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SUKUK ISTISNA' FOR POST-DISASTER REGIONAL DEVELOPMENT IN SUMATRA IN 2025

SUKUK ISTISNA' UNTUK PEMBANGUNAN DAERAH PASCA-BENCANA DI SUMATRA PADA TAHUN 2025

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Abstract

Sumatra is the sixth-largest island in the world, located in the westernmost part of Indonesia. This island is known for its natural wealth, cultural diversity, and strategic role in the Indonesian economy through agricultural and plantation products. As of December 2025, Sumatra is currently experiencing an ecological emergency due to flash floods and landslides that hit Aceh, North Sumatra, and West Sumatra. More than 1,000 lives have been recorded, with hundreds missing, infrastructure has been paralyzed, bridges have been damaged, and thousands of residents have been isolated. Following the flash flood disaster, the need to accelerate infrastructure development and environmental recovery is urgent. Budget constraints in each affected region require additional funding for development. One way to do this is through sukuk istisna' (Islamic bonds). Sukuk helps overcome regional government budget constraints in handling post-disaster reconstruction, which requires large and rapid funding. The use of sukuk with an istisna' contract is an effective alternative financing solution for post-disaster reconstruction. Through this mechanism, the government can finance the construction of damaged disaster-resistant infrastructure, such as schools, hospitals, and bridges, by involving third parties as contractors.

Keywords : Sukuk *Istisna', Disasters, Regional, Development*

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A. INTRODUCTION

Sumatra is located in western Indonesia, near the equator, and is one of the largest islands in the country, with a population of over 58 million. The affected areas are primarily spread across the northern to central regions of the island, including Aceh, North Sumatra, and West Sumatra. Geographically, the Bukit Barisan mountain range stretches along the western side of Sumatra from north to south. These mountains boast high elevations, rugged terrain, and deep valleys, with numerous rivers flowing from the mountains to the eastern plains and coastal areas. This dense river network exacerbates rapid surface water flow and flash flooding during heavy rainfall, while also providing a geomorphological context for landslides and debris flows.

Throughout 2024, Indonesia experienced 3,472 disasters, dominated by hydrometeorological disasters (floods, extreme weather, landslides). Floods were the highest with 1,109 cases, especially in North Sumatra, East Java, and South Sulawesi. North Sumatra was recorded as one of the provinces with the highest flooding incidents in 2024. Furthermore, the National Disaster Management Agency (BNPB) stated that as of December 4, 2025, Indonesia had experienced 2,997 incidents. Furthermore, as of early 2026, BNPB recorded 537 disasters (as of March), dominated by floods. This data confirms that Indonesia is still in a high-risk zone for disasters, especially hydrometeorological ones. The hydrometeorological natural disaster that hit the Sumatra region, particularly Aceh and North Sumatra from late November 2025 to early 2026, was recorded as one of the worst disasters in Indonesia during that period.

According to the National Disaster Management Agency (BNPB), as of Monday (January 5, 2026), the disaster of floods and landslides in Sumatra, covering Aceh, West Sumatra, and North Sumatra, in late November 2025 resulted in 1,177 deaths. The highest number of fatalities was in Aceh Province with 543 people, followed by North Sumatra Province and West Sumatra Province. Meanwhile, the number of disaster victims still declared missing is 148 people, with West Sumatra being the province with the highest number, up to 74 missing people.

Based on data from the Aceh Community and Village Empowerment Agency, an estimated 22 villages across seven districts have been reported missing. The affected areas are spread across Aceh Tamiang, North Aceh, Nagan Raya, Central Aceh, Gayo Lues,

Southeast Aceh, and Pidie Jaya. The Aceh Disaster Management Agency (BPBA) reported flooding in 16 districts/cities (Pidie, Aceh Besar, Pidie Jaya, Aceh Tamiang, Southeast Aceh, West Aceh, Subulussalam, Bireuen, Lhokseumawe, East Aceh, Langsa, Bener Meriah, Gayo Lues, Aceh Singkil, North Aceh, and South Aceh) in Aceh Province.

The government must repair the losses caused by disasters by rebuilding areas affected by earthquakes, tsunamis, floods, and landslides. Rebuilding disaster-affected areas requires significant funding. The government lacks the funds to rebuild infrastructure damaged by these disasters.

According to Law Number 24 of 2007 concerning Disaster Management, the goal of disaster management is to establish an effective disaster management system. Indonesia implements three management systems: institutional, legislative, and funding. Presidential Regulation Number 8 of 2008 concerning the National Disaster Management Agency (BNPB), which regulates systematic and comprehensive disaster management, defines the institutional aspect. Funding, or funding sources, come from the Budget Implementation List (DIPA). These funds come from both the regional and national budgets, including ready-to-use funds, social assistance funds, and funds from the community, as well as from the international community. The state budget (APBN) is perceived as providing only short-term assistance during natural disasters, requiring significant funding for regional economic reconstruction. This includes rebuilding all infrastructure and facilities, and institutions in post-disaster areas, both at the government and community levels, with the primary goal of fostering economic, social, and cultural growth and development, as well as maintaining law and order in all aspects of community life in post-disaster areas. The APBN, which is allocated for specific financing, is limited to one year. The government is attempting to develop medium-term funding, but this scheme is not typically the primary benchmark for disaster risk management. The allocation period for infrastructure development is 3-5 years, including health and education development.

