

Budget Effectiveness of Regional Development Functions in Indonesia: Analysis of 34 Provinces in 2024

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ABSTRACT

The effectiveness of regional budget implementation is an important indicator for assessing the ability of local governments to translate fiscal planning into development outcomes. This study aims to analyze the effectiveness of development function budgets and identify disparities in fiscal implementation across provinces in Indonesia in 2024. The study employs a descriptive quantitative approach by comparing budget allocations and actual expenditures across nine development functions in 34 provinces, including general public services, public order and safety, economic affairs, environmental protection, housing and public facilities, health, tourism, education, and social protection. The analysis was conducted by measuring expenditure effectiveness, identifying budget gaps, and comparing implementation performance across regions. The results indicate variations in budget implementation effectiveness among provinces and development functions. Education demonstrated the highest implementation effectiveness, while the health function experienced the largest gap between budget allocation and realization. Regional analysis also revealed differences in fiscal implementation capacity, indicating that fiscal resources must be supported by strong governance quality and institutional capacity. This study highlights that improving regional expenditure effectiveness depends not only on the availability of financial resources but also on the ability of local governments to effectively plan, implement, and evaluate development programs.

INTRODUCTION

Regional development is a process of economic and social transformation that aims to improve community welfare through strengthening economic capacity, providing public services, and sustainable resource management. In the fiscal decentralization system, local governments are given the authority to determine development priorities based on the characteristics of their respective regions. The concept of fiscal decentralization departs from the theory of *fiscal federalism* which explains that local governments have advantages in providing public services because they understand the needs of local communities better than the central government (Oates, 1972).

However, the granting of fiscal authority does not automatically result in better development. The success of decentralization is highly dependent on the capacity of local governments to manage financial resources effectively. According to Smoke (2019), fiscal decentralization requires adequate institutional capacity so that budget management authority can produce quality public services. Without good governance, increased fiscal transfers and regional revenues can result in suboptimal expenditures.

In the context of economic development, government spending has an important role as an instrument of economic intervention. Government spending on productive sectors such as infrastructure, education, health, and economic sectors can increase regional production capacity and strengthen long-term economic growth. Barro (1990) explained that productive government spending can increase capital accumulation and encourage economic growth through increased productivity.

However, it is not enough to evaluate development based on the amount of budget allocated. An important problem in regional fiscal management is the possibility of a gap between the planned budget and the realization of the implemented program. This condition shows that the effectiveness of budget management is an important aspect to see the ability of local governments to translate fiscal resources into real development activities.

In the perspective of modern development economics, the quality of development is not only seen from economic growth, but also from improving human quality and environmental sustainability. Todaro and Smith (2020) explained that development is a multidimensional process that includes increasing income, reducing poverty, improving the quality of education, health, and human freedom. Therefore, the allocation of local government budgets needs to be directed to development functions that are able to generate long-term social and economic benefits.

In addition to human development, natural resource management is an important aspect of regional development. Many regions of Indonesia have economic structures that depend on natural resource-based sectors such as mining, forestry, plantations, and energy. However, this dependence can cause pressure on the environment if it is not balanced with fiscal policies that support sustainability. Barbier (2020) emphasized that modern economic development must consider the relationship between economic growth, natural resource use, and ecosystem protection.

Previous research has largely discussed the relationship between government spending and economic growth, the influence of fiscal decentralization on development, and the efficiency of regional financial management. However, there are still limitations of research that specifically analyzes *The Effectiveness of Budget Realization Based on Development Functions* by comparing all provinces in Indonesia. In fact, a function-based approach can provide a more detailed picture of which sectors are development priorities and which sectors experience implementation obstacles.

RESEARCH GAP

Based on literature review, there are three main gaps. First, the limitations of the approach based on total regional spending. Some research on regional fiscal still uses aggregate indicators such as the total APBD or overall government spending. This approach has not been able to explain how fiscal resources are allocated to certain development sectors.

LITERATURE REVIEW

Fiscal Decentralization and Regional Development

Fiscal decentralization is one of the main instruments in governance reform that gives authority to local governments to manage financial resources according to the needs and characteristics of their regions. The theory of *fiscal federalism* explains that the provision of public services can be more effective if some of the authority is given to the local government because local governments have better information about the preferences and needs of local communities (Oates, 1972). In the context of regional development, fiscal decentralization is expected to be able to increase the efficiency of public resource allocation and accelerate the achievement of development goals.

However, fiscal decentralization does not always automatically result in an increase in development performance. The success of decentralization is highly dependent on the capacity of local government institutions in managing the authority given. Smoke (2019) explained that decentralization often faces challenges in the form of limited administrative capacity, weak institutional coordination, and low quality of development planning. Therefore, the transfer of fiscal authority must be followed by increasing the capacity of local governments so that financial resources can be translated into effective public services.

