

The Role of Waqf -Sukuk in Achieving Financial Sustainability in Waqf Institutions in Algeria: An Analytical Study According to NZ Waqf Sukuk

دور الصكوك الوقفية في تحقيق الاستدامة المالية للمؤسسات الوقفية في الجزائر: دراسة تحليلية على ضوء نموذج صكوك الوقف النيوزيلندية

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Abstract: This paper aimed at highlighting the role of Waqf Sukuk in achieving financial sustainability. Accordingly, the analytical study provides a conceptual framework of the possibility of Sukuk Waqf with the respect to its honorable role in achieving financial sustainability in Waqf Institutions in Algeria. A paper followed a descriptive research methodology, where set of semi-structured interview was applied.

This paper concluded that Waqf institutions in Algeria and in order to achieve financial sustainability, they must apply Waqf Sukuk

Keyword: Waqf institution; Financial Sustainability; Waqf Sukuk; Algeria

JEL classification code : Z13, P31

ملخص: هدفت هذه الورقة البحثية الى ابراز دور الصكوك الوقفية في تحقيق الاستدامة المالية. وبناء على ذلك، تقدم الدراسة التحليلية اطارا نظريا لإمكانية تطبيق الصكوك الوقفية فيما يتعلق بدورها المشرف في تحقيق الاستدامة المالية في المؤسسات الوقفية في الجزائر. تتبع الورقة البحثية المنهج الوصفي النوعي، حيث تم تطبيق مقابلة شبه مقننة ومتعمقة. خلصت الدراسة الى نتيجة مفادها ان المؤسسات الوقفية في الجزائر وفي سبيل تحقيق الاستدامة المالية يجب عليها تطبيق نموذج الصكوك الوقفية.

الكلمات المفتاحية : المؤسسة الوقفية؛ الاستدامة المالية؛ الصكوك الوقفية؛ الجزائر

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1. Introduction:

The revival of Waqf institutions has long been interest of Muslim communities around the world. In line with the revitalization, the issues of managing Waqf assets are growingly being discussed by academicians and practitioners. Waqf institutions must remain financially sustainable and efficiently managed in order to effectively make a long-term impact in the communities they serve. However, being a nonprofit organization (nonprofit) in nature, a religious entity in practise, and socio-economic institution in goal, the performance of Waqf institutions should also focus on realizing their social missions.

In an effort to improve sustainability, Waqf institutions seek to develop their financial resources. It is crucial therefore to conduct further research on more viable options that can simultaneously realize financial sustainability by raising funds from the Muslim public through sukuk.

Despite the Algerian Waqf Institution ranks second in the Arab world in terms of magnitude and seize of Awqaf, it still far long away from being the complementary institution for economic and social development due to the fact that these institutions face legal, finanacial and administrative challenges that prevented them from fulfilling their developmental role.

Hence, the aim of this paper is to propose a Permanent Cash Waqf (Waqf Sukuk) model for Algerian Waqf Institutions to acheive financial sustainability. In doing so, these institutions could empower the poor Muslims.

1.1. The Problem of the Study:

The study problem aimed to explore the potential source of funds for Waqf Institutions in Algeria through Waqf Sukuk to benchmark the best practices by managing entrusted Waqf assets efficiently, so that can guide the Waqf institutions to acheive financial sustainability. Therefore, the following sections look for answer to the question proposed below:

- *How Can Waqf Institutions in Algeria Achieve Financial Sustainability Through Waqf Sukuk?*

1.2. The Objectives of the Study:

The main objective of this study was to propose a dynamic model for Algerian Waqf Institutions to achieve a financial sustainability through sukuk. Briefly, the objectives of the study are as follow:

1. To introduce Waqf Institutions in Algeria.
2. To define financial sustainability and its main pillars.
3. To propose Waqf Sukuk model for adoption by Waqf Institutions in Algeria to ensure their sustainability.
4. To analyze the key success factors of the adopted model.

