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ANDALAS BORNEO JUSTICE

Original Article

# Sustainable Village Development through Regional Special Financial Assistance: A Legal Framework

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## Abstract

Since the enactment of the Village Law, Indonesian villages have received substantial transfers, including financial assistance from provincial and regency budgets. Special financial assistance is a distinctive instrument within this framework, because its purpose is determined by the granting regional government while its management is carried out within the village budget. Despite its growing use, the legal framework governing this instrument remains fragmented across national legislation, ministerial regulations, and regional head regulations, and its contribution to sustainable village development has not been examined from a legal perspective. This study aims to analyse the legal basis and position of special financial assistance in Indonesian village finance law, the regulatory and governance problems in its implementation, and its alignment with the sustainable development agenda of villages. This study employs normative legal research using statutory and conceptual approaches, supported by an analysis of implementation practices reported in the scholarly literature. The findings show that special financial assistance has a clear legal basis as a source of village income, but its design is largely left to regional head regulations, which produces wide discretion, uniform allocation formulas, administrative burdens, and limited participation of villages. The ambiguous status of village finance within state finance further complicates accountability. The alignment of special financial assistance with sustainable development remains weak because the instrument is rarely linked to development indicators. This study concludes that a reconstructed legal framework is required, one that establishes minimum national standards, needs-based allocation, participatory and simplified procedures, integrated supervision, and explicit sustainable development objectives.

**Keywords**: Special Financial Assistance, Village Finance, Regional Government, Sustainable Development, Village Autonomy

## Introduction

The enactment of Law Number 6 of 2014 on Villages marked a turning point in the legal position of Indonesian villages. The law recognises villages as legal community units with the authority to regulate and manage governmental affairs and the interests of the local community on the basis of community initiative, origin rights, and traditional rights.[1] This recognition rests on the constitutional foundation of Article 18B paragraph (2) of the 1945 Constitution, which recognises and respects customary law communities and their traditional rights.[2] The Village Law has been accompanied by an unprecedented flow of public funds to villages, intended to strengthen village self-reliance and to accelerate rural development.[3] In the doctrinal literature, this reform is understood as an affirmation

[1] Article 1 point 1 of Law Number 6 of 2014 on Villages, as last amended by Law Number 3 of 2024.
[2] Ni'matul Huda, *Hukum Pemerintahan Desa: Dalam Konstitusi Indonesia Sejak Kemerdekaan Hingga Era Reformasi* (Malang: Setara Press, 2015).
[3] Betha Rahmasari, 'Pengelolaan Keuangan Desa Ditinjau Dari Undang-Undang Desa Menuju Masyarakat Yang Mandiri', *Lex Renaissance*, 5.2 (2020), 488–507; Aji Baskoro, 'Strengthening Good Village Governance

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of the original autonomy of villages, which precedes and is distinct from the autonomy granted to regional governments.[4]

The Village Law lists the sources of village income, which comprise original village income, allocations from the State Budget, a share of regency/municipal taxes and levies, the Village Fund Allocation (*Alokasi Dana Desa*, ADD), financial assistance from provincial and regency/municipal budgets, grants and donations from third parties, and other lawful income.[5] Among these sources, financial assistance from regional budgets occupies a particular position. Unlike the Village Fund, which is transferred from the State Budget according to a national formula, and unlike the ADD, which the law requires regencies to allocate at a minimum percentage of the balancing funds they receive,[6] financial assistance from provincial and regency budgets is discretionary. Regional governments decide whether to provide it, how much to provide, and, in the case of special financial assistance (*bantuan keuangan bersifat khusus*), for what purpose it must be used.

Regional practice shows that special financial assistance has become a widespread policy instrument. Regional head regulations define it as financial assistance from the regional budget to village governments whose purpose and management are determined by the regional government, and they provide that the purpose is set by the granting government while management is entrusted to the recipient village.[7] Provinces such as Central Java, East Java, Riau, and West Java, as well as numerous regencies, have used financial assistance to support village enterprises, community resilience, infrastructure, and community empowerment.[8] In this sense, special financial assistance functions as a channel through which regional governments pursue their own development priorities at the village level.

The growing reliance on this instrument, however, has revealed significant problems. Satriajaya, Putra, and Handajani show that the management of special financial assistance from a regency government was not implemented appropriately because the regency was inconsistent in applying its own regulations and exercised both administrative and regulatory discretion shaped by political interests.[9] Studies of financial assistance in Bandung Regency, Central Java, East Java, and Riau consistently report that implementation has not been optimal.[10] Amirulloh and others demonstrate that a uniform provincial grant to villages in Bogor directs a proportionally smaller share of funds to lower-capacity villages, imposes a disproportionate administrative burden, and provides no

Strategy: Transparency, Accountability, and Inclusive Rural Development', *Bestuurskunde*, 5.1 (2025), 39–50 https://doi.org/10.53013/bestuurskunde.5.1.39-50

4 H. A. W. Widjaja, *Otonomi Desa: Merupakan Otonomi Yang Asli, Bulat Dan Utuh* (Jakarta: RajaGrafindo Persada, 2005).

5 Article 72 paragraph (1) of Law Number 6 of 2014 on Villages, as last amended by Law Number 3 of 2024.

6 Article 72 paragraph (4) of Law Number 6 of 2014 on Villages, as last amended by Law Number 3 of 2024.

7 Articles 1 point 14 and 2 paragraph (2) of Regulation of the Regent of Pati Number 6 of 2022 on Guidelines for the Provision of Special Financial Assistance from the Regional Budget to Village Governments.

8 Dwi Prihanto, 'Analisis Bantuan Keuangan Provinsi Jawa Tengah Kepada Pemerintah Desa Untuk Peningkatan Ketahanan Masyarakat Desa (PKMD) di Kabupaten Karanganyar Tahun 2020', *JI@P: Jurnal Ilmiah Administrasi Publik*, 10.2 (2021), 62–70 https://doi.org/10.33061/jp.v10i2.5904; Diana Putri Wahyudi, 'Implementasi Program Bantuan Keuangan Khusus Desa Untuk Pemberdayaan Bum Desa Dari Provinsi Jawa Timur di Kabupaten Kediri', *Future Academia: The Journal of Multidisciplinary Research on Scientific and Advanced*, 3.1 (2025), 446–54 https://doi.org/10.61579/future.v3i1.396; Jhon Suhadi, Ria Nelly Sari, and Vince Ratnawati, 'Kontribusi Dana Bantuan Keuangan Terhadap Pendapatan BUMDes: Studi Kasus di Kecamatan Bantan', *CURRENT: Jurnal Kajian Akuntansi dan Bisnis Terkini*, 6.1 (2025), 14–37; M. Rijal Amirulloh and others, 'Designing Provincial Financial Assistance to Villages: A Policy Analysis of Flat Intergovernmental Transfers under Heterogeneity in Bogor, Indonesia', *Public and Municipal Finance*, 15.3 (2026), 28–38 https://doi.org/10.21511/pmf.15(3).2026.03

9 Johan Satriajaya, I Nyoman Nugraha Ardana Putra, and Lilik Handajani, 'Pengelolaan Bantuan Keuangan Bersifat Khusus Dari Pemerintah Kabupaten Dalam Anggaran Pendapatan Dan Belanja Desa', *Jurnal Akuntansi Aktual*, 5.1 (2018) https://doi.org/10.17977/um004v5i12018p001

10 Deddy Mulyadi, 'Implementasi Kebijakan Pemberian Bantuan Keuangan Kepada Pemerintah Desa di Kabupaten Bandung', *Jurnal Ilmu Administrasi: Media Pengembangan Ilmu dan Praktek Administrasi*, 16.1 (2019), 66–80 https://doi.org/10.31113/jia.v16i1.208; Prihanto, 'Analisis Bantuan Keuangan Provinsi Jawa Tengah'; Wahyudi, 'Implementasi Program Bantuan Keuangan Khusus Desa'; Suhadi, Sari, and Ratnawati, 'Kontribusi Dana Bantuan Keuangan'.

mechanism for village participation in setting the grant parameters.[11] These findings suggest that the problems of special financial assistance are not merely technical but rooted in the design of its legal framework.

From a conceptual perspective, special financial assistance belongs to the family of intergovernmental fiscal transfers. Such transfers may be unconditional, leaving the recipient free to determine their use, or conditional, attaching specific purposes or requirements to the funds. In Indonesian village finance, general financial assistance and the ADD approximate unconditional transfers, while special financial assistance is a conditional transfer whose purpose is fixed by the grantor.[12] Conditional transfers offer the grantor a means of steering local spending towards priorities of wider significance, but they also carry risks: they may override local preferences, impose compliance costs, and be allocated according to criteria that do not reflect local needs.[13] The legal framework determines how these advantages and risks are balanced. Where the framework is clear, transparent, and participatory, conditional transfers can serve as instruments of coordinated development; where it is vague and discretionary, they may become instruments of control or patronage.[14]

The legal framework itself is fragmented. At the national level, the Village Law and its implementing regulations recognise financial assistance as a source of village income, while the regulations on regional financial management treat financial assistance as a category of regional expenditure.[15] The detailed rules on allocation, purpose, procedure, and accountability are largely left to governor and regent regulations. This fragmentation is compounded by a long-standing doctrinal debate on whether village finance forms part of state finance. Purnomo argues that no provision directly places village finance within the state or regional financial system, a gap that undermines legal certainty in the prosecution of village heads.[16] Sugiharti and Ramdan, by contrast, treat village finance as part of state finance.[17] More recent studies call for new legal provisions that explicitly define the position of village finance.[18]

At the same time, Indonesian development policy has increasingly framed village development in terms of sustainable development. The national framework for the achievement of the Sustainable Development Goals has been established by presidential regulation,[19] and the priorities for the use of the Village Fund have been oriented towards the village-level SDGs (*SDGs Desa*).[20] The Village Law itself states that village development aims to improve the welfare of the village community and the quality of human life and to alleviate poverty, including through the sustainable use of natural

[11] Amirulloh and others, 'Designing Provincial Financial Assistance to Villages'.

[12] Government Regulation Number 12 of 2019 on Regional Financial Management; Regulation of the Regent of Pati Number 6 of 2022 on Guidelines for the Provision of Special Financial Assistance from the Regional Budget to Village Governments.

[13] Amirulloh and others, 'Designing Provincial Financial Assistance to Villages'.

