%), which would cause a total loss of 11.6 million dirhams of overnight stays) (EU delegation note of 26/03/2020).

However, the health crisis has benefited the sales of other activities (although they are of a limited number) which have developed and made remarkable gains, namely activities related to hospitalization and health services, activities related to technology and telecommunications (the wholesale distributor of computer

---

© IIUM Press 

Article history

Received: 5/4/2023

Accepted: 7/11/2023

hardware and software and telecommunication in Morocco, Disway, consolidated a turnover during 2020 allowing it to grow by 21.1% compared to the previous year), and e-commerce (according to a survey by Research and Quality Consulting and “les Eco”, e-commerce recorded during the 1st half of 2020 an increase of 31.3% in number and 23.6% in amount compared to the same period in 2019) (LesEco.ma, 2020). Thus, although the crisis has devastated the financial situation of certain activities, it has benefited other segments by providing them with additional funds that can be invested or reinjected into the economy to minimize the impact of the crisis.

Sukuk are the most popular instrument of Islamic finance. According to the latest IIFM report dated 2021, Sukuk issues during 2020 reached \$42,408 billion (IIFM, 2021). Indeed, the 2020 report indicates that in the context of the Covid-19 crisis, Sukuk will continue to grow through sovereign and quasi-sovereign issuances (IIFM, 2020, p.49), which indicates the importance of the government support in overcoming the crisis.

Structured according to Islamic securitization and in compliance with the precepts of Shari’ah, Sukuk are instruments allowing the raising of funds for the financial needs of activities that are linked to the real economy without leverage. Thus, Sukuk are a viable tool for financing the economic activities of disadvantaged populations affected by the crisis. By linking them to the traditional Islamic economic institutions of Waqf and Zakat, Sukuk can be the solution to promote the economy and overcome the crisis.

Through a review of Sukuk and their role as an economic catalyst, which we present in the first section, then we reveal the use of Sukuk linked to the Waqf (Waqf-Sukuk) in micro financing in the second section. Through the methodology of qualitative descriptive analysis approach by exploring the relevant literature, we will continue our study with an overview of Sukuk financing opportunities for the purpose of protection against the pandemic (vaccine Sukuk), and the revival of economic activity. Finally, we will present the challenges of this mode of financing and the tools allowing the spread of its use in the face of crises.

## 2. Methodology

This study uses qualitative descriptive analysis approach. We explore relevant literature that has tackled the use of Sukuk and Waqf as an instrument to alleviate significant social and economic issues. Through our approach, we have determined several Sukuk structures, linking Sukuk to Waqf, that have been used in different countries, i.e., Malaysia, Indonesia, and Singapore.

According to the qualitative descriptive analysis approach, we have built a sample of studies that have answered the question of proposing viable Sukuk and Waqf structures that will enable the resolution of social and economic issues. Our sample was constructed by using research keywords of “Waqf-Sukuk” and “Endowment Sukuk”. The choice of articles is those with a proposal of Waqf-Sukuk structures.

## 3. From Financing to Empowerment: Sukuk and Economic Empowerment

### 3.1. Sukuk as an economic catalyst

Sukuk are "Certificates of equal value representing undivided shares in the ownership of tangible assets, usufructs and services belonging to particular projects or a specific investment activity. This being true after receipt of the value of the Sukuk, the closing of the subscription and the use of the funds received for the purposes for which the Sukuk were issued." (AAOIFI, 2004).

Due to their specificity, Sukuk have become one of the most important mechanisms for raising funds in international capital markets, thanks to their “Islamically” acceptable structures (Askari, 2023). These are securities issued, based on a Shari’ah-compliant contract, in the name of their issuers or holders, in equal values which represent financial rights and obligations. They represent a property in goods dedicated to investment namely real assets, profits, services or a combination of assets, currency, and debts, and they are securities that do not represent a debt of the issuer on the bearer of the Sukuk. Their bearers are partners in the profits, the distribution of which is made according to the conditions of the issuance bulletin which is a document that describes all aspects of the issuance (issuance amount, issuer information). In addition, the issuer and the investors are responsible for their losses (Askari, 2023), each according to the proportion of their ownership and the conditions negotiated at the start of the transaction.

Sukuk can be structured in different structures using the 14 modes of financing following the available Islamic contracts. These structures can be adapted to meet the specific needs of any population according to their economic activities and the needs of the latter. Indeed, it could be Sukuk Salam or degressive Sukuk Musharakah for farmers (Sakti, 2021). In the same context of agriculture, Sukuk can take the form of sovereign

issuance for the financing of government projects aimed at supporting irrigation infrastructure and participation in harvest products. Thus, in the sections to come, we will provide different types of Sukuk and detail how Sukuk are used in the economic empowerment of vulnerable populations especially in crisis situations.