In the perspective of economic development, fiscal decentralization is closely related to improving the quality of regional development. Bel and Warner (2016) explained that the management of public services at the local level can increase the government's responsiveness to community needs. Local governments that are able to manage the budget effectively have a greater chance of producing development that suits the needs of the region. However, differences in fiscal and institutional capacity cause the impact of decentralization to differ between regions.

Research by Baskaran, Feld, and Schnellenbach (2016) shows that institutional quality is an important factor in determining whether fiscal

decentralization is able to generate development benefits. Regions with better governance tend to be able to use fiscal resources more effectively than regions with low institutional capacity. These findings reinforce the importance of analyzing the effectiveness of regional budgets as an indicator of the government's ability to implement development policies.

Government Spending and Economic Development

Government spending is one of the main instruments in development policy because the government has a role in providing public goods, building infrastructure, and creating conditions that support economic activities. In the theory of endogenous growth, productive government spending can increase economic growth through the formation of public capital and increase the productivity of factors of production (Barro, 1990). Therefore, the quality and composition of government spending are important aspects in determining the effectiveness of development.

Not all government expenditures have the same development impact. Spending directed at education, health, infrastructure, and the productive sector has the potential to generate long-term economic benefits compared to administrative spending. Bom and Ligthart (2014) show that public investment has a positive relationship with economic growth when directed to sectors that increase people's productive capacity. These findings show that the quality of budget allocation is more important than simply increasing the amount of government spending.

In the context of local government, public spending plays a role as an instrument to reduce development inequality between regions. Local governments with good fiscal capacity can improve the provision of basic services and support local economic activities. However, if government spending is not accompanied by adequate implementation capacity, budget increases do not always produce optimal development impacts (Afonso & Jalles, 2016).

Resource Economics and Sustainable Development

Resource economics places natural resources as economic assets that have both value and limitations. The utilization of natural resources can drive economic growth through increased production and income, but uncontrolled exploitation can incur environmental costs and reduce the ability of resources to support future development. Therefore, economic development must consider a balance between resource utilization and environmental sustainability.

The concept of sustainable development emphasizes that development must be able to meet current needs without compromising the ability of future generations to meet their needs. Within this framework, economic development is measured not only through output growth, but also through the ability to maintain environmental quality and improve social welfare (Brundtland Commission, 1987).

In the context of regional fiscal policy, environmental protection can be seen through the government's ability to allocate budget resources to maintain environmental quality. Barbier (2020) explained that economic recovery and future development require integration between economic policy and

environmental policy. This means that increasing economic activity must be accompanied by investment in resource conservation.

Human Development and Social Spending Priorities

Human development is one of the main indicators in modern economic development. The human development approach places education, health, and social welfare as investments that increase people's ability to participate in economic activities. Becker (1993) explained that improving human quality through education and health can increase labor productivity and generate long-term economic benefits.

According to Suri et al. (2021), investment in human development is closely related to improving community welfare and economic capabilities of a region. Therefore, local governments need to ensure that social spending allocations are directed to programs that have a real impact. In this study, the functions of education, health, and social protection are important indicators to see how local governments use fiscal resources in building human quality.

RESEARCH METHODS

Research Design and Approach

This study uses a descriptive quantitative approach with a comparative analysis method between regions. The descriptive approach was chosen because the research aims to describe the condition of budget management of the regional development function through a comparison between the value of the planned budget and the realization of local government spending.

In contrast to the econometric approach that aims to test the causal relationship between variables, this study focuses on identifying patterns, characteristics, and differences in fiscal implementation capabilities between provinces. This approach is appropriate to evaluate how local governments manage fiscal resources in support of economic and social development.

Research Analysis Regions and Units

The unit of research analysis is the provincial government in Indonesia for the 2024 fiscal year. The study used 34 provinces as the object of analysis. Four provinces of the New Autonomous Region (DOB) of Papua were not included in the study, namely:

1. South Papua;
2. Central Papua;
3. Mountainous Papua;
4. Southwest Papua.

The expenditure of the four provinces was carried out because the establishment of new administrative areas caused fiscal characteristics, government organizational structures, and budgeting patterns to not be fully stable. The use of regional data that is still in the transition phase can result in an unbalanced comparison with provinces that already have a more mature fiscal system.

This approach is in line with the principle of regional comparative analysis, which is to ensure that the unit of analysis has an adequate level of comparability. According to Creswell and Creswell (2023), descriptive

quantitative research is used when researchers want to measure phenomena based on numerical data and explain patterns that occur in a population. In the context of this study, budget and realization data are used to describe the level of effectiveness of regional development implementation.

