

## Legal Politics of Financial Relations between the Central and Regional Governments: Natural Resource Utilization

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### ABSTRACT

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Population growth and welfare development in each province, particularly Banten, have been inadequately supported by the management of natural resources. In fact, such conditions are prevalent across Indonesia. Accordingly, the study aims to investigate the regulation of central and regional relations under Law Number 1 of 2022: Financial Relations between the Central and Regional Governments, as well as their Ideal Format based on Natural Resource Utilisation in Banten province. The study employed normative juridical methods. The study took place in Banten Province. The findings are that the financial administration system, regulating central and regional relations, is law number 1 of 2022; financial relations between central and regional governments, which provide regional income sources, manage transfers to regions, manage regional expenditure, give authority to carry out financing regions, and implement national fiscal policy synergies in a fair, transparent, accountable, and harmonious manner. Framework of the Unitary State of the Republic of Indonesia: optimal structure of central and regional relations—the utilisation of natural resources in Banten Province. In particular, the management of natural and other resources, as stated in the Profit Sharing Fund layout, which is standardised in the law on central and regional financial relations, is referred to as implementing regional autonomy through a clustering mechanism between regions while considering the ecological and conditional factors (economic, social, and political conditions). To summarise, harmonisation and coordination between the central and Banten provincial governments are highly required. In addition, the Banten provincial government should immediately issue derivative regulations to facilitate policy implementation.

### Introduction

According to Article 18A paragraph (2) of the Republic of Indonesia's 1945 Constitution, the relationship between the central and regional governments must be regulated and implemented fairly in accordance with applicable law, which includes financial management, public services, and the use of natural and other resources. Article 33; the 1945 Constitution of the Republic of Indonesia, states that "Earth and water are controlled by the state and will be utilized as much as possible for the prosperity of the people," In fact, all efforts have failed to boost the growth or prosperity of provinces, particularly those with abundant natural power resources. The government was established under the Republic of Indonesia's 1945 Constitution, which establishes the principles of autonomy and assistance for the control and management of public affairs. Implementing decentralization plans in local government, however, is a rigorous task<sup>1</sup>.

Law Number 1 of 2022; Financial Relations between the Central and Regional Governments (UU HKPD) seeks to improve the efficiency and effectiveness of national

<sup>1</sup> Febri Maulana Rizki Nababan, "The Position of Executive Review in the Implementation of National Regulatory Arrangements," *Hangoluan Law Review* 2, no. 1 (2023): 73–116.

resource allocation by establishing fair, friendly, and responsible management between them. The law is expected to promote welfare and public services by increasing fiscal decentralization in Indonesia<sup>2</sup>. Due to numerous concerns throughout the process, the new HKPD regulations demand fiscal decentralization. For example, the outcomes of Transfers to Regions and Village Funds (TKDD), which do not yet exist, indicate a need for enhanced APBD management, expanded local taxation authority, and reduced disparities in regional service delivery. The law increases the efficiency in regional tax system, makes the regional transfer plan more performance-based, improves the quality of regional expenditure, and the harmonizes the central and regional spending<sup>3</sup>. To improve the quality of public services and the welfare of society across the Unitary State of the Republic of Indonesia, the implementation process must be improved, ensuring that national resources are allocated in a transparent, responsible, and equitable manner<sup>4</sup>.

1. Create a tax structure that encourages efficient use of national resources;
2. Develop financial ties between the central and regional governments, reducing vertical and horizontal inequality through transfers to regions and regional debt financing policies.;
3. Improve the quality of regional spending;
4. Coordinate fiscal policies between central and regional governments to guarantee optimal public service delivery and fiscal sustainability.

Developing authority linkages among central, provincial, district, and city governments, as well as regional governments, that are interdependent, synergistic, and interconnected in a wider government structure. The region's natural resources are governed as follows: First, Regional jurisdictions govern the utilization of natural resources; Second, managing cooperative permits for natural resource usage, and ultimately, a description of how natural resources are used; Third, local governments can form alliances and get benefits from using natural resources. The allocation of Production Sharing Funds (DBH) to processing regions is governed by Law Number 1 of 2022, which governs financial relations between the central and regional governments, as well as producing and non-producing regions impacted by negative externalities.