[14] Satriajaya, Putra, and Handajani, 'Pengelolaan Bantuan Keuangan Bersifat Khusus'; Muhammad Djafar Saidi, *Hukum Keuangan Negara*, 2nd edn (Depok: RajaGrafindo Persada, 2014).

[15] Government Regulation Number 12 of 2019 on Regional Financial Management; Regulation of the Minister of Home Affairs Number 77 of 2020 on Technical Guidelines for Regional Financial Management.

[16] Herry Purnomo, 'Kedudukan Keuangan Desa Dalam Sistem Keuangan Negara', *Rechtsidee*, 2.2 (2015), 121–40 https://doi.org/10.21070/jihr.v2i2.81

[17] Dewi Kania Sugiharti and Ajie Ramdan, 'Mewujudkan Desa Bebas Korupsi Melalui Pengelolaan Keuangan Desa Terpadu', *Pandecta*, 14.1 (2019), 57–72 https://doi.org/10.15294/pandecta.v14i1.16729

[18] Nela Erdianti and Muhammad Rizqi Hilal Ilham Ramadhan, 'Analisis Pengawasan Pengelolaan Keuangan Negara Terhadap Prinsip Transparansi Dan Akuntabilitas Berdasarkan Regulasi Pengelolaan Keuangan Desa', *Beleid: Journal of Administrative Law and Public Policy*, 1.1 (2023), 1–16 https://doi.org/10.62870/beleid.v1i1.24654; Faidhul Mannan, Dairani, and Fathol Bari, 'Accountability and Transparency of State Financial Management by Village Government as a Form of Government Responsibility', *HUKMY: Jurnal Hukum*, 3.2 (2023), 364–83 https://doi.org/10.35316/hukmy.2023.v3i2.364-383

[19] Presidential Regulation Number 59 of 2017 on the Implementation of the Achievement of the Sustainable Development Goals, as amended by Presidential Regulation Number 111 of 2022.

[20] Regulation of the Minister of Villages, Development of Disadvantaged Regions and Transmigration Number 13 of 2020 on Priorities for the Use of Village Funds in 2021.

resources and the environment.[21] Yet empirical studies show that the alignment of village funding with the SDGs has not produced significant improvements in village development indicators,[22] and that the implementation of the SDG pillars at the village level faces challenges of inclusiveness, data integration, and program coordination.[23]

The existing literature has examined village finance from several angles. Legal studies have analysed the regulation of village fund management,[24] the supervision and prevention of corruption,[25] the accountability of village heads,[26] and good village governance.[27] Studies in public administration and accounting have evaluated the implementation of financial assistance programs in particular regions.[28] Studies in economics and governance have measured the impact of village funds on development and economic recovery.[29] However, few studies have examined the legal framework of special financial assistance as such, and fewer still have assessed whether this framework is capable of advancing sustainable development. The literature on special financial assistance is dominated by implementation studies, while the legal design of the instrument, which determines the conditions of implementation, remains largely unexamined.

The novelty of this study lies in three aspects. First, it treats special financial assistance as a distinct legal instrument with a hybrid position between regional finance law and village finance law, rather than as one of many undifferentiated sources of village income. Second, it connects the implementation problems documented in administrative and accounting studies to specific weaknesses in the legal framework, thereby explaining why these problems recur across regions. Third, it evaluates the legal framework against the objectives of sustainable development and proposes a reconstruction that integrates legal certainty, equity, participation, and outcome

[21] Article 78 paragraph (1) of Law Number 6 of 2014 on Villages, as last amended by Law Number 3 of 2024.

[22] Bayu Kharisma and others, 'Village Funds and Village Development: The Case of West Java', *Economics Development Analysis Journal*, 14.3 (2025), 291–305 https://doi.org/10.15294/edaj.v14i3.25604

[23] Angga Natalia and Erine Nur Maulidya, 'Aktualisasi Empat Pilar Sustainable Development Goals (SDGs) di Perdesaan Kecamatan Natar Kabupaten Lampung Selatan', *JIIP: Jurnal Ilmiah Ilmu Pemerintahan*, 8.1 (2023), 21–41 https://doi.org/10.14710/jiip.v8i1.16513

[24] Siti Khoiriah and Utia Meylina, 'Analisis Sistem Pengelolaan Dana Desa Berdasarkan Regulasi Keuangan Desa', *Masalah-Masalah Hukum*, 46.1 (2017), 20–29; Rahmasari, 'Pengelolaan Keuangan Desa'.

[25] Sugiharti and Ramdan, 'Mewujudkan Desa Bebas Korupsi'; Dewi Kania Sugiharti, Zainal Muttaqin, and Rully Herdita Ramadhani, 'The Supervision of Village Fund Management to Prevent Corruption', *Padjadjaran Jurnal Ilmu Hukum*, 8.3 (2021) https://doi.org/10.22304/pjih.v8n3.a3; Erdianti and Ramadhan, 'Analisis Pengawasan Pengelolaan Keuangan Negara'.

[26] Yusuf Eko Nahuddin, 'Akuntabilitas Keuangan Desa Dan Kesejahteraan Aparatur Desa Dalam Pengelolaan Keuangan Desa', *Jurnal Cakrawala Hukum*, 9.1 (2018), 107–16 https://doi.org/10.26905/idjch.v9i1.2111; Ulil Amri and Ahmad Yamin, 'Pertanggungjawaban Hukum Kepala Desa Atas Penyalahgunaan Wewenang Dalam Penggunaan Dana Desa Berdasarkan Undang-Undang Nomor 6 Tahun 2014 Tentang Desa', *Jurnal Prodi Ilmu Hukum*, 1.2 (2023), 170–78; Syaiful Bahri, Mohammad Muhibbin, and Suratman, 'Pertanggungjawaban Pemerintah Desa Terhadap Anggaran Dana Desa Yang Tidak Terserap Dalam Pembangunan', *Jurnal USM Law Review*, 7.1 (2024), 180–95.

[27] Baskoro, 'Strengthening Good Village Governance Strategy'; Mannan, Dairani, and Bari, 'Accountability and Transparency'.

[28] Satriajaya, Putra, and Handajani, 'Pengelolaan Bantuan Keuangan Bersifat Khusus'; Mulyadi, 'Implementasi Kebijakan Pemberian Bantuan Keuangan'; Prihanto, 'Analisis Bantuan Keuangan Provinsi Jawa Tengah'; Wahyudi, 'Implementasi Program Bantuan Keuangan Khusus Desa'; Suhadi, Sari, and Ratnawati, 'Kontribusi Dana Bantuan Keuangan'; Iham Widodo, Dadan Kurnia, and Danny Permana, 'Pemberdayaan Masyarakat Melalui Program Sabilulungan Raksa Desa Oleh Dinas Pemberdayaan Masyarakat Dan Desa (DPMD) Berdasarkan Peraturan Bupati Nomor 23 Tahun 2021 di Kabupaten Bandung', *Prinsip: Jurnal Mahasiswa Magister Ilmu Pemerintahan*, 1.2 (2025) https://doi.org/10.36859/prinsip.v1i2.3403

[29] Kharisma and others, 'Village Funds and Village Development'; Aulia Aqila Haya and Agus Suman, 'Analisis Pengaruh Dana Desa Terhadap Pemulihan Ekonomi Daerah (Studi Kasus 30 Kab/Kota Provinsi Jawa Timur TA 2017-2021)', *Journal of Development Economic and Social Studies*, 2.1 (2023), 222–32 https://doi.org/10.21776/jdess.2023.02.1.20; Septiawan Ardiputra and others, 'Optimizing Budget Policy in Village Fund Allocation (ADD): A Governance and Public Administration Perspective on Rural Development', *Frontiers in Political Science*, 7 (2025), 1581806 https://doi.org/10.3389/fpos.2025.1581806

orientation. In doing so, the study seeks to bridge the literatures on village finance law, intergovernmental transfers, and village-level sustainable development.[30]

This study addresses that gap. It aims to analyse the legal framework for special financial assistance provided by regional governments to villages and its role in advancing sustainable development. It addresses four research questions. First, what is the legal basis and position of special financial assistance within Indonesian village finance law? Second, what regulatory and governance problems arise in the implementation of special financial assistance? Third, to what extent is special financial assistance aligned with the sustainable development agenda of villages? Fourth, how should the legal framework be reconstructed so that special financial assistance can effectively advance sustainable development? By answering these questions, this study seeks to contribute a legal analysis of an instrument that has hitherto been studied mainly from administrative and economic perspectives, and to propose a framework that integrates legal certainty, village autonomy, and sustainable development.

## Method

This study is normative legal research (doctrinal legal research) that examines the legal norms, principles, and doctrines governing special financial assistance from regional governments to villages. It employs two principal approaches. The statutory approach is used to analyse the 1945 Constitution, Law Number 6 of 2014 on Villages as last amended by Law Number 3 of 2024, Law Number 23 of 2014 on Regional Government, Law Number 1 of 2022 on Financial Relations between the Central Government and Regional Governments, Government Regulation Number 43 of 2014 as last amended by Government Regulation Number 11 of 2019, Government Regulation Number 12 of 2019 on Regional Financial Management, Presidential Regulation Number 59 of 2017 as amended by Presidential Regulation Number 111 of 2022, and the relevant regulations of the Minister of Home Affairs and the Minister of Villages. A regency regulation on special financial assistance is examined as an illustration of how the instrument is regulated at the regional level. The conceptual approach is used to examine the concepts of village autonomy, state finance, intergovernmental fiscal transfers, accountability, and sustainable development.

The legal materials consist of primary and secondary legal materials. Primary legal materials comprise the legislation mentioned above. Secondary legal materials comprise peer-reviewed journal articles on village finance law, the supervision and accountability of village finance, financial assistance from provincial and regency governments, village funds, and village-level sustainable development, together with leading textbooks on village government law, village autonomy, regional autonomy, and state finance law. The implementation practices of special financial assistance in Bandung Regency, Central Java, East Java, Riau, West Java, and other regions are analysed as reported in the peer-reviewed literature. The materials were collected through library research and selected on the basis of relevance and verifiability through journal websites, international indexing services, and library catalogues.