### 3.1.1 *Waqf Sukuk*

The practice of Waqf has long been a subject of discussion. Properties made available by the Waqif (or the donor of the Waqf property) are used exclusively as service providers to the community or a targeted section of the community. This focus on service provision, which until now characterizes the use of Waqf assets, limits the impact of the institution of the Waqf on society and hinders the development of its assets. The issuance of Waqf-Sukuk is presented as an innovative instrument to maintain and expand the properties of the Waqf and to achieve greater social and economic impacts on populations in need, particularly in crisis situations.

Waqf-Sukuk or Endowment Sukuk are sukuk issued using Waqf assets and properties as underlying assets. Indeed, the Waqf is considered, from the Islamic economic point of view, as a true institution supporting and providing economic assistance to the communities. Thus, when connected to Islamic finance through its combination with Sukuk, it will provide wider opportunities and open new growth prospects and have a valuable impact on the economic recovery of activities affected by the pandemic (Patria, 2020).

From 2013, several research (see, for examples, Ibrahim, 2013; Mohsin, 2013; Zain and Sori, 2017) have shown how countries, namely, Indonesia, Singapore, and Malaysia, have made efforts in the revitalization of Waqf properties and also in order to generate additional income for the improvement of its socio-economic impact, notably Singapore which is one of the pioneering countries in revitalizing the properties of the Waqf both in terms of practice and the development of institutional infrastructure. More recently, other efforts have been made by researchers to propose viable Waqf Sukuk structures to revitalize the Waqf properties (Bushra et al., 2022; Umar and Danlami, 2022; Ascarya and Masrifah, 2023).

Similarly, the Waqf assets currently available in several Muslim countries can be used as underlying assets for Sukuk issues, the funds of which will be deployed for the economic recovery of activities that have experienced a recession due to the pandemic (events, tourism, etc.) or the empowerment of the active population of these economic activities by directing them towards other activities which have experienced a boom during the Covid-19 crisis (telecommunications, delivery service, health service, etc.). In addition to the exploitation of Islamic finance to raise funds to revitalize the properties of the Waqf and make them beneficial, another possibility linking the Cash Waqf (Waqf Nuqud) and the Sukuk can be proposed, and this, in the form of Sukuk Mudarabah, with the institution of the Waqf as an investor and the active populations as an entrepreneur. This will make it possible to finance the activities of the populations affected by the crisis, either through the development of their current activities or the financing of new profitable activities during the crisis.

Thus, the structures of the Mudarabah and Musharakah Sukuk can generate income for the socio-economic development of the community (Hasan et al., 2021) especially in the event of a crisis. Although this idea has not yet been implemented, it involves a great potential for collaboration between the Waqf and Islamic finance in the contemporary world.

What is even more interesting in this combination is to allow the Sukuk and the Waqf in cash to serve another mission. Rather than contributing only to the redistribution of capital, this structure can also be used as a capital accumulation tool that will be dedicated to the financing of income-generating activities. Adopted from the study by Aziz et al. (2013), the Islamic bank can be responsible for issuing Cash-Waqf Sukuk to the public through Waqf institutions. Once these deposits are made, the bank can disburse the money, which is dedicated to nano-finance to meet the emergency needs of micro-enterprises through Islamic cooperatives (Shirazi et al., 2018). In the same context of micro and nano-finance, the following subsection will be dedicated to the presentation of Sukuk for the financing of micro and nano projects.

### 3.1.2 *Sukuk for microfinance*

Microfinance and Islamic finance share the same goals and objectives to some extent. Both aim to promote the creation of value for populations, and to encourage a fair distribution of income by encouraging sustainable income growth for micro-projects (Rohman et al., 2021).

In the pandemic situation, the issuance of sovereign Sukuk for support to populations affected by the economic recession is a tool for economic recovery. The government can set up a special micro-finance entity that will collect funds from investors through the issuance of Sukuk. Funds generated from the issuance of

Sukuk will be used to provide financing to micro-enterprises based on Musharakah or Mudarabah profit-sharing modes. Indeed, empowering affected populations through Sukuk-based micro-financing is relatively less costly than dedicated grant aid funds and financial support provided to them. This observation is true insofar as the subsidies do not generate profits and are dedicated to consumption, unlike the financing Sukuk which empower the populations and make them financially independent.

Furthermore, the Waqf-Sukuk structure can be integrated into micro-funding programs to effectively reduce the absolute inactivity of employees of crisis-affected activities through contracts of Qard al-Hassan (benevolent lending/loan without interest) or Mudarabah and Musharakah (Kholid and al., 2005). Thus, Mudarabah Waqf-Sukuk, Musharakah Waqf-Sukuk and Cash Waqf Sukuk can be designed to enable people with no income and very weak businesses to get out of the crisis cycle.