Law Number 1 of 2022 governs production fee regulations, as well as financial ties between the central and regional governments. Producing districts and cities must account for 32% of the total, followed by related provinces at 16%, districts and cities adjacent to and beyond the relevant province at 12%, and districts and cities outside the relevant province at 12%. Furthermore, the law states that districts or cities without processing areas would be split equally with other districts or cities in the province. The configuration causes DBH computations to diverge for sea areas more than four miles offshore. If the processing location is unavailable, the remaining districts and cities in Aceh and Papua will be apportioned equally, pursuant to Article 187 letter f of the Aceh Special Law. The Special Law on Aceh and Papua (article 187 letter f) defines DBH for maritime areas more than four miles from the coast differently. Grounding from foregoing description, The study focuses on

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<sup>2</sup> Jauhar Nashrullah, "Optimalisasi Desentralisasi Fiskal Di Indonesia Pasca Lahirnya Rezim Undang-Undang HKPD," *Primagraha Law Review* 1, no. 1 (2023): 39–56.

<sup>3</sup> Rahajeng Ayuningtyas Manggiasih, "Diskresi Pemerintah Daerah Dalam Penetapan Tarif Pajak Hiburan Pasca Implementasi Undang-Undang Nomor 1 Tahun 2022 Tentang Hubungan Keuangan Antara Pemerintah Pusat Dan Pemerintah Daerah," *Unes Law Review* 6, no. 3 (2024): 9662–9674.

<sup>4</sup> Azka Yuliani et al., "Improvement and Strengthening of State Finances in the Reform Era," *Equality: Journal of Law and Justice* 1, no. 1 (2024): 45–58.

aspects of the relationship between the Central and Regional Governments in the Utilization of Natural Resources and Other Resources in Banten Province, as outlined Based inn Law Number 1 of 2022; Financial Relations Between the Central and Regional Government.

### Research Methods

The study employed normative and empirical, or hybrid, juridical methods. The legal system consists of norms (teachings), laws, agreements, theories and other norms, according to normative legal studies<sup>5</sup>. Analyzing relevant judicial precedents and local sociocultural norms as part of an empirical research approach<sup>6</sup>. This study investigates the ideal framework for relations between the central and regional governments in terms of natural resource use in Banten Province, as outlined in Law Number 1 of 2022: Financial Relations between the Central and Regional Governments. This study looks into the extent of the separation of powers between the central and regional governments, as well as the laws governing natural resource management. The data was gathered from field and literature studies. The field research comprised observations, interviews, and questionnaires. Meanwhile, the literature study referred to reviewing all legal materials linked to the research topic. A descriptive-analytical analysis was used, and the data was evaluated and processed to produce a qualitative interpretation. Furthermore, the legal resources gathered were examined using normative juridical analysis, which emphasizes the deductive approach as the primary guideline and the inductive method as a supporting work system. Normative analysis employs research materials primarily drawn from the literature<sup>7</sup>.

### Results and Discussion

#### 1. *Central and Regional Relations Regulation Under Law No. 1 of 2022; Financial Relations between Central and Regional Governments.*

Under the Law Number 1 of 2022 concerning Financial Relations between the and regional governments, their connections will take a new direction<sup>8</sup>. The law aims to promote the efficient and effective distribution of national resources by establishing transparent, responsible, and equitable financial relationships between the two. Furthermore, the act explicitly states that recentralization is not its objective. Instead, the primary purpose is to strengthen accountability and guarantee that policies are consistent between the center and the region. Financial relationships are classified into two types: those between regional and central governments, and those between central and regional governments. These two components are governed by the arrangements set forth in the a quo Law.

Article 2 of Law Number 1 of 2022; Financial Relations between the Central and Regional Governments provides the following matters about the financial relations between the two: First, Determine the flow of taxes and money collected by local governments;

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<sup>5</sup> Silvia Evelyn and Keira Adzra, "Peran Hukum Tata Negara Dalam Mewujudkan Pemerintahan Yang Modern Di Era Digital," *Qistina: Jurnal Multidisiplin Indonesia* 3, no. 1 (2024): 872-876.

<sup>6</sup> M. Shaleh, "Kompetensi Pedagogik Guru Dalam Mengembangkan Potensi Bakat Siswa-Siswi Di MI . Al-Ihsan V / B Sentol Daya Pragaan Sumenep Tahun Pelajaran 2020-2021," *Jurnal Pendidikan Bhinneka Tunggal Ika* 2, no. 2 (2024): 267-279.