The legal materials were analysed qualitatively through grammatical, systematic, and teleological interpretation. The analysis proceeds in four steps: first, mapping the legal basis and the hierarchy of norms governing special financial assistance; second, identifying the regulatory and governance problems revealed by implementation studies; third, assessing the alignment of special financial assistance with the sustainable development framework; and fourth, formulating a prescriptive model for the reconstruction of the legal framework. This study has limitations. Because it relies on implementation practices as reported in the literature, it does not claim to represent all regional practices, and because it is normative research, it does not measure the impact of special financial assistance quantitatively. The conclusions are therefore framed as an analysis of the legal design and its implications rather than as statistical generalisations.

## Results and Discussions

[30] Purnomo, 'Kedudukan Keuangan Desa'; Amirulloh and others, 'Designing Provincial Financial Assistance to Villages'; Kharisma and others, 'Village Funds and Village Development'.

### *The Legal Basis and Position of Special Financial Assistance in Village Finance Law*

The legal basis of special financial assistance must be understood within the constitutional architecture of the relationship between the state, regional governments, and villages. The 1945 Constitution divides the territory of the Republic into provinces, regencies, and municipalities, each with its own regional government, while recognising customary law communities and their traditional rights.[31] Huda traces the regulation of village government in the Indonesian constitutional order from independence to the reform era,[32] while Nurcholis examines the growth and administration of village government.[33] Across this history, the regulation of villages has moved between their recognition as self-governing communities and their treatment as units within the structure of state administration. The Village Law of 2014 adopts, among its principles, the principles of recognition and subsidiarity,[34] thereby positioning villages as entities with their own authority, institutions, and finances.[35]

Within this architecture, village finance is defined by the Village Law as all village rights and obligations that can be valued in money, as well as everything in the form of money and goods related to the implementation of those rights and obligations.[36] The sources of village income enumerated in Article 72 paragraph (1) of the Village Law include financial assistance from provincial and regency/municipal budgets. This provision is the primary statutory basis of special financial assistance. It establishes that financial assistance is a legitimate source of village income, but it does not regulate the form, amount, purpose, or procedure of such assistance. These matters are left to implementing regulations and, ultimately, to regional governments.

The regulations on village financial management complete the picture from the side of the recipient. Village financial management is carried out through an integrated cycle of planning, implementation, administration, reporting, and accountability.[37] Khoiriah and Meylina show that the regulations governing village fund management cover the stages of management through to the supervision system, and that these stages have the potential to strengthen accountability in village administration.[38] The ministerial regulation on village financial management classifies financial assistance from provincial and regency budgets as transfer income in the village budget (*Anggaran Pendapatan dan Belanja Desa*, APBDes).[39] Consequently, once special financial assistance is received, it becomes part of village finance and is subject to the general rules of village financial management, including the principles of transparency, accountability, participation, and budgetary discipline.

From the side of the grantor, special financial assistance is governed by the law of regional finance. The regulations on regional financial management treat financial assistance as a type of regional expenditure that may be provided to other regions or to villages, and distinguish between general assistance, whose use is left to the recipient, and special assistance, whose purpose is determined by the granting government.[40] Regional head regulations translate this distinction into operational rules. The regency regulation examined in this study defines special financial assistance as assistance from the regional budget to village governments whose purpose and management are determined by the regional government, and it provides that the purpose is determined by the granting government while its management is fully entrusted to the recipient.[41]

Special financial assistance therefore occupies a hybrid legal position. It originates as regional expenditure governed by regional financial law, but it is received and managed as village income

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31 Articles 18 and 18B paragraph (2) of the 1945 Constitution of the Republic of Indonesia.
32 Huda, *Hukum Pemerintahan Desa*.
33 Hanif Nurcholis, *Pertumbuhan Dan Penyelenggaraan Pemerintahan Desa* (Jakarta: Erlangga, 2011).
34 Article 3 of Law Number 6 of 2014 on Villages, as last amended by Law Number 3 of 2024.
35 Rahmasari, 'Pengelolaan Keuangan Desa'.
36 Article 71 paragraph (1) of Law Number 6 of 2014 on Villages, as last amended by Law Number 3 of 2024.
37 Sugiharti and Ramdan, 'Mewujudkan Desa Bebas Korupsi'.
38 Khoiriah and Meylina, 'Analisis Sistem Pengelolaan Dana Desa'.
39 Regulation of the Minister of Home Affairs Number 20 of 2018 on Village Financial Management.
40 Government Regulation Number 12 of 2019 on Regional Financial Management; Regulation of the Minister of Home Affairs Number 77 of 2020 on Technical Guidelines for Regional Financial Management.
41 Articles 1 point 14 and 2 paragraph (2) of Regulation of the Regent of Pati Number 6 of 2022 on Guidelines for the Provision of Special Financial Assistance from the Regional Budget to Village Governments.

governed by village financial law. The purpose of the assistance is determined by the grantor, yet its management falls within the authority of the village government. This hybrid position reflects the dual character of the relationship between regional governments and villages: on the one hand, villages possess their own authority and finances; on the other hand, regional governments retain responsibilities for guidance, supervision, and development within their territories.[42]

The distinctiveness of special financial assistance becomes clearer when it is compared with the other transfers that villages receive. The Village Fund is allocated from the State Budget according to national rules and is accompanied by nationally determined priorities for its use.[43] The ADD is a statutory obligation of regencies and municipalities, calculated as a minimum share of the balancing funds they receive.[44] Studies of ADD governance show that it is managed through village planning and budgeting mechanisms, with outcomes depending on financial literacy, digital infrastructure, and community participation.[45] Special financial assistance differs from both: it is not a statutory obligation, its amount is not determined by a national formula, and its purpose is fixed by the grantor. It is therefore the most discretionary of the regional transfers to villages, and its legal framework accordingly requires particular attention to the structuring of discretion.

This discretion is grounded in regional autonomy. Regional governments have the authority to manage their own budgets and to set development priorities within their territories, including the decision to allocate financial assistance to villages.[46] From the perspective of state finance law, the provision of financial assistance is an exercise of the budgetary authority of regional governments, subject to the principles of legality, efficiency, effectiveness, transparency, and accountability that govern the management of public funds.[47] The legal question is not whether regional governments may exercise discretion in providing special financial assistance, but how that discretion should be structured so that it is consistent with these principles and with the autonomy of villages. **Table 1** summarises the principal legal instruments that constitute the legal framework of special financial assistance.

**Table 1.** Legal Framework of Special Financial Assistance to Villages

| No. | Legal Instrument | Relevance to Special Financial Assistance |
|---|---|---|
| 1 | 1945 Constitution (Articles 18 and 18B paragraph (2)) | Establishes regional government and recognises customary law communities and their traditional rights, forming the constitutional basis of village autonomy. |
| 2 | Law Number 6 of 2014 on Villages, as last amended by Law Number 3 of 2024 (Articles 3, 19, 71, 72, and 78) | Recognises villages and their authority; defines village finance; lists financial assistance from provincial and regency/municipal budgets as a source of village income; sets village development objectives, including sustainable use of natural resources. |
| 3 | Law Number 23 of 2014 on Regional Government and Law Number 1 of 2022 on Central–Regional Financial Relations | Establish regional autonomy and the fiscal capacity of regional governments from which financial assistance to villages is financed. |
| 4 | Government Regulation Number 43 of 2014, as last amended by Government Regulation Number 11 of 2019 | Implements the Village Law, including the framework of village financial management. |

[42] H. A. W. Widjaja, *Otonomi Daerah Dan Daerah Otonom* (Jakarta: RajaGrafindo Persada, 2017); Nurcholis, *Pertumbuhan Dan Penyelenggaraan Pemerintahan Desa*.

[43] Regulation of the Minister of Villages, Development of Disadvantaged Regions and Transmigration Number 13 of 2020 on Priorities for the Use of Village Funds in 2021.

[44] Article 72 paragraph (4) of Law Number 6 of 2014 on Villages, as last amended by Law Number 3 of 2024.

[45] Ardiputra and others, 'Optimizing Budget Policy in Village Fund Allocation'.

[46] Widjaja, *Otonomi Daerah Dan Daerah Otonom*.

[47] Saidi, *Hukum Keuangan Negara*.

| | | |
|---|---|---|
| 5 | Government Regulation Number 12 of 2019 and Regulation of the Minister of Home Affairs Number 77 of 2020 | Treat financial assistance as regional expenditure and distinguish general assistance from special assistance whose purpose is determined by the granting government. |
| 6 | Regulation of the Minister of Home Affairs Number 20 of 2018 | Classifies financial assistance from regional budgets as transfer income in the village budget and governs its management. |
| 7 | Regulation of the Minister of Home Affairs Number 73 of 2020 | Governs the supervision of village financial management, covering planning, implementation, reporting, and follow-up. |
| 8 | Presidential Regulation Number 59 of 2017, as amended by Presidential Regulation Number 111 of 2022; Regulation of the Minister of Villages Number 13 of 2020 | Establish the national SDG framework and orient village funding priorities towards village-level SDGs. |
| 9 | Governor and regent regulations (e.g. Regulation of the Regent of Pati Number 6 of 2022) | Determine the operational design of special financial assistance: definition, purpose, allocation, procedure, and accountability. |

**Table 1** shows that the legal framework for special financial assistance is layered and dispersed. The constitutional and statutory layers establish the existence of villages, their authority, and their sources of income, but they do not regulate special financial assistance in detail. The government and ministerial regulations establish the categories of regional expenditure and village income, as well as the rules of village financial management and supervision. The operational design of special financial assistance, including its allocation formula, purpose, procedure, and accountability requirements, is determined almost entirely by governor and regent regulations. This structure has the advantage of flexibility, because it allows regional governments to tailor assistance to local priorities. However, it also creates a risk that the instrument will be designed and applied in ways that are inconsistent across regions, insufficiently transparent, and vulnerable to political considerations.[48]

The hybrid position of special financial assistance also raises the question of the legal status of village finance within the system of state finance. Saidi explains that state finance law governs the rights and obligations of the state that can be valued in money, as well as the management and accountability of public funds.[49] The question is whether funds that originate in regional budgets and are transferred to villages remain part of regional finance, and therefore of state finance in the broad sense, or whether they become village finance with a distinct legal status. Purnomo argues that the relationship between village finance and the state or regional financial system is administrative and territorial, and that no provision directly places village finance within that system; this ambiguity, in his view, has led to divergent interpretations when village heads are prosecuted for corruption, thereby undermining the principles of legality and legal certainty.[50] Sugiharti and Ramdan, on the other hand, consider village finance part of state finance and treat losses in village financial management as losses to state finance.[51]

