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Juridical Analysis and Problems of Regional Grant Implementation to the Central Government

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ABSTRACT

The provision of regional grants to the central government or vertical agencies is a normatively permissible financial instrument to support the implementation of government functions in the regions, but its implementation often undergoes administrative and substantive distortions. This study aims to analyze the juridical basis and map the problems of the implementation of grant expenditure using the literature study method through a normative juridical approach and an empirical juridical approach that is descriptive-analytical. The results of the study show that there is non-compliance with regulations, where grants that should be discretionary shift into routine obligations without clear urgency, and are often not in line with the stages of preparing the *APBD*. In addition, it was found that there was a potential overlap of funding with the State Revenue and Expenditure Budget (*APBN*) due to weak selection and verification instruments. As a strategic solution, this study recommends strengthening normative compliance through the establishment of strict Regional Head Regulations (*Perkada*), integration of fiscal capacity-based planning, digitalization of governance through the Regional Government Information System (*SIPD*) to reduce information asymmetry, and optimizing the role of the Government Internal Supervisory Apparatus (*APIP*) to ensure the principle of value for money and budget efficiency.

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INTRODUCTION

Regional Finance is all the rights and obligations of the Region in the context of the implementation of government affairs that are the authority of the Regional Government, which can be valued in money and all forms of wealth that can be used as property of the Region in relation to the rights and obligations of the Region. Regional financial management includes a whole series of activities ranging from planning, budgeting, implementation, administration, reporting, accountability, to supervision that is carried out in an orderly, efficient, economical, effective, transparent, and accountable manner by paying attention to the sense of justice, propriety, benefits for the community, and compliance with the provisions of laws and regulations as embodied in the Regional Revenue and Expenditure Budget (APBD) as stated in Government Regulation Number 12 of 2019 concerning Regional Financial Management (Jawad et al., 2026; Karima et al., 2021; Mahendra & Muttaqin, 2023; Ngarawula & Rozikin, 2024; Yesyan et al., 2021).

The structure of the APBD consists of regional revenues, regional expenditure, and regional financing. Regional expenditure is used to fund the implementation of government affairs that are the authority of the regions as stipulated in Law Number 23 of 2014 concerning Regional Government (Abbas & Murziqin, 2021; Awwaliyah et al., 2019; Darmi, 2018; Faoziyah & Salim, 2020; Yusuf et al., 2019). In the regional expenditure structure, there is grant expenditure aimed at supporting the achievement of the goals of local government programs, activities, and sub-activities in accordance with regional interests in supporting the implementation of government, development, and community functions by paying attention to the principles of justice, propriety, rationality, and benefits for the

community in accordance with the region's financial capabilities after prioritizing the fulfillment of expenditure on compulsory government affairs and government affairs options, unless otherwise specified in accordance with the provisions of laws and regulations.

According to Mazmanian and P. A. Sabatier (in Riant Nugroho, 2009:505), who proposed an implementation analysis framework model that classifies the policy implementation process into three variables. First, independent variables, namely the difficulty or ease of the problem to be controlled, which is related to the indicators of theoretical and technical problems of implementation, the diversity of objects, and what kind of changes are desired (Cao et al., 2017; Davies, 2018; Moussa et al., 2017; Mubarok et al., 2020; Shiau et al., 2024). Second, intervening variables, namely variables of policy ability to structure the implementation process with indicators of clarity and consistency of objectives, the use of causal theory, the accuracy of the allocation of funding sources, the integration of hierarchies among implementing agencies, the implementing rules of the implementing agencies, and the recruitment of implementing officials and openness to external parties, and variables from outside the policy that affect the implementation process related to socio-economic condition indicators and technology, public support, attitudes and resources of constituents, support of higher officials, and commitment and leadership qualities of the implementing officials. Third, dependent variables, which are the stages in the implementation process with five stages of understanding from the implementing institution/agency in the form of the preparation of implementing policies, compliance with objects, real results, acceptance of the real results, and finally leading to revisions to the policies made and implemented or the entire policy that is fundamental. According to Grindle (in Riant Nugroho, 2009:510), the basic idea is that after the policy is transformed, only then is the implementation of the policy carried out. Its success is determined by the degree of implementability of the policy. The content of the policy includes: (1) the interests affected by the policy; (2) the type of benefits that will be generated; (3) the degree of change desired; (4) the position of the policymaker; (5) who is the implementer of the program; (6) resources deployed. Meanwhile, the context of the implementation is: (1) the power, interests, and strategies of the actors involved; (2) the characteristics of institutions and rulers; (3) compliance and responsiveness.