<sup>7</sup> Ahmad Reyhan and Qotrun Nida, "Demokrasi Pancasila Dan Penerapannya Dalam Negara Kesatuan Republik Indonesia," *Literasi Hukum* 8, no. 1 (2024): 69-76.

<sup>8</sup> Agus Kurniawan, "Sinkronisasi Undang-Undang Nomor 1 Tahun 2022 Tentang Hubungan Keuangan Antara Pemerintah Pusat Dengan Pemerintah Daerah Dan Undang-Undang Nomor 12 Tahun 2011 Tentang Pembentukan Peraturan Perundang-Undangan Terkait Penetapan Tarif Pajak Dan Retribusi," *Jurnal Dinamika Hukum* 13, no. 3 (2022): 59-76.

Second, overseeing transfers to local governments; Third, managing regional expenditures; Fourth, obtain approval for regional financial administration; and Fifth, Ensure the effective implementation of national fiscal policies. Aside from that, the mandate of the Job Creation Law is to inject the jurisdiction of the central government into the authority of regional governments following the amendment of Article 16 of the Regional Government Law, which says <sup>9</sup>:

1. The Central Government has the authority to conduct concurrent government affairs as intended in Article 9 paragraph (3).
  - a. establish norms, rules, procedures, and criteria for conducting government affairs; and
  - b. provide guidance and supervision for regional government affairs.
2. The determination of norms, standards, procedures, and criteria as envisaged in paragraph (1) letter an refers to or adopts good practices.
3. The norms, standards, procedures, and criteria referred to in paragraph (1) letter an are statutory provisions stipulated by the Central Government as implementing regulations in the implementation of concurrent government affairs under the authority of both the Central Government and the Regional Government.
4. The Central Government may delegate regulations for implementing norms, standards, procedures, and criteria as specified in paragraph (3) to regional heads in accordance with Regional Head Regulations.
5. The authority of the Central Government as referred to in paragraph (1) letter b is assisted by ministries and non-ministerial government institutions. The implementation of authority by non-ministerial government institutions as intended in paragraph (5) must be coordinated with the relevant ministries.
6. The determination of norms, standards, procedures and criteria as intended in paragraph (1) letter a shall be completed no later than 2 (two) years from the promulgation of government regulations governing the implementation of concurrent government affairs.

Restrictions must be addressed in light of financial ties between central and regional governments. It is supported by two major financial sources: the APBD, which provides funds for government affairs carried out by regional governments, and the APBN, which provides funds for government affairs carried out by the central government<sup>10</sup>. Regional autonomy is defined as "the rights, authority, and obligations of autonomous regions to regulate and manage self-government affairs and the interests of local communities in accordance with statutory regulations" in the Second Amendment to Law Number 23 of 2014. By implementing a decentralized system, each district and city has enacted Law Number 23 of 2014 about Regional Government, as revised by Law Number 9 of 2015 concerning the Second Amendment to Law Number 23 of 2014. Both regions acquire full autonomy by applying the notion of decentralization<sup>11</sup>.

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<sup>9</sup> Lili Suriyanti, Qotrun Nida, and Eki Furqon, "Hubungan Antara Pemerintah Pusat Dan Pemerintahan Daerah Dalam Penetapan Tarif Pajak Daerah Berdasarkan Undang- Undang Nomor 11 Tahun 2020 Tentang Cipta Kerja," *Gorontalo Law Review* 7, no. 1 (2024): 17–31.

<sup>10</sup> Tiara Oktavia Namira Daud, U Penty Puluhulawa, and Abdul hamid Tome, "Faktor Penghambat Kewenangan Pemerintah Daerah Di Bidang Kehutanan Pasca Undang-Undang Nomor 23 Tahun 2014 Tentang Pemerintahan Daerah Di Masa Otonomi Daerah," *Journal of Comprehensive Science* 2, no. 5 (2023): 356–363.

<sup>11</sup> Mubaraq. Mubaraq et al., "Laporan Keterangan Pertanggungjawaban Kepala Daerah Terhadap Hasil Penyelenggaraan Urusan Pemerintahan Dalam Perspektif Otonomi Daerah," *Journal of Law and Nation* 3, no. 2 (2024): 264–280.

