



BENEFITS OF SUKUK FOR INFRASTRUCTURE DEVELOPMENT IN PAPUA

Fitria Pangesti¹, Dewi Shinta Nuriyah², Siti Nur Haliza³

¹²³IAIN Fattahul Muluk, Papua, Indonesia

fitriapangesti5@gmail.com

Abstract: Sukuk are certificates that present proof of ownership which is divided into tangible assets, benefit value, services or ownership of project assets or investment activities. Issuance of Sukuk for general state financing purposes or financing specific projects, such as the construction of alternative roads, airports, educational facilities and hospitals. This journal will focus on the benefits of sukuk for the development of Eastern Indonesia and aims to understand the impact and benefits of sukuk issuance in the context of economic and infrastructure development in the Eastern Indonesia region, especially Papua. It is stated in Law Number 19 of 2008 concerning State Sharia Securities, SBSN or State Sukuk, namely state securities whose issuance is based on sharia principles, is proof of participation in SBSN assets, both in rupiah and foreign currency. In general, there are several types of sukuk, namely: Mudharabah Sukuk, Murabahah Sukuk, Musyarakah Sukuk, Salam Sukuk, Istishna Sukuk, Ijarah Sukuk. The rate of economic growth and investment in a country or region cannot be separated from the availability of infrastructure such as transportation, telecommunications, sanitation and energy. This causes infrastructure development to become the foundation of sustainable economic development. Sukuk are starting to be used to finance government projects in various countries and one of them is in Eastern Indonesia, such as alternative roads, namely the Youtefa Bay Bridge and Siboru Airport in Nabire, West Papua.

Keywords: Benefits, Financing, Sukuk, Development, Eastern Indonesia



INTRODUCTION

Sukuk is a certificate that presents proof of undivided ownership of a tangible asset, benefit value, service, or ownership of assets of a particular investment project or activity. The issuance of the Sukuk is intended for general state financing purposes or for financing specific projects, such as the construction of alternative roads (Youtefa Bay Bridge), airports (Siboru, Fakfak and Douw Aturure Regency, Nabire), educational facilities in Papua, and hospitals.

What we can see from the benefits of sukuk from an Eastern Indonesia perspective is that the alternative route to koya, namely the "Youtefa Bay Bridge", is one of the many projects built using funds from the issuance of Retail State Sukuk. The benefit of building this bridge is that it speeds up the travel time from Jayapuran City to the Skouw border (the border between Indonesia and Papua New Guinea) from the initial travel time of 2.5 hours, now it can be reached in 1 hour.

Apart from that, Sukuk can provide benefits to the economy in Papua by providing an alternative source of funding for infrastructure and other development projects. This can improve connectivity and accessibility, opening up investment opportunities and local economic growth. Thus, sukuk can help reduce economic disparities in Papua.

The discussion in this journal will focus on the benefits of sukuk for the development of Eastern Indonesia. The aim is to understand the impact and benefits resulting from the issuance of Sukuk in the context of economic and infrastructure development in the Eastern Indonesia region, especially Papua. Through this research, it is hoped that it will provide a better understanding of the role of Sukuk in Papua's development, and can assess the impact of infrastructure development funded by Sukuk, such as bridges or airports, on connectivity and accessibility in Papua.

RESEARCH METHOD

This research uses qualitative research methods with data collection and analysis techniques using a literature study approach. The data obtained comes from print media, electronic media.

RESULTS AND DISCUSSION

Infrastructure Project Financing

Infrastructure plays an important role in a country's economic growth. Infrastructure includes roads, highways, railways, ports and air. Good infrastructure for electrical energy, fuel oil (BBM) and gas is also needed to support transportation, industry and households. Proper and adequate infrastructure is able to increase the acceleration of a country's economic and social development through the creation of resulting effectiveness and efficiency. The availability of good infrastructure is able to influence economic growth through creating interregional relations and facilitating resource allocation. (Putri and Wisudanto 2017)

Financing is funding to support planned investments, which is provided by one party to



another, either by themselves or by an institution. The World Bank Report states that infrastructure is divided into 3 groups, namely Economic infrastructure, Social infrastructure and Administrative Infrastructure (Faculty and University 2020). Basically, the focus of infrastructure development is the responsibility of the government, both central government and regional government. Infrastructure investments should be suitable to be financed through sharia financing schemes because infrastructure is an asset and infrastructure projects do not contain any activities that are prohibited by sharia.

