



MUNICIPAL SUKUK AS AN ALTERNATIVE SOURCE OF ACEH DEVELOPMENT FUND

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ABSTRACT

This study explores the understanding of perception of opportunities of issuance, obstacles and strategies towards the development of Municipal Sukuk in Aceh. The research method used is descriptive qualitative, with data collection techniques used including (1) Interviews with Various Stakeholders including local and financial authorities, academia, and regional house of representatives related to the municipal sukuk of Aceh, (2) Documentation conducted through photos and records and (3) Triangulation. The study results show that Municipal Sukuk is an Alternative financial instrument to the special autonomy fund, which has a great opportunity for implementation in Aceh. This study also reveals several obstacles, such as Lack of readiness in the Aceh's local government related to Municipal Sukuk issuance. This study proposes several development strategies that can be carried out, including forming a joint team to accelerate the issuance of Municipal Sukuk, making Municipal Sukuk one of the main topics of MUSRENBANG (Musyawarah Rencana Pembangunan/Development Plan Deliberation), holding scientific discussions and FGDs and increasing the socialization of Municipal Sukuk to various groups. This research carries out novel findings of the purpose of using Sukuk as an alternative to Aceh's development funds. The practical implications of this study are expected to increase awareness of the need for alternative financing as Aceh's development funds.

Keywords: Municipal Sukuk, Special Autonomy Fund, Infrastructure, Aceh Province.

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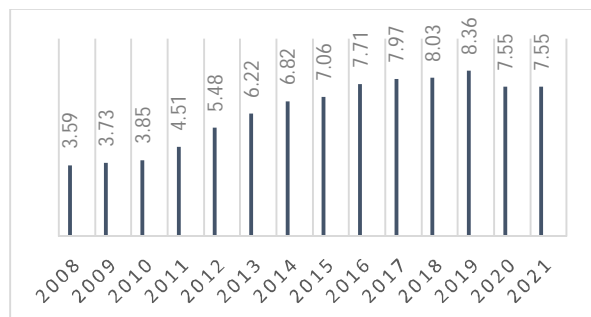
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INTRODUCTION

Aceh Special Autonomy Fund

The Special Autonomy Fund (Dana Otonomi Khusus) is a derivative product of Aceh's special autonomy status after the Helsinki MoU (Memorandum of Understanding) as imposed by UUPA (Undang-Undang Pemerintah Aceh/ The Government of Aceh Act). The Special Autonomy Fund was given to Aceh Province after considering the prolonged conflict and tsunami disaster in Aceh (Akbar et al., 2021). The Special Autonomy Fund is included in affirmative policies taken in the context of accelerating economic, social, cultural, educational, infrastructure, and several other aspects, which are limited to 20 years with an estimate that in that time period will be sufficient for Aceh to catch up other provinces in Indonesia. Referring to article 183 paragraph 2 of the Government of Aceh Act (UUPA), in between the period of 2008 to 2022 the special autonomy funds is allocated equivalent to 2 percent of the ceiling of the National General Allocation Fund (DAU). Subsequently, by the period of 2023 to 2027, the allocation is decreased to 1 percent of National DAU ceiling (Sanur, 2020). The Aceh government needs to be vigilant because from 2023 until the end of the 2027 special autonomy fund, Aceh has only received 1 percent of the National DAU ceiling. According to data released by the Ministry of Finance of the Republic of Indonesia, the special autonomy funds disbursed to Government of Aceh by 2021 is equivalent to 88.43 trillion (DJPk Kemenkeu, 2021).

Chart 1. Aceh Province Income from Special Autonomy Fund in 2008-2021 (In Trillion Rupiah)



Source: Aceh Provincial Government (2022)

Among many sectors that require financing, infrastructure and tourism are the two sectors that can potentially provide a multiplier effect in the economy of Aceh. The development carried out on the field of infrastructure and supporting facilities of tourism sector will provide added value to the economy of the. This statement is supported by the special geographical characteristics of Aceh that contribute significantly to the economic potential of the region's tourism sector. The majority if not all districts or cities in Aceh are enriched by the advantages of tourism, whether derived from its

APPLICATIONS FOR PRACTICE

- Aceh Government Act imposes allocation of Special Autonomy Fund for 20 years which will end in 2027.
- According to the act Aceh Government has the authority to issue Municipal Sukuk which promises bright prospects and wide-open opportunities. This is supported by the economic ecosystem and social conditions in Aceh which must observe Islamic law.
- Fundamental issues need to be addressed by the authorities related to issuance of municipal sukuk concerning lack of public understanding and literacy about the instrument. Local governments have not made municipal sukuk an alternative financing, the approval of DPRA (Dewan Perwakilan Rakyat Aceh) members regarding municipal sukuk.