Following the enactment of the Regional Government Law, regional leaders were granted the authority to administer government in accordance with Article 18 of the Republic of Indonesia's 1945 Constitution. However, the Job Creation Law significantly restricts regional sovereignty. Given the current situation, regional governments do not have much room to maintain autonomy. Other rules, especially those dealing to government and regional budgets, clarify other regulations contained in the HKPD Law. Given this perspective, it is possible to conclude that regional autonomy is the authority granted by the central government to regions, including districts and cities, to regulate, supervise, manage, and develop their own affairs in accordance with their own abilities while adhering to relevant laws and regulations that are legally mandated. As a result, the national, provincial, and district/city governments have distinct jurisdictions. Fiscal decentralization is considered as critical to protecting individuals' rights and interests during the implementation of regional administration. The concept of financial ties between the central government and regional governments will undoubtedly contribute to the country's prosperity goals, as regional government financial matters are controlled by the central government under the requirements of Law Number 23 of 2014.

Such limitations have an impact on regional administration areas on the central and regional relations system. At the very least, the HKPD Law provides limitations, which are as follows<sup>12</sup>: First, The HKPD Law emphasizes regional development synergy to reduce disparities. This facilitates regional collaboration by developing mechanisms for pooling funds across regions to address increasingly complex cross-regional development concerns. As a result, regions lack the ability to monitor the funds they generate. Second, when other regional governments contribute to regional financing, regional autonomy is reduced. Local governments must be accountable for household care in their communities. However, the primary goal is to assist underprivileged areas of the financial system. Third, the concept of regional autonomy contradicts the country's constitutional guarantee that each region will have the authority to oversee and manage its own government activities. The concept of regional autonomy is thus related to the central government's role in ensuring overall regional welfare.

Theoretical perspective on financial ties between the center and the regions. The HKPD Law should help to improve the efficiency of public services. Candra noted that the goal of the HKPD Law was to alter the distribution of fiscal resources. One of these improvements is providing regions the ability to collect, transmit, and finance their own funds, as well as raising regional spending to be more effective, efficient, and collaborative with the central government. One of the primary goals of this act is to ensure that public services and people's welfare are equitable<sup>13</sup>. Furthermore, regional government development and fiscal policies must be tailored to the government's work plans, national medium-term plans, macroeconomic framework, and fiscal policy objectives. In addition, the central government has full authority over regional expenditure. They have the authority to establish retail pricing rules, streamline regional priority programs, and change national budgets. Finally, the central government must show that such a demand exists. The central government declared

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<sup>12</sup> Febry Loupatty, Salmon Eliazer Marthen Nirahua, and Heillen Martha Yospine Tita, "Pengaturan Obyek Pajak Restoran Di Daerah Berdasarkan Undang-Undang Nomor 1 Tahun 2022 Tentang Hubungan Keuangan Antara Pemerintah Pusat Dan Daerah," *PATTIMURA Law Study Review* 1, no. 1 (2023): 22-27.

<sup>13</sup> Mubaraq et al., "Laporan Keterangan Pertanggungjawaban Kepala Daerah Terhadap Hasil Penyelenggaraan Urusan Pemerintahan Dalam Perspektif Otonomi Daerah."

that the HKPD Law strives to strengthen fiscal decentralization rather than increasing centralization<sup>14</sup>.

The central government and local governments are linked in a structure of administration and supervision. It can be interpreted using Article 2 paragraph (1) of the Regional Government Law, which states that "The Unitary State of the Republic of Indonesia is divided into provincial territories, which are divided into districts and cities." Furthermore, establishing a unitary state structure implies that the president has complete control over the administration. National unity is mostly achieved through government control in the unitary state model. To retain local government independence, supervision must be accompanied by limits. Bagir Manan contended that the central government's control was intended to prevent disagreements over authority. Supervision is frequently divided into two types: repressive and preventive. The central government employs preventative surveillance to ensure regional adherence to national policies<sup>15</sup>. The HKPD Law was adopted in an effort to promote the equality and standards of public services throughout the country, as previously stated. Arrangements for revenue administration, TKD, regional debt finance, and APBD control are expected to assist regional governments in working with the national government to achieve long-term national development goals by increasing welfare. These objectives are covered in the following table:

Table 5.1 The Implementation of Financial Relations Between the Central Government and Regional Governments under Law of the Republic of Indonesia Number 1 of 2022;  
Financial Relations Between the Central and Regional Governments