The issuance of Sukuk based on Waqf properties is also an option for Islamic microfinance institutions to finance micro-enterprises or small and medium-sized enterprises whose activity is impacted by the crisis. Indonesia's experience has shown the potential of the Waqf-Sukuk and its ability to be an Islamic instrument of nano finance (Yasin, 2021). This collaboration between the Waqf and the Sukuk provides funds for the empowerment and economic recovery of communities made vulnerable by the crisis.

One of the first studies of Sukuk employment in collaboration with Waqf and microfinance was conducted in Indonesia by Musari (2016). The study made it possible to build a Sukuk scheme for micro-finance through a program linking between Islamic banks and Islamic micro-finance institutions. The study proposed institutional arrangements for authorities and policy makers to put in place a regulatory framework for the development of Islamic microfinance. Finally, this study proves that Sukuk can be positioned as a tool for managing the lack and excess of liquidity and that these instruments have the capacity to be a bridge linking the financial sector and the real sector and can substantially meet the needs of the needy community.

During the Covid-19 pandemic, several other studies have been conducted with the objective to review what measures can be proposed to face the impact of the pandemic. Chenguel (2023) shows how Islamic social instruments, like Zakat (obligatory year charity) and Qard al-Hassan, and Sukuk can be used to face the crisis. Additionally, Sulaeman et al. (2022) studied how Cash-Waqf linked Sukuk can spur Indonesia in recovering the economic recovery in the aftermath of the pandemic. The study shows that Cash Waqf Sukuk returns can be used in the social and economic development in Indonesia.

#### **4. Issuing Opportunities of Covid-Sukuk**

We have analysed and explained how Sukuk can be an interesting catalyst for empowerment and economic revival, whether structured in combination with other Islamic social instruments or using their classical structures. Indeed, various experiments have been launched in economic empowerment programs using this specific Islamic financial instrument (Musari, 2016; Khouildi and Kassim, 2019). Likewise, there are many best practices around the world and schemes for issuing Sukuk combined with Waqf and Zakat with the aim of alleviating poverty and empowering communities whose incomes have become inexistant or severely diminished by the crisis (Hasan et al., 2021).

The IIFM (International Islamic Financial Market) report indicates that in the context of the Covid-19 crisis, Sukuk will continue to grow through sovereign and quasi-sovereign issuances (IIFM, 2020, p.49), which indicates the importance of government support in overcoming the crisis. The involvement of governments in the issuance of Sukuk is of ultimate importance, particularly for the realization of infrastructure projects that will give rise to lucrative economic activities allowing people to create value and to ensure and guarantee financial stability.

In the case of Morocco, this involvement can take the form of issuing sovereign Sukuk for the construction of irrigation infrastructure and participation in the proceeds of the harvest. Such state intervention could be used in the case of the Green Morocco project launched by the Moroccan government, which consists of providing various supports to farmers to enable them to implement precision farming practices and to improve their production. In addition, the following subsections will present other patterns of possible Sukuk issuances with more details on their structures.

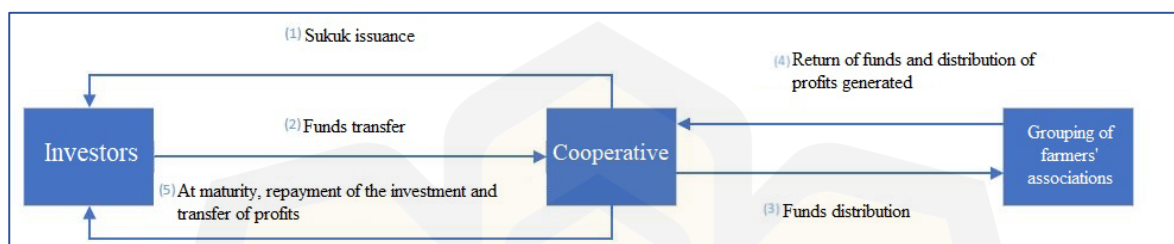
##### *4.1 Sukuk for cooperatives*

During the health crisis, the most vulnerable structures are small businesses and cooperatives whose activity is related to entertainment or consumption (excluding the consumption of basic necessities). These very small

businesses experienced a general slowdown given the change in the consumption behaviour of the populations during this period because of the confinement put in place (Martin et al., 2020).

Following the Indonesian example (Musari, 2016) which made it possible through Sukuk (as a micro-financing tool) to finance the grouping of farmers' associations (previously without the possibility of bank financing, including from Islamic banks) by launching Sukuk for cooperatives based on the Mudarabah contract.

Diagram 1: Structure of the Mudarabah sukuk of the association of farmer groups – Indonesia



Source: Adapted from Musari (2016)

Diagram 1 shows the practical use of Sukuk as a micro-finance instrument that provides essential working capital to Indonesian farmers who do not benefit from banking inclusion. Indeed, the combination of Sukuk and nano- finance has produced a financing model that has been proven successful in Indonesia (Musari, 2018) and has resulted in the mobilization of attractive funds to strengthen the financial position of farmers. This profit and loss sharing model between fund seekers (having no other funding alternatives) and investors can be replicated to meet funding needs during the Covid-19 period.