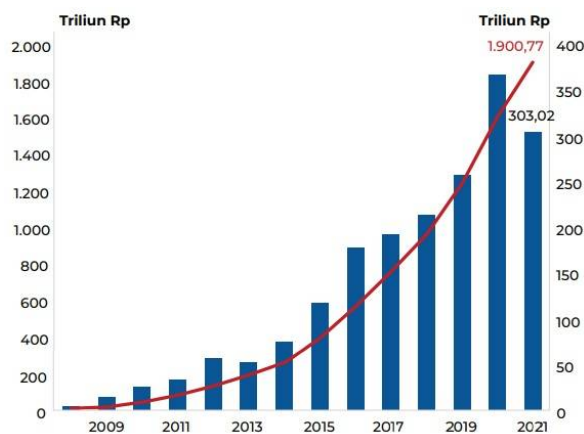
natural cultural, religious or historical aspect of the region (BAPPENAS, 2015). However, the impact of the tourism sector to Aceh's economy is failing to fulfil its potential, this can be discerned from the subdued growth in the influx of foreign tourists to Aceh, as evidenced by data released by BPS (Badan Pusat Statistik / Central Statistics Agency) in 2018 were 33,276 tourists, in 2019 there were 34,465 tourists and in 2020 in the first quarter of this year, pre-pandemic as many as 10,402 tourists (BPS, 2020). The infrastructure sector, KEKAL (Kawasan Ekonomi Khusus Arun Lhokseumawe/Special Economic Zone Arun Lhokseumawe) and KIA (Kawasan Industri Aceh/Aceh Industrial Zone) Ladong are two examples that need to be further developed and their supporting facilities. On the other hand, the post for infrastructure spending occupies the top position in the special autonomy fund allocation. A report released by BAKN DPR RI (2020) states that the average of infrastructure budget allocation in 2014-2018 is Rp. 3.39 trillion or equivalent to 45.34 percent of overall budget of Aceh Province Government. Nonetheless, those prioritized spendings are deemed as insufficient to develop KEKAL and KIA Ladong. Focusing financial resources in developing infrastructure sector and supporting facilities will help the government in cultivating the economic multiplier effect of KEKAL and KIA Ladong which contributes to the economic growth and prosperity of Aceh people.

The diminishing special autonomy funds, and decreasing financing support from DAU will pose a challenging impediment for Aceh in tourism and infrastructure sector. A new alternative financing instrument is needed to meet Aceh's future development, which must observe Islamic values that have become the identity of the Acehnese

people. Alternative financing, other than special autonomy funds is essential to maintain Aceh's development expectations.

Sukuk has become one of the strongest emerging financial instruments. It is a popular financial instrument in most of Muslim countries. Another strong point of sukuk which add to its beneficial advantage is that it embraced by both Muslim and Non-muslim communities (Zulkhibri, 2015). Sukuk as an instrument in the Islamic financial market have grown and developed. globally, by replicating the concept of securities assets in conventional markets, which subsequently adapted to Islamic financial norms. Sukuk are free from *usury, maysir, and gharar* (Suriani et al., 2018). The most fundamental distinction between Sukuk and bonds can be discerned in the adherence to Sharia principles as derived from the Quran and Hadith, whereas bonds overlook Sharia values in their execution. Furthermore, Sukuk transactions are structured not as debt instruments but as participatory arrangements. This signifies that transactions within the Sukuk context are investments rather than debt obligations (Fasa, 2016). The following is a chart of sovereign sukuk growth in Indonesia.