No	Subject material	Realization
1.	The scope of Financial Relations Between Central and Regional Governments	a. Providing regional revenue sources, such as taxes and levies; b. TKD management; c. Management of Regional Expenditures; d. Grant authority for regional financing; And e. Implement national fiscal policy synergies
2.	Funding Principle for the implementation of Government Affairs within the framework of Financial Relations between the Central and Regional Governments	a. The implementation of Government Affairs which fall under the authority of the Region is funded from and at the expense of the APBD; And b. The implementation of Government Affairs which falls under the authority of the Regional Government is funded from and at the expense of the APBN.
3.	Financial Relations between Central and Regional Governments.	The Unitary State of the Republic of Indonesia is divided into provincial regions, which are further divided into districts and cities. Every province, region, and city has its own government. Provincial, district, and city governments have the authority to regulate and manage Government Affairs based on the concepts of autonomy and assistance obligations.
4.	Tax and Levy System	To better allocate national resources, the government empowers regions to collect taxes and levies by restructuring tax types, creating new regional tax sources, simplifying levy types, and aligning with Law Number 11 of 2020 on

<sup>14</sup> Muhamad Wildan, "Sri Mulyani Tegaskan RUU HKPD Bukanlah Upaya Resentralisasi," *Sri Mulyani Tegaskan RUU HKPD Bukanlah Upaya Resentralisasi*, 2024.

<sup>15</sup> Zainal Abidin et al., "Analisis Hukum Pengawasan Pelaksanaan Tender Proyek Pemerintah Daerah Dengan Pihak Swasta Dalam Perspektif Hukum Persaingan Usaha Di Kota Palembang," *Lexstricta : Jurnal Ilmu Hukum* 2, no. 3 (2024): 163–178.

Job Creation.		
5.	Transfer to Region	TKD as a source of Regional Revenue strives to eliminate fiscal imbalance between the center and the regions (vertical) and between regions (horizontal), as well as to encourage regional performance in ensuring equitable distribution of public services across the region. TKD comprises DBH, DAU, DAK, Special Autonomy Funds, Special Funds, and Village Funds.
6.	Regional Debt Financing and Funding Synergies	Regional financial capacity to fund public facilities and infrastructure is very restricted. Regions can use Regional Debt Financing sources, both conventional and Sharia-compliant, such as Regional Loans, Regional Bonds, and Regional Sukuk, to help them develop and provide community services.
7.	Regional Expenditure Management	Aside from strengthening policies from an input standpoint, the law supports quality improvement in regional expenditure. Regional expenditure remains dominated by apparatus and regular operations expenditure, is administered inefficiently, and lacks adequate regional financial management human resources.
8.	National Fiscal Policy Synergy	Strengthening financial governance between the Government and Regional Governments will not be enough to address hurdles in achieving state goals. Fiscal policy comprises of allocation, distribution, and stability functions, therefore fiscal policy implementation in the regions must be coordinated with fiscal policy in the government to maximize the effectiveness of all fiscal policy instruments in attaining state objectives.

**2. *Ideal Central-Regional Relations Format for Natural Resource Utilization in Banten Province within the Framework of the Republic of Indonesia's Unitary State.***

Article 18A paragraph 2 of the Republic of Indonesia's 1945 Constitution states that the central and regional governments are responsible for regulating and implementing financial relations, public services, and the use of natural and other resources in a fair and harmonious manner while adhering to the law. Article 18A was then completed by enacting several rules and regulations governing natural resource management. According to Law Number 3 of 2000 on the Establishment of Banten Province, the province's area is 8,651.20 km<sup>2</sup>, for a total of 9,662.92 km<sup>2</sup>. Minister of Home Affairs Regulation Number 72 of 2019 about Amendments to Minister of Home Affairs Regulation Number 137 of 2017 concerning Codes and Data for Government Administration Areas was enacted in 2019. The province's resource potential, including natural resources, can be split into numerous categories, which are described as follows <sup>16</sup>:

- a. Banten Province contains 208,161.27 hectares of forest, the majority of which is preserved as conservation zones. Banten Province's flora, wildlife, and environment are quite diversified. There are endemic species and ecosystems among them. However, enormous potential remains untapped, and the situation is deteriorating due to poaching, animal smuggling, forest encroachment, germplasm theft, and illegal trading of flora and fauna.
- b. Minerals and Coal: Banten Province has 10.3 million tonnes of inferred coal resources in South Banten. The availability of these coal deposits opens up the potential to create small-scale power plants that use coal as their primary fuel.
- c. Banten has gas and oil potential. The Ujung Kulon Block, specifically. Rangkas Block is located above the Ujung Kulon Block, Banten Block to the north, and Banten Province's

<sup>16</sup> BPS, "Potensi Sumber Daya Alam," BPS, 2024.

onshore and offshore resources to the south. Currently, Banten Province hosts Pertamina's natural gas transmission pipeline network, which connects Cilegon and Cirebon and delivers gas to the Krakatau steel plant. Furthermore, PT. PGN's largest natural gas customer is PT. PCN, a natural gas distribution company that delivers natural gas to enterprises in Tangerang's North Banten industrial region.