Types and Data Sources

The research uses secondary data obtained from official government documents related to the budget and realization of regional spending in 2024. The data used consisted of:

Data	Source	Analysis Function
Budget based on development functions in 2024	2024 APBD Functional Budget Data	Identifying regional fiscal priorities
Realization of expenditure based on development functions in 2024	Regional Expenditure Realization Data 2024	Measuring development implementation

Research Variables

The research uses the local government expenditure function approach. Variables analyzed:

Table 1. Development Function Variables

Yes	Development Function	Analytical Perspective
1	General Services	Government service capacity
2	Order and Security	Social stability
3	Economy	Growth and productivity
4	Environmental Protection	Resource sustainability
5	Housing and Public Facilities	Public infrastructure
6	Health	Human capital
7	Tourism	Sectoral economics
8	Education	Human Capital
9	Social Protection	Community welfare

Limitations of Data Analysis

The study only analyzed expenditure based on development functions. Components not analyzed:

- Employee spending;
- Shopping for goods and services;
- Capital expenditure;
- Details of other types of shopping.

Data Analysis Techniques

The analysis is carried out through several stages.

Stage 1: Budget Structure Analysis

The first stage is carried out to find out the fiscal priorities of local governments.

Formula:

$$Contribution (i) = \frac{Budget (i)}{Total Budget} \times 100$$

Description:

- i = Development function.

This indicator is used to see the development function that acquires the greatest priority.

Stage 2: Budget Gap Analysis

To find out the difference between plan and realization the formula is used:

Gap (i) = Budget (i) – Realization (i)

- Small gaps indicate the implementation is close to plan.
- Large gaps indicate obstacles in program implementation.

Phase 3: Budget Effectiveness Analysis

Key indicators of the study:

$$Effectiveness (i) = \frac{Realization (i)}{Budget (i)} \times 100$$

According to Mardiasmo (2018), budget effectiveness shows the ability of public organizations to achieve the planned targets.

Classification:

Effectiveness Rate	Categories
$\geq 100\%$	Highly effective
90–99%	Effective
80–89%	Quite effective
$< 80\%$	Less effective

Phase 4: Interprovincial Comparative Analysis

The analysis was carried out by comparing:

1. Total effectiveness of the province

To find out:

- Provinces with the best implementation capabilities;
- Province with the greatest obstacles.

2. Effectiveness of each function

To see:

- priority sectors;
- sectors with the largest gaps.

3. Region analysis

Provinces will be grouped by region:

- Sumatra;
- Java;
- Kalimantan;
- Sulawesi;
- Bali and Nusa Tenggara;
- Maluku and Papua.