State Sharia Securities

It is stated in Law Number 19 of 2008 concerning State Sharia Securities, SBSN or State Sukuk, namely state securities whose issuance is based on sharia principles, is proof of participation in SBSN assets, both in rupiah and foreign currency. The word Sukuk comes from the Arabic shukuk, the plural form of the word shaak, which in economic terms is defined as a legal instrument, deed or check. (Tantangan 2011)

In terms of understanding, Sukuk is almost similar to conventional bonds, the main difference is that Sukuk uses the concept of rewards and profit sharing to replace interest, there are supporting transactions (underlying transactions) in the form of a specified number of assets (underlying assets), and there is an aqad or contract between various parties. related based on sharia principles/rules. (Khatimah 2017)

Assets in SBSN are State Property (BMN) whose construction is financed by SBSN BMN which have economic value in the form of land and/or buildings or other than land and/or buildings. Apart from that, so that Sukuk are safe and free from usury, gharar and maysir, Sukuk need to be structured according to sharia. In accordance with the reference from the National Sharia Council's fatwa regarding sharia bonds, the contract for SBSN issuance uses the mudharabah/muqaradah, musyarakah, ijarah, salam, murabahah, and istisna contracts. (Trisnawati 2011)

Types of Sukuk

In general, sukuk are stable income-supporting wealth, tradable and sharia-compliant certificates of trust. Based on the type of contract used, sharia bonds (sukuk) can be divided into the following types: (Ramadayanti, Mainata, and Pratiwi 2018)

- a. Mudharabah Sukuk. Mudharabah Sukuk are securities that contain mudharabah.

Mudharabah is a cooperation agreement with a profit sharing, trust investment or trust financing scheme between the capital owner (sahib almal, malikataurab al-mal) and the entrepreneur (mudharib, 'amil) where the capital owner hands over his capital to be managed by the entrepreneur.

- b. Murabahah Sukuk, Murabahah Sukuk are securities that contain a murabahah contract.

Murabahah is a sale and purchase agreement for goods between a seller and a buyer



where both agree on the acquisition price and profit (margin). The seller buys goods from another party and sells them to the buyer by telling the purchase price and the profit he wants to obtain from selling the goods.

- c. Musyarakah Sukuk, Musyarakah Sukuk are securities that contain a musyarakah contract.

Musyarakah is cooperation or partnership where two or more people agree to combine capital or work and are involved in managing the business.

- d. Salam Sukuk, Salam Sukuk are securities that contain a greeting agreement.

Salam is a purchase of goods made with payment up front but the delivery of the goods is made at a later date.

- e. Istishna Sukuk, Istishna Sukuk are securities that contain an istishna agreement.

Istishna' is a sale and purchase contract in the form of an order for the manufacture of certain goods with certain criteria and conditions agreed between the orderer (buyer, mustashni') and the seller or maker (shani').

- f. Ijarah Sukuk, Ijarah Sukuk are securities that contain an ijarah contract.

Ijarah is a rental contract in which there is a transfer of the right to use or benefit from a good or service within a certain time with payment of rent without being accompanied by a transfer of ownership rights.

Infrastructure Development

One part of development is infrastructure development. Infrastructure development is an important and vital aspect to accelerate the development process of a country. Infrastructure also plays an important role as one of the driving wheels of economic growth when viewed from the current period, where the indicator is how good the quality of a country's infrastructure is. The rate of economic growth and investment in a country or region cannot be separated from the availability of infrastructure such as transportation, telecommunications, sanitation and energy. This is what causes infrastructure development to become the foundation of sustainable economic development. Increased infrastructure and improvements by the government are expected to spur economic growth (Gultom and Tini 2020).