- d. The geothermal potential of Banten Province, which is distributed into five locations (3 in Serang Regency and 2 in Lebak Regency), is 790 MWe. Mount Endut, Lebak, has a capacity of 180 MWe; Gunung Karang, Serang, has a potential of 170 MWe; Mount Pulosari, Serang, has a potential of 100 MWe; and Mount Dano, Serang, has a potential of 115 MWe. Mount Endut, Serang, is situated in Pramuka Lebak Regency.
- e. Banten Province features 61 small islands distributed over five city districts, including five in Cilegon City, 33 in Pandeglang Regency, 17 in Serang Regency, one in Tangerang Regency, and five in Lebak Regency. These islands are home to the province's fishing and marine resources. Furthermore, the 499.62 km long Banten coastline is separated into portions facing the Sunda Strait, Java Sea, and Indonesian Ocean, each measuring 138.62 km, 127.10 km, and 127 km.

At the very least, the HKPD Law establishes a framework for a more decentralized interaction between central and provincial governments. The law is based on three major pillars: creating a tax system that allows more efficient sharing of national resources, establishing financial relations between central and regional governments to reduce financial inequality, and combining fiscal policies to ensure fiscal sustainability and optimal public services. The pillar is used to explain regional management development, which ties the implementation of decentralization to attaining goals based on vision and mission. To provide equal access to critical services, the central government establishes basic service standards<sup>17</sup>. However, decentralization necessitates adaptation to local needs, which might result in variations in the availability of the same public services. The commitment to decentralization involves regional autonomy, hence the demand is theoretically unavoidable. As a result, the constitution's drafters and those in charge of Indonesia's state organization saw centralization and decentralization as a unity rather than a dichotomy or poles<sup>18</sup>.

According to the researchers, the policy communication format associated with the decentralization design falls under the broad central-regional relationship structure. According to Law Number 1 of 2022, which governs financial relations between the Central and Regional Governments, all levels of regional government must analyze and understand the fiscal policies that are being implemented. The concept is to use regulations to determine the percentage of income earned by provincial and district/city governments from natural resource management. If improvements in regional institutional functioning are possible, changing the structure of linkages between the center and the regions should be straightforward. This is a critical way to bolstering the conviction that local government plays a vital role in sustaining national unity and prosperity<sup>19</sup>.

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<sup>17</sup> Fadiah Hasna Nadiatul Haq, Nurnisaa Suhaimi, and Grida Saktian Laksito, "Regional Autonomy in the Context of the Unitary State of Indonesia: Evaluation of Household Systems, Measurement Parameters, and the Rationality of Decentralization," *International Journal of Humanities, Law, and Politics* 2, no. 1 (2024): 1-6.

<sup>18</sup> Ahmad Hafidh, "Pertarungan Wacana Politik Hukum Islam Di Indonesia," *Yustisia Jurnal Hukum* 3, no. 3 (2014): 109-126, <https://jurnal.uns.ac.id/yustisia/article/view/29558>.

<sup>19</sup> Kardin Simanjuntak, "Implementasi Kebijakan Desentralisasi Pemerintahan Di Indonesia," *Jurnal Bina Praja* 07, no. 02 (2015): 111-130.

Law Number 1 of 2022 establishes the legal basis for financial balance between the central and regional governments, particularly in terms of natural resource management and other resources. According to the law, transfer to regional activities (TKD) is a source of balanced funds, which are distributed to regional governments to assist with decentralization projects. These funds come from the state budget. The previous balancing fund included the General Allocation Fund (DAU), the Special Allocation Fund (DAK), and the Profit Sharing Fund (DBH). However, after the HKPD Law was enacted, provisions for Special Autonomy Funds, Special Funds, and Village Funds were added to it.