More recent legal scholarship confirms that the issue remains unresolved. Erdianti and Ramadhan find that no law clearly states that village finance is part of state or regional finance, and that village finance is regulated mainly through its sources of income under Article 72 of the Village Law; they

48 Satriajaya, Putra, and Handajani, 'Pengelolaan Bantuan Keuangan Bersifat Khusus'; Amirulloh and others, 'Designing Provincial Financial Assistance to Villages'.
49 Saidi, *Hukum Keuangan Negara*.
50 Purnomo, 'Kedudukan Keuangan Desa'.
51 Sugiharti and Ramdan, 'Mewujudkan Desa Bebas Korupsi'.

therefore call for new legal provisions to state this explicitly.[52] Mannan, Dairani, and Bari similarly argue that new legal provisions are needed to establish village finance as a component of national finance.[53] For special financial assistance, this ambiguity is particularly significant. Because the purpose of the assistance is determined by the grantor, the grantor retains an interest in its use; yet because the assistance is managed in the village budget, it is subject to village accountability mechanisms. The absence of a clear statutory position makes it uncertain which accountability regime prevails when problems arise, and whether misuse should be treated as a matter of administrative correction or of criminal liability.[54]

The position of special financial assistance must also be understood in relation to village authority. The Village Law grants villages authority based on origin rights, local-scale village authority, authority assigned by higher levels of government, and other authority assigned in accordance with legislation.[55] Special financial assistance may be used to finance activities within any of these categories, but the determination of its purpose by the grantor implies that, in practice, it often finances activities that reflect the priorities of the regional government rather than those of the village. Widjaja's characterisation of village autonomy as original, complete, and whole suggests that external financial instruments should support, rather than override, the self-determined priorities of villages.[56] The legal framework of special financial assistance must therefore reconcile two legitimate interests: the interest of regional governments in directing public funds towards regional development objectives, and the interest of villages in exercising their autonomy over development planning.[57]

***Regulatory and Governance Problems in the Implementation of Special Financial Assistance***

The hybrid and dispersed legal framework described above shapes the conditions under which special financial assistance is implemented. Implementation studies from several regions reveal recurring problems that can be traced to the design of the framework. **Table 2** summarises the principal findings of these studies.

**Table 2.** Implementation of Financial Assistance to Villages in Selected Regions

| No. | Region and Type of Assistance | Principal Findings |
|---|---|---|
| 1 | Regency special financial assistance in the village budget | Management not implemented appropriately; inconsistent application of regional regulation; administrative and regulatory discretion shaped by political interests.[58] |
| 2 | Bandung Regency: financial assistance to village governments | Not yet optimal or well-targeted; allocation dominated by administration rather than empowerment; delays in planning and reporting.[59] |
| 3 | Central Java Province: assistance for community resilience (Karanganyar Regency) | Implemented in accordance with regulations through BUM Desa capital participation, but results not maximal.[60] |
| 4 | East Java Province: special assistance for BUM Desa (Kediri Regency) | Not optimal owing to limited BUM Desa human resources and complex administrative rules.[61] |

[52] Erdianti and Ramadhan, 'Analisis Pengawasan Pengelolaan Keuangan Negara'.
[53] Mannan, Dairani, and Bari, 'Accountability and Transparency'.
[54] Purnomo, 'Kedudukan Keuangan Desa'; Amri and Yamin, 'Pertanggungjawaban Hukum Kepala Desa'.
[55] Article 19 of Law Number 6 of 2014 on Villages, as last amended by Law Number 3 of 2024.
[56] Widjaja, *Otonomi Desa*.
[57] Widjaja, *Otonomi Desa*; Widjaja, *Otonomi Daerah Dan Daerah Otonom*.
[58] Satriajaya, Putra, and Handajani, 'Pengelolaan Bantuan Keuangan Bersifat Khusus'.
[59] Mulyadi, 'Implementasi Kebijakan Pemberian Bantuan Keuangan'.
[60] Prihanto, 'Analisis Bantuan Keuangan Provinsi Jawa Tengah'.
[61] Wahyudi, 'Implementasi Program Bantuan Keuangan Khusus Desa'.

| | | |
|---|---|---|
| 5 | Riau Province: financial assistance and BUM Desa income (Bantan District) | Contributed to village economic development, but not optimally.[62] |
| 6 | Bandung Regency: community empowerment program under a regent regulation | Financed from the regency budget and based on village plans, but not yet implemented optimally.[63] |
| 7 | West Java Province: flat grant to villages (Bogor Regency) | Uniform allocation disadvantages lower-capacity villages; disproportionate administrative burden; no mechanism for village participation (2017–2025).[64] |

The first and most fundamental problem is regulatory discretion and inconsistency. Satriajaya, Putra, and Handajani find that the management of special financial assistance from a regency government was not implemented appropriately because the regency government was inconsistent in applying its own regional regulation.[65] The study shows that the regency government exercised both administrative discretion and regulatory discretion, and that conflicting interests in the implementation of the policy produced a policy that appeared to empower villages but did not do so in practice.[66] The authors conclude that the regency government requires a stronger commitment to set aside the interests of certain groups and political considerations so that the objectives of the policy can be achieved.[67] This finding illustrates the risk inherent in a framework that leaves the design of special financial assistance almost entirely to regional head regulations. When the grantor determines both the rules and their application, without clear national standards, the instrument becomes vulnerable to political allocation.

The second problem concerns the allocation formula. Amirulloh and others analyse the provincial financial assistance of West Java to villages in Bogor Regency, which provides a flat grant of the same amount to every village.[68] They show that the uniform allocation directs a proportionally smaller share of funds to lower-capacity villages than to higher-capacity villages, that the multi-step disbursement procedure imposes an administrative burden disproportionate to the size of the grant, and that, between 2017 and 2025, no regulation provided villages with a mechanism to participate in setting the grant amount, the earmarks, or the procedures.[69] The authors recommend redesign rather than a larger grant, proposing a basic-plus-need allocation formula, a simplified and digitalised disbursement process with a binding calendar, and an institutionalised consultative forum.[70] From a legal perspective, this finding indicates that uniformity, often presented as fairness, may in fact produce inequity when villages differ substantially in capacity and need.

The third problem concerns the targeting and utilisation of assistance. Mulyadi's study of financial assistance to village governments in Bandung Regency finds that implementation was not yet optimal or well-targeted, with most of the allocation directed to village government administration while community empowerment received insufficient funding.[71] He also identifies obstacles such as frequent replacement of village officials, delays in planning, poorly executed implementation, and problems in reporting.[72] Widodo, Kurnia, and Permana, examining a regency program financed from the Bandung Regency budget under a regent regulation, note that the program has not yet been implemented optimally, although planning is based on the village medium-term and annual

[62] Suhadi, Sari, and Ratnawati, 'Kontribusi Dana Bantuan Keuangan'.
[63] Widodo, Kurnia, and Permana, 'Pemberdayaan Masyarakat Melalui Program Sabilulungan Raksa Desa'.
[64] Amirulloh and others, 'Designing Provincial Financial Assistance to Villages'.
[65] Satriajaya, Putra, and Handajani, 'Pengelolaan Bantuan Keuangan Bersifat Khusus'.
[66] Satriajaya, Putra, and Handajani, 'Pengelolaan Bantuan Keuangan Bersifat Khusus'.
[67] Satriajaya, Putra, and Handajani, 'Pengelolaan Bantuan Keuangan Bersifat Khusus'.
[68] Amirulloh and others, 'Designing Provincial Financial Assistance to Villages'.
[69] Amirulloh and others, 'Designing Provincial Financial Assistance to Villages'.
[70] Amirulloh and others, 'Designing Provincial Financial Assistance to Villages'.
[71] Mulyadi, 'Implementasi Kebijakan Pemberian Bantuan Keuangan'.
[72] Mulyadi, 'Implementasi Kebijakan Pemberian Bantuan Keuangan'.

development plans.[73] These studies suggest that special financial assistance does not automatically translate into development outcomes, even when its purpose is formally determined.

The fourth problem concerns the capacity of recipients, particularly village-owned enterprises (*Badan Usaha Milik Desa*, BUM Desa). Several provincial programs have used financial assistance as capital participation in BUM Desa. Prihanto finds that the financial assistance of Central Java Province for community resilience in Karanganyar Regency was implemented in accordance with the regulations, directed towards BUM Desa capital participation for a village food business unit, but did not achieve maximum results, particularly in providing affordable basic necessities to residents affected by the COVID-19 pandemic.[74] Wahyudi finds that the special village financial assistance of East Java Province for BUM Desa empowerment in Kediri Regency has not been optimal, owing to limited human resources in BUM Desa and the complexity of program rules that create administrative difficulties.[75] Suhadi, Sari, and Ratnawati find that the financial assistance of Riau Province has contributed to village economic development through BUM Desa, but not optimally.[76] These findings indicate that the effectiveness of special financial assistance depends not only on its legal design but also on the institutional capacity of its recipients.

The use of special financial assistance as capital participation in BUM Desa deserves particular legal attention. When assistance is channelled into a village enterprise, public funds are transformed into business capital whose management follows the logic of enterprise rather than of public administration. This transformation raises questions of accountability: the village government remains accountable for the transfer of funds, while the BUM Desa is responsible for their productive use. The studies of Central Java, East Java, and Riau show that the effectiveness of this model depends heavily on the managerial capacity of BUM Desa and on clear rules governing the use of capital.[77] Rahmasari observes that the Village Law opens opportunities for village empowerment through BUM Desa and cooperation with other villages or third parties.[78] The legal framework of special financial assistance should therefore specify the accountability chain when assistance is used for enterprise capital, including reporting obligations, performance targets, and consequences of losses.

