

# A Model of Regional Government Budget Management Through General Allocation Fund Scheme with Specific Grants to Develop Infrastructure Development

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## Abstract:

### ➤ Introduction:

This study discusses the management model of the Regional Government Budget (APBD) through the General Allocation Fund (DAU). The DAU is transferred from the central government, and in the form of specific grants, the central government determines its use. This scheme is aimed at supporting more targeted and efficient regional infrastructure development.

### ➤ Aim:

- Analyze the regional budget management model through the implementation of DAU as specific grants.
- Examine how specific grants improve efficiency, effectiveness, and accountability of regional spending.

### ➤ Materials and Methods:

A descriptive qualitative approach was employed, focusing on policies, allocation mechanisms, and the impact of DAU-specific grants on regional development.

### ➤ Results:

Findings show that DAU-specific grants significantly contribute to infrastructure development, especially roads, sanitation, and public facilities. This model aligns regional spending with national priorities but limits local governments' flexibility to address unique local needs.

### ➤ Conclusion:

DAU-specific grants are effective in improving the quality of regional infrastructure in an equitable and measurable way. However, they reduce local autonomy, highlighting the need for balance between central priorities and regional flexibility.

**Keywords:** Regional Government Budget, General Allocation Fund, Specific Grant, Infrastructure Development, Regional Financial Management.

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## I. INTRODUCTION

The management model through the *General Allocation Fund* (DAU) is a system of fund transfers from the central government to regional governments aimed at equalizing financial capacity among regions and supporting the implementation of decentralization. The DAU is

classified into two types: the *block grant*, which provides regions with flexibility in allocating funds according to local needs, and the *specific grant*, which directs funds toward designated sectors such as education, health, and public works. As part of the *State Budget* (APBN), the DAU is intended to reduce fiscal disparities and ensure that local governments have sufficient financial capacity to carry out

their mandated responsibilities (Widodo, 2019; Rahman, 2019). Infrastructure, in this context, refers to the fundamental facilities, systems, and structures necessary to support social, economic, and governmental functions, encompassing physical elements such as roads, bridges, and buildings, as well as transportation, communication, and energy systems. According to Mankiw (2003), infrastructure represents public capital, including bridges, roads, drainage systems, and other facilities as government investment. Grigg (1988) describes it as a physical system providing essential facilities such as irrigation, drainage, transportation, and buildings to meet basic human needs, while Kodoatie (2005) views it as a system that underpins economic and social systems and serves as an intermediary for environmental systems, forming a basis for policymaking. The American Public Works Association (Stone, 1974, as cited in Kodoatie, 2005) similarly defines infrastructure as physical facilities developed or required by public agencies to provide water, electricity, waste disposal, transportation, and similar services to support social and economic objectives. This aligns with the perspective that infrastructure functions as an interconnected system—such as transportation networks, communication systems, and utilities—integral to sustaining societal and economic activities. The DAU's disbursement mechanism involves monthly allocations based on local government employee expenditure reports, while *specific grants* are released through more targeted procedures, often tied to documented expenditure reports. The DAU serves several purposes: equalizing financial capacity across regions; supporting decentralization by ensuring sufficient funding for delegated governmental functions; promoting regional development in alignment with national priorities; and improving the quality of public services in areas such as education, health, and infrastructure. This reflects a firm policy stance on directing regional development priorities through *specific grants*. Therefore, this study aims (1) to analyze the regional budget management model through the implementation of the DAU with uses determined (*specific grant*) by the central government and (2) to examine how the application of *specific grants* can enhance the efficiency, effectiveness, and accountability of regional spending. Using a descriptive qualitative approach, the findings indicate that *specific grants* within the DAU significantly contribute to

regional infrastructure development, particularly in basic infrastructure such as roads, sanitation, and public facilities.

### ➤ Objective

- The study aims to: Analyze the regional budget management model through the implementation of DAU as specific grants.
- Examine how specific grants improve efficiency, effectiveness, and accountability of regional spending.

## II. LITERATURE REVIEW

### ➤ General Allocation Fund

The General Allocation Fund (DAU) is a fund sourced from Indonesia's State Budget (APBN – *Anggaran Pendapatan dan Belanja Negara*). The APBN is allocated with the objective of achieving equity in financial capacity among regions to finance regional needs within the context of decentralization. The state budget refers to the annual financial plan of the Indonesian government, outlining revenue and expenditure targets for a fiscal year. The APBN is proposed by the cabinet and requires approval from the DPR (*Dewan Perwakilan Rakyat* – House of Representatives). As an annual financial plan, the APBN is a comprehensive document that details how the government intends to generate revenue and allocate funds for various public expenditures.

