

In the name of Allah, Most Gracious Most Merciful

Government Sukuk

Shihama (*Musharakah Certificates*)

and

Srh (*Government Investment Certificates “GIC”*)

by

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Tegani_sukuk

Purpose:

- **Introducing Sukuk (define, explain)**
- **Mechanism**
- **Usage (Utilization)**
- **Features and Advantage**

Two Financial papers based on Islamic modes of Finance.

- Shihama is based on Musharakah.
- Srh (Government Investment Certificates) “GIC”; based on Mudarabah, Ijarah, Murabaha...etc.

The Higher Consultative Committee for Government Securities (Committee)

- Due to success in the first generation of Sukuk (Shihama), the Committee is established. It consists of complementary membership, including Ministry of Finance, Central Bank of Sudan (CBS), Khartoum Stock Exchange (KSE), Universities. All parties participated in issuing Sukuk are represented in the Committee.

Mission:

- Promote, develop and innovate Financial Instruments that meet modern economic needs.
- Activities of the Committee is supervised by the Higher Shariah Board.

Issuance of Sukuk depends on four parties:

- Investors (provider of capital “money”)
- Mudarib (SPV) – Agent (Wakil) - manager
- Ministry of Finance & National Economy “MoF ” (fiancée)
- Khartoun Stock Exchange (platform for selling and buying Sukuk “negotiation“).

Shihama

- Financial pool is established consists of the ownership of the government in certain companies.
- The pool will be divided into financial papers (Sukuk).
- Sukuk will be sold to the investors.
- Profit is computed based on the financial performance of the companies.
- Shihama provides cash finance to the MoF
- Practically it is financing current expenditure

Features:

- Matches with shariah requirements
- Cash, un-inflationary finance
- Helps in managing supply of money, open market operations
- Mobilization of funds outside the banking system
- Used as collateral

Musharakah (Definition)

- Al Sharikah (partnership) means a contract made by two or more parties pertaining to capital and work (management) for the purpose of making profit.
- Al Sharika al Masrafiyyah (Banking partnership or Almusharkah): a finance method derived from the partnership contract that is known in Islamic jurisprudence, in which the bank participates with one of his clients or more.
- Musharakah capital: the total amount contributed by partners in a Musharakah contract.
- Profit is shared on a pro-rata basis or as agreed while loss is born strictly on pro-rata basis.
- A management fee could be charged by the manager party

Srh:

- It is a financial document with nominal value in Sudanese pound (SDG), gives its holder the right to participate in financing the Government (MoF) through certain modes of finance, for the purpose to generate profit

Mechanism:

- 1) Investors (Rab al Mal)
- 2) Sudan Financial Services Co. (sfs) - Mudarib
- 3) MoF (User of the finance)
- 4) KSE
- Relationship between 1) & 2) is based on Mudarabah contract and between 2) & 3) is based on certain contracts i.e. Ijara, Murabaha, Istisnaa. The majority is for Ijara to make the Sukuk negotiable
- KSE is the platform where Sukuk are sold and bought in the secondary market

Mudharabah

- is a partnership in which one party provides the money (capital), while the other party provides the professional, managerial and technical know-how for starting and/or operating a business enterprise or project. The profit is shared in a pre-agreed ratio.

Istisna:

- Is an agreement meeting the client's need for an item, equipment, building, or project, which needs to be constructed, manufactured, fabricated or assembled.
- Istisna, is a contract in term of which a person buys on the spot something that is to be manufactured which the seller undertakes to provide after manufacturing same using materials of his own according to designated Specifications against a determined price.

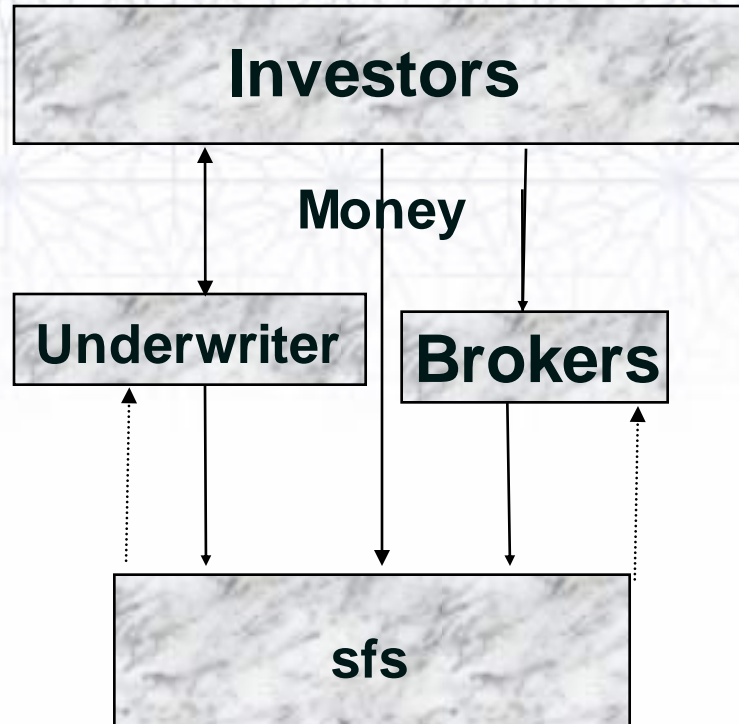
Ijarah:

- (lease of objects) : is the selling of a defined benefit (usufruct) against a specific consideration for a fixed period.