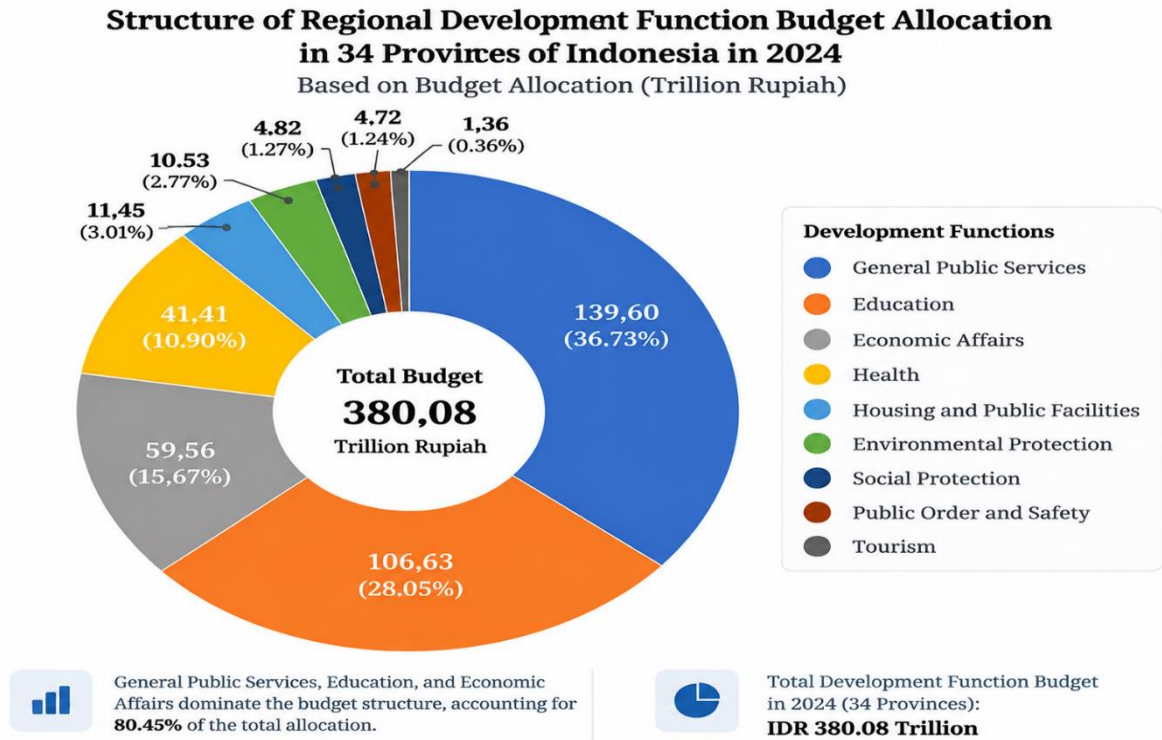
RESULTS AND DISCUSSION

Budget Structure of Regional Development Functions in Indonesia in 2024

The results of data processing for 34 provinces show that the budget structure of local governments in 2024 is still dominated by several main development functions, namely public services, education, and the economy.

These three functions show that local governments still place public services, improving the quality of human resources, and strengthening economic activities as top priorities in the use of fiscal resources.

Based on the aggregation results, the public service function has the largest budget allocation with a value of IDR 139.60 trillion, followed by the education function of IDR 106.63 trillion, and the economic function of IDR 59.56 trillion. The large allocation of public services shows that local governments still have a great need in carrying out government functions and providing basic public services for the community. We can see it in detail in the Graph and Table below:



Source: Processed from regional government budget data of 34 provinces in Indonesia, 2024.

The dominance of public service expenditure shows that local governments still carry out the basic functions of government as public service providers. In public finance theory, government expenditure has an allocation function, namely providing public goods and services that cannot be fully provided by market mechanisms. Therefore, the high public service expenditure is a consequence of the responsibility of local governments in providing government administration, community services, and development coordination (Musgrave & Musgrave, 1989).

However, the high proportion of public services also needs to be a concern because regional development not only requires administrative capacity, but also the ability to produce *development outcomes*. According to Andrews et al. (2017), the quality of public spending is not only determined by the amount of resources used, but also by the ability of institutions to convert fiscal inputs into development outcomes that provide benefits to the community.

The education function is one of the largest components in the regional budget structure with a value of Rp106.63 trillion. This condition shows that local

governments pay attention to human capital development. The *human capital theory* approach explains that education investment is an important factor in increasing labor productivity, innovation ability, and regional economic competitiveness (Becker, 1993).

Meanwhile, the economic function which reached Rp59.56 trillion shows that local governments still provide support for productive activities. Economic spending can be seen as public investment that aims to strengthen regional production capacity through support for economic infrastructure, productive sectors, and community activities. Bom and Ligthart (2014) explained that public investment has a greater economic impact when directed to sectors that increase long-term productivity.

From a development economics perspective, these conditions show that education is still the main instrument of human development. Education investment has a long-term impact because it improves the quality of the workforce and the economic capacity of the community. Suri et al. (2021) explained that the increase in human development is closely related to the improvement of the economic capabilities of a region.

In contrast to education, the health function shows a very different phenomenon. With a budget of IDR 41.41 trillion, the realization only reached IDR 12.53 trillion so that the effectiveness level is at 30.27 percent.

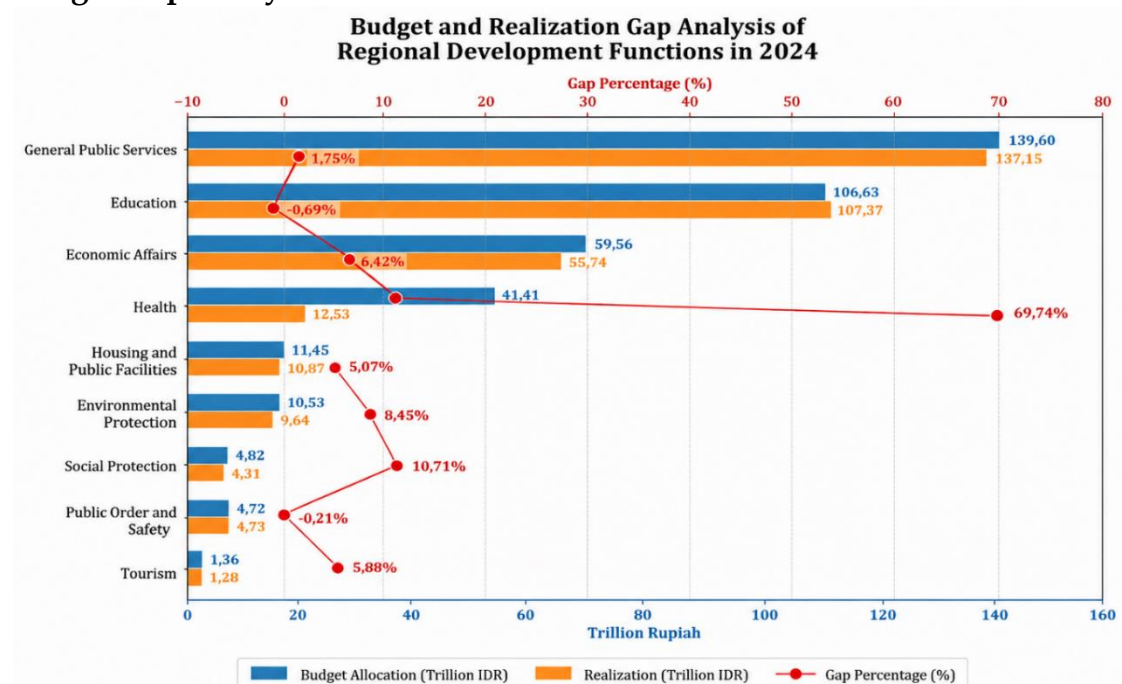
Gaps are as great as:

41.41 - 12.53 = 28.88 (trillion rupiah)

is an important finding in this study.

The low realization of health indicates possible obstacles in program implementation. According to the World Bank (2021), the effectiveness of public spending in the health sector is greatly influenced by the quality of planning, institutional capacity, procurement mechanisms, and coordination between development actors.

Budget Gap Analysis



Source: Processed from Regional Budget Allocation and Expenditure Realization Data, 2024.

Based on Figure 4.2, the largest total gap was found in the Health function with a gap value of Rp28.88 trillion or around 69.74% of the total allocated budget. The magnitude of the difference shows that there are significant obstacles in the process of implementing health programs. This condition shows that the high budget priority has not been fully able to translate into optimal development realization. On the other hand, the General Service function shows a relatively small gap, which is Rp2.45 trillion (1.75%).

Budget gap analysis was conducted to identify the extent to which local governments are able to translate fiscal plans into the realization of development programs. The difference between budget value and realization indicates the implementation capacity of local governments in managing public resources. A small gap indicates that the program is running close to the planned target, while a large gap indicates an obstacle in the implementation process, both at the planning, administration, and program execution stages. In the context of regional financial management, the effectiveness of spending is not only determined by the amount of budget allocation, but also by the quality of governance and the ability of local governments to ensure that the budget produces development benefits (Rambe et al., 2022; Rosa & Bhilawa, 2025).

The results of the analysis show that the health function has the largest gap compared to other development functions. This function has a budget of IDR 41.41 trillion with a realization of only IDR 12.53 trillion, so there is a difference of IDR 28.88 trillion or around 69.74%. This condition shows that the high priority of the health budget has not been fully followed by comparable implementation capabilities. The large gap in the health sector can indicate obstacles in program readiness, activity implementation mechanisms, organizational capacity of regional apparatus, and coordination between agencies. Studies on the performance of local government spending show that sectors with high service complexity such as health require stronger institutional capacity because the success of implementation depends not only on the availability of funds, but also on the readiness of service systems (Barus et al., 2024; Hidayat et al., 2025).

On the other hand, the public service function shows a relatively low gap, which is Rp2.45 trillion or around 1.75%. This condition shows that local governments are relatively better able to carry out administrative functions and government services than other sectoral development functions. However, the dominance of public service effectiveness needs to be seen critically because administrative success does not always show substantive development success. Regional fiscal effectiveness needs to be measured from the government's ability to transform public spending into improving the quality of services and community welfare (Astriaana & Khoirunurrofik, 2024; Rosa & Bhilawa, 2025).

Inequality Analysis of Interprovincial Fiscal Implementation

The difference in the ability of local governments to realize development budgets is one of the important issues in the economic study of regional development. Although all provincial governments have relatively equal fiscal authority within the framework of decentralization, the ability to implement development programs is not always uniform. These differences can be

influenced by institutional capacity, regional economic structure, geographical conditions, planning quality, and complexity of community service needs.

The results of the interprovincial analysis show that there are differences in the ability of local governments to implement the budget of the development function. Although all provinces have fiscal authority within the framework of decentralization, the effectiveness of budget realization shows considerable variation. These differences show that the success of regional development is not only determined by fiscal capacity, but also by the quality of budget management, bureaucratic capacity, and the ability of local governments to design and implement development programs in accordance with the characteristics of their regions (Syafri et al., 2024; Sugiyarto et al., 2025).