The urgency of this research is underscored by the increasing prevalence of such grant practices and the associated risks. Without a clear juridical and empirical understanding, these practices can lead to a misallocation of regional funds, a blurring of accountability lines between regional and central government functions, and a potential violation of the principle of budget efficiency. For regions with limited fiscal capacity, such expenditures can divert critical resources from basic public services. Therefore, a systematic analysis is urgently needed to map the problems and formulate strategic solutions.

By regulation, grants are not mandatory and must be adjusted to the financial capabilities of the region. However, the phenomenon in the field shows a shift in meaning where grant-giving becomes a coercive "routine obligation". The diversity of grant recipients (vertical agencies) with various types of needs ranging from building construction to daily operations, which are the authority of the central government and which should have been planned and budgeted in the State Revenue and Expenditure Budget (APBN), makes this problem difficult to control without strict selection instruments. In addition, in submitting grant proposals from the central government, they are not in accordance with administrative procedures at the stages and schedules in the preparation of the APBD.

METHOD

The research method used in this study is a literature study by combining normative juridical approaches and empirical juridical approaches. A normative juridical approach was used to analyze laws and regulations related to the position of grant spending, the management of grant expenditures such as Law Number 23 of 2014 concerning Regional Government, Government Regulation Number 12 of 2019 concerning Regional Financial Management, Regulation of the Minister of Home Affairs, and other technical regulations. Meanwhile, an empirical juridical approach was used to trace how the implementation of these provisions is carried out by local governments in the field, as well as identify obstacles that arise in practice. This research is descriptive-analytical, which aims to systematically describe the processes, obstacles, and solutions related to grant spending given to vertical agencies. The research is focused on several local governments based on the consideration of anomalous data and information sourced from the APBD generated from the Regional Government Information System (SIPD).

The data collected consists of primary data and secondary data. Primary data were obtained through SIPD and Regional Regulations on the APBD, participatory observation of the implementation of grant spending, and case studies on real cases that have occurred. Secondary data was obtained from the study of laws and regulations, reports on the results of BPK audits, and scientific literature in the form of books and journals. All data were analyzed qualitatively with the stages of data reduction, data presentation, and conclusion drawn. In addition, normative analysis is also used to assess the suitability between legal provisions and their implementation, as well as gap analysis to see the extent of grant spending practices with applicable legal rules. To ensure the validity of the data, triangulation of sources and methods is used, as well as validation of findings through reconfirmation to key sources. With these approaches and methods, it is hoped that this research can provide a complete and in-depth picture of the challenges and solutions in the implementation of grant spending for local governments.

RESULTS AND DISCUSSION

Legal Basis for Grant Expenditure to the Central Government or Vertical Agencies

Grant expenditure in the form of money, goods, or services can be budgeted in the APBD in accordance with the regional financial capabilities after prioritizing the fulfillment of expenditure on mandatory government affairs and optional government affairs, unless otherwise specified in accordance with the provisions of laws and regulations. The provision of grants is intended to support the achievement of the goals, programs, activities, and sub-activities of the Regional Government in accordance with the interests of the region in supporting the implementation of government, development, and community functions by paying attention to the principles of justice, propriety, rationality, and benefits for the community. In detail in the Regulation of the Minister of Home Affairs concerning Guidelines for the Preparation of Regional Revenue and Expenditure Budgets in three fiscal years, namely the 2024, 2025, and 2026 Fiscal Years related to the policy of grant spending to the Central Government or vertical agencies is given to work units from the Ministries/institutions whose working areas are in the relevant area, with the provisions: (a) the working area includes from the district/city to the vertical agency whose work area is in the relevant area. provinces; (b) grants to the central government are given 1 (one) time in the relevant year in accordance with the financial capabilities of the region, including grants to the work unit of the Ministry of Home Affairs in charge of population administration affairs for the provision of blank Identity Cards (KTP), except for urgent needs in accordance with the provisions of laws and regulations; (c) Grant funding from the Regional Government is separate and does not overlap with funding sourced from the State Budget,

in accordance with the provisions of laws and regulations; (d) the grant is intended as state revenue; and (e) only to fund activities and/or the provision of goods and services that are not financed by the State Budget.