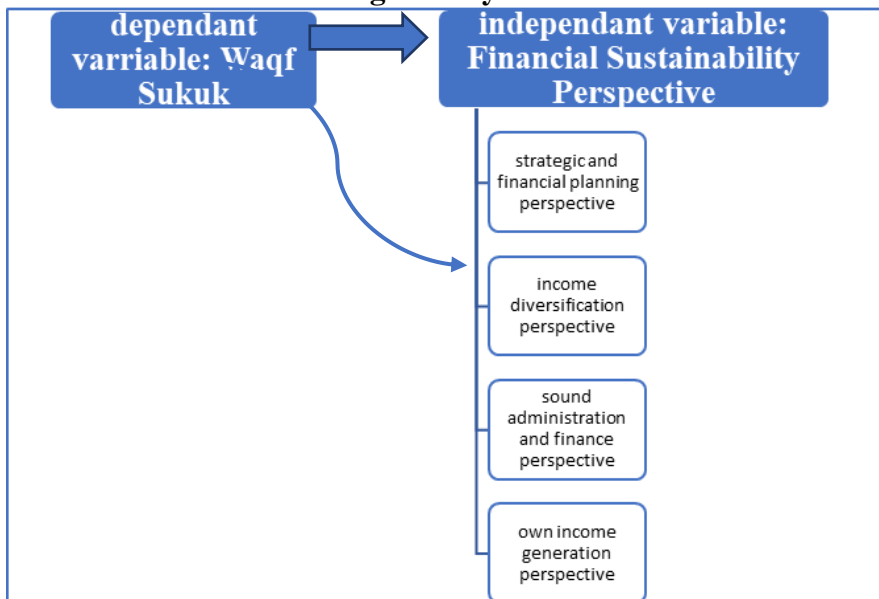
1.3. The Hypotheses of the Study:

In the light of the study problem and its objectives, the hypotheses of the study have been proposed as follow:

- Years of relying of Waqf Institutions in Algeria on limited range of funding sources to finance the real estate projects have limited their ability to change their revenue streams.
- There is an impact of Waqf Sukuk practice on achieving financial sustainability in Algerian Waqf Institutions.
- There are success factors that must be addressed for the sukuk issuance process to be successful.

1.4. Study Model:

Fig.1 Study Model



1.5. Study limitation:

The study is limited by a number of factors such as:

1. Geographic limitation: the study focused only on Algeria; therefore, the results may not be generalized to other Waqfs in other countries due to their jurisdictions.
2. Research field limitation: the financial instrument researched in this study is limited to Waqf Sukuk. However, the area of the research is niche area with a limited number of experts.

1.6. Literature Review:

In general, there has been a wealth research conducted by the scholars and academicians concerning Waqf, sukuk and financial sustainability in non-profit organizations. Some of studies have highlighted several issues concerning the components and the factors that influencing FS in nonprofits. However, the literature will focus only on the role and the application of Waqf Sukuk rather than financial sustainability in nonprofits.

Accordingly, Musari (2016a) has pointed out alarming issues related to Waqf Sukuk as a funding source to get low cost fund to finance the very micro society to avoid interest. Further, microfinance institutions in Indonesia can issue sukuk to finance the development of Waqf properties or using them to be underlying asset. Then, the structure of Waqf Sukuk can be integrated into nanofinance program to effectively alleviate absolute poverty through Qard Hasan or Mudharabah Waqf-Sukuk, Musharakah Waqf- Sukuk, cash/ E- Waqf- Sukuk. As a result, sukuk has an ability to be a tool for managing the lack and excess of liquidity, bridging the financial sector and real sector, and doing nanofinance in order to achieve economic sustainability.

Musari (2016b) outlined that there are two powerful Islamic financial instruments (Sukuk and Waqf) in Islamic finance, therefore, in order to achieve economic sustainability, the collaboration sukuk and Waqf to be an effective tool for financing the Higher Education Institutions (HEIs). However, the successful issuance of Waqf Sukuk in Saudi Arabia, Singapore, and NZ can be inspiration to receive the Waqf-based HEIs through many schemes, such as Mudharabah Waqf Sukuk, Musharakah Waqf Sukuk, Cash/ E- Waqf Sukuk. The last, the project of HEIs based Waqf Sukuk can benefit the social welfare.

However, there are few publications on Waqf and financial sustainability. In this area, Engku et. al, (2018) stated that higher learning education in order to achieve FS as one of the main objectives of the Malaysian Education Blueprint 2015-2025; the study came up with two SRI sukuk models as a proposal for HLIs or other interested parties to pursue and develop. These models namely: Wakalah-based SRI Sukuk and Cash Waqf-based SRI Sukuk, it is also proposed that the proceeds from this sukuk be used primarily for income-generating activities. Furthermore, the study suggests that a consortium of HLIs be formed to issue the sukuk and manage its proceeds. In both structure, special treatment should be given to the investors of the sukuk due to the fact that the latter do not priorities the sukuk structure but rather the returns, guarantee and incentives.