In addition, active populations in the agricultural and textile sectors (whose production must be converted to the need for the health crisis through the manufacture of masks, for example.) will be able to create similar associations and launch Sukuk to ensure the financing of their activities with the involvement of the government. In what follows, we will analyse the possibility of issuing Sukuk, for the revival of activities affected by the crisis.

#### 4.2 Economic stimulus Sukuk

In this section we offer Sukuk compatible with the conditions of the Covid-19 crisis. Like all capital market issues, the issue of Sukuk is a costly operation which requires significant financing funds, which makes Sukuk issues monopolized by issuers with large funds to finance the operation.

Economic stimulus Sukuk during the Covid-19 period are Sukuk issued by the State and whose raised capital will be dedicated to fund applicants whose activities has been seriously affected by the crisis, namely entertainment, catering, travel agencies and consumer-related activities including textiles and others. In the case of these Sukuk, the issuance operation will be financed by the Covid-19 fund (set up in Morocco at the start of the pandemic to support populations who have lost all income during this crisis). Possession of the Sukuk will be made available not only to large investors (the traditional target buyers of all issues namely Islamic and conventional banks, pension funds and others) but also to the small investor by providing "Retail Sukuk".

This structure primarily affecting the marketing (promotion) of Sukuk to a new target never served before in Morocco, and who were able to save during the crisis because of the profits accumulated from their usual activities (health activity) or during the confinement which reduced and changed their consumption behaviour. After the revival of the economy through the revival Sukuk, it is necessary to study and analyse the establishment of the Sukuk for the vaccination and immunization of the population to avoid the reproduction of such an economic crisis due to Covid-19.

#### 4.3 Vaccine Sukuk

The Sukuk for vaccination is an application of the World Bank Treasury (WBT), in which the first operation took place in 2014. The WBT supported the International Financial Institution for Immunization (IFFIm) to successfully issue two Sukuk in less than a year, to raise 500 million dollars for the vaccination of children in

the world’s poorest countries (IFFIm, 2014), while guaranteeing a competitive rate of return (Salina et al., 2021). These Sukuk were oversubscribed, it allowed investors to gain and the community to benefit from the vaccination program.

This issue was followed by two other issues, the last of which, in 2019 for a total of 50 million dollars, was in cooperation with the Islamic Development Bank (IDB) and was based on the Murabahah structure. The IFFIm raises funds on the international capital markets to accelerate the availability of funds to finance its programs of vaccination and strengthening of the health system. Thus, IFFIm's financial base consists of legally binding grant payments, approximately \$6.3 billion, from its nine sovereign donors.

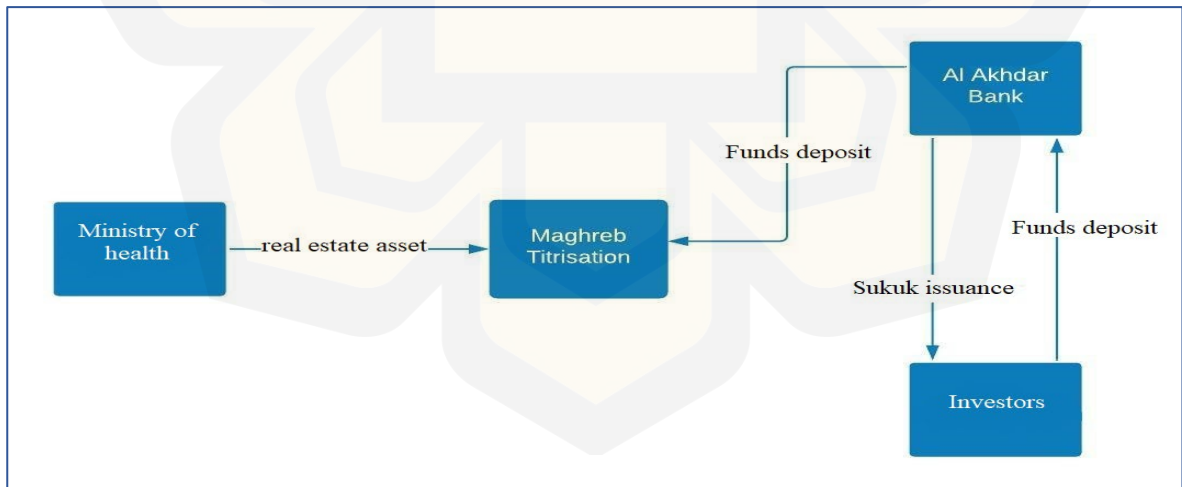
Theoretically, the impact obtained from this vaccination campaign could benefit the government because the cost of hospitalization can be avoided. This includes the cost of resources such as hospitals, doctors, hospital fees, which can be spent on other areas. Thus, part of these savings is used to reimburse Sukuk holders (Dorsett, 2017). By reproducing this structure, Morocco will have the opportunity to benefit from the same advantages as the beneficiary countries of the "Vaccine Sukuk".