In general, the utilization of DAU funds by regional governments is aimed at financing various regional needs to support the implementation of decentralization, with the main goal of equalizing financial capacity among regions. This fund is sourced from the APBN and allocated annually to regional governments. The DAU is intended to fulfill and equalize financial capacity. In the context of financial capacity equalization, the DAU seeks to reduce fiscal disparities between regions so that those with limited own-source revenue (PAD – *Pendapatan Asli Daerah*) can still perform governmental functions and provide adequate public services. The following table presents a general overview of DAU utilization:

Table 1 General Overview of DAU Utilization

No	Type of DAU Expenditure	Allocation
1	Operational Expenditure	Used to finance various operational expenses of regional governments, such as employee salaries, office operations, and other routine activities.
	Infrastructure Development	Used to finance infrastructure development in the region, such as roads, bridges, irrigation systems, and other public facilities.
	Public Service Improvement	Allocated to improve the quality of public services in various sectors, such as education, health, and public works.
	Productive Economic Activities	Can be used to support productive economic activities in the region, including the development of micro, small, and medium enterprises (MSMEs).

A detailed explanation of the four points above is as follows. First, *Operational Expenditure*: The DAU can be used to finance various operational expenditures planned by the regional government, such as paying employee salaries, routine office operational costs, and other regular activities. Second, *Infrastructure Development*: The DAU can also be

used to finance infrastructure development in the region, such as roads, bridges, irrigation systems, markets, terminals, sports fields, and other public facilities. Third, *Public Service Improvement*: The DAU can be allocated to improve the quality of public services in various sectors, such as education, health, and public works. Fourth, *Productive*

*Economic Activities:* To stimulate the people's economy and strengthen the informal sector, the DAU can certainly be used to support productive economic activities in the region, including the development of micro, small, and medium enterprises (MSMEs).

Conceptually, this type of DAU funding is expected to promote regional development, improve community welfare, and reduce disparities between regions.

### III. METHODOLOGY

This article reviews study employs a descriptive qualitative method, which is a research approach aimed at describing the characteristics or attributes of a phenomenon or object in detail and systematically. Its main focus is to explain the facts related to the topic of study (Sugiyono, 2014). The study's data were cross-referenced from various previous studies as well as policies established by the government. Examples of projects implemented through the allocation of the DAU in a particular region are considered

important to strengthen the analysis. Several regions have successfully improved public welfare by utilizing the DAU, as demonstrated by the government of West Sulawesi (Sulawesi Barat Provincial Government, 2020).

### IV. RESULTS

#### ➤ Findings

Of the four DAU expenditure opportunities mentioned above—namely (a) Operational Expenditure, (b) Infrastructure Development, (c) Public Service Improvement, and (d) Productive Economic Activities—this study focuses on the second aspect, namely Infrastructure Development.

The General Allocation Fund (DAU) is used for various infrastructure development projects in West Sulawesi. The DAU is part of the APBN revenue allocated to the regions to finance regional needs, including infrastructure, in the context of decentralization. The use of the DAU for infrastructure in West Sulawesi is found as follows:

Table 2 Infrastructure Development in West Sulawesi

No	Use of DAU	Implementation Description
1	Public Infrastructure Improvement	The DAU specific grant is used for managing public infrastructure such as roads, irrigation systems, and other public facilities in Polewali Mandar (Polman).
2	Road Maintenance and Construction	Several periodic maintenance and road reconstruction projects in West Sulawesi are funded by the DAU, for example, the Tabone–Nosu section, Urekang–Mambi section, and Pasangkayu Port access road.
3	Road Construction	Construction of the Lampa–Matangga road section aimed at improving community welfare. This project is funded not only by the DAU but also by specific grants and funds from PT SMI.
4	Allocation of DAU for Education and Health Sectors	The DAU is also allocated for education and health sectors, with specific allocations for each sector.
5	Various Strategic Project Support in West Sulawesi	The DAU is expected to continue supporting other strategic projects in West Sulawesi in the coming years, including infrastructure.

The above description illustrates the use of the *General Allocation Fund* (DAU) for various infrastructure development projects in West Sulawesi. In principle, the DAU is part of the APBN revenue allocated to each region in Indonesia to finance programmed regional needs, including infrastructure. This represents the implementation of the decentralization system that has been applied to date.

### V. DISCUSSION

This study specifically focuses on the second expenditure category of the General Allocation Fund (DAU), namely infrastructure development, out of the four possible allocations: operational expenditure, infrastructure development, public service improvement, and productive economic activities. The emphasis on infrastructure is based on its critical role in driving regional development, fostering economic growth, and improving the quality of life for local communities (Kodoatie, 2005; Widodo, 2019; Maharjan, 2022). In the context of West Sulawesi, DAU-funded infrastructure projects have become a key instrument for translating decentralization policies into tangible public benefits (Sulawesi Barat Provincial Government, 2020).

The DAU is a fiscal transfer mechanism from the central government to regional governments, derived from the State Budget (APBN), with the objective of ensuring equitable financial capacity across regions (Widodo, 2019; Chattha et al., 2024). Its purpose is to enable regions to fund essential programs, including infrastructure development, in line with decentralization objectives. In West Sulawesi, DAU allocations have been strategically directed towards improving physical infrastructure to address local needs and reduce disparities between urban and rural areas, consistent with national development priorities (Sulawesi Barat Provincial Government, 2020; Jati, 2023).