Boukredid et. al, (2018) pointed out that the endowment investment fund to be precondition for the continuity of the charitable organization in order to create long-term financial sustainability, the process of creating this type of funds provides a regular source of income to support the operational and working capital and to cover the expenses of charity programs, that have major impacts on the financing of the charitable sector as a whole.

Hila et. al, (2018) outlined that charities can be seen as the highest form of voluntary work that provide community with services without looking for awarded instead. In this context, the study attempts to search and find ways to revive these associations at which the legislator set up decisions that regulate the sources of the association's funding in the law 12-06; but they still insufficient and thus do not achieve financial sustainability.

2. Waqf Institutions in Algeria: History and Current

Literally, Waqf or its plural Awqaf means” hold, confinement or prohibition” while technically means “holding certain property and preserving it for the confined benefit of certain philanthropy and prohibiting any use or disposition of it outside that specific objective”. (Ambrose, et.al, 2015).

Another perspective to Waqf is that it can be a gift of money, estates/land property and other valuable items dedicated fully to

charity. The gift could be monetized as a leasing facility for the purpose of earning sustainable income (Raimi, et.al, 2016).

Historically, Waqf was a dynamic institution during the early Islamic society, long before it did in the West (Chapra, 2008). Therefore, there have been lands, mosques, buildings and so on.

With reference to Algeria, the awqaf has gone through many stages, including, the stage of prosperity and development, in which endowments gained particular importance in the late Ottoman Era, and the endowment wealth in this period was great and varied, including a large number of real estate properties and agricultural land and then the French colonial stage, the latter in which endowments have seen remarkable decline, because of his looting in order to weaken it and prevent performed exposed to function desired, as for the third stage: it is the period of the independent Algeria, which witnessed the significant return of the role played by Waqf by issuing the Law 10/91; Which gave a new impetus to the moratorium and identified the various parameters related to it. (بن عزة، 2015)

2.1. Waqf Institutions in Algeria Late in the Ottoman Era

The Ottoman period in Algeria was characterized by the proliferation of awqaf (plural of Waqf) and their prevalence throughout the country, since the beginning of the 15th century and the beginning of the 19th century .During this period, the endowments increased and diversified to make up a large proportion of real estate properties and agricultural lands, where in 1750 the endowments doubled 12 times compared to the year 1600(مسذور واخرون، 2008). However, awqaf in ottoman Algeria were distributed among several charitable institutions: The Two Holy Mosques Institution, Awqaf Great Mosque Institution, Good Works Awqaf Institution, Private Waqf Institution(صوفان، 2017)

2.2. Waqf Institutions in Algeria in the French Colonial Period

Awqaf Institutions in the eyes of French authorities are one of the difficult obstacles that limit the colonial policy and prevent major reforms, because the fact that the Waqf system is incompatible with the economic principles under the colonial existence, since the aqf was itself an administrative organ and an effective economic mean. That is why the French administration has worked hard to issue a series of decrees and stipulating the immunity of Waqf properties (مسدور واخرون)، (2008).

In comparison to the past, the colonial administration of endowments represented a period of decline in the history of the Algerian Waqf establishment, as it embodied the French policy towards the endowment sector based on liquidation, confiscation, exclusion and serving the colonial interests.

2.3. Waqf Institution in the Independent Algeria

At the dawn of national sovereignty, the Algerian state faced a legal vacuum that made the task of managing endowment wealth so difficult, Therefore, the Algerian state resorted to leave the laws as they are, except those which in relation to national sovereignty.

However, endowments at this stage are subject to all kinds of abuses and seizure by individuals as well as institutions.

The tightening of Waqf institutions continued until the early 1990s, at which the legal provisions governing Waqf and its institutions emerged.

Today, Waqf properties in Algeria are based on real estate rather than Cash Waqf; in regard to this, the endowment investment in Algeria has been dominated by real estate investment. Therefore, the Waqf exploitation is almost confined to one investment formula: Rent, with the percentage of about 70% while other formulas rank less represented by 23%.

Table 1. Waqf Properties Investment Instruments

Instrument	Percentage
Rent	69.42%
Other Investment Formulas	22.88%
Unexploited	07.70%

Source: Ministry of Religious Affairs and Waqf

At the level of each of the 48 provinces, there is a Directorate of Awqaf (Waqf Institution).

2.4. Difficulties Facing the Waqf Institutions in Algeria

From the above description, it is clear that Waqf in Algeria has several challenges, which are briefly mentioned below:

1. Legal and Legislative Difficulties:

- Absence of laws enabling the Waqf institution to recover all suspended properties, with regard to mixing endowment funds with public funds.