So far, in facing natural disasters, the level of community participation in dealing with various disasters is still low, whether carried out independently or through social institutions. However, according to various media reports after a disaster, funding and emergency response remain very low. Fiscal independence is a long-standing ideal that continues to be promoted in regional development. Unfortunately, many local

governments still rely on transfers from the central government to implement development programs. The Regional Budget (APBD) is the primary instrument, but its fiscal space is limited. Meanwhile, the need for infrastructure and public services is increasing. To address this challenge, local governments need new, innovative financing instruments as an alternative form of financing for mitigation.

One such instrument is the issuance of Regional Bonds and Regional Sukuk. These instruments have a strong legal basis. Law Number 8 of 1995 concerning Capital Markets provides a basic framework for securities trading, including bonds and sukuk. Furthermore, Law Number 23 of 2014 concerning Regional Government affirms regional authority in managing regional finances, including financing options through loans or the issuance of securities. Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments (HKPD) strengthens the fiscal framework that encourages regions to be more independent in seeking financing sources.

On March 6, 2026, the Government officially opened the offering period for the SR024 Retail Sukuk Series, consisting of SR024T3 (3-Year Tenor) and SR024T5 (5-Year Tenor) to individual Indonesian investors. The offering period will run from March 6 to April 15, 2026. SR024 offers a fixed return/coupon rate of 5.55% per annum for SR024T3 and 5.90% per annum for SR024T5. The purpose of issuance of SR024 is to provide a safe, profitable, and liquid investment alternative for the public, expand the investor base in the domestic market, support the development of the Islamic financial market, and strengthen the Indonesian capital market by encouraging the transformation of society from a savings-oriented society to an investment-oriented society. Through online sales, public access to investment is expected to become easier and more affordable, with a minimum purchase of just IDR 1 million, thus supporting financial inclusion. Through SR024, the government is also providing every Indonesian citizen with the opportunity to invest and participate in supporting national development. (Hidayah, Khoiroh, and Zamzam 2024) (Amaliyah et al. 2023; Atikah 2025; Ekonomi et al. 2020; Hidayah et al. 2024; Ilmia 2020; Moch. Azka Rinaldhy 2015; Novianti 2023; Prastiwi 2017; Qur and Akhmadi 2025; Syariah 2024)

B. LITERATURE REVIEWS

Sukuk is a debt instruments or checks, with the word "shukuk" meaning "document or charter" in plural. In Islamic banking, sukuk, or sharia bonds, are securities issued or traded based on sharia principles or in accordance with the Qur'an and Hadith. Sukuk, the plural form of the word, comes from the Arabic word "sakk," meaning "certificate" or proof of ownership (Aziz and Ag 2010), (Dahlia Bonang 2020)**.**

Sukuk is also long-term sales and purchase agreements, with repayment determined over a specific period or time, as agreed. In the bond financing system, investors face obligations and responsibilities, including successive benefit payments, as agreed upon in the initial agreement. The purpose of sukuk is to facilitate financing through Sharia-compliant investment instruments for the purchase of production facilities (lucky Nugroho, selly puspita, sawqi saad, saeful Fachri 2024).

The Purpose and Benefits of Sukuk

Sharia bonds have the noble goal of realizing a just, prosperous, and prosperous society. Achieving success in development requires optimal state financial management. One way to achieve this is through financing the State Budget (APBN). The government's efforts to develop sources of APBN financing is through the issuance of State Sharia Securities (SBSN)/State Sukuk, commonly known as Sukuk. As a Sharia-based financial instrument, the issuance of state sukuk is expected to be an optimal alternative source of APBN financing and can support the development of the domestic and international Islamic financial industry. Sukuk, an alternative to APBN financing using debt instruments, is a common practice in state financial management. In the case of the APBN, debt financing can be obtained from foreign loans (Mia Sari Novianti 2023), (Mauliyah, Hasanah, and Hasanah 2023).