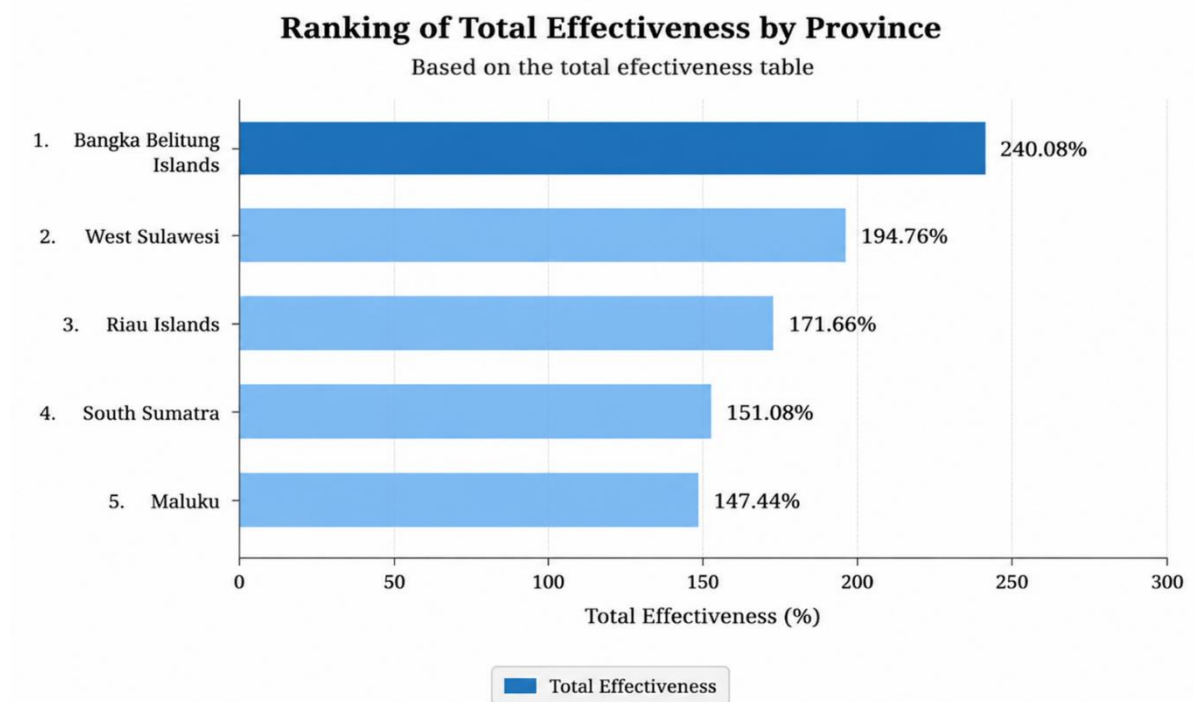
Provinces with high levels of effectiveness show better ability to translate fiscal resources into development activities. In contrast, provinces with low levels of effectiveness face a gap between planning and program implementation. This condition shows that increasing budgets do not automatically result in improved development performance if they are not supported by adequate institutional capacity. Recent research on fiscal decentralization in Indonesia shows that the quality of local government governance is an important factor that determines whether fiscal resources can produce better public services (Hidayat et al., 2025; Setiawan et al., 2025).

Inequality in fiscal implementation also shows differences in development characteristics between regions. Regions with more developed economic structures tend to have better administrative capacity and supporting infrastructure, while regions with geographical challenges and limited institutional capacity face greater obstacles in realizing development programs. Therefore, regional fiscal policies need to consider a region-based approach so that strategies to improve budget effectiveness are not applied uniformly across provinces (Sugiyarto et al., 2025; Astriana & Khoirunurrofik, 2024).

Total Effectiveness of Provinces

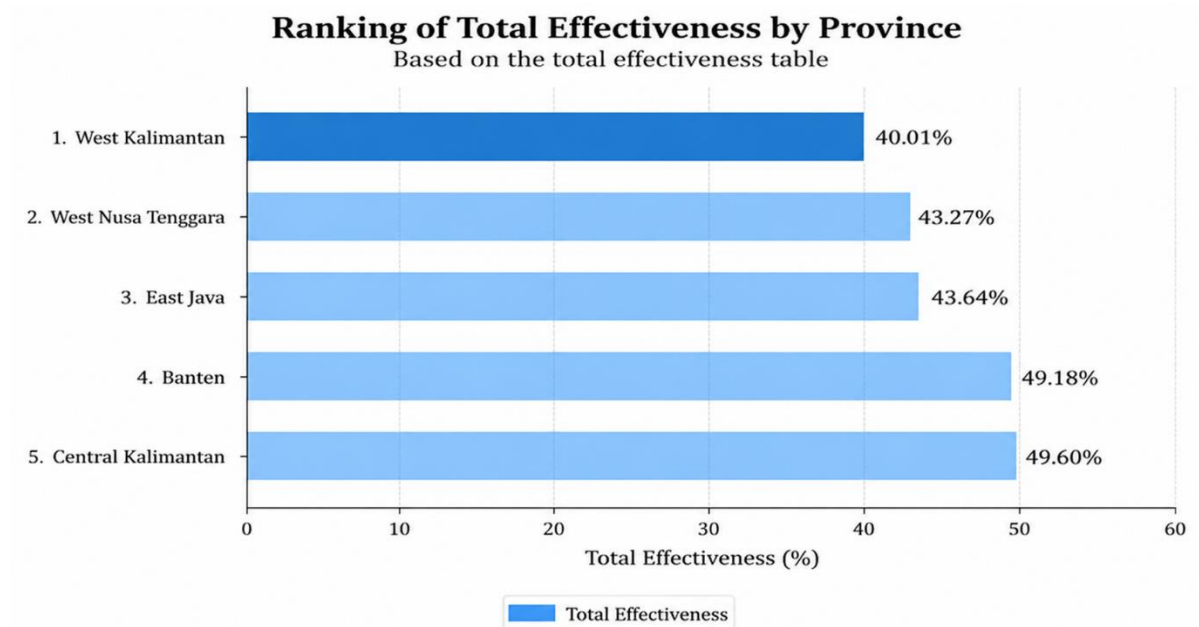
The results of the comparison between the total budget and the realization of the nine development functions show that there is a variation in fiscal implementation capabilities between provinces. These differences show that the fiscal capacity of the regions does not always result in the same level of development implementation. Some provinces are able to realize development expenditures very high compared to the budget plan, while some other regions show a considerable implementation gap.