Table 5.2. Profit Sharing Funds (DBH) for the Natural Resources Sector Based on Law of the Republic of Indonesia Number 1 of 2022; Financial Relations between the Central and Regional Governments

No	Natural resources	Profit Sharing Fund Loading Material
1.	Forestry	<ul style="list-style-type: none"> <li>a. The province's contribution to business permits for forest exploitation is 32% (thirty two percent), while producing districts/cities contribute 48% (forty eight percent).</li> <li>b. DBH; forestry natural resources originating from forest resource provisions—the relevant regional area, is set at 80% (eighty percent), distributed to: a. the province concerned is 16% (sixteen percent); b. producing districts/cities amounting to 32% (thirty two percent); c. other districts/cities that directly border the producing districts/cities amounting to 16% (sixteen percent); and D. other districts/cities in the province concerned amounted to 16% (sixteen percent).</li> <li>c. DBH; forestry natural resources sourced from reforestation funding, as envisioned in paragraph (1) letter c, is fixed at 40% for producing provinces.</li> </ul>
2.	Minerals and Coal	<ul style="list-style-type: none"> <li>a. DBH; natural mineral and coal resources sourced from fixed fees obtained from land and sea areas up to 4 (four) miles from the coastline, is set at 80% (eighty percent) for the Region, distributed to: a. the province concerned (30%); and b. producing districts/cities (50%).</li> <li>b. DBH; natural mineral and coal resources sourced from production fees obtained from sea areas above 4 (four) miles from the coastline up to 12 (twelve) miles from the coastline is set at 80% (eighty percent) and distributed to: a. producing provinces (26%); b. other districts/cities in the province concerned (46%); and c. processing districts/cities (8%).</li> </ul>
3.	Petroleum and Natural Gas	<ul style="list-style-type: none"> <li>a. DBH; natural oil and gas resources, as referred to, are sourced from the state's portion of oil and natural gas mining operations after deducting tax components and other levies in accordance with legislative restrictions.</li> <li>b. DBH; natural petroleum resources, produced from land and sea areas up to 4 (four) miles from the coastline, is set at 15.5% (fifteen point five percent),</li> <li>c. DBH; petroleum natural resources as envisaged in paragraph (1), which is produced from sea areas above 4 (four) miles from the coastline and up to 12 (twelve) miles from the coastline is fixed at 15.57,</li> <li>d. DBH; natural gas resources, produced from land and sea areas within 4 (four) miles of the coastline, is set at 30.5% (thirty point five percent),</li> <li>e. DBH; natural gas resources obtained from marine areas above 4 (four) miles from the coastline to 12 (twelve) miles from the coastline are fixed at 30.5% (thirty point five percent).</li> </ul>
4.	Geothermal	DBH; geothermal natural resources produced from the relevant region is set at 80% (eighty percent), distributed to: a. the province concerned is 16% (sixteen

		percent); b. producing districts/cities amounting to 32% (thirty two percent); c. other districts/cities that directly border the producing districts/cities amounting to 12%o (twelve percent); d. other districts/cities in the province concerned amounting to 12%o (twelve percent); and e. processing districts/cities amounting to 80/o (eight percent).
5.	Fishery	DBH; natural fisheries resources is set at 80% (eighty percent) of the revenue from fishery business and product fees.

As seen in the table, the HKPD Law restricts the percentage of balanced funds supplied via the TKD mechanism, as outlined in Articles 112 to 139, which severely govern how regions can supply resources through DBH Natural Resources and DBH Tax. This computation includes the General Allocation Fund (DAU), Special Allocation Fund (DAK), and Special Allocation Fund (Otsus Fund, Special Fund, and Village Fund), which are regulated proportionally based on a number of components and their temporary character. The authors focus on the Natural Resources Profit Sharing Fund.

Clarke and Stewart's ideas are pertinent to talks between the central and local governments on the usage of natural resources in construction projects carried out in compliance with the HKPD Law <sup>20</sup>. First, Researchers investigate the relative independence model. The central government uses this strategy to offer regions more autonomy and authority to operate only within the boundaries of obligations and responsibilities imposed by laws and regulations. Local governments now have greater leeway to intervene. In such a case, the territory should organize and oversee the business of its jurisdiction. Second, agency model, regions are exclusively responsible for implementing central government programs and serve as its distributors or implementers. Regional government today only serves as a tool for the central government to carry out commands. Third, Interaction model, there is interaction between the central and regional governments. The central government's trust in the regions will grow if the relationship is successful and meets needs. On the other hand, if the encounter fails to meet needs, trust will be extremely low. Many people in Indonesia rely heavily on natural resources to support their basic requirements, particularly in Banten Province. To truly improve the value of the national economy and promote equitable wealth for all, the country must control its natural resources. Natural resource management considers the state's interests, balance, and general welfare<sup>21</sup>.