Development in Papua Using Sukuk Funds

Sukuk are certificates that present proof of undivided ownership of a tangible asset, benefit value, service, or asset ownership of a particular project or investment activity. The development of Indonesian State Sukuk is quite promising as a potential alternative source of state funding. However, Sukuk have a number of features, including that they can be traded, can be offered to any national or global investor, and are safe because they are guaranteed by real underlying assets. Sukuk are also starting to be widely used to finance government projects in various countries and one of them is in Eastern Indonesia, the construction of



projects such as alternative roads (Youtefa Bay Bridge), airports (Siboru, West Papua and Douw Aturure, Nabire), educational facilities. in Papua, and Hospitals.

1. Youtefa Bay Bridge

Youtefa Bridge (formerly called Holtekamp Bridge) is one of the bridges in Papua Province that connects Holtekamp with Hamadi. The change in the name of the Holtekamp Bridge to the Youtefa Bridge was based on the request of the Tobati and Enggros indigenous people whose territory the bridge crosses. The change in the name of the bridge is also based on the location of the bridge over Youtefa Bay. This bridge is classified as the first steel arch type bridge built in Papua. The Youtefa Bridge has been equipped with 29 units of ReachElite Powercore lights and combined with 125 units of Vaya Flood RGB Medium Power. This bridge is also the longest steel arch bridge in Papua.

The Youtefa Bay Bridge in Papua Province was financed from State Sharia Securities (SBSN)/State Sukuk funds amounting to IDR 1.3 trillion and supplemented by contributions from the Regional Government of Papua Province and Jayapura City APBD funds amounting to IDR 500 billion. Financing from SBSN is carried out using a Multi Years Contract (MYC) scheme starting from Fiscal Year (FY) 2015 to FY 2019. The construction of the Youtefa Bridge is a collaboration between the Central Government, namely the Ministry of PUPR, the Papua Provincial Government and the Jayapura City Government. The Ministry of PUPR played a role in the construction and installation of the main span of the 400 meter long bridge, construction of the Hamadi-Holtekamp side approach bridge 93 meters long (Hamadi side 33 meters, Holtekamp side 60 meters), and the Hamadi-Holtekamp side bridge approach road 9950 meters long. Meanwhile, the Papua Provincial Government played a role in building a bridge approaching the Holtekamp side along with 840 meter long pile slabs. Meanwhile, the Jayapura City Government contributed to the construction of a 320 meter road approaching the Hamadi side.

The construction of this bridge was carried out by BUMN Karya, namely a consortium of contractors PT Pembangunan Perumahan, PT Hutama Karya and PT Nindya Karya. The two middle spans of the Youtefa Bridge were sent by ship, traveling 3,200 kilometers in 19 days. The installation of the first span was carried out on February 21 2018 while the second span was installed on March 15 2018 with an installation time of approximately 6 hours. For this innovation, the Indonesian Museum of Records (MURI) gave two awards, namely the delivery of the central arch steel frame intact for the farthest distance and the longest lifting of the bridge steel frame intact.

With the completion of this bridge, it will ultimately shorten the distance from Jayapura City to Muara Tami District and the Skouw State Border Post (PLBN). Before this bridge was built, the journey from the Jayapura City government area to Muara Tami District covered a distance of 35 km with a travel time of around 1 hour. But currently, if



you cross the Youtefa Bridge, the distance is 12 km with a travel time of around 15 minutes. The Youtefa Bridge connecting the main area of Jayapura City with the Muara Tami District has become one of the supporting factors for Papua's economic revival. Based on data from the Ministry of Finance, the Youtefa Bridge can also shorten the time from Jayapura City to the Skouw border (border with Papua New Guinea) from previously taking up to 1.5 - 2 hours, now to 30-40 minutes. And the Youtefa Bridge in the surrounding area has also connected Hamadi District with Muara Tami District in eastern Jayapura, shortening travel time from 90 minutes to 20 minutes.