The fifth problem concerns supervision and accountability. Because special financial assistance becomes part of the village budget, it is subject to the supervision regime for village finance. Supervision of village financial management is regulated by ministerial regulation and covers planning, implementation, reporting, and follow-up.[79] Sugiharti, Muttaqin, and Ramadhani find that the legal instruments governing village funds are generally consistent with the principles of state financial management, but that supervision by the Village Consultative Body (*Badan Permusyawaratan Desa*, BPD) is weak because of political interests between village officials and the BPD.[80] Amri and Yamin emphasise that the broad authority of the village head as budget user makes village finance highly vulnerable to irregularities, so that the exercise of this authority requires supervision.[81] Nahuddin notes the lack of clarity regarding the authority of village heads over finances, including the ADD.[82] For special financial assistance, the supervision problem is compounded by its dual character: the grantor monitors whether the assistance is used for its designated purpose, while village

73 Widodo, Kurnia, and Permana, 'Pemberdayaan Masyarakat Melalui Program Sabilulungan Raksa Desa'.
74 Prihanto, 'Analisis Bantuan Keuangan Provinsi Jawa Tengah'.
75 Wahyudi, 'Implementasi Program Bantuan Keuangan Khusus Desa'.
76 Suhadi, Sari, and Ratnawati, 'Kontribusi Dana Bantuan Keuangan'.
77 Prihanto, 'Analisis Bantuan Keuangan Provinsi Jawa Tengah'; Wahyudi, 'Implementasi Program Bantuan Keuangan Khusus Desa'; Suhadi, Sari, and Ratnawati, 'Kontribusi Dana Bantuan Keuangan'.
78 Rahmasari, 'Pengelolaan Keuangan Desa'.
79 Erdianti and Ramadhan, 'Analisis Pengawasan Pengelolaan Keuangan Negara'; Mannan, Dairani, and Bari, 'Accountability and Transparency'.
80 Sugiharti, Muttaqin, and Ramadhani, 'The Supervision of Village Fund Management'.
81 Amri and Yamin, 'Pertanggungjawaban Hukum Kepala Desa'.
82 Nahuddin, 'Akuntabilitas Keuangan Desa'.

institutions supervise its management within the village budget. Without coordination, these two lines of supervision may overlap, leave gaps, or impose duplicate reporting burdens.[83]

The supervision problem is closely linked to the risk of corruption and to the question of legal liability. Sugiharti and Ramdan, analysing state financial losses in four villages, recommend tighter supervision of village heads and their staff and coordination among the Ministry of Finance, the Ministry of Home Affairs, and the Ministry of Villages.[84] Sugiharti, Muttaqin, and Ramadhani note that, when alleged corruption by a village head is proven, the case is resolved under criminal law.[85] Purnomo, however, warns that divergent interpretations of the status of village finance have led to legal uncertainty in the prosecution of village heads.[86] For special financial assistance, this uncertainty is amplified, because the purpose of the funds is determined by the regional government. If a village uses special assistance for a purpose other than the designated one, the legal characterisation of that act, whether as an administrative irregularity, a breach of the conditions of assistance, or a criminal offence, depends on the applicable framework, which is currently not uniform. A coherent legal framework should distinguish clearly between administrative errors that require correction and acts of misappropriation that warrant criminal sanctions.[87]

The sixth problem concerns the treatment of unspent funds and the consequences of non-absorption. Bahri, Muhibbin, and Suratman find that village funds not absorbed by village development programs should be channelled into the surplus budget calculation (*Sisa Lebih Perhitungan Anggaran*, SiLPA).[88] For special financial assistance, the issue is more complex, because its purpose is determined by the grantor. If the designated activity cannot be implemented, it is uncertain whether the funds may be redirected to other village priorities, must be returned to the grantor, or must be carried over for the same purpose. Regional regulations may resolve this question differently, which further illustrates the absence of a uniform national standard.[89]

The seventh problem concerns transparency and participation. Studies of village fund management consistently emphasise that transparency, accountability, and community participation are essential to prevent misuse and to ensure that funds serve community welfare.[90] Baskoro argues that legal frameworks, institutional capacity, and participatory practices must operate together to achieve equitable rural governance.[91] Ardiputra and others find that digital financial management systems, participatory budgeting, and stronger oversight mechanisms improve the governance of the ADD, while limited financial literacy, inadequate digital infrastructure, and low public awareness remain challenges.[92] Purnawan and others find that the implementation of village fund priority policy in a Garut village was not optimal, partly because the village government did not involve all community leaders in setting priorities and because budget transparency was lacking.[93] These findings apply with particular force to special financial assistance, whose purpose is determined outside the village and which therefore risks being perceived as an external program rather than as part of the village's own development agenda.

Taken together, these seven problems reveal that the weaknesses of special financial assistance are systemic. They arise from the combination of a thin statutory basis, wide regional discretion, uniform

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83 Amirulloh and others, 'Designing Provincial Financial Assistance to Villages'; Erdianti and Ramadhan, 'Analisis Pengawasan Pengelolaan Keuangan Negara'.

84 Sugiharti and Ramdan, 'Mewujudkan Desa Bebas Korupsi'.

85 Sugiharti, Muttaqin, and Ramadhani, 'The Supervision of Village Fund Management'.

86 Purnomo, 'Kedudukan Keuangan Desa'.

87 Amri and Yamin, 'Pertanggungjawaban Hukum Kepala Desa'; Nahuddin, 'Akuntabilitas Keuangan Desa'.

88 Bahri, Muhibbin, and Suratman, 'Pertanggungjawaban Pemerintah Desa'.

89 Bahri, Muhibbin, and Suratman, 'Pertanggungjawaban Pemerintah Desa'; Satriajaya, Putra, and Handajani, 'Pengelolaan Bantuan Keuangan Bersifat Khusus'.

90 Sugiharti and Ramdan, 'Mewujudkan Desa Bebas Korupsi'; Baskoro, 'Strengthening Good Village Governance Strategy'; Mannan, Dairani, and Bari, 'Accountability and Transparency'.

91 Baskoro, 'Strengthening Good Village Governance Strategy'.

92 Ardiputra and others, 'Optimizing Budget Policy in Village Fund Allocation'.

93 Rd. Ade Purnawan and others, 'Analisis Keberhasilan Implemantasi Kebijakan Prioritas Dana Desa', *Dinamika: Jurnal Ilmiah Ilmu Administrasi Negara*, 10.1 (2023), 139–46 https://doi.org/10.25157/dak.v10i1.10365

or politically shaped allocation, complex procedures, limited recipient capacity, fragmented supervision, and insufficient participation. Fauzi's socio-legal study of village fund governance in Sidoarjo similarly identifies the quality of village human resources and the supervision of village financial management as areas that remain suboptimal.[94] Khoiriah and Meylina show that the regulations on village fund management have positive potential to strengthen accountability,[95] but the implementation studies demonstrate that this potential is not realised automatically. The problems identified are therefore not failures of individual regions but symptoms of a legal framework that has not yet been designed with sufficient clarity, consistency, and orientation towards outcomes.

The recurrence of these problems across regions with different fiscal capacities and administrative traditions is itself significant. Central Java, East Java, Riau, and West Java differ considerably in their economic structures and in the number and characteristics of their villages, yet the studies of their financial assistance programs report similar patterns: formal compliance with regulations, limited effectiveness, capacity constraints, and administrative complexity.[96] The same patterns appear in regency programs in Bandung and elsewhere.[97] This convergence suggests that the common element, namely the legal framework that leaves the design of special financial assistance to regional discretion without national standards, is a principal source of the problems. It also suggests that reforms confined to individual regions, while valuable, are unlikely to resolve the problems systematically without a coherent national framework.

The problems also have distributive implications. When allocation is uniform, villages with lower capacity receive proportionally less support relative to their needs.[98] When allocation is shaped by political considerations, villages that are politically connected may benefit more than others.[99] When procedures are complex, villages with limited administrative capacity face greater difficulty in accessing and accounting for assistance.[100] In each case, the instrument risks reinforcing rather than reducing disparities among villages. This outcome contradicts the purpose of village development under the Village Law, which seeks to improve welfare and reduce poverty, and it contradicts the principle of leaving no one behind that underlies the sustainable development agenda.[101]

***Special Financial Assistance and the Sustainable Development Agenda of Villages***

The relationship between special financial assistance and sustainable development must be analysed at two levels: the normative level, at which the legal framework defines the objectives of village development, and the empirical level, at which village funding produces or fails to produce development outcomes. At the normative level, Indonesian law has progressively incorporated the language of sustainability into village development. The Village Law defines the objectives of village development to include improving welfare, the quality of human life, and poverty alleviation through the fulfilment of basic needs, the development of village facilities and infrastructure, the development of local economic potential, and the sustainable use of natural resources and the environment.[102] The national framework for the achievement of the SDGs, established by presidential regulation, provides

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94 Achmad Fauzi, 'Tata Kelola Dana Desa Dalam Rangka Implementasi Undang-Undang Nomor 6 Tahun 2014 Tentang Desa di Kabupaten Sidoarjo', *JKMP: Jurnal Kebijakan dan Manajemen Publik*, 5.1 (2017), 23–40 https://doi.org/10.21070/jkmp.v5i1.849

95 Khoiriah and Meylina, 'Analisis Sistem Pengelolaan Dana Desa'.

96 Prihanto, 'Analisis Bantuan Keuangan Provinsi Jawa Tengah'; Wahyudi, 'Implementasi Program Bantuan Keuangan Khusus Desa'; Suhadi, Sari, and Ratnawati, 'Kontribusi Dana Bantuan Keuangan'; Amirulloh and others, 'Designing Provincial Financial Assistance to Villages'.

97 Mulyadi, 'Implementasi Kebijakan Pemberian Bantuan Keuangan'; Widodo, Kurnia, and Permana, 'Pemberdayaan Masyarakat Melalui Program Sabilulungan Raksa Desa'; Satriajaya, Putra, and Handajani, 'Pengelolaan Bantuan Keuangan Bersifat Khusus'.

98 Amirulloh and others, 'Designing Provincial Financial Assistance to Villages'.

99 Satriajaya, Putra, and Handajani, 'Pengelolaan Bantuan Keuangan Bersifat Khusus'.

100 Wahyudi, 'Implementasi Program Bantuan Keuangan Khusus Desa'; Amirulloh and others, 'Designing Provincial Financial Assistance to Villages'.