The control of natural resource use under the HKPD Law theoretically strives to establish regulatory products that balance the objectives for autonomy and unity to avoid conflict. At the moment, there is tension because the circumstance attracts both tendencies<sup>22</sup>. As the central government is held accountable for the successful implementation of regional autonomy, an increased emphasis will be placed on capability, assessment, control, monitoring, and overall policy making within the framework. However, greater attention will be placed on the level of autonomous implementation. They have the right to exert their autonomy as part of the regional autonomy. However, they must not contradict with higher

<sup>20</sup> Imam Ropii, "Pola Hubungan Pemerintah Pusat Dan Pemerintah Daerah Dalam Otonomi Daerah (Konsepsi Dan Dinamikanya)," *Maksigama Jurnal Hukum* 9, no. 1 (2015): 34-51.

<sup>21</sup> Hasriyani Huzain, *Pengelolaan Sumber Daya Alam*, 2021.

<sup>22</sup> Danetta Leoni Andrea, "Hubungan Kewenangan Pusat Dan Daerah Dalam Penyelenggaraan Otonomi Daerah Di Bidang Pendidikan Berdasarkan Undang-Undang Nomor 23 Tahun 2014 Tentang Pemerintahan Daerah," *Kosmik Hukum* 20, no. 2 (2020): 73.

laws, such as central regulations, standards, and processes<sup>23</sup>. The administration of government affairs, which is the regional authority of regional governments, has the greatest level of autonomy in organizing and managing its own government activities based on the principles of autonomy and duties of assistance. Regional governments maintain relations with the central government and other regional governments to run the government. Government relationships based on power, finance, and territoriality serve as the foundation for administrative and territorial interactions<sup>24</sup>. By decentralising resources and authority, the system must give a reasonable contribution of power between levels of government to ensure a stable system between central and regional government <sup>25</sup>.

## Conclusion

To summarize, Law Number 1 of 2022, which governs financial relations between the central and regional governments, regulates rights and obligations that are carried out fairly, transparently, accountably, and harmoniously—focusing on the provision of regional income sources, their management, and the management of regional income sources. Second, to improve connections between the center and regions in the management of natural resources in the Unitary State of the Republic of Indonesia, a framework for categorizing each region's potential. The mechanism considers ecological and conditional elements (economic, social, and political) in Banten Province, ensuring that regional autonomy, the natural resource management, is implemented without centralization.

## Suggestion

Referring to the findings, the authors suggest: First, the relationship between the central and regional administrations should be governed by law. The law should comprise Law Number 23 of 2014; Regional Government, Law Number 11 of 2020; Job Creation, and Law Number 1 of 2022; Financial Relations, which mandates policy collaboration between the two in terms of power and Natural Resources management. Second, to comply with changes in natural resource management requirements, Banten provincial government must adapt regional legal products to Law Number 1 of 2022; Financial Relations between the Central and Regional Governments. It includes modifying Law Number 37 of 2023; Management of Transfers to Regions, which especially deals with profit

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<sup>23</sup> Dewan Perwakilan Rakyat Republik Indonesia, *Naskah Akademik Rancangan Undang-Undang Tentang Hubungan Keuangan Antara Pemerintah Pusat Dan Pemerintahan Daerah*, Badan Pembinaan Hukum Nasional Kementerian Hukum Dan Hak Asasi Manusia, 2021.

<sup>24</sup> Rochendi S and Kausar Ali Saleh, "Hubungan Pemerintah Pusat Dan Daerah Dalam Otonomi Khusus Di Provinsi Papua Barat," *Jurnal Politik: Jurnal Kajian Politik Dan Masalah Pembangunan* 13, no. 1 (2017): 1903–1919, <http://journal.unas.ac.id/politik/article/view/231>.

<sup>25</sup> F.C. Susila Adiyanta, "Hukum Dan Studi Penelitian Empiris: Penggunaan Metode Survey Sebagai Instrumen Penelitian Hukum Empiris," *Administrative Law and Governance Journal* 2, no. 4 (2019): 697–709.

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