Chart 2. Indonesia Sovereign Sukuk Growth 2008-2021 (In Trillion Rupiah)



Source: Bank Indonesia (2022), Otoritas Jasa Keuangan (2022)

Municipal Sukuk are an alternative form of special autonomy funds that can be implemented in Aceh and are in line with Islamic values. The issuance of Municipal Sukuk in Aceh is believed to hold a significant potential for success, similar to the success observed in the case of Pasir Gudang, Johor, Malaysia, and Saxony-Anhalt, Germany (Triyanta, 2020).

While Sukuk has been extensively discussed in the literature, research and scholarly inquiry into Municipal Sukuk as a potential alternative to special

autonomy funds are conspicuously scarce, if not entirely absent. This paper aims to fill the void in terms of how Municipal Sukuk can become an alternative to special autonomy funds, especially in Aceh, elucidating its issuance prospects, obstacles encountered, and formulating a strategic roadmap for the development of Municipal Sukuk so that it can be realized as an alternative to Aceh's special autonomy funds in the future.

LITERATURE REVIEW

Public Economic Theory

Mangkoesoebroto & Prasertiantono (1994) defines that, public economics describes the reasons why the government must participate in managing and regulating the economy, the reasons for the emergence of monopolies and their consequences for the macro economy, why positive and negative externalities arise, how the mechanism for providing public goods and tax distribution is carried out. The government has an important role in maintaining domestic defense and security, upholding justice, and providing goods and infrastructure and others that are not provided by the private sector, such as roads and dams. The role of the government is very necessary in carrying out its function to accelerate economic growth so that it has an impact on increasing the standard of living of the population at a decent level. Government functions can be classified in three forms (Musgrave & Musgrave, 1989) namely (1) the allocation function which is translated as a government function in providing public goods or a mechanism used to allocate resources as private property or public property as well as a mechanism for determining public goods. (2) The distribution function in public policy is a form of adjusting the distribution of income and wealth to ensure equity and justice. From the aspect of the distribution function, the nature of the distribution function compared to the allocation function is more difficult to solve and is a major problem in determining public policy. And (3) the stabilization function which in public policy is oriented to budget policy and is often used as a tool to maintain the level of employment and economic stability, as well as to increase economic growth by considering the impact of policies on trade and balance payment.

In the endeavor to pursue public-oriented economic policies and development, the central government requires substantial budgetary allocations. Sukuk, as one of the fiscal instruments in public economics, has been extensively employed in facilitating the provision of various public infrastructure projects by the central government, including railway lines, roads, bridges, hajj dormitories, and others. However, local

governments, in the pursuit of their public economic policies, do not possess the same autonomy as the central government when it comes to issuing municipal sukuk to finance development projects within their respective regions. Following the post-reform era and the process of fiscal decentralization, opportunities have arisen for local governments to issue municipal sukuk, particularly in the context of fiscal power transfer from the central government to local governments through fiscal decentralization.

Fiscal Decentralization Theory

The implementation of decentralization in Indonesia officially began on January 1, 2001, decentralization and regional autonomy along with laws and regulations require the transfer of fiscal authority from the central government to local governments to regulate and manage their own regions (Permai et al., 2021). Fiscal decentralization is one of the key concepts in public finance theory and a commonly used policy measure in public sector reform (Yushkov, 2015). Fiscal decentralization also allows local governments to achieve fiscal independence (Chen & Liang, 2021). In its implementation, fiscal decentralization puts forward the principle that money must follow a function where every grant of authority from the central government to local governments is followed by the distribution of authority in the aspect of receiving funds. In theory, fiscal decentralization will assist local governments in adjusting their budgets to local needs and provide a more efficient distribution of public services and local revenues at the local level (Yasin, et al, 2021).

Through fiscal decentralization, local governments are endowed not only with the jurisdiction over the administration of local government revenue and expenditures but also with the capacity for issuing regional debt within the conventional financial framework, as well as municipal sukuk within the context of Islamic finance. The funding derived from regional bonds and municipal sukuk is anticipated to catalyze economic growth and development within the respective regions.

Special Autonomy

Hendratno (2009) elucidates a fundamental understanding of special autonomy, positing that the delegation of authority or division of responsibilities within the two special autonomy laws (Aceh and Papua) embodies the substantial principle of subsidiarity. This principle, within the federal system of government, entails the delegation of duties and authority. Prasadjo, as cited in Suharyo (2018), contends that, as a prerequisite for the allocation of government competencies and tasks, the principle of subsidiarity establishes

boundaries and value frameworks. These frameworks dictate that government competencies and tasks must pertain directly to the smallest territorial unit (local unit), devoid of inter-territorial and regional connections. Furthermore, these competencies and tasks must be managed by the designated territorial or regional unit and may not be administered by a higher-level territorial unit.