Based on the results of the calculation of the total effectiveness of the provinces, the provinces with the highest fiscal implementation capacity are:



The high effectiveness in some of these provinces shows that the realization of development expenditure is relatively larger than the initial budget plan. This condition can indicate a change in budget priorities during the current year, an acceleration of program implementation, or an adjustment of regional fiscal policies.

In contrast, the provinces with the lowest level of implementation effectiveness are:



The low effectiveness in the province shows that there is a gap between the capacity of budget planning and the ability to implement development programs. Factors that can affect these conditions include delays in the implementation of activities, administrative obstacles, policy changes, and the implementation capacity of local governments.

The difference in the ability of local governments to realize the development budget shows that fiscal decentralization has not fully resulted in an equitable implementation capacity between provinces. The results of the analysis of 34 provinces in Indonesia in 2024 show that there is a variation in the level of effectiveness of budget realization, which illustrates that the availability of fiscal resources has not automatically resulted in the same development capabilities between regions. These inequalities are not only related to differences in the amount of budgets, but also reflect variations in the capacity of local governments to plan, implement, and evaluate development programs. The Siburian study (2021) shows that fiscal decentralization in Indonesia still faces challenges in reducing inequality between regions due to differences in regional capabilities in providing public services and managing development resources. In line with that, Lewis (2021) explained that the spending patterns of local governments in Indonesia are greatly influenced by the characteristics of local institutions and the ability of regional administrations to direct budgets to development needs.

Research by Lewis and Hendrawan (2022) shows that the success of decentralization in Indonesia is greatly influenced by the ability of local governments to manage public service functions. In addition, Geys et al. (2021) emphasized that regional fiscal capacity must be supported by institutional efficiency so that increased financial resources can lead to an improvement in the quality of public services. Thus, the difference in the effectiveness of fiscal implementation between provinces can be understood as a reflection of variations in public management capacity, not just differences in financial capabilities.

The results of this study also show that the large budget allocation does not always guarantee the high effectiveness of fiscal implementation. The structure of the regional development budget in 2024 is dominated by the public service function of IDR 139.60 trillion, education of IDR 106.63 trillion, and the economy of IDR 59.56 trillion. However, the health function shows the largest implementation gap with a budget of IDR 41.41 trillion and realization of only IDR 12.53 trillion or an effectiveness rate of 30.27 percent. This condition shows that increasing fiscal capacity must be followed by improving the quality of budget management. Sasana and Kusuma (2022) explained that the effectiveness of local government spending is not only determined by the amount of expenditure, but also by the government's ability to ensure that these expenditures result in increased public services and economic development.

Based on the results of the analysis, the inequality of fiscal implementation between provinces can be grouped into three categories, namely high effectiveness ($\geq 75\%$), medium (60–74%), and low ($< 60\%$). These differences in categories show that regional development strategies cannot be applied uniformly because each province has different fiscal capacity, economic structure, and development challenges. Research by Firdaus and Yusof (2022) shows that fiscal decentralization can strengthen regional development if the distribution of financial resources is followed by increasing the capacity of local governments.