Morocco made its first issue of domestic sovereign Sukuk in October 2018. The FT Imperium Sukuk, issued in the amount of 1 billion dirhams amortizable over a period of 5 years, were structured according to the Ijarah contract, and this, through the securitization of real estate assets belonging to the State. The subscription rate reached 3.6 times, which clearly indicates the need and interest of financial actors in the Islamic finance market and resident investors, including pension funds and organisations for collective investment in transferable securities, in this financial instrument (Standard & Poor's, 2022).

The Moroccan State, as the initiating institution, has created a compartment of funds arranged and managed by "Maghreb securitization" by placing state real estate assets there. The Sukuk were issued by the investment syndicate i.e., Al Akhdar Bank, the underlying assets were leased, and the rental income distributed to investors at an annual rate of return of 2.66% (Maghreb Titrisation Report, 2022).

Based on the steps followed in the first sovereign Sukuk issuance in Morocco, we propose below an operation of issuing Sukuk for the vaccine. However, according to Maghreb securitization and during the pandemic only Ijarah Sukuk certificates were operational. Thus, we propose an operation based on the Ijarah Sukuk, according to the explanatory diagram of the issuance operation shown below:

Diagram 2: Ijarah Vaccine Sukuk



Source: Authors’

The Ministry of Health as the issuer of the Sukuk for vaccination, will deposit assets in the compartment of funds created for the management of the issue by Maghreb securitization. State real estate assets (private university halls of residence, offices, etc.) will be rented and Sukuk holders will receive their annual income. Indeed, this operation will also benefit the development strategy of OPCIs (organisation for collective investment in real estate) in Morocco, launched since 2018 with the publication of law No. 70-14 relating to

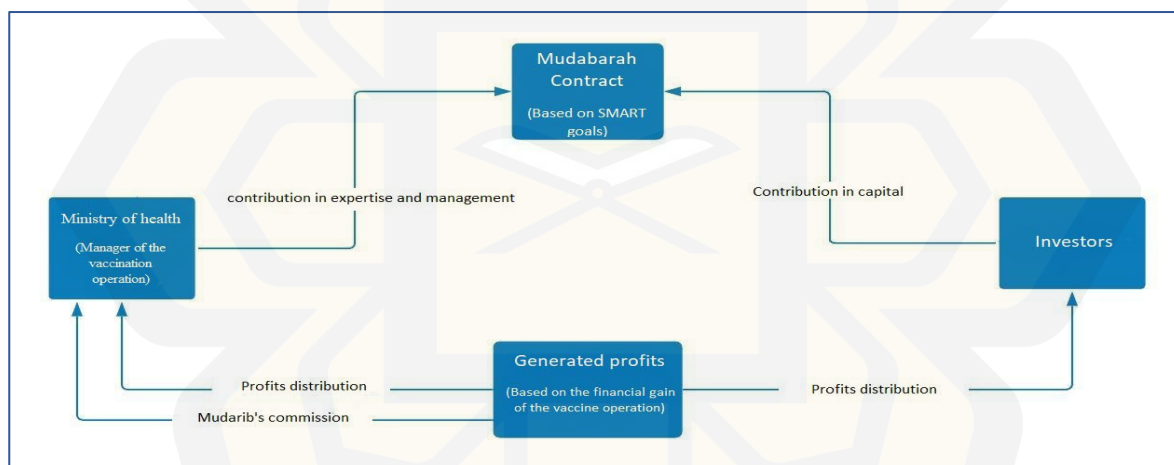
OPCIs and whose Sukuk are at the heart of the system.

In addition, another Sukuk issuance operation option could be adapted if the rest of the Sukuk structures were applicable in Morocco during the pandemic. It is a form of financing whose rate of benefit will be designated according to the gain made by the State from the vaccination operation (revival of the activities of economic sectors that have been in decline during containment, i.e., tourism, air transport, entertainment activities, etc., the reduction in budgets allocated to the Covid-19 tests, hospitalization, etc).

Indeed, the sukuk Mudarabah are a way out for the realization of this operation. The State being the entrepreneur (Mudarib) must ensure the management of the vaccination and the investor (Rab el Mal) undertakes to fully finance the project. The rate of profits sharing between the partners will be fixed based on the degree of achievement of SMART (Specific, Measurable, Attainable, Realistic and Timely) objectives defined before the launch of the operation. Investors will benefit at the end of this vaccination operation from income distributed between the contracting parties according to a distribution key to be defined at the start of the Sukuk issuance operation.

Once the Sukuk are issued, investors will receive income based on the perceived gains from vaccination i.e., through reduction in hospitalization costs, revival of economic activity once confinement is no longer a necessity, cost of State subsidies to produce masks and other sanitary products and the costs of subsidizing inactive populations due to confinement. Diagram 3 below shows the operation of the Mudarabah Sukuk for vaccination.