101 Natalia and Maulidya, 'Aktualisasi Empat Pilar'.

102 Article 78 paragraph (1) of Law Number 6 of 2014 on Villages, as last amended by Law Number 3 of 2024.

the policy basis for integrating the SDGs into national and regional development planning.[103] The Ministry of Villages has further translated the SDGs into village-level priorities for the use of the Village Fund.[104]

Legal scholarship has connected the Village Law with sustainable development. Abustan, using empirical legal research, examines the role of village governments in sustainable rural development and the management of village development policy through the Village Fund, finding that guidance and training for village heads, especially in drafting village regulations, support the acceleration of sustainable village development, while low community participation and weak awareness of maintaining public facilities remain the main obstacles.[105] Sarifuddin, Madani, and Fatmawati identify several ways in which the utilisation of village funds for sustainable village development was optimised in Majene, including village-level consultations, orderly financial recording, community participation in implementation with priority for poor households, infrastructure development, capacity building, and the involvement of village institutions.[106] Natalia and Maulidya show that the four pillars of the SDGs, namely the social, economic, environmental, and law-and-governance pillars, can be gradually implemented in villages, but that inclusive implementation, integrated data, and program integration across stakeholders remain challenging.[107]

At the empirical level, however, the evidence on the contribution of village funding to sustainable development is mixed. Kharisma and others, analysing panel data on 5,312 villages in West Java that received Village Funds between 2018 and 2023, find that the Village Fund has a significant effect on the Village Development Index, mainly through infrastructure projects, but that aligning Village Fund activities with the SDGs has not significantly improved the growth of the index.[108] They recommend broadening spending priorities beyond infrastructure to include community empowerment.[109] Haya and Suman find that village funds significantly affect economic growth and the number of poor people in 30 regencies and municipalities of East Java.[110] Boekoesoe and Maksum describe community-based efforts to advance village development towards specific SDGs, particularly health and the marine environment, through socialisation and participatory mentoring.[111] These studies suggest that village funding can contribute to development, but that the orientation towards sustainability requires more than formal alignment with SDG labels.

The empirical evidence must, however, be interpreted with caution. The studies cited concern primarily the Village Fund rather than special financial assistance, and they measure development through indices and macroeconomic indicators that may not capture all dimensions of sustainability.[112] Nevertheless, they offer important lessons for the design of special financial assistance. First, funding that is concentrated on infrastructure may produce measurable improvements in development indices without necessarily advancing social and environmental sustainability.[113] Second, the formal alignment of spending with SDG categories does not by itself

[103] Presidential Regulation Number 59 of 2017 on the Implementation of the Achievement of the Sustainable Development Goals, as amended by Presidential Regulation Number 111 of 2022.

[104] Regulation of the Minister of Villages, Development of Disadvantaged Regions and Transmigration Number 13 of 2020 on Priorities for the Use of Village Funds in 2021.

[105] Abustan, 'Implementasi Percepatan Pembangunan Desa Dalam Mewujudkan Pembangunan Berkelanjutan Berdasarkan Undang-Undang Nomor 6 Tahun 2014 Tentang Desa', *Jurnal Gagasan Hukum*, 1.02 (2019), 216–27 https://doi.org/10.31849/jgh.v1i02.7701

[106] Sarifuddin, Muhlis Madani, and Fatmawati, 'Optimizing the Utilization of Village Funds for Sustainable Village Development in Majene, Indonesia', *Journal of Contemporary Governance and Public Policy*, 3.1 (2022), 59–70.

[107] Natalia and Maulidya, 'Aktualisasi Empat Pilar'.

[108] Kharisma and others, 'Village Funds and Village Development'.

[109] Kharisma and others, 'Village Funds and Village Development'.

[110] Haya and Suman, 'Analisis Pengaruh Dana Desa'.

[111] Lintje Boekoesoe and Tri Septian Maksum, 'Optimalisasi Pembangunan Desa Dalam Mewujudkan SDGs Desa', *Jurnal Sibermas (Sinergi Pemberdayaan Masyarakat)*, 11.1 (2022), 209–18 https://doi.org/10.37905/sibermas.v11i1.12103

[112] Kharisma and others, 'Village Funds and Village Development'; Haya and Suman, 'Analisis Pengaruh Dana Desa'.

[113] Kharisma and others, 'Village Funds and Village Development'.

guarantee improved outcomes.[114] Third, the impact of village funding depends on governance factors, including planning, transparency, and participation, which the legal framework can shape.[115] These lessons suggest that special financial assistance, if it is to advance sustainable development, must be designed with explicit outcome objectives and robust governance mechanisms.

Special financial assistance has a distinctive potential within this landscape. Because its purpose is determined by the grantor, it can be deliberately directed towards specific sustainable development objectives that regional governments consider strategic, such as poverty reduction, food security, community resilience, village enterprises, or environmental protection. The provincial programs examined in the literature illustrate this potential: Central Java directed assistance towards community resilience during the pandemic,[116] East Java and Riau towards village enterprises,[117] and Bandung Regency towards community empowerment.[118] In each case, special financial assistance functioned as a targeted instrument for regional development priorities that correspond to elements of the sustainable development agenda.

The four pillars of sustainable development identified in the literature on village-level SDGs provide a useful framework for analysing this correspondence.[119] Assistance for village enterprises and economic resilience corresponds to the economic pillar; assistance for community resilience and basic needs corresponds to the social pillar; assistance for infrastructure may serve both social and economic objectives; and the requirements of transparency, accountability, and participation in the management of assistance correspond to the law-and-governance pillar. The environmental pillar, by contrast, is rarely addressed explicitly in the programs reviewed in the literature.[120] This imbalance suggests that the potential of special financial assistance to support environmental sustainability at the village level, for example through waste management, conservation, or climate adaptation, remains largely untapped. The Village Law's reference to the sustainable use of natural resources and the environment provides a legal basis for directing special financial assistance towards such objectives.[121]

The integration of special financial assistance into village development planning is a further condition of sustainability. Village development is planned through the village medium-term development plan and the annual village government work plan, which are formulated through village deliberation.[122] Widodo, Kurnia, and Permana show that a regency program financed through financial assistance was planned on the basis of these village planning documents.[123] Purnawan and others, by contrast, show that the failure to involve all community leaders in setting priorities weakened the implementation of the village fund priority policy.[124] When the purposes of special financial assistance are determined without reference to village planning, the assistance may finance activities that villages did not prioritise and are unable or unwilling to maintain. Integration with village planning is thus both a requirement of village autonomy and a condition of sustainable outcomes.

However, the same studies show that this potential is not realised systematically. None of the programs reviewed in the literature defines its objectives explicitly in terms of measurable sustainable development indicators, and the evaluations focus on administrative compliance and immediate

[114] Kharisma and others, 'Village Funds and Village Development'.
[115] Ardiputra and others, 'Optimizing Budget Policy in Village Fund Allocation'; Sarifuddin, Madani, and Fatmawati, 'Optimizing the Utilization of Village Funds'.
[116] Prihanto, 'Analisis Bantuan Keuangan Provinsi Jawa Tengah'.
[117] Wahyudi, 'Implementasi Program Bantuan Keuangan Khusus Desa'; Suhadi, Sari, and Ratnawati, 'Kontribusi Dana Bantuan Keuangan'.
[118] Widodo, Kurnia, and Permana, 'Pemberdayaan Masyarakat Melalui Program Sabilulungan Raksa Desa'.
[119] Natalia and Maulidya, 'Aktualisasi Empat Pilar'.
[120] Prihanto, 'Analisis Bantuan Keuangan Provinsi Jawa Tengah'; Wahyudi, 'Implementasi Program Bantuan Keuangan Khusus Desa'; Suhadi, Sari, and Ratnawati, 'Kontribusi Dana Bantuan Keuangan'; Widodo, Kurnia, and Permana, 'Pemberdayaan Masyarakat Melalui Program Sabilulungan Raksa Desa'.
[121] Article 78 paragraph (1) of Law Number 6 of 2014 on Villages, as last amended by Law Number 3 of 2024.
[122] Widodo, Kurnia, and Permana, 'Pemberdayaan Masyarakat Melalui Program Sabilulungan Raksa Desa'; Purnawan and others, 'Analisis Keberhasilan Implemantasi Kebijakan Prioritas Dana Desa'.
[123] Widodo, Kurnia, and Permana, 'Pemberdayaan Masyarakat Melalui Program Sabilulungan Raksa Desa'.
[124] Purnawan and others, 'Analisis Keberhasilan Implemantasi Kebijakan Prioritas Dana Desa'.

outputs rather than on long-term outcomes.[125] The uniform allocation documented by Amirulloh and others further shows that the design of special financial assistance may be unrelated to the differentiated needs that a sustainable development approach requires.[126] Moreover, the emphasis on infrastructure and capital participation, while legitimate, may neglect the social and environmental dimensions of sustainability, which Kharisma and others identify as areas requiring broader spending priorities.[127] The alignment of special financial assistance with sustainable development is therefore weak at the level of legal design, even where individual programs pursue objectives that are consistent with the SDGs.

**Figure 1** illustrates the conceptual relationship between the legal framework of special financial assistance and sustainable village development, as reconstructed in this study. The figure shows that sustainable development outcomes depend on a chain of legal and institutional conditions: a clear legal basis, an appropriate regulatory design, sound village financial governance, and explicit links to sustainable development objectives. Weaknesses at any point in the chain reduce the capacity of special financial assistance to contribute to sustainable development.

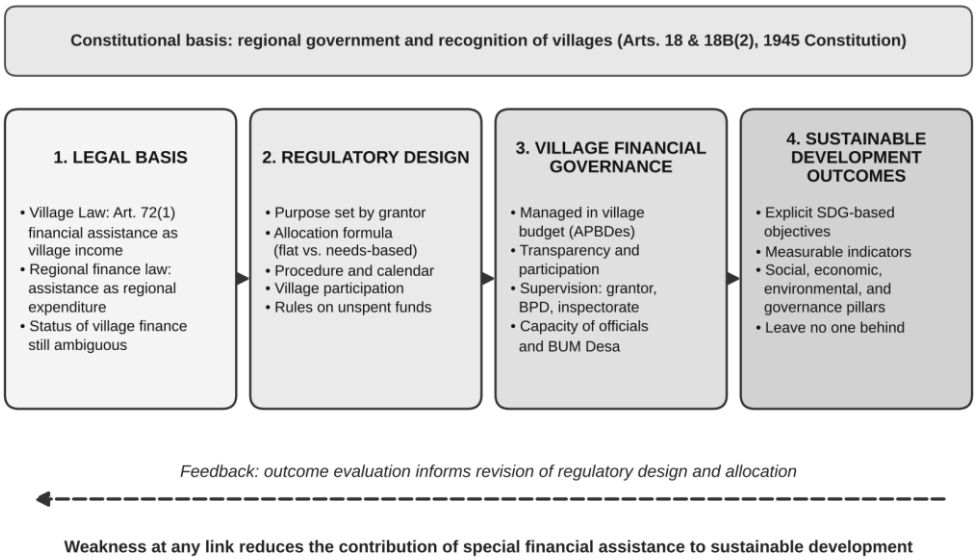



**Figure 1.** Legal framework chain linking special financial assistance to sustainable village development

The analysis of this chain reveals three gaps. The first is a normative gap: the legal framework does not require special financial assistance to be linked to sustainable development objectives or indicators. Although the Village Law and the SDG framework articulate sustainability goals, the regulations governing special financial assistance focus on administrative procedure rather than on outcomes.[128] The second is a design gap: allocation formulas, earmarks, and procedures are determined without systematic consideration of village needs, capacity, or participation.[129] The third is a governance gap: supervision and accountability mechanisms focus on financial compliance, while

[125] Prihanto, 'Analisis Bantuan Keuangan Provinsi Jawa Tengah'; Wahyudi, 'Implementasi Program Bantuan Keuangan Khusus Desa'; Suhadi, Sari, and Ratnawati, 'Kontribusi Dana Bantuan Keuangan'; Mulyadi, 'Implementasi Kebijakan Pemberian Bantuan Keuangan'.