Sukuk Istisna (Purchase by Order or Manufacture)

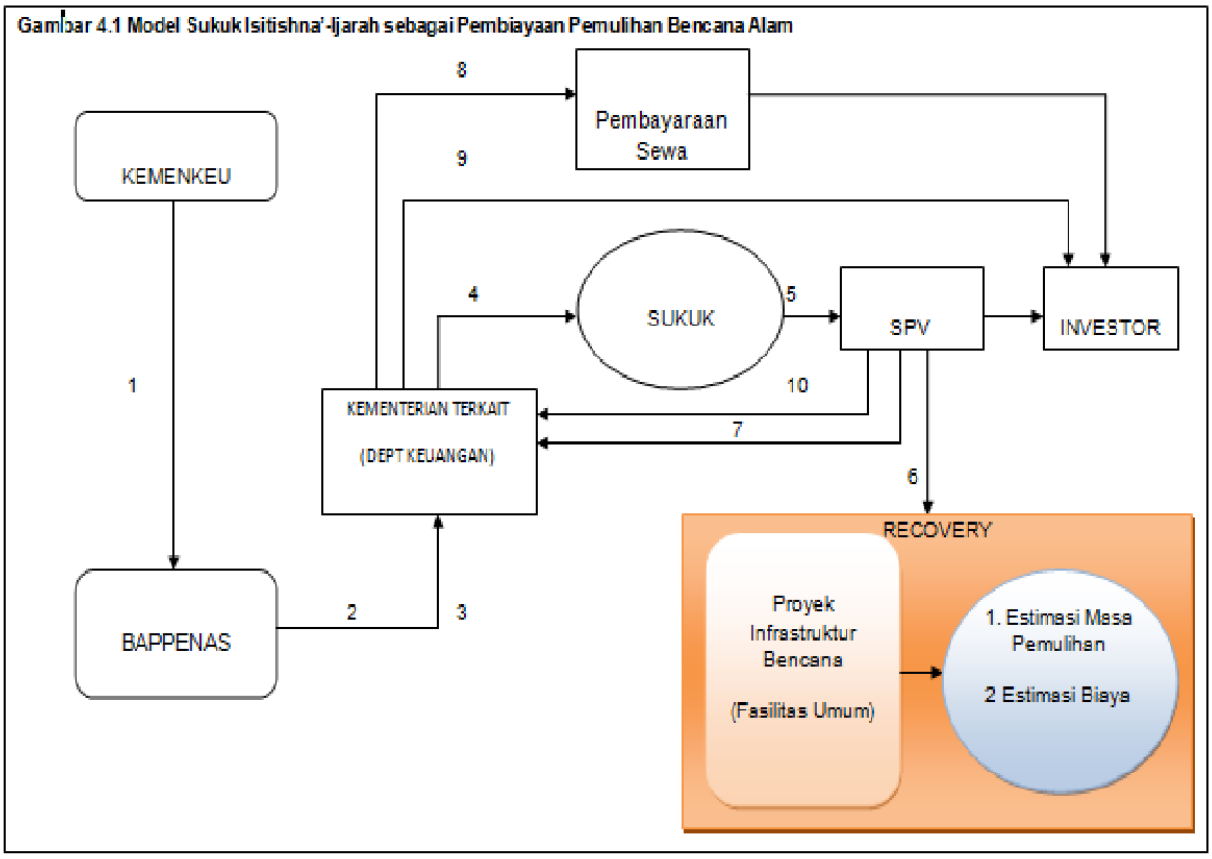
Sukuk Istishna is sukuk issued based on an istishna (order) contract, where one party (the issuer) receives funds from an investor to produce or construct a project or goods according to agreed specifications. In the context of Indonesian regulations, Istishna sukuk are regulated by Law No. 19 of 2008 concerning State Sharia Securities (SBSN), which provides the legal basis for the issuance of government sukuk based on ordered projects or goods. These sukuk are strictly regulated to ensure that the project or

goods constructed comply with the agreement and are free from usury or speculation (Presiden Republik Indonesia 2008).

C. CONCEPTUAL FRAMEWORK

The use of sukuk for infrastructure financing has been implemented since 2010, with the issuance of the Project-Based Sukuk (PBS) series of sovereign sukuk. The first process involved using government projects listed in the State Budget (APBN) as the underlying asset for sovereign sukuk. The second process, implemented by the government, involved ministries/agencies initiating infrastructure financing through the issuance of sovereign sukuk, following a proposal to the National Development Planning Agency (Bappenas). This process ultimately served as a catalyst for ministries/agencies to ensure the clear and orderly completion of infrastructure projects.