Murabaha:

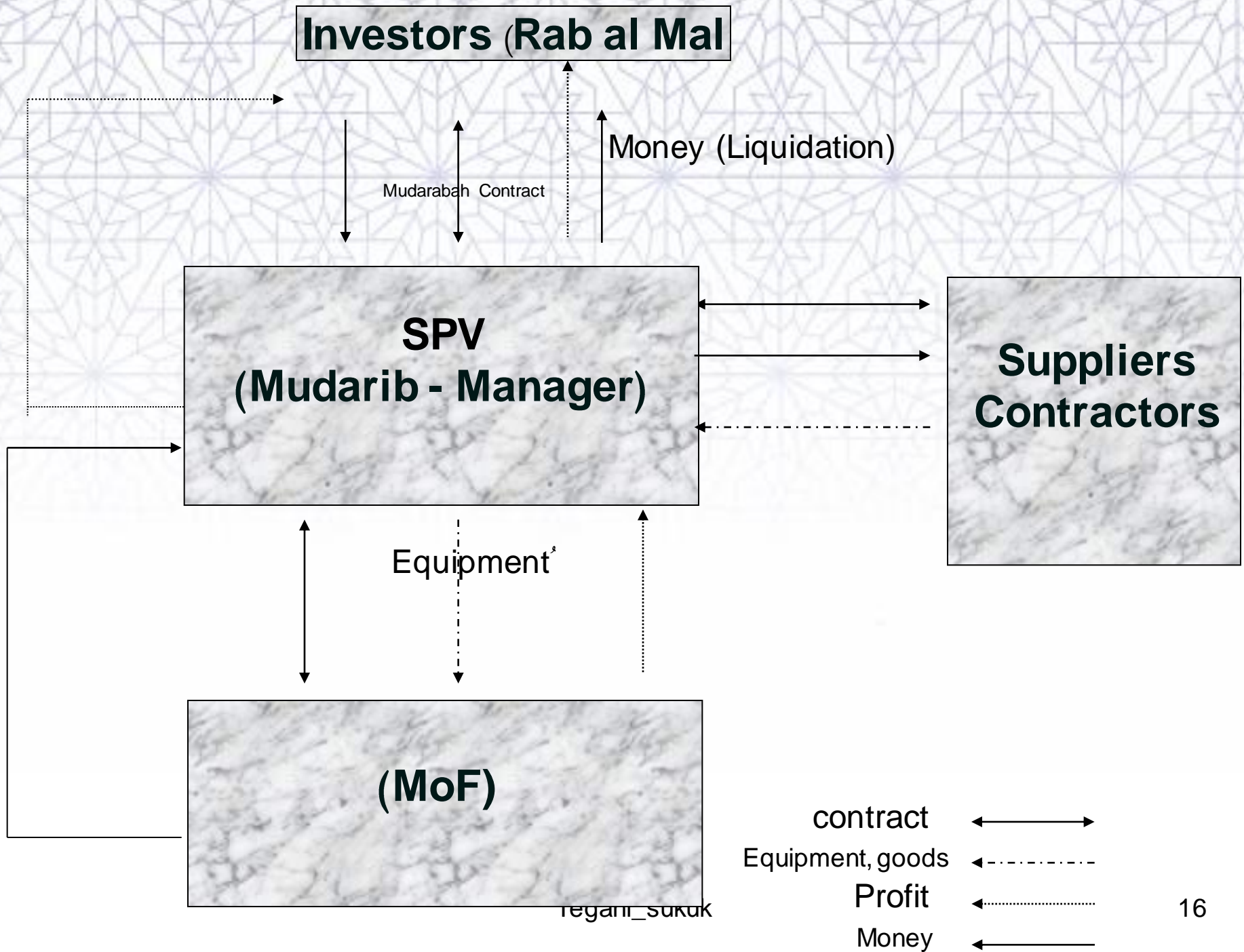
- Murabaha belongs to the class of contracts in Islamic jurisprudence, called trust sales (Bia' amana). It has been recently developed to act as the major financing mode in Islamic banks in place of the forbidden interest- rate financing.

Brokers and Mudarib



Money ←

Fees ←



Procedures:

- Need for finance is Determined by the MoF with co-ordination with ministries
- MoF needs will be transferred to sfs (Mudarib)
- Money generated from investors will be used by Mudarib to provide the required commodities
- Contracts between MoF and sfs will be signed to give the MoF the right to use and own the commodities
- Periodical payments by MoF
- At maturity the Fund will be liquidated by selling the remaining assets and the payment of debt if any

Features and Advantages:

- Matches with Islamic principles, with close supervision of the Higher Shariah Board
- Sovereign risk
- High profitability, short intervals for profit distribution
- Un-inflationary, provide finance with real assets
- Stable finance ranging between mid to long - term
- Finance the development (Realizing the golden Balance for financing development and realizing profit
- helps in flourishing KSE
- Could be used to develop States
- Open – Market operations

Absorbs Inflation in Advance:

- Supply of money = goods & services
- (stable economy)
- Supply of money < goods & services (inflationary economy)
- Solution:
 - 1) Add to goods & services or
 - 2) Decrease the supply of money
 - 3) both 1) & 2)
- Srh provides capital goods, goods and services which add to goods & services side.

What is needed?

- Underwriters (Primary market)
- Market-Maker (Secondary market)