[126] Amirulloh and others, 'Designing Provincial Financial Assistance to Villages'.

[127] Kharisma and others, 'Village Funds and Village Development'.

[128] Government Regulation Number 12 of 2019 on Regional Financial Management; Regulation of the Regent of Pati Number 6 of 2022 on Guidelines for the Provision of Special Financial Assistance from the Regional Budget to Village Governments.

[129] Amirulloh and others, 'Designing Provincial Financial Assistance to Villages'; Satriajaya, Putra, and Handajani, 'Pengelolaan Bantuan Keuangan Bersifat Khusus'.

the evaluation of development outcomes is limited.[130] These gaps explain why special financial assistance, despite its potential, has not yet become an effective instrument for advancing sustainable village development.

The sustainable development perspective also requires attention to inclusiveness. The principle of leaving no one behind, which Natalia and Maulidya identify as a challenge in village-level SDG implementation,[131] implies that special financial assistance should prioritise the villages and groups most in need. Sarifuddin, Madani, and Fatmawati show that prioritising poor households in the implementation of village fund projects can improve their economic situation.[132] Baskoro emphasises that the active participation of marginalised groups strengthens public oversight and helps prevent misuse of power.[133] A legal framework that seeks to advance sustainable development through special financial assistance must therefore incorporate equity and participation as legal requirements rather than as optional policy considerations.

Equity also has a territorial dimension. Villages differ in geography, population, natural resources, and access to services, and these differences shape both their development needs and their capacity to absorb and manage funds. The allocation of special financial assistance on a uniform basis treats unequal villages equally, which, as Amirulloh and others demonstrate, can widen rather than narrow disparities.[134] Haya and Suman's finding that village funds significantly affect economic growth and poverty at the regency level indicates that village transfers have measurable distributive consequences.[135] A sustainable development orientation therefore requires that special financial assistance be allocated with explicit regard to territorial disparities, so that the villages with the greatest needs and the least capacity receive proportionally greater support, together with the technical assistance necessary to use it effectively.[136]

Finally, the relationship between special financial assistance and village autonomy must be considered from the perspective of sustainability. Sustainable development at the village level depends on the capacity of villages to plan, implement, and maintain development initiatives over time. Abustan identifies low community awareness of maintaining public facilities as an obstacle to sustainable development.[137] If special financial assistance is designed as an external program whose purpose is determined entirely by the grantor, villages may lack ownership of the resulting projects, which weakens their sustainability. Conversely, if special financial assistance is integrated into village development planning through participatory mechanisms, it can strengthen village capacity and ownership.[138] The reconciliation of regional priorities with village autonomy is thus not only a matter of legal principle but also a condition of sustainable outcomes.[139]

### *Reconstructing the Legal Framework: Towards Sustainable-Development-Oriented Special Financial Assistance*

The findings above indicate that the legal framework for special financial assistance requires reconstruction. The objective of reconstruction is not to eliminate the discretion of regional governments, which is a legitimate expression of regional autonomy, but to structure that discretion so that it serves legal certainty, equity, accountability, and sustainable development.[140] This study proposes a reconstruction built on five pillars.

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130 Erdianti and Ramadhan, 'Analisis Pengawasan Pengelolaan Keuangan Negara'; Mannan, Dairani, and Bari, 'Accountability and Transparency'; Sugiharti, Muttaqin, and Ramadhani, 'The Supervision of Village Fund Management'.

131 Natalia and Maulidya, 'Aktualisasi Empat Pilar'.

132 Sarifuddin, Madani, and Fatmawati, 'Optimizing the Utilization of Village Funds'.

133 Baskoro, 'Strengthening Good Village Governance Strategy'.

134 Amirulloh and others, 'Designing Provincial Financial Assistance to Villages'.

135 Haya and Suman, 'Analisis Pengaruh Dana Desa'.

136 Sarifuddin, Madani, and Fatmawati, 'Optimizing the Utilization of Village Funds'; Baskoro, 'Strengthening Good Village Governance Strategy'.

137 Abustan, 'Implementasi Percepatan Pembangunan Desa'.

138 Widodo, Kurnia, and Permana, 'Pemberdayaan Masyarakat Melalui Program Sabilulungan Raksa Desa'; Sarifuddin, Madani, and Fatmawati, 'Optimizing the Utilization of Village Funds'.

139 Widjaja, *Otonomi Desa*; Huda, *Hukum Pemerintahan Desa*.

140 Widjaja, *Otonomi Daerah Dan Daerah Otonom*; Saidi, *Hukum Keuangan Negara*.

The first pillar is the establishment of minimum national standards. The Village Law and its implementing regulations recognise financial assistance as a source of village income, but they leave its design almost entirely to regional head regulations. A national regulation, at the level of a government regulation or a regulation of the Minister of Home Affairs, should establish minimum standards for special financial assistance, covering the definition and objectives of the instrument, the principles of allocation, the minimum content of regional regulations, the procedure for determining purposes, the timeline for disbursement, the treatment of unspent funds, and the accountability requirements. Such standards would reduce inconsistency across regions and limit the scope for politically motivated allocation identified by Satriajaya, Putra, and Handajani.[141] They would also clarify the legal consequences of non-absorption, which currently depend on varying regional rules.[142]

The second pillar is needs-based and transparent allocation. The evidence from Bogor shows that uniform grants may produce inequitable outcomes.[143] The legal framework should require regional governments to adopt allocation formulas that combine a basic allocation with a needs-based component reflecting village capacity, poverty levels, development status, and specific sustainable development needs. The formula and the list of recipient villages should be published, so that villages and the public can assess whether allocation is fair. Such a requirement would give legal effect to the principles of transparency and accountability that the literature on village finance consistently emphasises.[144]

The third pillar is participatory and simplified procedure. Villages should have a legally guaranteed role in determining the purposes of special financial assistance, for example through a consultative forum between the regional government and village representatives, as recommended by Amirulloh and others.[145] The purposes determined by the grantor should be integrated into village development planning documents, so that special financial assistance becomes part of the village's own development agenda rather than an external imposition.[146] Disbursement procedures should be simplified and digitalised, with a binding calendar, to reduce the administrative burden on villages and the risk of delays.[147] Simplification is particularly important for villages and BUM Desa with limited administrative capacity.[148]

Digital governance can support this pillar. Ardiputra and others show that digital financial management systems, together with participatory budgeting and stronger oversight, improve the governance of village fund allocation, financial efficiency, and public trust.[149] Applied to special financial assistance, digital platforms could publish allocation formulas and recipient lists, enable villages to submit proposals and reports electronically, track disbursement, and allow the public to monitor the use of funds. Such platforms would reduce administrative burdens, enhance transparency, and facilitate integrated supervision. However, the persistent challenges of limited financial literacy and inadequate digital infrastructure identified in the same study indicate that digitalisation must be accompanied by capacity building and infrastructure support, particularly for remote villages.[150]

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141 Satriajaya, Putra, and Handajani, 'Pengelolaan Bantuan Keuangan Bersifat Khusus'.
142 Bahri, Muhibbin, and Suratman, 'Pertanggungjawaban Pemerintah Desa'.
143 Amirulloh and others, 'Designing Provincial Financial Assistance to Villages'.
144 Sugiharti and Ramdan, 'Mewujudkan Desa Bebas Korupsi'; Baskoro, 'Strengthening Good Village Governance Strategy'; Mannan, Dairani, and Bari, 'Accountability and Transparency'.
145 Amirulloh and others, 'Designing Provincial Financial Assistance to Villages'.
146 Widodo, Kurnia, and Permana, 'Pemberdayaan Masyarakat Melalui Program Sabilulungan Raksa Desa'; Purnawan and others, 'Analisis Keberhasilan Implemantasi Kebijakan Prioritas Dana Desa'.
147 Amirulloh and others, 'Designing Provincial Financial Assistance to Villages'; Ardiputra and others, 'Optimizing Budget Policy in Village Fund Allocation'.
148 Wahyudi, 'Implementasi Program Bantuan Keuangan Khusus Desa'; Mulyadi, 'Implementasi Kebijakan Pemberian Bantuan Keuangan'.
149 Ardiputra and others, 'Optimizing Budget Policy in Village Fund Allocation'.
150 Ardiputra and others, 'Optimizing Budget Policy in Village Fund Allocation'; Baskoro, 'Strengthening Good Village Governance Strategy'.