One notable use of the DAU in West Sulawesi is the improvement of public infrastructure. Through specific grants, local governments have managed and enhanced facilities such as roads, irrigation systems, and public spaces (Sulawesi Barat Provincial Government, 2020). In Polewali Mandar (Polman), DAU allocations have supported the maintenance and upgrading of key infrastructure, ensuring facilities meet the needs of residents. Such projects align with the conceptual view of infrastructure as foundational systems supporting economic and social activities (Grigg, 1988;

Mankiw, 2003; Stone, 1974, as cited in Kodoatie, 2005).

Periodic maintenance and reconstruction of road segments have also been prioritized under DAU funding, including the Tabone–Nosu section, the Urekang–Mambi section, and the Pasangkayu Port access road (Sulawesi Barat Provincial Government, 2020). These projects enhance connectivity, reduce travel times, and facilitate access to markets, education, and healthcare, thereby improving socio-economic conditions. As Kodoatie (2005) notes, infrastructure plays a central role in supporting economic systems and connecting communities to essential services, while effective decentralization frameworks are necessary to ensure project alignment with broader policy goals (Prasojo, 2025).

Beyond maintenance, DAU allocations have been used for new construction projects such as the Lampa–Matangga road section, designed to improve community welfare through enhanced connectivity (Sulawesi Barat Provincial Government, 2020). This project was funded not only through DAU allocations but also with specific grants and private sector contributions, illustrating the potential for leveraging public funds to maximize development outcomes (Widodo, 2019; Maharjan, 2022). Such collaboration reflects the broader function of infrastructure as a driver of long-term growth (Grigg, 1988).

While infrastructure development is a major focus, DAU funds are also allocated to essential sectors such as education and health (Sulawesi Barat Provincial Government, 2020). This integrated funding strategy ensures that alongside physical infrastructure improvements, social infrastructure—schools, healthcare facilities, and related services—is also strengthened. Such cross-sectoral investments support the broader definition of infrastructure as encompassing systems that enhance quality of life (Stone, 1974, as cited in Kodoatie, 2005) and align with recommendations for balanced social and economic development (Maharjan, 2022).

The DAU is expected to continue playing a major role in supporting strategic projects in West Sulawesi in the coming years (Sulawesi Barat Provincial Government, 2020). These initiatives, which may include infrastructure, economic diversification, and disaster resilience programs, align with the decentralization framework outlined in national fiscal policy (Widodo, 2019; Chattha et al., 2024). However, as Jati (2023) points out, the increasingly administrative–technocratic nature of decentralization may limit the autonomy of local governments in determining priorities, underscoring the need for improved coordination and policy flexibility.

The use of the DAU for infrastructure development in West Sulawesi illustrates the practical application of Indonesia's decentralization policy, where APBN funds are directly allocated to regional governments (Widodo, 2019). This fiscal arrangement not only supports infrastructure development but also strengthens local governance capacity. Ultimately, the DAU embodies the principle of equitable financial distribution, as outlined in national legislation,

while fulfilling its function of bridging disparities between regions (Sulawesi Barat Provincial Government, 2020; Sugiyono, 2014). At the same time, as Prasojo (2025) observes, the effectiveness of such arrangements depends on improving coordination between central and regional authorities to ensure that infrastructure priorities are well aligned.

## VI. CONCLUSION

The DAU specific grant policy serves as an extension of the central government's control function over the use of the DAU by regional governments, ensuring that expenditures funded by the DAU are maximized to meet minimum service standards based on regional service performance levels, in accordance with Article 130 paragraph (1) of the Law on Fiscal Relations between the Central Government and Regional Governments (UU HKPD). The funding for development projects in West Sulawesi, as highlighted in this review, demonstrates the DAU's significant role in promoting regional development, with the aim of achieving equitable growth and addressing disparities in development progress between regions. The DAU is a transfer fund from the central government designed to equalize financial capacity among regions and is allocated to finance various governmental functions, including employee expenditures and infrastructure development. It comprises two main types—the Block Grant and the Specific Grant—each with objectives tailored to its designated purpose. Notably, the DAU Specific Grant for village funding (*Pendanaan Kelurahan*) in West Sulawesi has achieved 100% realization. In addition, regional governments utilize other central transfer funds, such as the Village Fund (*Dana Desa*) and the Revenue Sharing Fund (*Dana Bagi Hasil – DBH*), to further support development efforts. In line with the study's objectives—(1) to analyze the regional budget management model through the implementation of the General Allocation Fund (DAU), whose use is determined (specific grant) by the central government, and (2) to examine how specific grants can improve the efficiency, effectiveness, and accountability of regional spending—findings indicate that these goals are attainable. Overall, the DAU functions to equalize financial capacity among regions, assist areas with limited fiscal resources in providing public services, and fund regional needs within the framework of decentralization.

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