2. Financial Difficulties:

- The complexity of procedures in financial decision-making due to the central management of Waqf properties (2017، مجوع)
- Waqf projects based on projects of a religious nature rather than investment projects which yield returns.

3. Administrative Difficulties:

- Inefficiency of the administrative organization relating to awqaf, since the management of endowments needs an institutional framework linking the interest of the beholder and the objective of the institution. (كوديد، 2015).

3. The Financial Sustainability: A Conceptual Standpoint

Financial sustainability for nonprofits has seen an upsurge concern from leaders, funders, and the communities that these organizations serve. However, achieving financial sustainability is a goal that all

nonprofit organizations strive for. Evaluating activities and operations based on profitability and mission impact, as well as the interaction between these two dimensions, may allow nonprofits to develop strategic plans to manage short-term financial challenges while maintaining long-term mission goals. (Sontag-padilla, et. al, 2012).

Below, according to (Jean- Francois, 2014),

The financial sustainability is the ability of an organization to maintain a diverse source of revenue that enables it to continue to provide ongoing quality services to its clients over time regardless of changes in funding sources, in target population, and other changes among its internal and external stakeholders.

Financial sustainability refers to the ability to maintain financial capacity over time. However, maintaining the ability to be financially agile over the long term may be especially important for nonprofits in order to expand services within the organization to serve high- need communities while developing resilience to occasional economic shocks in the short term. (bowman, 2011).

Therefore, as mentioned above, financial sustainability is a critical element for ensuring that nonprofits continue to exist and offer their services beyond the current financial year or period. Financial sustainability of organisations involves fundraising strategies and methods, marketing, governance, leadership and management and building of partnerships. The external factors that affect the financial sustainability of organisations include; the current situation in the country (referring to the economy and the political situation), attitudes of foreign governments and local and international corporates and international and local faith-based organizations (harding, 2014).

3.1. Four Pillars of Financial Sustainability

Any organization on path toward financial sustainability, it can be compared to a table: it needs four legs to stand sturdily.

1st pillar: Financial and Strategic Planning

Strategic planning is a mechanism to help clarify an organization's mission and objectives as well as prioritize the actions needed to accomplish them (léon, 2001). The process involves examining an organization's current situation and its vision of the future in order to prepare a strategic plan- a broad map of the general programs and activities and objectives the organization will pursue over a period of

time-. Although, strategic planning is an opportunity to consider innovation, it does not adequately take into account the resources an organization has available to implement the chosen strategies, or its capacity to obtain new resources (léon, 2001).

Financial plan is a dynamic document that consists of projected expenditures and the organization's potential to generate the income to cover those expenditures. Moreover, the purpose of financial plan is to fulfill the mission within a specific time frame, and whether the organization is going to have sufficient resources available in the medium term to meet the objectives described in the strategic plan (léon, 2001).

2nd pillar: Income Diversification

Income diversification pillar refers to the increase in income sources or the balance share among the different sources (wan et. al, 2016).

This pillar is an important mean for nonprofit organization. With this in mind, the nonprofits with multiple income sources have a comparative advantage over those with lower diversity. This, in turn causes a variation in both the number of earning activities and distribution across volumes from each budget components. However, the organization will remain extremely vulnerable if a large portion of the budget depends on only one source. Otherwise, building income diversification could be important strategy for pre-risk management by bringing more kinds of income sources.

3rd pillar: Sound Administration and Finance

Sound financial practices are the basic requirement of financial sustainability as the routine manner in which the day-to-day financial activities of a nonprofit organization are gathered, recorded and reported, and when required.

4th pillar: Own Income Generation

Many non-profit organizations are looking at their own forms of income generation beyond donations in order to invest in their own growth and development (Williams, 2014).