Based on the accelerated pace of infrastructure development, the government has identified the most crucial factors for infrastructure development. The need for substantial funding presents an opportunity for sovereign sukuk, which can serve to stimulate infrastructure development. Sovereign sukuk themselves can provide greater fiscal space for the government, as the source of state revenue for infrastructure funding. Sukuk allows for the mobilization of large amounts of resources. Furthermore, they offer flexibility to meet medium to long-term financing requirements. In this proposed model, the author provides a proposed sukuk istishna mechanism that is placed on financing to assist funding as presented in the following figure:



D. RESEARCH MODEL, AND METHODOLOGY

Research Methodology

This research uses a qualitative descriptive-analytical approach with a literature study design. This approach was chosen because it allows researchers to explore in-depth the integration between Sukuk and post-disaster regional development. This qualitative literature study focuses on the analysis of secondary data obtained from various official sources, including scientific journals, books, theses, annual reports from the Ministry of Finance, statistics from the Financial Services Authority (OJK), data from the Central Statistics Agency (BPS), and academic publications related to fiscal policy and sukuk instruments. Each data source was critically evaluated to ensure its credibility and relevance in supporting the analysis. The analysis was conducted descriptively and analytically, interpreting the collected data to illustrate the impact of fiscal policy on economic growth, the role of sukuk in financing infrastructure projects, and how the integration between the two can strengthen the economic stability of disaster-affected regions.

E. RESULT AND DISCUSSION

Sukuk Istisna Regulations and Policies

The policy's support is the most significant driving factor for infrastructure financing through the issuance of Government Sukuk, as reflected in the enactment of Law Number 19 of 2008 concerning Government Securities, or Sukuk Negara. This regulation serves as the primary benchmark, or arguably the most important legal basis, for the government in issuing Sukuk Negara (Presiden Republik Indonesia 2008). This regulation authorizes the government to use State Property (BMN) as the underlying asset for financing infrastructure development through issuing Sukuk Negara. With this regulation, the government can regulate the composition of Sukuk Negara issuances for project financing, so that the proceeds from Sukuk Negara issuances can be directed to drive infrastructure development.

From a regulatory perspective, Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector (P2SK) paves the way for strengthening the domestic capital market, including through the participation of regional (President RI 2023). This instrument was then regulated more technically in Government Regulation Number 12 of 2019 concerning Regional Financial Management, which provides a clear framework for regional loans and debt (Presiden Republik Indonesia 2019). Government Regulation Number 1 of 2024 concerning the Harmonization of National Fiscal Policy also provides a more stringent legal framework for the issuance of bonds and sukuk by regional governments (Presiden Republik Indonesia 2024)

More technically, implementing regulations are outlined in derivative regulations. Minister of Finance Regulation Number 111/PMK.07/2012, later updated by PMK Number 180/PMK.07/2015, explains the procedures for issuing and accounting for regional bonds (INDONESIA 2015). In terms of capital market supervision, Financial Services Authority Regulation (POJK) Number 10 of 2024 serves as the primary reference for the issuance and reporting of regional bonds and sukuk. Furthermore, Indonesia Stock Exchange Regulation Number I-B regulates the listing of debt securities, and Regulation Number I-G regulates the listing of sukuk (OJK 2024).

Under the State Sharia Securities (SBSN) Law, Sharia bonds are securities issued by companies/governments in accordance with Sharia principles, serving as evidence of the investment of funds in the form of SBSN assets, denominated in rupiah or foreign

currency. Sharia bonds themselves consist of several contracts, including Mudharabah, Musyarakah, Istishna', Ijarah, and others. These are the most frequently used contracts for SBSN, as long as they do not conflict with Sharia principles.

Furthermore, the National Sharia Council (DSN) Decree No. 32/DSN-MUI/IX/2002 defines Sharia bonds as long-term debt instruments that comply with Sharia principles, stipulated by the issuer to the Sharia bondholder. The issuer is required to pay the bondholders in the form of profit sharing, margin, or fees, and to repay the bond proceeds upon maturity. (Dewan Syariah Nasional 2002). In Islamic bonds themselves, there are profits in the form of profit sharing/margin/fee. Holders of Islamic bonds or sukuk themself are obliged to repay the bond funds at the specified payment deadline. Bonds can also be interpreted as long-term debt securities issued by business entities (issuers) such as the Capital Market Executive Agency/Company, where the nominal value and where the maturity date are predetermined. This regulation is also reinforced by the DSN fatwa No. 59 of 2007 that Islamic bonds are one of the investment instruments in the Islamic capital market; that Islamic bonds can be converted into Islamic shares agreed in advance at the time of issuance of Islamic bonds; that in order for bonds that are then converted into shares to be issued in accordance with Islamic principles, the DSN-MUI considers it necessary to issue a fatwa on this matter to serve as a guideline. (Dewan Syariah Nasional 2007).

Furthermore, technically, it is also stated in the DSN fatwa NO: 137/DSN-MUI of 2020 concerning Sukuk, dhawabith (provisions) and hudud (limitations) related to Sukuk Dewan Syariah Nasional 2020) which was then reinforced by the DSN fatwa on the application of sharia principles in infrastructure provision activities through a government-business entity cooperation scheme (KPBTD based on service availability Dewan Syariah Nasional 2023). With such a comprehensive regulatory and policy framework, the issuance of regional bonds and sukuk is an option that can be used in post-disaster infrastructure development in Sumatra.