In terms of the administration of grant expenditure to pay attention to: (1) the completeness of the administration of prospective grant recipients in the form of name, address, amount, and purpose of use; (2) provide benefits for the Regional Government in order to support the implementation of government, development and community functions in the implementation of mandatory government affairs and elected government affairs; and (3) regional financial capabilities after prioritizing the fulfillment of mandatory government affairs and elected government affairs. This is the basis for the local government through the supporting SKPD in conducting an evaluation of the written proposal of prospective grant recipients and the consideration of the Regional Government Budget Team (TAPD) with the following provisions: (1) SKPD evaluation of written proposals from prospective grant recipients of formal and material nature including aspects of legality, administration, and clarity of support for achieving regional development goals. The legality aspect includes evaluating the suitability of prospective grantees with the subject of grant recipients in accordance with the provisions of laws and regulations. The administrative aspect includes evaluating the validity of the documents required for prospective grant recipients in accordance with the provisions of laws and regulations. Evaluation of the clarity of support for the achievement of regional development goals includes an objective assessment of grant support for the achievement of regional priority targets in the RKPD; and (2) TAPD's consideration of the results of the evaluation by the SKPD related to the proposal of prospective grantees includes the suitability of the grant allocation with the duties and functions of the SKPD, the suitability of programs, activities and sub-activities with affairs and authorities, ensuring that there is no duplication of budgeting with other regional apparatus and the suitability of grant provision with regional financial capabilities.

These administrative steps are to be outlined in the regional head regulations on budgeting, implementation and administration, reporting and accountability, as well as monitoring and evaluation of grants regulated further with Perkada in accordance with the provisions of laws and regulations.

Problems in the Implementation of Grant Expenditure to the Central Government or Vertical Agencies

The implementation of grant expenditure to the central government or vertical agencies has not fully complied with the provisions of laws and regulations. The first problem is compliance and regulatory clashes. Some local governments have not established Perkada on budgeting procedures, implementation and administration, reporting and accountability, as well as monitoring and evaluation of grants, or have established but the substance is not implementive. Without this operational foundation, the implementation process loses a clear structure, leading to multiple interpretations, unclear requirements documents, and indecisiveness in proposal selection. This proves that policy variables fail to structure the behavior of regional bureaucracy to comply with procedures. Another fundamental problem in the implementation of grant spending to vertical agencies often lies in the misalignment between the urgency of regional needs and regulatory rigidity. A phenomenon that is often found is the granting of grants that are not based on adequate written proposals (proposals) or are given continuously without clear urgency, which is materially contrary to the principle of selectivity and is not binding. This non-compliance is directly correlated with the inefficiency of regional resource allocation that should be prioritized for basic public services.

Second, planning and budgeting. The final indicator of implementation is object compliance. By regulation, the submission of grant requests to local governments must be

submitted at the development planning stage, namely before the Regional Government Work Plan (RKPD) is determined, where the flow of the proposal procedure must go through verification and evaluation of aspects of legality, administration, and clarity of support for achieving regional development goals. Verification and evaluation can involve regional apparatus that is substantially and authority relevant to the proposal submitted by the central government or vertical agencies. In fact, the level of compliance is still low, characterized by the submission of grant proposals that are not in accordance with the schedule of the APBD preparation stages (after the determination of the RKPD).

Third, the potential for overlap or duplication with the State Budget, In the framework of fiscal decentralization, grant spending is a discretionary regional financial instrument, which allows local governments to provide funding support to the central government or vertical agencies operating in their regions. Although vertical agencies have their own budget posts through the State Revenue and Expenditure Budget (APBN), regulations allow for the support of the Regional Revenue and Expenditure Budget (APBD) for the smooth implementation of general government in the regions. However, this dualism of funding sources often raises complexities in financial governance, especially related to authority limits and the risk of overlapping funding that has the potential to violate the principle of budget efficiency.