The fourth pillar is integrated supervision and accountability. The legal framework should clarify the division of supervisory responsibilities between the grantor, which monitors the use of assistance for its designated purpose, and village institutions and supra-village supervisors, which supervise its management within the village budget.[151] Reporting requirements should be harmonised so that villages report once through an integrated system rather than separately to multiple authorities. The supervisory role of the BPD should be strengthened, given the weaknesses identified by Sugiharti, Muttaqin, and Ramadhani.[152] At the same time, the legal status of village finance within the state financial system should be clarified by statute, so that the applicable accountability regime and the boundary between administrative error and criminal liability are certain.[153] Such clarification would respond to the concern that ambiguity in the status of village finance undermines legality and legal certainty in the prosecution of village officials.[154]

The fifth pillar is the explicit integration of sustainable development objectives. Regional regulations on special financial assistance should be required to state the sustainable development objectives that each assistance program pursues, to link these objectives to measurable indicators, and to provide for evaluation of outcomes rather than mere administrative compliance.[155] The SDG framework established by presidential regulation and the village-level SDG priorities provide a basis for such indicators.[156] Programs should address not only infrastructure and economic objectives but also social and environmental dimensions, in line with the recommendation of Kharisma and others to broaden spending priorities beyond infrastructure.[157] Capacity building for village officials and BUM Desa managers should be treated as an integral component of special financial assistance programs, given the consistent finding that limited human resources impede implementation.[158]

**Table 3** summarises the proposed reconstruction by linking each identified problem to the corresponding legal reform.

**Table 3.** Problems and Proposed Reconstruction of the Legal Framework

| No. | Identified Problem | Proposed Legal Reform |
|---|---|---|
| 1 | Thin statutory basis and wide, inconsistent regional discretion | Minimum national standards on definition, objectives, allocation principles, procedures, unspent funds, and accountability. |
| 2 | Uniform or politically shaped allocation | Basic-plus-need allocation formula with published criteria and recipient lists. |
| 3 | Limited village participation and complex procedures | Consultative forum between regional government and villages; integration into village planning; simplified, digitalised disbursement with a binding calendar. |
| 4 | Fragmented supervision and ambiguous status of village finance | Clear division of supervisory roles; harmonised reporting; stronger BPD; statutory clarification of the status of village finance. |

[151] Erdianti and Ramadhan, 'Analisis Pengawasan Pengelolaan Keuangan Negara'; Mannan, Dairani, and Bari, 'Accountability and Transparency'.

[152] Sugiharti, Muttaqin, and Ramadhani, 'The Supervision of Village Fund Management'.

[153] Purnomo, 'Kedudukan Keuangan Desa'; Erdianti and Ramadhan, 'Analisis Pengawasan Pengelolaan Keuangan Negara'; Mannan, Dairani, and Bari, 'Accountability and Transparency'.

[154] Purnomo, 'Kedudukan Keuangan Desa'; Amri and Yamin, 'Pertanggungjawaban Hukum Kepala Desa'.

[155] Kharisma and others, 'Village Funds and Village Development'; Natalia and Maulidya, 'Aktualisasi Empat Pilar'.

[156] Presidential Regulation Number 59 of 2017 on the Implementation of the Achievement of the Sustainable Development Goals, as amended by Presidential Regulation Number 111 of 2022; Regulation of the Minister of Villages, Development of Disadvantaged Regions and Transmigration Number 13 of 2020 on Priorities for the Use of Village Funds in 2021.

[157] Kharisma and others, 'Village Funds and Village Development'.

[158] Wahyudi, 'Implementasi Program Bantuan Keuangan Khusus Desa'; Mulyadi, 'Implementasi Kebijakan Pemberian Bantuan Keuangan'; Fauzi, 'Tata Kelola Dana Desa'; Ardiputra and others, 'Optimizing Budget Policy in Village Fund Allocation'.

| | | |
|---|---|---|
| 5 | Weak link to sustainable development outcomes | Explicit SDG-based objectives and indicators; outcome evaluation; inclusion of social and environmental dimensions; capacity building as a program component. |

The proposed reconstruction is consistent with the constitutional and statutory principles governing the relationship between regional governments and villages. It respects regional autonomy by preserving the authority of regional governments to determine the purposes of special financial assistance, while structuring that authority through standards that serve the public interest.[159] It respects village autonomy by guaranteeing villages a role in determining purposes and by integrating assistance into village planning.[160] It strengthens legal certainty by clarifying the status of village finance and the applicable accountability regime.[161] It advances sustainable development by linking special financial assistance to measurable outcomes and by incorporating equity and participation as legal requirements.[162]

It may be objected that national standards would restrict the flexibility that makes special financial assistance useful to regional governments. This objection is not persuasive. Minimum standards do not prescribe the specific purposes of assistance; they establish the procedural and substantive conditions under which regional governments exercise their discretion. The experience documented in the literature shows that unstructured discretion has produced inconsistency, inequity, and limited effectiveness.[163] Structured discretion, by contrast, can preserve regional flexibility while ensuring that special financial assistance serves its intended purpose. Nurcholis's account of village government underscores that the relationship between villages and supra-village governments must be designed so that guidance and support do not become instruments of control.[164]

The reconstruction also has implications for regional legislators and executives. Governors and regents, together with regional legislative councils, determine the budget for special financial assistance and enact the regulations that govern it. The findings of this study suggest that regional regulations should be reviewed to ensure that they contain transparent allocation criteria, participatory procedures, clear rules on unspent funds, harmonised reporting, and explicit sustainable development objectives. Regional inspectorates and village community empowerment agencies should be equipped to evaluate not only compliance but also outcomes.[165] In this way, the reconstruction can be implemented progressively within the existing legal framework, even before national standards are adopted.

A progressive implementation pathway may be envisaged in three stages. In the first stage, regional governments can revise their own regulations on special financial assistance to incorporate transparent allocation criteria, consultative mechanisms with villages, simplified procedures, and explicit development objectives, drawing on the recommendations of the literature.[166] In the second stage, the Minister of Home Affairs, in coordination with the Minister of Villages, can issue guidelines establishing minimum standards for special financial assistance and harmonising reporting and supervision.[167] In the third stage, the legislature can clarify, through amendments to the Village Law

[159] Widjaja, *Otonomi Daerah Dan Daerah Otonom*.
[160] Widjaja, *Otonomi Desa*; Huda, *Hukum Pemerintahan Desa*.
[161] Purnomo, 'Kedudukan Keuangan Desa'; Saidi, *Hukum Keuangan Negara*.
[162] Natalia and Maulidya, 'Aktualisasi Empat Pilar'; Kharisma and others, 'Village Funds and Village Development'.
[163] Satriajaya, Putra, and Handajani, 'Pengelolaan Bantuan Keuangan Bersifat Khusus'; Amirulloh and others, 'Designing Provincial Financial Assistance to Villages'; Mulyadi, 'Implementasi Kebijakan Pemberian Bantuan Keuangan'.
[164] Nurcholis, *Pertumbuhan Dan Penyelenggaraan Pemerintahan Desa*.
[165] Erdianti and Ramadhan, 'Analisis Pengawasan Pengelolaan Keuangan Negara'; Sugiharti, Muttaqin, and Ramadhani, 'The Supervision of Village Fund Management'.
[166] Amirulloh and others, 'Designing Provincial Financial Assistance to Villages'; Satriajaya, Putra, and Handajani, 'Pengelolaan Bantuan Keuangan Bersifat Khusus'.
[167] Erdianti and Ramadhan, 'Analisis Pengawasan Pengelolaan Keuangan Negara'; Mannan, Dairani, and Bari, 'Accountability and Transparency'.

or the laws on state and regional finance, the legal status of village finance and the principles governing regional transfers to villages.[168] This staged approach allows reform to begin immediately at the regional level while building towards a coherent national framework.

The reconstruction proposed in this study also contributes to the broader debate on the relationship between decentralisation and sustainable development. Decentralisation is often justified on the ground that local governments are better placed to identify and respond to local needs. Special financial assistance complicates this justification, because it introduces an intermediate layer, the regional government, that determines purposes for the most local level of government, the village. The legal framework must therefore ensure that the intermediate layer adds value through coordination, equity, and strategic direction, rather than diminishing the autonomy and responsiveness of villages.[169] Properly structured, special financial assistance can embody a model of cooperative multilevel governance in which regional priorities and village autonomy reinforce each other in the pursuit of sustainable development.[170]

## Conclusion

This study finds that special financial assistance provided by regional governments to villages has a clear but thin legal basis in Indonesian law. The Village Law recognises financial assistance from provincial and regency budgets as a source of village income, the regulations on regional financial management recognise it as a category of regional expenditure, and the regulations on village financial management treat it as transfer income in the village budget. Special financial assistance therefore occupies a hybrid position: its purpose is determined by the granting regional government, while its management falls within the authority of the village government. Its operational design is left almost entirely to governor and regent regulations.

This framework produces systemic problems in implementation. Wide regional discretion exposes the instrument to inconsistency and political allocation; uniform allocation formulas disadvantage lower-capacity villages; complex procedures impose administrative burdens; limited recipient capacity reduces effectiveness; supervision is fragmented between the grantor and village institutions; the treatment of unspent funds is uncertain; and villages have limited participation in determining purposes. The unresolved status of village finance within state finance further undermines legal certainty in accountability.

The alignment of special financial assistance with sustainable development remains weak at the level of legal design. Although the Village Law and the national framework for the Sustainable Development Goals articulate sustainability objectives, the regulations governing special financial assistance focus on procedure rather than outcomes, and individual programs rarely link their objectives to measurable sustainable development indicators.

A reconstructed legal framework is therefore required. It should establish minimum national standards for special financial assistance, require needs-based and transparent allocation, guarantee participatory and simplified procedures, integrate supervision and clarify the status of village finance, and explicitly link assistance to sustainable development objectives and indicators. Such a framework would structure regional discretion, respect village autonomy, strengthen legal certainty, and enable special financial assistance to become an effective instrument for advancing sustainable village development. Future research should examine regional regulations on special financial assistance comparatively and assess empirically the development outcomes of assistance programs designed according to these principles.

### Ethics approval

[168] Purnomo, 'Kedudukan Keuangan Desa'; Erdianti and Ramadhan, 'Analisis Pengawasan Pengelolaan Keuangan Negara'.

[169] Widjaja, *Otonomi Desa*; Widjaja, *Otonomi Daerah Dan Daerah Otonom*; Huda, *Hukum Pemerintahan Desa*.

[170] Baskoro, 'Strengthening Good Village Governance Strategy'; Natalia and Maulidya, 'Aktualisasi Empat Pilar'.

This study is normative legal research based on documentary legal materials and did not involve human participants. *"Not required."*

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*"Derived data supporting the findings of this study are available from the corresponding author on request."*

## Declaration of artificial intelligence use

*"This study used artificial intelligence (AI) tools and methodologies in the following capacities:*

1. **Manuscript writing support**: AI-based language models, such as Claude (Anthropic), were employed to:
    a. Language refinement (improving grammar, sentence structure, and readability of the manuscript).
    b. Content summarization (assisting in summarizing findings and conclusions in a concise manner).
    c. Technical writing assistance (providing suggestions for structuring complex technical descriptions more effectively).
    d. Generate scientific content, interpret data, and draw conclusions.

*"We confirm that all AI-assisted processes were critically reviewed by the authors to ensure the integrity and reliability of the results. The final decisions and interpretations presented in this article were solely made by the authors."*

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