4. Waqf- Sukuk: An Adapted Model for Ensuring FS

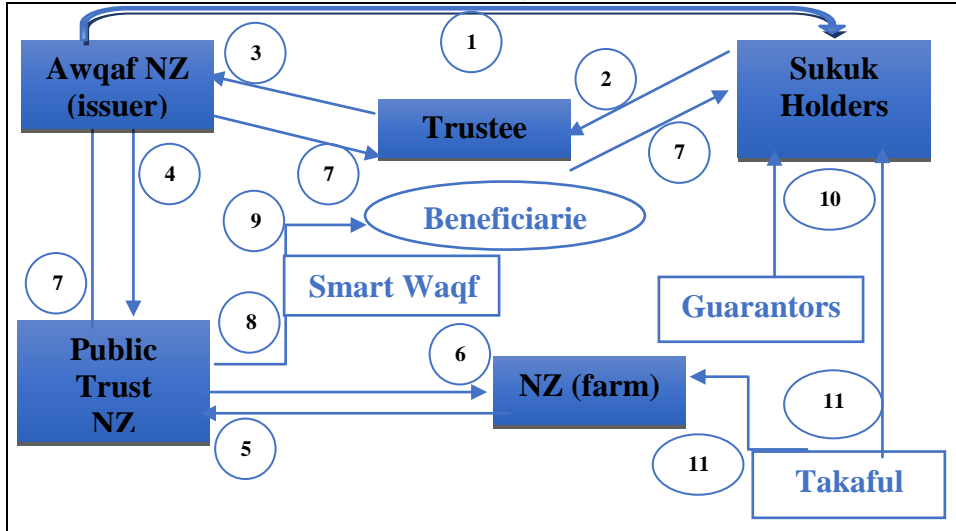
Sukuk plural; singular sak are defined by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) as "certificates of equal value representing undivided shares in ownership of tangible assets, usufruct, and services or (in the ownership of) the assets of particular projects or special investment activity" (AAOIFI, 2003). Furthermore, it could not be denied that some of Waqf institutions faced a problem of lack of capital to develop community projects. This problem could be solved through subscribing Islamic financing facilities. From this point of view, Waqf institutions could invest in sukuk, therefore producing profit, and the profit is used to finance Waqf activities.

3.1 Temporary and Permanent Cash Waqf Sukuk New Zealand

Questions about the viability and applicability of Waqf Sukuk by Algerian Waqf Institutions in order to achieve FS should be raised. However, the current awareness about the social dimension of Islamic finance has brought attention towards Waqf again. Indeed, projects based on Waqf Sukuk have started to merge. The most important one would be the model of Temporary and Permanent Cash Waqf Sukuk. The latter was proposed by ISRA (International Shari'ah Research Academy for Islamic Finance) in 2016 in response to a request by Awqaf New Zealand (Awqaf NZ) in order to launch a social project.

The project will be implemented conjointly by Awqaf NZ, ISRA and Security Commission of Malaysia. The goal is to issue the world's first Waqf Sukuk worth of \$1bn. The proceeds of the sukuk will be utilized to establish farming industry in New Zealand and Canada. Via these farms, Qurbani (slaughtering animals) will be provided for Muslims particularly in the west. The waste of the animals and skins will be used to produce shoes and bags etc. The revenue will be used for charitable and social purposes all over the world (Oubdi et. al, 2018). The chart of the structure is shown in figure (2) as follow:

Fig.2 Temporary and Permanent Cash Waqf Sukuk (NZ Waqf Sukuk)



Source: ISRA, 2016

A closer look into the chart above, shows that the model operates as follows (Engku, et. al, 2018):

01. Awqaf NZ as the issuer issues temporary and permanent Cash Waqf sukuk to the sukuk holders.
02. The sukuk holders subscribe to their respective tranche of the Waqf Sukuk by payment of the issue proceeds. The proceeds flow through the Trustee to be disbursed to the issuer. The Trustee is appointed with the declaration of trust and acts on behalf of the sukuk holders.
03. The issuer receives the funds and will manage two pools of the Cash Waqf: The Temporary Cash Waqf, for which repayment is required, and the Permanent Cash Waqf, for which repayment is not required.
04. The issuer releases the cash based on Qard Hasan to the public Trust NZ for the purchase of farm and equipment.
05. The Public Trust NZ enters into a contract with a contractor to manage and operate the farm. The contract can be in the form of ujah (fees for work done).
06. After the farming activities, the profits can flow to Public Trust NZ.

