

Oral Construction Agreements for Village-Owned Housing in Aceh: The Theory of Ijārah ‘alā al-A‘māl

Maulia Dahra

Universitas Islam Negeri Ar-Raniry Banda Aceh, Indonesia

Email: 200102132@student.ar-raniry.ac.id

Abd Razak

Universitas Islam Negeri Ar-Raniry Banda Aceh, Indonesia

Email: abd.razak@ar-raniry.ac.id

*Corresponding author

Abstract

This article examines the legal and governance consequences of oral construction arrangements used for village-owned rental housing in Darussalam Sub-district, Aceh Besar. It combines a qualitative socio-legal case study with doctrinal analysis of Indonesian construction-contract principles, village procurement governance, and the Islamic contract of *ijārah ‘alā al-a‘māl*. The field evidence shows that village officials negotiated project scope and budget with a local contractor, construction was undertaken by four workers, payments were made progressively, and completion deadlines were agreed but were not reduced to a sufficiently detailed written instrument. Delays and workmanship problems subsequently generated additional costs and uncertainty over responsibility. The article makes three arguments. First, the case involves at least two distinct contractual layers—the relationship between the *gampong* and the contractor, and the

contractor's separate relationship with workers—and liability should not be collapsed across them. Second, an oral agreement is not automatically invalid under either general contract principles or Islamic law; the critical problem is evidentiary and governance weakness, especially where village funds, public accountability, quality specifications, milestones, variations, supervision and remedial liability are involved. Third, *ijārah 'alā al-a'māl* supports clear specification of the service, remuneration, duration and responsibility for negligent performance, but it should be integrated with Indonesia's positive-law framework for village procurement. The study concludes that village-funded construction should use a written contract containing measurable specifications, milestones, payment conditions, variation procedures, inspection rights, delay consequences, defect liability and dispute-resolution clauses. Such formalisation would improve both Sharia contractual certainty and accountable management of village assets.

KEYWORDS: village procurement; construction contract; Aceh; *ijārah 'alā al-a'māl*; oral agreement; public accountability; gampong assets

Introduction

Village-owned infrastructure occupies an unusual legal space: it is locally managed and often implemented through community-based arrangements, yet it involves public or village assets that require transparency, accountability and reliable contractual administration. The construction of village-owned rental housing in Darussalam Sub-district, Aceh Besar, provides a useful case for examining the interaction between informal contracting practices, village procurement governance and Islamic economic law.¹

The source study reports that village officials negotiated the construction programme with a local contractor and that the project involved seven type-42 housing units. The work was undertaken by four workers, while payment was released progressively as construction advanced.² A completion period was also discussed, but the relevant deadline and several

¹ Maulia Dahra and Abd Razak, 'Village Property House Construction Agreement According to Sharia Economic Law: A Study in Darussalam Sub-District, Aceh Besar', *JURISTA* 8, no 1 (2024), <https://doi.org/10.22373/jurista.v8i1.134>.

² Interview with Salamun, Keuchik, 9 December 2023; interview with Yusuf, village construction worker, 13 December 2023.

other material terms were not formalised in a sufficiently detailed written agreement.³

When delays and workmanship problems emerged, the absence of written terms became more than a technical defect. It created uncertainty over who bore responsibility for completion, additional labour costs, material-price increases, supervision and defective work. The original article characterises the matter principally as a breach of an *ijārah* ‘alā al-a‘māl arrangement. For an international legal audience, however, the case is better understood as a problem of contract governance involving several legal relationships.

The first relationship is between the gampong administration and the contractor or head builder who undertakes to deliver the construction project. The second is between that contractor and the workers engaged to perform the building work. A worker’s failure to attend or complete assigned tasks may generate liability within the second relationship and may cause the contractor to breach the first, but the two relationships should not be treated as legally identical.

A further conceptual correction is necessary. The source manuscript suggests that the absence of a written agreement itself means that a Sharia contractual requirement has not been satisfied. That proposition is too broad. Islamic law generally recognises agreement through offer and acceptance without making writing a universal validity requirement for *ijārah*. Writing is nevertheless exceptionally important where the service is complex, financed from village resources and vulnerable to disputes over scope, price, time and quality. The Qur’anic preference for documenting deferred obligations reinforces the evidentiary value of written terms, while contemporary DSN-MUI guidance on *ijārah* emphasises determinacy of the parties’ rights and obligations.⁴

This article therefore asks: (1) what contractual structure governed the village-owned housing project; (2) what legal and governance risks arose from the oral and insufficiently documented arrangement; and (3) how

³ Interview with Yusuf, 13 December 2023; interview with Abdullah, village-house construction contractor, 10 December 2023.