Special autonomy grants various forms of authority, discretion, and distinctiveness to the government of Aceh in the execution of its governance functions. Aceh province possesses several distinctive features, such as the implementation of Islamic Sharia law, the establishment of local political parties, and, notably, the issuance of regional bonds or municipal sukuk, referring to article 187 of the Government of Aceh Act (UUPA), which states that 'The Government of Aceh and the governments of regencies/cities may issue regional bonds in accordance with prevailing regulations.' This provision elucidates the unique attributes of Aceh Province in the issuance of Municipal Sukuk.

Special Autonomy Fund

In accordance with the provisions in Law No. 35 of 2008 regarding the Determination of Government Regulations in Lieu of Law Number 1 of 2008 concerning Amendments to Law Number 21 of 2001 concerning Special Autonomy for the Papua Province to become Laws and Law Number 11 of 2006 concerning the Government of Aceh, Special Autonomy for Funds is the allocation of funds intended to finance the implementation of special autonomy in a region. In a broader perspective, the special autonomy fund is part of the Transfer Fund to Regions and Villages (TKDD). TKDD is part of state spending in order to fund the implementation of the fiscal decentralization policy which is part of the decentralization policy. The TKDD consists of the Balancing Fund, the Regional Incentive Fund, the Special Autonomy Fund, the Yogyakarta Privileges Fund, and the Village Fund (Arianto et al., 2021).

The special autonomy fund allocated to Aceh is subject to a predefined time limit and is set to conclude by 2027. The outstanding developmental challenges and the economic reliance on these special autonomy funds necessitate the exploration of new alternatives. In the context of Aceh's unique circumstances and in alignment with Islamic Sharia principles, the most fitting option is the issuance of municipal sukuk as an alternative to the special autonomy fund.

Municipal Sukuk

Sukuk is a plural word in Arabic which comes from the word Sakk which means bonds or securities that refer to sharia principles, sukuk are also known as Islamic bonds or sharia investment certificates (Razak et al., 2019). Municipal Sukuk are a sharia version of regional bonds (conventional instruments), namely sharia securities issued by regional governments, which are intended to finance regional development. Through the issuance of sukuk, local governments can expedite development initiatives across diverse sectors, encompassing infrastructure projects like bridges, roads, and ports, among others (Hastuti & Santoso, 2018).

While sukuk issuance has become a common practice for the central government, the same cannot be said for municipal sukuk issued by local governments. Sukuk has demonstrated its significant contribution to national infrastructure development; however, municipal sukuk has yet to establish its impact on regional development. The deployment of municipal sukuk as an alternative to the Aceh special autonomy fund is anticipated to showcase its effectiveness in accelerating development within Aceh. It is hoped that municipal sukuk will serve as a viable solution for Aceh's development challenges, achieving success similar to that of central government sukuk.

Previous Academic Research

Writing and research on sukuk has gained momentum and popularity among policy makers, academics and practitioners since the late 1990s, and the number of writings in the form of articles, books, papers and others has increased substantially (Razak et al., 2019). However, the authors have not found any writings that focus on the function of sukuk as an alternative to special autonomy funds in Aceh. The novelty that the author focuses on in this research is how Sukuk can be an alternative to Aceh's special autonomy funds. Here are some articles that discuss the previous sukuk.

An article on sukuk that analyzes the effect of sukuk on inflation and economic growth in Indonesia through the transmission of monetary policy. The results show that in the short term Sukuk do not have a balanced relationship and influence on inflation, but sukuk have a balanced relationship and influence on economic growth and the composite stock price index through the asset price channel. This shows the importance of increasing sukuk, especially in the capital market to support sustainable development, because capital financing for companies and fiscal deficit financing for the government can be obtained from the residents themselves so that Indonesia's dependence on foreign debt can be reduced and the

development process continues (Suriani et al., 2019).