Post-Disaster Conditions in Sumatra

According to Majalah Indonesia Online that showed transportation infrastructure was completely paralyzed due to severe damage to regional logistics routes. The Ministry of Public Works and Public Housing (PUPR) confirmed the Trans-Sumatra Highway was

cut off at six key points due to bridge collapses caused by floodwaters, as well as 117 landslides and road collapses in the Bukit Barisan hills from the Aceh border to South Sumatra. This situation halted the movement of heavy logistics vehicles carrying food and energy, creating long queues that paralyzed interprovincial distribution.

An inventory of public facilities revealed extensive structural damage impacting basic public services. Data from the Ministry of Primary and Secondary Education recorded at least 412 schools severely damaged or completely destroyed, forcing thousands of students to stop learning. In the health sector, the Ministry of Health reported that dozens of community health centers (Puskesmas) and nine regional hospitals (RSUD) in Aceh and North Sumatra were completely paralyzed due to being submerged by 1.5–2 meters of water, permanently damaging sensitive medical equipment, radiology units, and emergency oxygen installations covered in mud.

The National Disaster Management Agency (BNPB) recorded more than 100,000 houses damaged across the island, including 99,169 in North Sumatra, with thousands swept away or collapsed by strong currents. Flooding that lasted more than ten days along the coasts of East Aceh and North Aceh weakened building foundations, while in South Sumatra, more than 12,000 low-lying houses were submerged by river floods up to one meter deep, damaging furniture and residents' sanitation. Productive land in West Sumatra suffered permanent degradation due to the "Galodo" (a flood of mud and volcanic rock), which buried hundreds of hectares of rice paddies with 1–2 meters of sediment, altering the topography and blocking irrigation channels. In Aceh and North Sumatra, data from the local Agriculture Office reported that at least 38,878 hectares of rice paddies suffered total crop failure, while 28,328 hectares of oil palm plantations in lowland areas suffered root rot due to prolonged waterlogging.

Converting the physical damage caused by the massive flooding in Sumatra into monetary terms demonstrates the enormous scale of the losses, which directly impact regional fiscal stability. According to a report by the Center of Economic and Law Studies (Celios) in collaboration with Kompas Research and Development, the estimated cumulative macroeconomic losses range from IDR 38.48 trillion to IDR 68.67 trillion. This figure includes not only damage to physical assets but also the loss of potential income for residents, the decline in the value of productive land, and the cost of restoring

strategic infrastructure, which is expected to burden the state budget until the following year.

In detail, North Sumatra Province recorded the largest losses, approximately IDR 18.47 trillion, due to damage to economic activity centers in Medan and Deli Serdang, particularly the manufacturing and logistics sectors. Nearly 100,000 homes were affected, increasing the burden of reconstruction and replacement costs for household assets. West Sumatra followed with losses of approximately IDR 6.03 trillion. Although fewer buildings were affected, the losses increased due to the "Galodo" phenomenon, which damaged high-value infrastructure such as national bridges and technical irrigation systems. Damage also included the loss of harvests and permanent changes to agricultural land in Agam and Tanah Datar, whose value decreased drastically due to volcanic sediment and required significant cleanup costs.

Aceh Province recorded losses of approximately IDR 2.04 trillion due to flooding, which reduced regional economic growth by 0.88%. The largest losses came from the disruption of smallholder oil palm plantations, damage to coastal protection infrastructure, and aquaculture ponds in the eastern region. This impact also reflects the loss of cash flow in rural areas, the backbone of the local economy, plus the cost of emergency logistics to reach isolated areas in the interior of North Aceh. KBRN, Banda Aceh: The flash floods that hit Aceh not only damaged rice fields but also caused significant economic losses. Estimated losses in the agricultural sector currently reach more than IDR 1 trillion.

The Head of the Aceh Agriculture and Plantation Service stated that this loss figure is based on preliminary calculations. The main focus of losses was on rice paddies. Some farmers should have entered the harvest season. However, heavy rainfall and flooding thwarted these hopes. Horticultural commodities such as chilies, onions, and potatoes were also damaged. The total area of horticultural land affected reached 1,009 hectares across 11 districts and cities. The plantation sector was also affected. Cocoa, coconut, and coffee crops covered 13,023 hectares. The total agricultural and plantation land reported to the Emergency Response Post reached 14,799 hectares. This figure represents a combination of various commodities.

Meanwhile, South Sumatra suffered losses of up to IDR 3.12 trillion, primarily from the agricultural and smallholder plantation sectors along the Musi River Basin. More

than 15,000 hectares of rice fields in Musi Rawas, Muratara, and parts of Banyuasin were submerged for extended periods, with crop failures estimated at IDR 420 billion, directly impacting regional rice supplies. The estimated losses also include damage to village road infrastructure and suspension bridges, which serve as the main transportation routes for plantation crops such as rubber and palm oil. Damage to physical assets at the district level to public facilities is estimated to reach IDR 1.2 trillion. As the province's economic center, flooding in Palembang City, which inundated commercial areas and densely populated residential areas, resulted in material losses of household assets and disruption to retail activity, totaling IDR 850 billion.