⁴ Dewan Syariah Nasional–Majelis Ulama Indonesia, Fatwa No 112/DSN-MUI/IX/2017 on the *Ijarah* Contract. The source manuscript’s reference to Fatwa No 8 of 2000 is not the appropriate general DSN-MUI fatwa on *ijarah*.

should *ijārah ‘alā al-a‘māl* be integrated with Indonesian village-procurement and construction-contract principles? Its contribution is to shift the analysis from a narrow question of individual default to a broader account of contractual design and public-asset governance.

Research Method

The study uses a qualitative socio-legal case-study approach. The empirical evidence is derived from field interviews and observations in Darussalam Sub-district. The source identifies interviews with Salamun, a *keuchik*, on 9 December 2023; Abdullah, the construction contractor, on 10 December 2023; and Yusuf, a construction worker, on 13 December 2023.⁵

The doctrinal component compares those practices with Indonesian law on construction contracts and village procurement, together with Islamic jurisprudence on *ijārah ‘alā al-a‘māl*. The current village-law framework is Law No 6 of 2014 on Villages as amended, including by Law No 3 of 2024, while procurement in villages is guided nationally by LKPP Regulation No 12 of 2019 on the preparation of procedures for village procurement.⁶

The available evidence is limited. The study does not contain the full procurement file, a signed bill of quantities, complete payment records, formal variation orders, inspection reports, or the written employment arrangements between the contractor and workers. The article therefore reconstructs the contractual risk from the reported facts rather than purporting to audit the legality of the entire procurement process.

The Legal Structure of the Project

The source evidence indicates that village officials planned the rental-housing project, determined budget availability, discussed design and

⁵Interview with Salamun, 9 December 2023; interview with Abdullah, 10 December 2023; interview with Yusuf, 13 December 2023.

⁶Law No 6 of 2014 on Villages, as amended, including by Law No 3 of 2024; National Public Procurement Agency (LKPP) Regulation No 12 of 2019 on Guidelines for the Preparation of Procedures for Procurement of Goods/Services in Villages.

materials, and then negotiated with a local builder or contractor. This is functionally a contract for the performance of construction work. Under Indonesian private law, a works contract is classically recognised in the Civil Code provisions on *pemborongan pekerjaan*, under which one party undertakes to perform specified work for an agreed price.⁷

The public or village-funded character of the project, however, means that ordinary private-law consensus is not the only concern. Procurement governance requires a record that allows the community and supervisory authorities to understand what was purchased, at what price, under what specifications, and on what conditions.

The second contractual layer concerns the contractor and the workers who actually performed construction. The source reports four workers and attributes part of the delay to workers who did not complete work within the expected period.⁸ This does not automatically create a direct contractual breach by the worker against the *gampong*. Ordinarily, the contractor remains responsible to the project owner for organising labour and delivering the promised result, subject to the terms of the principal contract.

This distinction improves the allocation of risk. The *gampong* should not need to resolve every internal labour difficulty of the contractor. Conversely, the contractor requires clear terms with workers concerning tasks, attendance, remuneration, quality and responsibility for negligent work.

The legal problem is not that every oral construction agreement is void. Contractual consensus can exist without a signed document, and *ijārah* may likewise arise through valid offer and acceptance. The difficulty is proving the content of that consensus. Construction requires detailed agreement on drawings, materials, workmanship, completion dates, price, payment stages, inspection, changes, defects and remedies.

The field evidence demonstrates the consequences of inadequate documentation. The source reports that the completion period was agreed but not written down and that defective work or work inconsistent with

⁷ Indonesian Civil Code, art 1601b and related provisions on contracts for work (*pemborongan pekerjaan*).

⁸ Interview with Yusuf, 13 December 2023; source manuscript, discussion of the contractor's labour arrangement.

specifications generated repair costs and delay.⁹Where terms remain oral, the parties may agree that an obligation existed but disagree over its exact content.

The source contains different monetary figures in describing the project. It reports a construction figure of approximately Rp40 million per unit in one passage, while a later table refers to an initial figure of Rp30 million and a contractor-related figure of Rp40 million.¹⁰The document does not make sufficiently clear whether these amounts refer to different scopes, revised estimates, labour components, or successive stages. This ambiguity itself illustrates why a written schedule of prices and quantities is indispensable.