Sukuk can also be used as a method of funding NRE (New Renewable Energy), because the research conducted by Mujizat (2021) used a single case study method where the results showed that the Ministry of Finance and the Ministry of Energy and Mineral Resources played a key role. The Ministry of Finance acts as the issuer of the Green Sovereign Sukuk and the Ministry of Energy and Mineral Resources as the owner of the project in the NRE sector, so good coordination is needed between the two Ministries. In addition, two main obstacles were found in this study, namely the lack of coordination between ministries that affected the preparation of impact reports and the lack of competence of local governments in managing and operating NRE plants.

Municipal sukuk are also the object of research in Saudi Arabia, where research results suggest the implementation of Municipal Sukuk (MuSk) by cities and independent public service institutions in Saudi Arabia, this is because MuSk is considered to be able to improve resource management more efficiently and in line with the Arab National Transformation Programme. Saudi Arabia and part of its economic modernization efforts to achieve vision 2030 (Al-Ajlouni & Al-Habeeb, 2021).

RESEARCH METHODOLOGY

This researcher uses the descriptive qualitative method to explain a phenomenon by observing and collecting data focusing on the substance of deep meaning. This method and approach were chosen because the municipal *sukuk* is an alternative funding concept for the regions in the future, especially Aceh, after the special autonomy fund is completed in 2027. Therefore, it is necessary to develop concepts and theories which are described descriptively. This research was conducted in Aceh Province, precisely in Banda Aceh, the Capital of Aceh Province. In this study, the research object focuses on the application of Municipal Sukuk in Aceh, which can later become an alternative to special autonomy funds.

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Banda Aceh as the Capital of Aceh Province. In this study, the object of research focuses on the application of Municipal Sukuk in Aceh which can later become an alternative to special autonomy funds.

The primary data in this study were collected from questionnaires and obtained by conducting direct interviews with some respondents, including elements of the local government, namely the Aceh Regional Development Planning Agency (BAPPEDA) as the executive, the Aceh People's Representative Council (DPRA) Aceh Province as the legislature, elements of central government institutions are the Aceh Province Financial Services Authority (OJK) and Aceh Representatives IDX, as well as Sharia Economics Academics. Secondary data in this study were obtained and sourced from published books, journals and print and electronic media. Data collection techniques were carried out in three ways: in-depth interviews with respondents, then documentation in the form of recordings/recorders and photos, and triangulation.

Triangulation is carried out to check the correctness of data or information obtained by researchers from various points of view by reducing as much bias as possible to increase validity measurements and strengthen the credibility of research findings by comparing them with various approaches. The process of triangulation is systematically executed in three phases. In the initial phase, data sources derived from five informants with diverse backgrounds undergo rigorous cross-comparison, complemented by a meticulous validation process against a subset of official data releases from their respective institutions, ultimately culminating in the formulation of preliminary conclusions. In the second phase, peer reviews are solicited to solicit external viewpoints on the research process and findings, contributing to the development of ultimate conclusions. Finally, in the third phase, the ultimate conclusions are revisited with each respondent to undergo a final round of scrutiny and validation.

RESULT AND DISCUSSION

Municipal Sukuk Issuing Opportunities

The outcomes of interviews conducted with researchers produced affirmative responses concerning the feasibility of issuing Municipal Sukuk as an alternative source for special autonomy funds in Aceh. These findings were complemented by specific observations. The first informant emphasized that Municipal Sukuk holds substantial potential, signaling a timely shift for Aceh to orient

its financial framework toward Sukuk as an alternative financing mechanism.

"...In my opinion, the potential of our sukuk is very big. The reason why sukuk has not been empowered before is because of sufficient funding, so with the large special autonomy funds, these sukuk are considered not really needed. But maybe it's time for Aceh to think about it, with our reduced income, Municipal Sukuk could be the solution. I think it would be good if the Municipal Sukuk could be used as alternative financing for development in Aceh..."

The second respondent agreed and believed that sukuk had high and profitable benefits. The following is the statement of the sources regarding Municipal Sukuk:

"...Yes, I concur with the issuance of municipal Sukuk, but the Sharia-compliant ones, not the conventional ones. Based on the outcomes of my preliminary research, Municipal Sukuk appear to be promising in terms of profitability. Although they have yet to be actualized, if realized in the future, they have the potential to yield substantial advantages and benefits..."