The financial services sector, particularly the insurance industry, is beginning to be pressured by significant claims burdens resulting from this disaster. The Indonesian General Insurance Association (AAUI) projects total initial claims at least IDR 567.02 billion, dominated by commercial properties such as factories and warehouses, as well as motor vehicles submerged in floodwaters in cities like Medan and Palembang. In several areas in West and North Sumatra, this emergency fund forced the shifting of capital expenditure budgets originally earmarked for routine infrastructure development in 2026, sparking concerns of development stagnation due to resource allocation for post-disaster rehabilitation and reconstruction. In addition to losses to government and corporate assets, material losses at the household level created the potential for new poverty. Economic institutions recorded that the average loss per household in severely affected areas reached IDR 25 million to IDR 50 million, encompassing damage to house structures, transportation, and food reserves. If converted into total losses across the entire island, the loss of household wealth due to this disaster directly reduced people's purchasing power drastically, which in turn slowed domestic consumption in Sumatra. This paralyzed economic activity also put immediate pressure on national economic stability, given that this region contributes 22.42% to Indonesia's Gross Domestic Product (GDP). This disruption is not only local but has spread to global supply chains and the stability of domestic market prices.

The plantation sector, particularly the palm oil industry, the backbone of Sumatra's economy, is facing serious operational constraints. According to a report by the Indonesian Palm Oil Producers Association (GAPKI), flooding has halted the harvesting and transportation of Fresh Fruit Bunches (FFB) on thousands of hectares of land in Aceh,

North Sumatra, and Riau. Waterlogging exceeding root tolerances damages the quality of the fruit, while damaged plantation roads prevent transport trucks from reaching Palm Oil Mills (PKS). GAPKI estimates that national Crude Palm Oil (CPO) production could drop by 15–20% in December due to disruptions to the production cycle in Sumatra, triggering price fluctuations on the international market. Disruptions to transportation infrastructure have also triggered a logistics crisis that has a direct impact on the cost of living. The disruption of the Trans-Sumatra Highway has forced logistics fleets to take the west coast route or longer alternative routes, increasing travel distances by up to 200–300 km. Analysis by logistics and economic institutions shows a 30–40% increase in transportation costs due to increased fuel consumption, driver costs, and the risk of fleet damage. This cost increase automatically increases consumer prices, triggering "Shock Inflation" for foodstuffs such as rice, chilies, and meat in traditional markets in Medan, Padang, and Palembang. Furthermore, the banking sector and microfinance institutions are now on high alert to face potential defaults, while the Financial Services Authority (OJK) and Bank Indonesia (BI) have begun taking mitigation measures to reduce the risk of rising Non-Performing Loans (NPLs), especially for MSME debtors and affected farmers.

In West Sumatra and Aceh, thousands of People's Business Credit (KUR) borrowers in the agricultural sector reportedly lost all sources of income due to land failure or land being buried by mudslides. This situation forced regional banks (BPD) and national banks to immediately map their credit exposures and prepare large-scale restructuring schemes to maintain financial sector stability. Retail trade and MSME activities were also severely disrupted. In growing cities like Medan and Padang, thousands of small businesses were forced to close for more than 10 days due to flooding in their warehouses and shops. In addition to losing inventory, these businesses also faced serious liquidity problems. Bank Indonesia (BI) recorded a significant decline in non-cash transaction volume in affected areas, indicating a drastic decline in public purchasing power and hampered working capital turnover at the grassroots level.

To stabilize the situation, the government, through inter-ministerial coordination, began intervening in the market to suppress inflation. Low-cost market operations and the distribution of government food reserves (CPP) from Bulog warehouses were accelerated in areas experiencing extreme price spikes. However, distribution remains a

major challenge; as long as road infrastructure remains unrecoverable for large-tonnage trucks, inflationary pressures in Sumatra are expected to remain high. The massive flooding in Sumatra is predicted to have medium- to long-term impacts that could alter the direction of the regional economy. Macroeconomic analysis indicates that the impact extends beyond the emergency response phase, affecting fundamental factors of growth and perceptions of national investment risk.