The source also describes progressive payment linked to construction progress. A milestone-payment system can reduce performance risk, but only if the milestones are measurable, independently inspected and linked to specified outputs. Otherwise, percentages create an appearance of control without providing a reliable basis for deciding whether payment is due.

The source expressly states that the gampong did not supervise construction continuously and that the contractor incurred costs to correct construction errors.¹¹This is a governance problem on both sides. The contractor bears responsibility for organising and controlling the work, but the project owner also requires an inspection mechanism capable of identifying non-conforming work before later stages conceal it.

Ijārah ‘Alā al-A‘māl and Construction Services

Ijārah ‘alā al-a‘māl concerns remunerated human work or services. Its relevance to construction is straightforward: one party undertakes a defined service and another provides an agreed ujrah. Classical and contemporary fiqh discussions require the benefit or service to be lawful and sufficiently

⁹Interview with Abdullah, 10 December 2023; source manuscript, findings on lack of supervision and responsibility for construction errors.

¹⁰Source manuscript, pricing discussion and table: the text refers in different contexts to figures of Rp30 million and Rp40 million; the precise relationship between these figures is not fully explained.

¹¹Interview with Abdullah, 10 December 2023; source manuscript, findings concerning repair costs and limited village supervision.

known, and the remuneration to be determinable.¹² DSN-MUI Fatwa No 112/DSN-MUI/IX/2017 is the more appropriate contemporary Indonesian Sharia reference for the *ijārah* contract.¹³

For a building project, determinacy should be translated into practical contractual variables: the number and type of units, technical specifications, materials, completion schedule, payment method, responsibility for workers, inspection and correction of defects. The more technically complex the service, the greater the need for documentary precision.

Islamic jurisprudence distinguishes loss inherent in entrusted work from loss caused by fault, negligence or departure from agreed instructions. The source manuscript itself recognises that compensation becomes more defensible where damage results from intentional conduct or negligence rather than unavoidable circumstances.¹⁴ This principle is compatible with a modern construction contract that distinguishes excusable delay from contractor-caused delay.

Accordingly, a written contract should specify events beyond the contractor's reasonable control, procedures for requesting extensions of time, consequences of unjustified delay, and responsibility for defective workmanship. Without these distinctions, the language of 'default' risks becoming a label applied after the fact rather than a rule capable of guiding conduct in advance.

The case is not only a private construction dispute because the project concerns village-owned housing and village financial resources. Indonesia's national procurement guidance for villages states that village procurement procedures should reflect efficiency, effectiveness, transparency, community empowerment, mutual cooperation and accountability.¹⁵ Those principles make documentation especially important.

A written contract does not need to imitate a complex national infrastructure agreement. Proportionality is appropriate for village

¹²Wahbah al-Zuhaili, *Al-Fiqh al-Islami wa Adillatuhu*, vol 4 (Beirut: Dar al-Fikr, 1989), 766; Ghufroon A Mas'adi, *Fiqh Muamalah Kontekstual* (Jakarta: RajaGrafindo Persada, 2002), 78.

¹³Dewan Syariah Nasional–Majelis Ulama Indonesia, Fatwa No 112/DSN-MUI/IX/2017 on the *Ijarah* Contract.

¹⁴Source manuscript, discussion of responsibility for loss caused by intention or negligence; see also Ahmad Wardi Muslich, *Fiqh Muamalat* (Jakarta: Amzah, 2013), 333.

¹⁵National Public Procurement Agency (LKPP) Regulation No 12 of 2019 on Guidelines for the Preparation of Procedures for Procurement of Goods/Services in Villages.

procurement. But even a simplified contract should permit an external reader to identify the parties, project scope, agreed price, source of materials, payment milestones, time for completion, supervision mechanism, variation procedure, defect liability and dispute-resolution pathway.

Contract risk	Source evidence	Legal consequence	Recommended contractual control
Unwritten completion period	Deadline reportedly agreed orally	Difficult to prove delay and extension entitlement	Written start date, completion date and extension procedure
Price ambiguity	Rp30m and Rp40m figures appear in different contexts	Unclear scope and variation history	Bill of quantities / price schedule and written variations
Worker non-performance	Workers reportedly failed to complete work as expected	Internal labour risk may transmit to contractor performance	Contractor remains responsible for labour organisation; separate worker terms
Defective work	Repair costs reportedly incurred	Potential liability for non-conforming performance	Technical specifications, inspection and defect-correction clause
Weak supervision	Village supervision reportedly limited	Late discovery of defects and reduced accountability	Progress inspections and acceptance certificates
Progress payments	Payments linked to stages of completion	Risk of paying before objective completion	Milestones tied to measurable outputs and inspection

Table 1. Contract-governance risks identified in the Darussalam village-housing case.