Meanwhile, the third respondent emphasized the importance of further studies on Municipal Sukuk as follows:

"...Even if we want to discuss the issuance of Municipal Sukuk, of course it must be reviewed again because there are many aspects that must be seen, what sector, where to aim for, after that everything is submitted to the OJK, the term is a registration statement to the OJK. After that there is a public offering, after the public offering it must be confirmed again whether there is a purchase or not, that must be reviewed again..."

In interviews with the fourth respondent, the opportunity for the issuance of Municipal Sukuk and the importance of alternative funding in financing development and awareness of the Local Government was presented. The following is a statement from the fourth informant:

"...First of all, if we talk about the opportunity to issue Municipal Sukuk, of course there is a chance, the problem is whether the parties who have internal interests, in this case the Government, view Municipal Sukuk as an alternative or not, or even the Government does not understand about Municipal Sukuk. as well as the benefits and benefits that can be obtained by the Government from the Municipal Sukuk. In general, what is certain is that this sukuk is also quite interesting if it is used as an alternative source of financing..."

The fifth respondent believe that the prospect of sukuk will be extraordinary and have an impact on the people, but warns of the potential for defaults

that have an impact on the sharia financing model itself. The following is a statement from the fifth informant:

"... Regarding the prospect of municipal sukuk, it is certainly very good to be used as an instrument of development financing, because the development mechanism through municipal sukuk involves the community which will benefit the community. But the challenge is how far the scope is, because this Sukuk talks about the financing that must be borne by the government and is able to convince the Sukuk buyers, if the sukuk funds are used to build a hospital, then the hospital must be profitable. Because if the government fails to return the funds collected from the community, this will be a problem. So the specter of Islamic financing is not true. The point is that projects that want to be financed with sukuk really have to be studied for feasibility studies and so on. That means having prospects with some prior records..."

Referring to the results of interviews from five respondents, the opportunity to issue Municipal Sukuk in Aceh has bright prospects and wide open opportunities. This is supported by the economic ecosystem and social conditions in Aceh which tend to apply Islamic law. It's just that some notes such as the need for further studies conducted through discussions and scientific research regarding the issuance of Municipal Sukuk, the Aceh Government's awareness of the need for alternative financing other than special autonomy funds, and the seriousness of the Aceh Government in making Municipal Sukuk as an alternative financing in Aceh need to be emphasized in realizing its publication in Aceh.

Barriers to the Issuance of Municipal Sukuk

a) Barriers from Local Government

The primary challenge emanating from the local government's perspective lies in its overreliance on the Special Autonomy Fund, coupled with the optimistic anticipation of its extension. The informants express a prevailing inclination towards a positive outlook regarding the potential extension or expansion of the Special Autonomy Fund in Aceh. Consequently, this situation engenders a disincentive for the Local Government to earnestly explore alternative financing avenues for Aceh, as they continue to nurture expectations of an extended Special Autonomy Fund. Following are the statements of the informants in the interview session.

First respondent said:

"... Regarding the Special Autonomy Fund, in 2023 there is only one percent, then in 2027 it will be the last year. Therefore, we and the team related to special autonomy in the near future will examine the

development of special autonomy from the beginning until now, what kind of exit strategy we can do. One of the exit strategies that are considered and if possible is that the special autonomy funds will be rolled back into Aceh after 2027 but with a different mechanism from now..."

Then, the second respondent said:

"...Do you agree with the possibility that the Aceh Special Autonomy Fund will not be extended? the special autonomy fund will continue to exist because the law still exists unless the law is no longer valid. The Special Autonomy Fund is not eternal, the Special Autonomy Fund is as long as this government exists, they are still obliged to finance it. If this is not financed later, there will be chaos, and for us in Aceh, the chaos is vertical..."

Similarly, the fifth respondent's statement:

"...I believe that Aceh's Special Autonomy will be extended and it may even follow Irian Jaya (Papuan Special Autonomy). Irian was extended (for 20 years) and the amount was 2.5 times the DAU..."

b) Barriers from the Legislature

The approval from the DPRA, which even most members of the DPRA did not understand about Municipal Sukuk, was one of the obstacles. Issuance of Municipal Sukuk requires the formation of a Regional Regulation and approval of the DPRD because both Municipal Sukuk and Regional Bonds are categorized as local government debt. Therefore, the approval of the DPRA in this case is needed, the following is the statement of the second respondent:

"...the constraint we face is the lack of knowledge of friends in the legislature about municipal sukuk. Sukuk may know, but when they mention Municipal, they are already confused..."