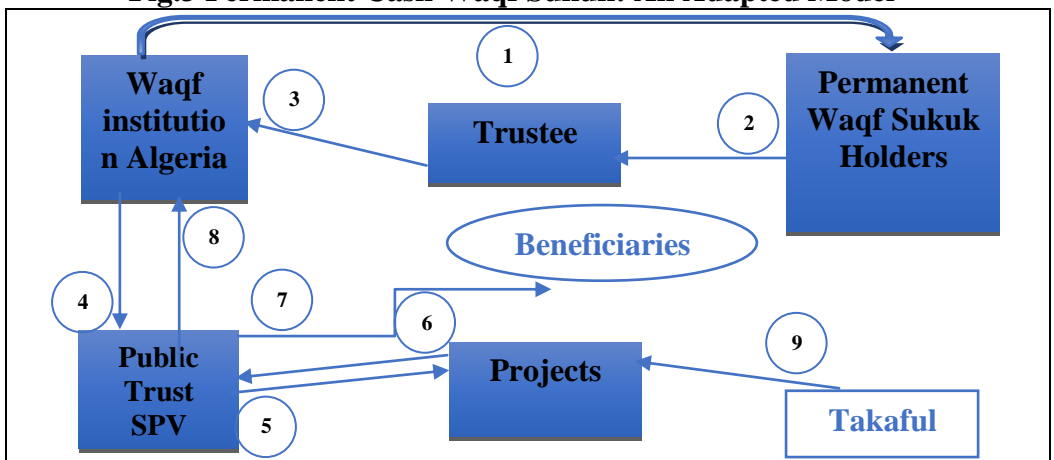
07. With the profits, the Public Trust NZ repays the loan (based on Qard Hasan) that it previously got from Awqaf NZ. Those funds would, in turn, be used to return the Temporary Cash Waqf contributions to the sukuk holders via the Trustee.
08. Meanwhile, the Smart Waqf is operated with activities of animal sacrifices for the Eid and other supply contracts.
09. Profits are generated from those activities. These profits would then be channeled to the beneficiaries.
10. The guarantors would provide unconditional and irrevocable guarantee in favor of the Trustee and on behalf of the sukuk holders.
11. Takaful coverage would be provided to mitigate any risks such as operational losses or to ensure loan repayment to sukuk holders.

3.2 Permanent Cash Waqf Sukuk: An Adapted Model for AWIs

Looking forward to the history of Waqf in Algeria, Waqf Institutions have the possibility to join the path of implementing Waqf Sukuk to develop their property assets to be self-sustaining.

In terms of FS, factoring in the promising potential of Waqf development in Algeria, besides, relatively untapped socially motivated institutional, this Cash Waqf model was adapted from Awqaf NZ with modifications as a preliminary model to be included in the interview. The adapted model is illustrated in figure (3) below.

Fig.3 Permanent Cash Waqf Sukuk: An Adapted Model



Source: Adapted from ISRA, 2016

With regards to the adapted model, the following steps and processes have to be followed in the issuance of this sukuk:

01. Specifying the amount that is need for executing the endowment project. Furthermore, the Trustee (acting on behalf of Sukuk holders) signs a Trust Deed between the issuer (Algerian Waqf Institution) and sukuk holders to receive and manage Waqf funds
02. The issuer will issue the Permanent Cash Waqf Sukuk to the Permanent Waqf Sukuk holders that is equivalent to the amount they need for investment. Therefore, the issuer will float the sukuk for subscription, and meanwhile, the sukuk holders provide the cash to the Trustee.
03. The funds will be disbursed to the issuer, who will issue pool of Cash Waqf to the permanent sukuk holders. As such, no repayment is required as they have fully committed their funds to the Waqf without expecting any returns.
04. The Waqf institution will establish an SPV Special Purpose Vehicle at which the funds will be disbursed to it (SPV) in the form of Qard Hasan.
05. A portion of the funds is also used to fund projects for the beneficiaries of the Waqf.
06. Proceeds of Qard Hasan will be used to fund income-generating projects. In addition, the surplus profit is returned to the SPV.
07. Depending on the profit, a portion of the profit from the Permanent Cash Waqf can be channelled to the beneficiaries.
08. The SPV will repay the Qard Hasan to the issuer over time.
09. Takaful coverage may also be procured to mitigate any losses to the project.

3.3 Key Successes for the Issuance of Waqf Sukuk to Ensure FS

In the case of Algerian Waqf Institutions, the preliminary model can vary based on suitability and the agreement of the sukuk holders. Therefore, there are several factors that must be made for the success issuance. However, these factors are grouped into five principal factors among each has sub-factors as shown in table (2)

Table 2: key successes of developing Waqf Sukuk for AWIs

Legal and Governance factors	Favorable legal framework Good governance Clear and concise contract
Macroeconomic factors	Available financial market Appropriate risk allocation and risk sharing Strong and good private consortium Government involvement by providing guarantee
Funding Mechanisms	Multi- benefit objectives Project technical feasibility Thorough and realistic assessment of the costs and benefits High quality team of experienced advisors Data measurement
Stakeholder Support	Commitment of the public and private sectors Political support Stakeholder engagement and awareness

Source: Engku, et. al, 2018, 26

As a note, although these factors may be difficult to address when developing and issuing the proposed model, but inevitably they encourage the Algerian government to establish Waqf Sukuk model for supporting Waqf properties, and financing income- generating projects.