2. Siboru and Douw Aturure Airports

Siboru Airport in Fakfak Regency, West Papua and Douw Aturure Airport or Nabire Baru Airport in Nabire Regency, Central Papua have officially become air bridges in the Papua region. This was after President Joko Widodo inaugurated both of them on Thursday, November 23 2023. The Minister of Transportation said that the building design of these two airports carries the concept of local wisdom with a simple modern touch. The design of the Siboru Airport building uses the concept of One Furnace, Three Stones, which can be seen from the three roofs which reflect the people of Fakfak Regency living in harmony. Meanwhile, the architecture takes the concept of the Thousand Foot House, namely the traditional house of the Arfak tribe in West Papua.

The construction of these two airports uses the State Revenue and Expenditure Budget (APBN) which comes from State Sukuk. The cost of building Siboru Airport is IDR 891 billion and Nabire Baru Airport is IDR 671.54 billion. The presence of these two airports is considered necessary, because the Papua region is increasingly developing, with more development and increasing economic activity requiring better facilities and means of transportation.

It is believed that the existence of Siboru Airport and Douw Aturure Airport, which are National Strategic Projects (PSN), will improve connectivity in Papua, increase the mobility of people and goods, and open up many opportunities to trigger the growth of new economies. Siboru Airport and Nabire Baru Airport have a runway length of 1,600 m x 30 m so that ATR 72 and similar aircraft can pass. Siboru Airport has a terminal area of 4,600 m² which can accommodate up to 153,945 passengers per year. Meanwhile, Nabire Baru Airport has a terminal area of 6,320 m² which can accommodate up to 289,700 passengers per year.

Sukuk Opportunities

Even though Sukuk in Indonesia are still new and there are not as many as in Arab and Nor-Arab countries which have been issuing them for a long time, the prospect of sukuk in Indonesia as an investment is still predicted to grow. Several potentials that could provide opportunities for the development of sukuk in Indonesia:

1. Potential for Safe Liquidity Distribution



Liquidity difficulties in the financial sector in countries in the Americas and Europe are one of the impacts of the global economic crisis. Meanwhile, countries in the Middle East region as oil producing areas are currently still areas experiencing liquidity surpluses. This condition could be an opportunity for countries that want the flow of funds from the Middle East and Indonesia to enter this country.

2. Promising Indonesian Economic Growth

Indonesia, as the country with the largest Muslim population in the world, certainly has a very good project in developing sukuk. Indonesia is also assessed by sharia economic practitioners as the prototype of the largest democratic Islamic country in the world with a very promising level of economic growth. Apart from being a good investment for the government and investors, sukuk can also be used as an alternative reserve in overcoming the APBN deficit apart from being a source of budget funds obtained from taxes. The government is also looking for alternative sources of funds through sukuk which are included as non-tax sources of income. In Indonesia, sukuk are used by the government as an effective monetary policy instrument for Bank Indonesia in the future.

Sukuk Challenge

Some of the challenges faced by Indonesia in developing the sharia bond (sukuk) market in Indonesia include:

1. Limited human resources and market players' understanding of sharia capital market products
2. Lack of socialization of sharia products, especially Sukuk
3. There are still limited types of contracts and sharia capital market products
4. Regulations related to the sharia capital market are not updated enough

In investment and economic development in Indonesia, the Covid-19 pandemic has devastated the world economy. Many analysts say that this is an extraordinary global recession tsunami. The lockdown policy of several countries to avoid the spread of the virus has had fatal consequences for the distribution of goods and services, production and ultimately resulted in losses in all sectors and all levels of society, especially import and export activities. The government is also required to carry out free vaccinations to be able to tackle this easily contagious virus. The IMF calculates the estimated world economic growth due to this pandemic at minus 3.0 in 2020 to 2021. Developed countries are expected to experience serious impacts and will have to accept their economic growth at minus 6 percent, while developing countries are also experiencing the same contraction but their growth is not worse than developed countries (Mogaji, 2020) and (Hairunnisa, 2020). Another challenge is that many people still feel that human resources in terms of sharia investment, especially sukuk, are very minimal. Sharia expertise as well as integrated economic expertise must be realized so that understanding of the urgency of sharia-based investment is more solid. If not, of course this will erode public trust and create a stigma that sharia finance and conventional finance



are no different. The challenge to the credibility of the sharia economic and financial system must of course continue to be improved (Lubis, 2020).