The fifth respondent also stated the same thing regarding the approval and understanding of DPRA members as follows:

"...The first is if we look at the process and if you study it, it must be approved or tapped by the members of the council, after obtaining the approval of the new board it can be implemented. Here, the biggest challenge now is that if the members of the council are already involved, you can check it yourself. It's hard because it has entered the political element. Therefore the council members' understanding of Municipal Sukuk should be really emphasized..."

c) Barriers from society

An issue originating from the community's standpoint is the insufficiency in financial literacy and the limited understanding of Sharia-compliant financial instruments. This is in line with the low Alibaca Index of Aceh Province with a value of 34.37

percent, which is even lower than the national average with an index value of 37.32 percent. The following is the statement of the fifth respondent regarding the importance of Islamic financing literacy as follows:

"...Then talk about socialization or talk about literacy regarding sukuk, there are still many people who don't know about sukuk. Have you ever tried asking in ordinary people, have you heard of sukuk or not? What do you think about sukuk? This is a test step. When we talk about literacy, we talk about understanding and that's important..."

The first respondent also said:

"...Then the next challenge is the rejection from the community. This is because the public does not yet know the purpose of the issuance of municipal sukuk, because of this ignorance there is a rejection. Because of this City Sukuk, in general, after we collect asset data, we sell it, we rent it out or something else. That means we pawn ourselves..."

Constraints faced in the issuance of municipal sukuk tend to be basic such as low public understanding and low literacy about sukuk, local governments have not made municipal sukuk an alternative financing. The approval and misunderstanding of DPRAs regarding municipal sukuk, all of which need to be resolved before Aceh can issue Municipal sukuk.

Municipal Sukuk Development Strategy

The strategy for developing Municipal Sukuk in the early stages must focus on three main things, namely first, how to get the Local Government to choose and seriously work on Municipal Sukuk as an alternative financing, this is as stated by the first respondent:

"...Regarding the implementation of the Municipal Sukuk, get it first. We try hard, we can win / make it happen. Some things related to our finances, such as banking and other financial institutions are already sharia, this is certainly easier for us than other regional (province) steps. It's just that we haven't found a common ground in terms of understanding and agreement between interested parties..."

The third respondent also emphasized the importance of the government's seriousness in efforts to issue Municipal Sukuk in Aceh, along with excerpts from the interview:

"...Because of the information I got, we also from OJK discussed the special autonomy several times, the Aceh government tried to persuade the central government so that the special autonomy fund could be extended, that's the information we got. Regarding

the plan to issue Municipal Sukuk, there has been no discourse from the Aceh government..."

The fourth respondent also said that the stock exchange would always support it as long as the local government took the initiative, as follows:

"...We are very supportive if there is an initiative from the Government to issue products in the form of sukuk or bonds, in the context of Aceh, what we are talking about is sukuk products because they are in accordance with Aceh's laws and sharia values. It's just that there will be preparations that the Government or companies will need to make to issue sukuk, the exchange is very supportive of being able to access funding through the product in the form of this sukuk itself..."

Second, includes increasing the understanding of DPRAs regarding Municipal Sukuk in order to facilitate communication efforts which will later be carried out by the Regional Government in order to obtain approval from the people's representative institution. Some of the efforts that can be made as stated by the first respondent are as follows:

"...When we later form a large team to handle the efforts to issue Municipal Sukuk, the government must immediately invite the DPRAs, the involvement of the council must be done from the start, this is my suggestion. When forming a team there must be a DPRAs in it, so from the start they are involved they know better, in the future when it comes to approval, they have agreed from the beginning so the process will not take long. If we do it ourselves, they study again, create another team, study again, this will take a lot of time..."

Then the fifth respondent also said:

".. During the socialization of KNKS regarding sukuk which was attended by council members, they were still confused about what sukuk is. I think the issuance of municipal sukuk is very dependent, especially when it comes to regulations, the extent to which the council members are prepared..."