5. Study Methodology:

The study follows the descriptive research methodology, where a semi-structured interview has been undertaken in order to address objectives of the study. (see Appendice 1)

5.1 Study Sample

The study sample consists of those who are experts and directly involved in the field that is very niche. Therefore, the interviewee was chosen based on his relevant experience and understanding of the subject matter. Despite not being able to interview more than the selected participant -one interviewee-, the study attained a saturation point due to the fact that the interviewee is an Algerian and he is working in Malaysia and he is researching in the field of Awqaf. The participant was interviewed through face- to- face in Kuala Lumpur - Malaysia-. The interview was undertaken in April 2019 and took 60

minutes time. The information obtained was transcribed and analyzed in order to answer the question above.

5.2 Data Collection Tools

The study utilized the following data collection:

Secondary data: This data collection was drawn from both print and electronic sources among which books, articles, websites and so.

Primary data: an interview guide was designed for collecting data for this study and a set of semi-structured questions was prepared.

Study tool

A set of semi-structured questions was prepared based on critical review of literature and validation by selected expert. In doing so, the questions were divided into three main sections to obtain the interviewee's responses:

1. General conception of the current status of Waqf Institutions in Algeria, focusing on the prospects and the challenges.
2. Views on the suitability of the proposed model of Waqf Sukuk and how the Algerian Waqf Institutions could be improved and financially sustainable.
3. Opinions on the proposed model of Waqf Sukuk: Key successes.

6. Study Results:

Algeria is standing at huge awqaf properties, which distributed over the 48 directorates of Awqaf. Particularly, these properties consist of real estate properties; besides, the large part of the real estate is unexploited due to the fact that these assets need maintenance, while the other part is exploited by rent with a lower price. From this point of view, it is necessary for every Waqf institution to revise the methods of managing awqaf.

Unlike human beings, institutions do not die! they linger on even centuries. Especially nonprofit organizations, there is a need for them to spring into being sustainable. The fact that perpetual instruments are beginning to raise and they are being needed, and considered more than ever.

Collaboration Waqf, a genuine Islamic institution that has superbly served Muslims, with sukuk, is a perfect instrument; and what makes it unique is that there are number of reasons for this.

First of all, from the Shari'ah perspective, Algerian Muslims have always needed such instruments, which obeys directly the holy Quran and the letter of the Shari'ah, as such Permanent Waqf Sukuk is by no means a loan, where there is no loan, there is no riba (interest).

Second, in order to mobilize global funds to finance Waqfs, then the correct choice should be Waqf linked sukuk. Whereby the principal funds are continuously invested in potential investment opportunities on the basis of the profit-loss sharing principle. The larger the investment returns, the more funds that can be allocated. The more capital can be functioned in perpetuity.

Third, the investment of the Waqf properties in Algeria is a property investment with a complete absence of investment in a Cash Waqf, the latter is as important as real estate. Moreover, Algerian Waqf properties are rude and need to be restored, maintained or restructured.

For the above practical purposes, the promulgation of Permanent Waqf Sukuk shall be incorporated into the financial strategy of the institution, through a pool of cash which based on subscription. Therefore, Waqf Sukuk may provide pool of cash to meet the described objectives in a strategic plan. On the other hand, the coming pool of cash may finance the generating income projects in order to cover the expenses and then earn profits. As a result, Waqf Sukuk is a helpful instrument for Waqf institution concerning strategic and financial plan.

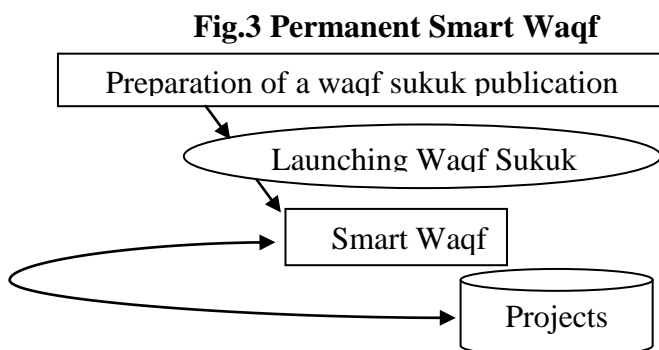
In terms of income diversification, Permanent Waqf Sukuk causes a variation in both the number of earning activities and distribution across volumes from each contract. Interestingly, a pool of cash gathered from sukuk holders may invest in Islamic financial contracts: Musharakah (participation), Murabahah (purchasing goods), Mudarabah (profit sharing), Wakalah (investment agency), Istisna (manufacturing / production of goods), Muzara'ah sharecropping), Musaqah (irrigation), Mugharasah (agricultural), Ijarah, Salam (purchasing goods to be delivered in the future)