Diagram 3: Structure of Mudarabah sukuk for vaccination



Source: Authors'

Although the analysis of the exploitation of Sukuk in innovative structures has allowed us to propose several forms of issuance of Sukuk, possible for overcoming the Covid-19 crisis, and on the economic and health levels, these financial instruments face challenges preventing their widespread use. The unavailability of structures other than the Ijarah structure in Morocco was a main challenge that was newly overcome by the publication of a series of Ministerial Decrees on the 4th of August 2022. These decrees provide technical specificities of other contracts (Musharakah, Salam, Mudarabah, Murabahah, Istisnaa, Wakalah) and thus opening their use to financial actors. In what follows, we will present our analysis of the Sukuk challenges on which the obligation to act is now urgent.

## 5. Sukuk Challenges

Sukuk market is still in a development stage. Its growth has been remarkable to date with global outstanding of \$722.8 billion at end of first quarters of 2022 (Fitch rating Global sukuk market outlook 1Q2022). At this scale of development, facing challenges and shortcomings is a sign of continued growth especially if the financial community and Islamic financial institutions are aware of them and are determined to overcome. One of the main obstacles relates to the legal and regulatory constraints that prevent private sector participation in

the issuance of Sukuk in the OIC countries. In the jurisdiction of these countries, it is impossible to obtain satisfactory legal advice, which implies the impossibility of receiving a rating. The lack of a widely respected and regarded rating is one of the most significant challenges hindering the development of Sukuk issuance (Al bashir, 2022), and thus improving the use of Sukuk structure proposals mentioned in our article.

However, regulatory, and legal constraints are not seen as the only challenge. The ongoing discussion of asset-based Sukuk and asset-backed Sukuk is causing Sukuk to lose a lot of potential investors especially since no real transfer of assets takes place (Bezoui and Yerrou, 2021). Thus, this question should be studied and discussed to clarify any ambiguity for non-expert investors. In addition, the compatibility of the structures of the Sukuk must also be clear to allow investors, always worried about the Shari'ah aspect of the structures issued on the market, to embark on the subscription to the Sukuk, and this by adapting Islamic structures and not inspired by conventional finance. Indeed, this ignorance of the hidden possibilities and inherent potential of Sukuk builds barriers and prevents wider broadcast. The lack of knowledge of the great possible contribution of the wide range of Islamic financial instruments, during crises but also in normal situations, in achieving the objectives of poverty reduction and empowerment, is a real shortfall.

From our review, it is evident that the Sukuk market needs a stronger and dedicated regulatory and supervisory structure in Islamic countries. Harmonization of methods, standards and structures and greater clarity in the case of cross-border transactions is also of considerable need, particularly if market actors want to deal with unethical practices such as "Fatwa shopping". The demands for the existence of a central Shari'ah committee that has the right to impose international standards on domestic IFIs (Islamic Financial Institutions) while considering local specificities should be supported in order to overcome this challenge. Thus, standardizing will unify the practice in the Sukuk markets, which is "the very spirit and essence of the Muslim faith" (Jouti, 2013).

The establishment of a single and standard model will thus make it possible to popularize Islamic financial concepts and make practices easier to understand and control by regulators while ensuring interconnection between the different Islamic financial systems (Jouti, 2013), which will allow the comparability of international Sukuk and therefore a clearer valuation of Sukuk, and a more accentuated opening of negotiations on the secondary market and therefore the strengthening of the liquidity of these securities which is also one of the major challenges. Considering joining efforts and sharing the expertise of financial institutions of different nationalities to develop a comprehensive Sukuk structuring infrastructure is of crucial importance and will certainly lead to a reduction in structuring costs and support structural innovation at international application and therefore will benefit the whole sector in the long term.

As we have explained in our analysis, there are several ways to solve the challenges of Sukuk, the main one being the strengthening of the application of Islamic financial principles as conceived according to Shari'ah. Thus, restoring investor confidence in Islamic finance requires a paradigm shift in Sukuk structuring methods. Issuers should refrain from structuring Sukuk as instruments mimicking conventional (unsecured) bonds, and opt for Shari'ah-compliant structures, i.e., negotiable securities guaranteeing a real sharing of risks and profits which is an essential characteristic of Islamic finance. In this way, it is necessary to structure Sukuk as a risk-sharing instrument rather than as a security mimicking conventional bond.

On the other hand, in order to address the illiquidity of Sukuk in Morocco and the absence of active secondary markets, regular sovereign issues at different maturities are essential to deepen the market and establish a yield curve that can be used as a reference point for issuing companies (Kammer et al, 2015; Almaskati, 2023), allowing them to better assimilate Sukuk prices and strengthen their negotiation. Finally, as we have explained, all these obstacles and challenges described above are not insurmountable and can be remedied with the will of international and local financial institutions.