BPS (BPS) and economists project a significant correction in national economic growth, with a contraction in activity in Sumatra pushing GDP in the fourth quarter of 2025 below the optimistic 5% target. This is expected to continue into the first quarter of 2026 as the recovery of logistics infrastructure and agricultural land in affected areas such as West and North Sumatra will take three to six months. Slowing household consumption and declining commodity exports will be key factors hampering recovery early next year. The investment sector in Sumatra is also facing a significant shift in its risk profile. International investors and donors are now implementing stricter Environmental, Social, and Governance (ESG) standards for projects along the Bukit Barisan corridor. The disaster has triggered a review of the feasibility of investments in the extractives, plantations, and infrastructure sectors. Companies are required to include comprehensive disaster mitigation audits as part of their investment risk analysis. As a result, investment insurance costs in Sumatra are predicted to rise, but on the other hand, this will trigger a green investment trend focused on upstream river ecological restoration to protect long-term assets.

From a macro policy perspective, the central government has strongly signaled a fiscal and monetary policy direction that supports affected areas. One important step is a large-scale credit restructuring plan coordinated by the Financial Services Authority (OJK) and Bank Indonesia. The government is also projected to issue special regulations regarding installment grace periods and a policy of canceling the principal debt of People's Business Credit (KUR) for farmers and fishermen who lost all their production assets due to flash floods. This step is considered strategic to prevent economic collapse at the grassroots level and maintain people's purchasing power, preventing them from falling into extreme poverty. Sumatra's economy will depend heavily on the government's commitment to infrastructure reform with a focus on disaster resilience. The direction of development is expected to shift from solely physical projects to an integrated concept

encompassing watershed normalization and massive reforestation in upstream areas. The state budget, through the Ministry of Public Works and Housing (PUPR) and the Ministry of Environment and Forestry (KLHK), is predicted to be allocated more to infrastructure such as embankments and dams, as well as "green" infrastructure such as protected forests. This policy will be key to restoring market and business confidence in Sumatra's future economic stability.

From a business perspective, logistics and manufacturing players are expected to begin diversifying distribution routes and warehousing locations to avoid disaster-prone areas along the Trans-Sumatra Highway. The trend of "asymmetric logistics," utilizing sea and rail transportation to support land distribution, is predicted to grow rapidly in response to the current vulnerability of land routes. While requiring significant initial investment, this transformation is believed to create a more resilient business ecosystem to withstand potential future natural disasters.

Post-Disaster Recovery

According to Law No. 24 of 2007, recovery is a series of activities to restore the condition of communities and the environment affected by a disaster by restoring institutions, infrastructure, and facilities through rehabilitation and reconstruction efforts. After a disaster occurs and the emergency response process has passed, the next step is rehabilitation and reconstruction. Rehabilitation is the repair and restoration of all aspects of public or community services to a designated level in post-disaster areas, with the primary goal of normalizing or returning all aspects of government and community life in post-disaster areas. Restoration of public infrastructure and facilities is the activity of restoring public infrastructure and facilities to meet transportation needs, facilitate the smooth running of economic activities, and support the socio-cultural life of the community.

Reconstruction is the rebuilding of all infrastructure and facilities, institutions and public facilities in post-disaster areas, both within the government and the community, with the primary goal of promoting the growth and development of economic, social, and cultural activities, upholding law and order, and fostering community participation in all aspects of community life in post-disaster areas. The reconstruction process is not easy and requires diligent, planned efforts and the participation of all community members. It

will take at least five years to rebuild the physical and mental conditions, the environmental and technical aspects, and the economic infrastructure, which are expected to improve compared to pre-disaster conditions.

Rehabilitation and reconstruction programs require significant funding. According to Article 60 of Law No. 24 of 2007, disaster management funding is a shared responsibility between the central and regional governments. Furthermore, the central and regional governments encourage community participation in providing funds from within the community. In regulating the reconstruction process, an evaluation of post-disaster recovery financing management is required, as outlined in Regulation of the National Disaster Management Agency (BNPB) No. 11 of 2008. This regulation explains that disaster management funds are sourced from the National Budget (APBN). To supplement revenue, regional governments can utilize disaster management funds sourced from the APBD.

If the budget is sourced from the Regional Budget (APBD), as explained for managing post-disaster recovery financing, social assistance funds can be utilized through a donation system, namely the budget allocated by the government for regional governments as post-disaster assistance. Requests for post-disaster recovery assistance from the central government to regional governments require confirmation from an inter-departmental team or non-departmental government agency, while remaining under the coordination of the National Disaster Management Agency (BNPB).

This confirmation determines the amount of assistance to be provided by the government to regional governments in a proportional manner, carried out in conjunction with verification for rehabilitation implementation. Funding for the recovery system can be sourced from the participation of the private sector, the community, and other non-governmental institutions through coordination with the BNPB or BPBD at the regional level. In this case, the central government and regional governments provide facilitation, in this case the role of the private sector, the community, and other non-governmental institutions in the recovery and recovery program, creating and ensuring accountability, effectiveness, and transparency in the allocation of the budget for use. In this case, the need for a larger budget for recovery activities, while domestic budget readiness and contributions are limited, then foreign loans can be used to help finance recovery or repair

activities, with conditions such as light loans, as well as the distribution of foreign loans for ongoing projects originating from recovery and repair activities.