CONCLUSION

Sukuk is a certificate that proves ownership of tangible assets, benefit value, services or ownership of project assets. Sukuk issuance is usually for general state financing purposes or project financing. In Law Number 19 of 2008 concerning SBSN (State Sharia Securities) or State Sukuk, namely state securities whose issuance is based on sharia principles, is proof of participation in SBSN assets. There are several types of sukuk in general, namely: Mudharabah Sukuk, Murabahah Sukuk, Musyarakah Sukuk, Salam Sukuk, Istishna Sukuk, Ijarah Sukuk. Economic growth and investment in a country or region cannot be separated from the availability of infrastructure such as transportation, telecommunications, sanitation and energy. This causes infrastructure development to become the foundation for sustainable economic development.

REFERENCES

- Abdurrochim, Andi. 2019. "Diresmikan Presiden, Jembatan Youtefa Dibangun Melalui Sukuk Negara". Kementrian Keuangan. Diakses 20 Mei 2024. <https://www.djppr.kemenkeu.go.id/diresmikanpresiden,jembatanyoutefadibangunmelaluisukuknegara>.
- Thenniarti, Dian. 2023. "Bandara Siboru dan Nabire Baru Resmi Jadi Jembatan Udara Di Papua". Info Publik. Diakses 20 mei 2024. <https://infopublik.id/kategori/nasional-ekonomi-bisnis/801248/index.html>.
- Armadiyanti, P. (2013). Opportunities and Challenges for the Development of Sharia Bonds (Sukuk) in Indonesia. *AKUNESA2 Accounting Journal*, 1.
- University Faculty, Accounting, and Business. 2020. "SOVEREIGN SUKUK AS AN ALTERNATIVE OF INFRASTRUCTURE PROJECT FINANCING IN INDONESIA: SYSTEMATIC LITERATURE REVIEW." 7(12): 2361–74. doi:10.20473/vol7iss202012pp2361-2374.
- Gultom, Rifyal Zuhdi, and Annisa Qadarusman Tini. 2020. "Infrastructure Development in Islam: Economic and Social Overview." *Scientific Journal of Islamic Economics* 6(2): 203. doi:10.29040/jiei.v6i2.912.
- Khatimah, Husnul. 2017. "Sukuk and its Contribution in Development Financing." *Optimization: Journal of Economics and Entrepreneurship* 11(1): 83–103. doi:10.33558/optimal.v11i1.211.
- Laila, N. (2019). Development of Sovereign Sukuk in Indonesia: Comprehensive Analysis in exploring Alternative Solutions and Strategies for Development of Indonesian Sovereign Sukuk.



- Putri, Erika Sefila, and Wisudanto Wisudanto. 2017. "Infrastructure Development Financing Structure in Indonesia to Support Economic Growth." *Science and Technology Journal of Proceedings Series* 3(5): 222–28. doi:10.12962/j23546026.y2017i5.3136.
- Ramadayanti, Rizky Suci, Dedy Mainata, and Angrum Pratiwi. 2018. "The Role of State Sukuk in Infrastructure Financing." *Al-Tijary* 2(2): 155. doi:10.21093/at.v2i2.788.
- Challenge, D A N. 2011. "DEVELOPMENT OF SHARIA BOND (SUKUK) IN INDONESIA: OPPORTUNITY ANALYSIS." (144).
- Trisnawati, Desi. 2011. "SUKUK AS AN ALTERNATIVE TO SHARIA INVESTMENT IN INDONESIA Desi Trisnawati □." Sharia Department, Sharia Banking Study Program, STAIN Salatiga.