## **6. Conclusion**

The Covid-19 health crisis has created social, economic, and financial difficulties. This extreme situation the world faced requires innovative solutions, in particular through an in-depth analysis of the potential of Islamic finance, which has proven its ability to generate profit while solving socio-economic problems. Islamic finance through Sukuk and social Islamic instruments, namely the Waqf and Zakat, have the capacity to generate solutions compatible with various critical situations, including the Covid-19 crisis, on the health level (Sukuk vaccination) or on the socio-economic level (Recovery Sukuk, Sukuk for cooperatives, etc.).

The potential of these two institutions requires careful analysis combined with the application of financial



engineering to propose viable solutions. Our paper analysed the ability of the Waqf institution to create value while reducing the dependence of poor populations, most affected by the Covid-19 crisis; similarly, our article has proposed three solutions that Sukuk can provide by combining profit and socio-economic advantage. The potential offered by the institution of Waqf and Zakat is considerable. Our proposal for future studies would be to analyse the possibility of reviving the Waqf assets available in Morocco, as well as to propose a more viable organization of Zakat funds.

## References

- Accounting and Auditing Organization for Islamic Financial Institutions. (2004). Shariah Standards for Financial Institutions. Retrieved April 20, 2020, from <https://aaoifi.com/shariaa-standards/?lang=en>.
- Accounting and Auditing Organization for Islamic Financial Institutions- Shariah Standard No. (17) Investment Sukuk. (2008). AAOIFI. Retrieved May 24, 2019, from <https://aaoifi.com/ss-17-investment-sukuk/?lang=en> (accessed 6.23.23).
- Ahmed, A. (2010). Global financial crisis: an Islamic finance perspective. *International Journal of Islamic and Middle Eastern Finance and Management*, 3(4), 306-320.
- Al Bashir, F.A.K. (2022). Islamic Finance in Africa: challenges and opportunities: an experience with North African countries. *Journal of Islamic Banking & Finance*, 39(3), 83-104.
- Almaskati, N. (2023). Revisiting the question of liquidity: are sukuk less liquid than conventional bonds? *Journal of Islamic Accounting and Business Research* ahead-of-print.
- Ascarya, A., & Masrifah, A.R. (2022). Strategies implementing cash waqf system for Baitul Maal wat Tamwil to improve its commercial and social activities. *International Journal of Islamic and Middle Eastern Finance and Management*, 16(1), 130–153.
- Askari, H. (2023). *Islamic capital markets and products*. Wiley Finance
- Bushra, M.T.F., Nafees, S.M.M., Abdullah, M.M.A., & Mazahir, S.M.M. (2022). Management of waqf properties: a case study in Sri Lanka. *Sprinj Journal of Arts, Humanities and Social Sciences*, 1(6), 300–310.
- Chenguel, M.B. (2023). The response of Islamic banks face the covid-19 pandemic and the role of financial technology. In *The Implementation of Smart Technologies for Business Success and Sustainability: During COVID-19 Crises in Developing Countries. Studies in Systems. Decision and Control* (pp. 137–148). Springer International Publishing.
- Délégation de l'Union européenne au Maroc - Section commerciale. (2020). Note sur les impacts économiques du Covid-19 (DUE Working paper).
- Dorsett, R. (2017). HMP Peterborough social impact bond – learning exercise. (National Institute of Economic and Social Research Working Paper). National Institute of Economic and Social Research.
- Hanim K.K., Abdullah, M., Shahimi, S., & Ghafar Ismail, A. (2010). The subprime mortgages crisis and Islamic securitization. *International Journal of Islamic and Middle Eastern Finance and Management*, 3(4), 386-401.
- Hasan, R., Velayutham, S., & Khan, A.F. (2021). Socially responsible investment (SRI) Sukuk as a financing alternative for post COVID-19 development project. *International Journal of Islamic and Middle Eastern Finance and Management*, 15(2), 425–440.
- Hossain, M.S., Uddin. M.H., & Kabir. S.H. (2018). Sukuk as a financial asset: A review. *Academy of Accounting and Financial Studies Journal*, 22(Special Issue), 1-18.
- Husman, J.A., & Sakti, A. (2021). Islamic modes of financing for agriculture: a supply and demand sides approach (Bank Indonesia Working paper).
- IFFIM - International finance facility for immunization issues first sukuk Raising US\$ 500 million. (2014). Retrieved August 4, 2022, from [www.iffim.org/Library/News/Press-releases/2014/International-Finance-Facility-for-Immunisation-issues-first-Sukuk,-raising-US\\$-500-million/](http://www.iffim.org/Library/News/Press-releases/2014/International-Finance-Facility-for-Immunisation-issues-first-Sukuk,-raising-US$-500-million/)
- IIFM - Sukuk Report (9th Edition). (2020). Retrieved December 20, 2022, from <https://www.iifm.net/wp-content/uploads/2020/09/IIFM-Sukuk-Report-9th-Edition.pdf>
- Jouti. A.T. (2013). Les dispositifs de standardisation des pratiques financières islamiques. Les cahiers de l'Islam. Retrieved August 13, 2017, <[http://www.lescahiersdelislam.fr/Les-dispositifs-de-standardisation-des-pratiques-financieres-islamiques\\_a515.html](http://www.lescahiersdelislam.fr/Les-dispositifs-de-standardisation-des-pratiques-financieres-islamiques_a515.html).
- Kammer, M. A., Norat, M. M., Pinon, M. M., Prasad, A., Towe, M. C. M., & Zeidane, M. Z. (2015). Islamic