Third, the level of public knowledge about sharia financing instruments, especially Municipal Sukuk, this needs to be pursued through increased education and socialization carried out by various parties. as stated by the first respondent:

"...Then the next challenge is the rejection from the community. this is because people do not know the purpose of issuing Municipal Sukuk, due to this ignorance there is a rejection..."

The fourth respondent also conveyed the efforts made by IDX in disseminating sharia instruments both to the government and the public, as follows:

"...IDX also continues to carry out outreach efforts to the community and perhaps also to the Government itself in order to introduce products or instruments for fundraising that can be used by the Government itself or by involving companies in Aceh. So the stock exchange is very supportive if there is a desire from the government and also from companies in Aceh to issue sukuk..."

CONCLUSION AND RECOMMENDATION

Conclusion

Based on the results of research on the issuance of Municipal Sukuk in Aceh as an alternative to the Special Autonomy Fund, it can be concluded several things regarding the opportunities/perceptions of the issuance of Municipal Sukuk, obstacles or problems faced and strategies for developing Municipal Sukuk so that they can be realized.

The first is that Aceh has a great opportunity to issue Municipal Sukuk as an alternative financing, either in the condition that the special autonomy fund ends in 2027 or the special autonomy fund is then expanded. This is in line with Islamic values believed by the Acehnese people, as well as Aceh's economic infrastructure which is more prepared than other provinces in Indonesia, this is inseparable from the role of the Qanun on Sharia Financial Institutions. The success of Bank Aceh to become a Regional Development Bank (the first BPD to convert to 100 percent sharia can be one of the benchmarks for Aceh to be able to implement other sharia financing models, in this case specifically the Municipal Sukuk.

However, Aceh's great opportunity in issuing Municipal Sukuk is certainly inseparable from the existing obstacles/problems. The six problems that become the main obstacles are dependence on special autonomy funds and expectations for its extensification, low public literacy on sharia financing models, seriousness of local governments, DPRA approval, level of trust in local governments as sukuk managers and the lack of studies/research on Municipal Sukuk in Aceh. These six problems can then be grouped into three parts, namely barriers from the local government side, obstacles from the DPRA side, and obstacles from the community side.

Lastly, the strategy of developing Municipal Sukuk in Aceh should focus on solving the obstacles and problems faced. The need for the Aceh provincial government to be serious about making Municipal Sukuk as an alternative financing other than CSR/CSO, socialization to the DPRA regarding Municipal Sukuk and the involvement of DPRA members in the planning process later, as well as education, outreach and literacy improvement to the community regarding Municipal Sukuk.

Policy Recommendation

Suggestions from this study aim to overcome the problems faced and accelerate the issuance of Municipal Sukuk issued in Aceh as an alternative to financing. The Aceh Provincial Government needs to include the topic of Municipal Sukuk in the Development Plan Deliberation (MUSRENBANG) for the year 2023, this can be used as a first step to introduce Municipal Sukuk to all Aceh Government Work Units (SKPA), Aceh People's Representative Council (DPRA) and other elements of the Regional Leadership Communication Forum (FORKOPIMDA).

After MUSRENBANG, plans regarding Municipal Sukuk can be included in the Focus Group Discussion (FGD) activities carried out by the related SKPA, which of course coordinates with academics in this case, for example, Syiah Kuala University.

Then it can be continued by conducting outreach and education to the people of Aceh regarding Municipal Sukuk in particular and Sharia financial inclusion in general, so that people know and understand what Municipal Sukuk are.

The Aceh Provincial Government and the Aceh House of Representatives must actively communicate and coordinate regarding Municipal Sukuk. The Aceh Provincial Government and the Aceh House of Representatives may invite the National Sharia Finance Committee (KNKS), DJPK (Directorate General of Fiscal Balance) Ministry of Finance of the Republic of Indonesia, OJK and other relevant agencies to provide socialization and understanding of Municipal Sukuk.

Lastly, a Joint Working involving elements of government in the regions and the central government should be formed to discuss intensively regarding the issuance of Municipal Sukuk. The Aceh Provincial Government and DPRA formed an ad-hoc institution in which there is a central government representation to manage Municipal Sukuk in order to address the issue of distrust in the future management of Municipal Sukuk.

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