Sukuk Istisna' as a Disaster Recovery Financing Instrument

Sukuk Istishna' is highly relevant and urgent in relation to flood disaster management in Sumatra in 2025 because this instrument is designed to finance reconstruction and large-scale infrastructure projects. The massive flooding in several areas of Sumatra in 2025 caused damage to roads and bridges, embankments and drainage, damage to homes, disruption to public facilities, and the need for rapid reconstruction. Under these circumstances, the government requires a substantial source of financing and a rapid mechanism for rebuilding damaged assets. Sukuk Istishna' is a highly suitable development alternative. In the context of Indonesian regulations, sukuk Istisna' is regulated by Law No. 19 of 2008 concerning State Sharia Securities (SBSN), which provides the legal basis for the issuance of government sukuk based on projects or ordered goods. These sukuk are strictly regulated to ensure that the projects or goods constructed comply with the agreement and are free from usury or speculation (Presiden Republik Indonesia 2008).

In addition to being in line with Islamic Financial Principles, Sukuk istishna' allows local governments to obtain funds from investors without relying entirely on taxes or conventional loans. In addition to the benefits of facilitating infrastructure development felt by the Sumatran regional government. This Sukuk can also support Regional Economic Recovery by stimulating the construction sector, creating jobs, increasing demand for building materials, and assisting local MSMEs. So the impact is not only improving infrastructure but also accelerating the economic recovery of disaster-affected communities, as explained in several previous studies such as research (Amaliyah et al. 2023; Atikah 2025; Dini Prasetiyani n.d.; Mandiri and Santoso 2019; Syariah 2024). In addition to being an alternative for infrastructure development, if sukuk istisna' is used optimally, it can also be a disaster mitigation financing instrument, a solution for flood-resistant infrastructure development, a source of green funding (green sukuk), and a sustainable Islamic financing model. This concept can even be combined with Green Sukuk, Islamic social funds, productive waqf, and climate resilience projects (Ekonomi et al. 2020; Hidayah et al. 2024; Maharani et al. 2025; Mandiri and Santoso 2019; Moch.

Azka Rinaldhy 2015; Pohan 2020; Qur and Akhmadi 2025), (Nadhifah, Risnawati, and Yazid 2025).

These instruments are crucial for disaster recovery. First, regional bonds and sukuk provide opportunities for diversifying financing sources. Regional development has traditionally relied on regional budgets (APBD), transfer funds, and bank loans. With bonds and sukuk, regional governments can raise funds directly from the public and institutional investors. Second, issuing these instruments will increase transparency and accountability. Every region issuing bonds or sukuk is required to have its financial statements audited by the Supreme Audit Agency (BPK), obtain a rating from a rating agency, and submit a prospectus to investors. This mechanism will strengthen regional fiscal discipline.

Third, regional bonds and sukuk enable accelerated infrastructure development. Regulations clearly state that proceeds from issuance can be used to finance the provision of public facilities and infrastructure, debt portfolio management, and equity participation in Regionally-Owned Enterprises (BUMD). Projects such as hospitals, traditional markets, terminals, local ports, and clean water supply can be promoted through this scheme. In fact, according to the latest regulations, bonds and sukuk can also be directed toward sustainable projects, such as renewable energy or environmental management.

Fourth, from a market perspective, regional bonds and sukuk offer benefits to investors. These instruments are traded on the Indonesia Stock Exchange and can be traded on the secondary market through the Alternative Market Provider System (SPPA).

Thus, investors not only obtain returns but also flexibility in entering and exiting investments. Price transparency and a systematic trading mechanism will increase market confidence in these instruments. Of course, challenges remain. Regional governments must be disciplined in managing fiscal risk to prevent debt from burdening the regional budget in the future. Regional officials also need to have their capacity enhanced to understand capital market mechanisms. Effective cross-institutional coordination between the Regional People's Representative Council (DPRD), the Ministry of Finance, the Financial Services Authority (OJK), the National Development Planning Agency (Bappenas), and the Indonesia Stock Exchange (IDX) is also essential. However, comprehensive regulations ensure that this process can be carried out in an orderly manner.

Conclusion

Sukuk is a potential investment product that needs to be optimized to support and assist the government in providing social infrastructure (public benefits) for post-disaster reconstruction. The model that has been created allows the government to obtain financing from sukuk, thus creating the Sukuk istishna'-ijarah instrument as an investment that can help finance post-disaster reconstruction. Because it is based on real projects and asset development, Sukuk istishna' is one of the most relevant Sharia instruments for post-disaster management. This is particularly urgent given the limited capacity of regions to finance infrastructure reconstruction, accelerate economic recovery, provide alternative Sharia-compliant financing, and support sustainable development and disaster resilience.

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