- finance: Opportunities, challenges, and policy options. IMF Staff Discussion Note. International Monetary Fund.
- Kholid, M., Sukmana, R., & Abdul Kareem Hassan, K. (2005). Waqf through Sukuk Al-Intifa'a: A proposed generic model. *Monetary and Banking Research Institute*, 1-16.
- Khouildi, M., & Kassim, S. (2019). An innovative financing Sukuk instrument to promote the development of Islamic microfinance through socially responsible investment Sukuk. *Journal of Islamic Monetary Economics and Finance*, 4(2), 237-250.
- Kim, Y.M. (2023). Importance of sukuk (Islamic bond) securitization during the COVID-19 Pandemic. *Journal of International Trade & Commerce*, 19(1), 23-35.
- LesEco.ma, (2020). Enquête : l'évolution du e-commerce au Maroc, depuis la crise. LesEco.ma. Retrieved July 2021, from <https://leeco.ma/business/enquete-levolution-du-e-commerce-au-maroc-depuis-la-crise.html>
- Maghreb Titrisation. (2022). Annual report on sukuk issuance in Morocco.
- Martin, A., Markhvida, M., & Hallegatte, S. (2020). Socio-economic impacts of Covid-19 on household consumption and poverty. *EconDisCliCha*, 4(3), 453–479.
- Mohsin, I.A.M. (2013). Financing through cash-waqf: a revitalization to finance different needs. *International Journal of Islamic and Middle Eastern Finance and Management*, 6(4), 304–321.
- Musari, K. (2018). Economic sustainability for Islamic nanofinance through waqf-sukuk linkage program (case study in Indonesia). *International Journal of Islamic Economics and Finance Studies*, 2(3), 73-93
- Musari, K. (2016). A local wisdom of Islam Nusantara: sukuk for microfinance. Centre for Islamic Studies, Culture and Society Working paper, Faculty of Ushuluddin, Adab & Humaniora, State Institute of Islamic Studies.
- Rohman, P. S., Fianto, B. A., Shah, S. A. A., Kayani, U. N., Suprayogi, N., & Supriani, I. (2021). A review on literature of Islamic microfinance from 2010-2020: lesson for practitioners and future directions. *Heliyon*, 7(12), 1-36.
- Salina, K., Abdullah, O.A.H., Haron, R. (2021). *Handbook of research on Islamic social finance and economic recovery after a global health crisis*. IGI Global.
- Scлип, A., Dreassi, A., Miani, S., & Paltrinieri, A. (2016). Dynamic correlations and volatility linkages between stocks and sukuk: Evidence from international markets. *Review of Financial Economics*, 31, 34-44.
- Shirazi, N. S., Obaidullah, M., & Aslam Haneef, M. (2018). Integration of waqf and Islamic microfinance for poverty reduction: case of Pakistan. ISB Working paper, Islamic Development Bank Institute.
- Standard & Poor's. (2022). *Islamic finance outlook*. New York: S&P Global.
- Sulaeman, S., Zubaidah, S. & Nur'atikah, T. (2022). Optimization of Cash Waqf Linked Sukuk (CWLS) for supporting Indonesia's economic recovery post-Covid-19 era. *Review of Islamic Social Finance and Entrepreneurship*, 1(2), 121–130.
- Umar, U.H., & Danlami, M.R. (2022). The need for revitalization of Islamic social finance instruments in the covid-19 period in Nigeria: the role of digitalization. In artificial intelligence for sustainable finance and sustainable technology. *Lecture Notes in Networks and Systems* (pp. 177–187). Springer International Publishing.
- Yasin, R. (2021). Cash waqf linked sukuk: issues, challenges and future direction in Indonesia. *Journal of Islamic Economics and Business*, 7(1), 100-112.
- Yunita, P. (2020). Cash waqf linked sukuk (CWLS) Model: for Indonesia sustainable food security. *Al-Awqaf: Jurnal Wakaf dan Ekonomi Islam*, 13(1), 59-72.
- Zain, N. S., & Sori, Z. M. (2017). An exploratory study on ijarah SRI sukuk for the development of waqf properties/assets in Malaysia. *Qualitative Research in Financial Markets*, 12(3), 301-314.