Implementation strategy of grant spending to the Central Government or Vertical agencies

The implementation strategy for the problem of grant spending to the central government or vertical agencies is: First, normative compliance through perkada. As a solution to the weak policy structure (intervening variables), the Regional Government is obliged to prepare a rigid Perkada. These regulations should serve as a "fence" that clarifies the rules of the game, thereby reducing the space for multiinterpretation and informal negotiations that are detrimental to the regions. Grindle highlights compliance and responsiveness. In addition, the perkada is used by the Government Internal Supervision Apparatus (APIP) or Regional Inspectorate as a tool to inspect vertical agencies that are considered "*immun*" areas. This characteristic of inter-agency relationships hinders effective supervision functions (checks and balances), thereby increasing the risk of overlapping funding with the state budget.

Second, Integration of Planning and Fiscal Selectivity. The implementation strategy of grant spending must start from the upstream, namely at the planning and budgeting stages. A strict filtering strategy is needed through the mechanism of integrating grant proposals into the regional development planning system (RKPD) based on the regional real fiscal capacity index (fiscal capacity index). Local governments should reject the "passenger in the middle of the road" pattern or grant proposals that come in on an ad-hoc basis in the middle of the budget year without emergency urgency (such as natural disasters or social conflicts). Referring to the Mazmanian and Sabatier models, the main strategy must be focused on strengthening the Intervening Variables, namely the clarity and consistency of objectives and the accuracy of the allocation of funding sources. Local governments must implement a strict 'Grant Indicative Ceiling' policy in the RKPD which limits the percentage of total grant expenditure to the total Operating Expenditure, so that the allocation for vertical agencies does not erode fiscal space for compulsory public services. Academically, this is in line with the principle of allocative efficiency, where public funds must be allocated to sectors that provide the highest marginal utility for local communities, not just to meet the operational needs of central agencies that should be financed by the state budget.

Third, Digitization of Grant Governance through SIPD. Digitization of grant governance through SIPD is not just an administrative modernization, but an instrument to overcome the problem of information asymmetry where vertical agencies often have more

information about the needs and use of funds than the local government. Digital systems that record audit trails serve to force transparency, thereby minimizing space for informal negotiations or political intervention. Thus, digitalization increases the degree of policy implementability by ensuring object compliance through a locked system (system-driven compliance).

Fourth, strengthening the role of APIP. The last strategy that is no less fundamental is to strengthen the role of the Government Internal Supervision Apparatus (APIP) in reviewing the compliance of grant spending. There is often a psychological reluctance and hierarchical obstacles for the district inspectorate to inspect vertical agencies. Therefore, the implementation strategy must include harmonization of regulations that provide an explicit mandate and legal protection for APIP to ensure the use of regional grant funds by vertical agencies. This strategy can be strengthened by a joint audit mechanism or supervision coordination with the BPKP (Financial and Development Supervisory Agency) to ensure that there is no duplication of funding (double funding) between APBD and APBN funding sources for the same expenditure object, a phenomenon that theoretically violates the principle of state financial efficiency.

CONCLUSION

This study concludes that while regional grants to central government vertical agencies possess normative legality as instruments of governance support, their implementation is undermined by administrative and substantial distortions rooted in weak policy structures, including the absence or indecisiveness of regional technical regulations (Perkada), inconsistent budgeting planning that frequently bypasses the RKPD stage, and a paradigmatic shift from discretionary grants to coercive "routine obligations" that strain regional fiscal capacity. The dualism of funding sources further compounds governance complexity, elevating risks of resource allocation inefficiency and potential double funding with the APBN. To address these systemic deficiencies, a restructuring of grant governance is imperative, encompassing the establishment of rigid Perkada, fiscal selectivity integration within the development planning system, SIPD-based digital supervision to reduce information asymmetry, and regulatory harmonization to reinforce the role of the Government Internal Supervisory Apparatus (APIP) — collectively transforming formal-administrative compliance into material compliance grounded in the principle of value for money and the integrity of regional financial management. Future research is recommended to conduct a comparative cross-regional study examining the effectiveness of Perkada implementation across regions with varying fiscal capacities, so as to identify best-practice governance models that can be standardised into a national regulatory framework for regional grant management.

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