Pursuant the previous section, financial activities of a Waqf institution when depending on sukuk for financing are gathered, recorded and reported transparently. Besides, a sound Shari'ah governance framework is required to ensure that the structures and processes employed in the issuance of sukuk comply with Shari'ah rules and principles; the framework aims to ensure Shari'ah compliance at different stages of the product structuring process, from the

conceptualization, through the structuring to the operationalization periods. (ISRA, 2017).

Waqf Institutions in Algeria when issuing Permanent Waqf Sukuk may generate income (accumulate profits) through various Shari'ah contracts and income-generating projects, as such these institutions could establish a Smart Waqf as the case of NZ Waqf Sukuk.

The following an explanation in detail how smart Waqf works:



Source: Adapted from BenYounes, 2017

From the graph above, what can be seen that Permanent Smart Wakf is a tantamount to a waqf fund. It collects proceeds from sukuk holders and then distributed to SPV as Qard Hassan; the latter will be used to finance income generating projects. Finally, a part of earned profits turn into permanent Smart Waqf annually till the project ends. In return, the project capital turn back to Smart Waqf. As a result, there will be always accumulated cash from each project under Smart Waqf by issuing Waqf Sukuk. By doing so, Awqaf Institutions in Algeria will be financially sustainable.

7. Conclusion:

The study addresses one of the main objectives of the nonprofit organization, which aims to achieve financial sustainability through four pillars: strategic and financial planning, income diversification, Sound administration and finance, and Own income generation.

After going through previous studies, and interview with the selected expert, the study came up with the Permanent Cash Waqf

Sukuk model. Moreover, in order to achieve the financial sustainability, the collaboration waqf and sukuk can be an inspiration to revive the Waqf Institutions in Algeria.

In conclusion, this paper has presented several issues concerning:

- The issuance of Permanent Waqf Sukuk becomes a 100 % innovative Waqf instrument to finance the development of AWIs.
- By issuing Permanent Waqf Sukuk, AWIs could achieve financial sustainability.
- A Smart Waqf has a monitoring role over Awqaf properties.
- There are key successes for issuing Waqf Sukuk, Algerian government should aware about it.

On the basis of the above conclusion, several recommendations have been highlighted:

- This paper may provide a platform for future studies on Waqf Sukuk.
- In view of all this, the advice to the founder of Awqaf in Algeria is to invest the Waqf capital plus Sukuk proceeds prudently and to take into consideration the key success factors to be aware about it when issuing Permanent Waqf Sukuk.
- The need to enact legislative regulations allowing the issuance of Waqf Sukuk.

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9. Appendices:

Appendice 1. A Semi- Structured Interview

An interview guide was designed to indirectly address the objectives of the study. In doing so, the questions were divided into three main parts to obtain the interviewee responses:

1. General conception of the current status of waqf Institutions in Algeria, focusing on the prospects and the challenges.
 - What your views on the current state of the Awqaf sector in Algeria?
 - In comparison to other Muslim countries such as Malaysia, how does the Awqaf sector perform?
 - Do the current circumstances (regulatory, knowledge, etc) support and facilitate and encourage the innovation in Islamic social finance?
2. Views on the suitability of the proposed model of Waqf Sukuk and how the Algerian Waqf Institutions could be improved and financially sustainable.

- In your opinion, what are the advantages of Waqf Sukuk over traditional investment instruments?
 - In a practical and realistic situation, what type of models (Permanent or Cash Waqf Sukuk) would you recommend AWIs to undertake?
 - In your opinion, is the Waqf Sukuk appropriate for funding AWIs (development needs, operational needs) for long term?
 - In your opinion, is the Waqf Sukuk appropriate for financing investment projects that yielding profits?
 - In your opinion, what are the improvements that could be made by Permanent Waqf Sukuk for AWIs?
3. Opinions on the proposed model of Waqf Sukuk: Key successes.
- In your opinion, what are the success factors that need to be considered when issuing the proposed model of Waqf Sukuk by the Ministry of Religious Affairs and Awqaf?