The original article is correct that delay and non-conforming work may amount to non-performance. The legal analysis should nevertheless avoid attributing every project failure directly to a worker. The central question is which party promised what to whom. If the contractor promised the gampong a completed building by a certain date, labour-management

problems are normally part of the contractor's performance risk unless the principal contract allocates them differently.

The same logic applies to price escalation. A rise in material or labour prices after delay may create real economic loss, but liability depends on causation and contractual allocation. A court or dispute resolver would need to know whether the delay was attributable to the contractor, workers, the gampong, a variation in scope, late supply of materials, or an external event.

This reframing produces a more defensible use of *ijārah*. The doctrine does not merely condemn failure to keep a promise; it requires the service and compensation to be sufficiently specified and responsibility to follow the agreed allocation of work and fault.

For future village-owned housing projects, the article recommends a concise written agreement supported by a technical annex. The agreement should identify the gampong and contractor, the exact units to be constructed, agreed price and tax treatment, construction period, payment milestones, who procures materials, inspection authority, procedures for variations, allocation of risks, consequences of delay, defect-correction obligations and dispute resolution.

A technical annex should specify dimensions, materials and minimum quality. Each progress payment should be supported by an inspection or acceptance record. Any variation affecting price or time should be documented before implementation except in genuine emergencies.

The contractor should remain free to organise labour, but should bear responsibility for worker performance vis-à-vis the gampong unless the contract expressly provides otherwise. This preserves a clear chain of accountability and avoids forcing village officials into direct management of individual workers.

Conclusion

The Darussalam village-housing case is best understood as a contract-governance problem rather than simply as an instance of a worker breaking a promise. At least two legal relationships are involved: the gampong-contractor construction agreement and the contractor-worker service

relationship. Separating them clarifies who bears the risk of labour organisation, delay and defective performance.

The oral character of the arrangement does not automatically invalidate the contract under general contractual or Islamic legal principles. Its central weakness is the lack of documentary certainty in a project involving village assets and public accountability. The absence of written terms concerning scope, price, milestones, completion time, variations, supervision and defects increased evidentiary risk and made responsibility harder to allocate.

Ijārah ‘alā al-a‘māl remains a useful normative framework because it requires clarity in the promised service and remuneration and supports responsibility for negligent or non-conforming work. Yet it should operate together with, not instead of, Indonesia’s village-procurement and contract-law framework.

The strongest reform is therefore institutional rather than merely punitive: village-funded construction should be governed by concise written contracts, measurable specifications, documented progress inspections and transparent variation procedures. Such a system would strengthen Sharia contractual certainty, reduce disputes and improve accountability for village-owned assets.

References

- Al-Zuhaili, Wahbah. *Al-Fiqh al-Islami wa Adillatuhu*. Beirut: Dar al-Fikr, 1989.
- Anwar, Syamsul. *Hukum Perjanjian Syariah*. Jakarta: RajaGrafindo Persada, 2007.
- Indonesia. Civil Code (Kitab Undang-Undang Hukum Perdata), arts 1601b–1617.
- Indonesia. Law No 6 of 2014 on Villages, as amended, including by Law No 3 of 2024.
- Indonesia. National Public Procurement Agency (LKPP) Regulation No 12 of 2019 on Guidelines for the Preparation of Procedures for Procurement of Goods/Services in Villages.
- Dewan Syariah Nasional–Majelis Ulama Indonesia. Fatwa No 112/DSN-MUI/IX/2017 on the Ijarah Contract.

Mas'adi, Ghufroon A. Fiqh Muamalah Kontekstual. Jakarta: RajaGrafindo Persada, 2002.

Muslich, Ahmad Wardi. Fiqh Muamalat. Jakarta: Amzah, 2013.

Salim HS. Hukum Kontrak: Teori dan Teknik Penyusunan Kontrak. Jakarta: Sinar Grafika, 2011.

Subekti. Pokok-Pokok Hukum Perdata. Bandung: Intermasa, 1987.

Interview with Salamun, Keuchik, Darussalam Sub-district, Aceh Besar, 9 December 2023.

Interview with Abdullah, village-house construction contractor, 10 December 2023.

Interview with Yusuf, village construction worker, 13 December 2023.