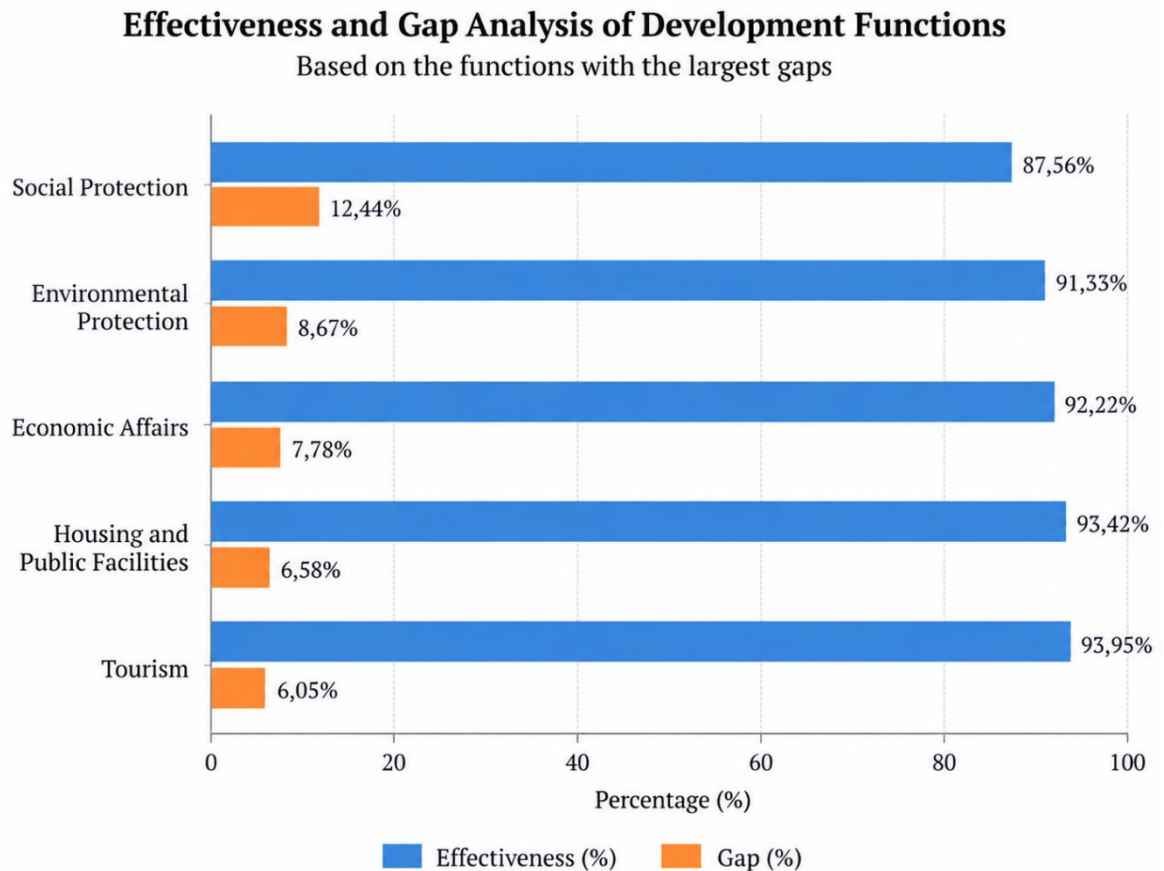
Functions with the Best Implementation

Based on the results of measuring the effectiveness of the development function, the education function showed the best implementation rate with an effectiveness of 100.11%. This value shows that the realization of education expenditure is able to reach even slightly exceeding the planned budget value. The high effectiveness of the education function shows that the human development sector is one of the fields that has a relatively strong implementation capacity. This is important because education investment is closely related to improving labor quality, economic productivity, and long-term development capacity (Barus et al., 2024; Hidayat et al., 2025).

In addition to education, the order and security function showed an effectiveness of 99.99%. The level of realization that is almost completely in accordance with the plan shows that this function has high stability in implementation. This condition shows that local governments are relatively able to maintain consistency in program implementation related to social stability and basic government services. The high effectiveness of this function shows that some sectors with a relatively clear program structure have a better level of certainty of implementation than sectors that require cross-sector coordination.

The public service function also shows high effectiveness of 99.11% and is the function with the largest budget allocation, which is IDR 139.60 trillion. The high effectiveness of the public service function shows that local governments have strong capabilities in carrying out government operational functions. However, administrative effectiveness needs to be combined with improving the quality of spending so that it not only results in budget absorption, but also results in an improvement in the quality of public services and the broader development impact (Rosa & Bhilawa, 2025).

Functions with the Largest Gaps



Based on the results of the analysis of the effectiveness of development functions, social protection is one of the functions with the lowest level of effectiveness compared to other development functions. The low level of implementation of this function shows that the increase in budget allocation has not been fully able to translate into optimal program realization. These conditions can indicate challenges in the program implementation mechanism, such as the process of verifying beneficiaries, coordination between agencies, and the readiness of local government administration. Research on the efficiency of public spending in Indonesia shows that the quality of implementation and the capacity of government organizations have an important role in determining whether regional spending is able to produce an improvement in people's welfare (Barus et al., 2024).

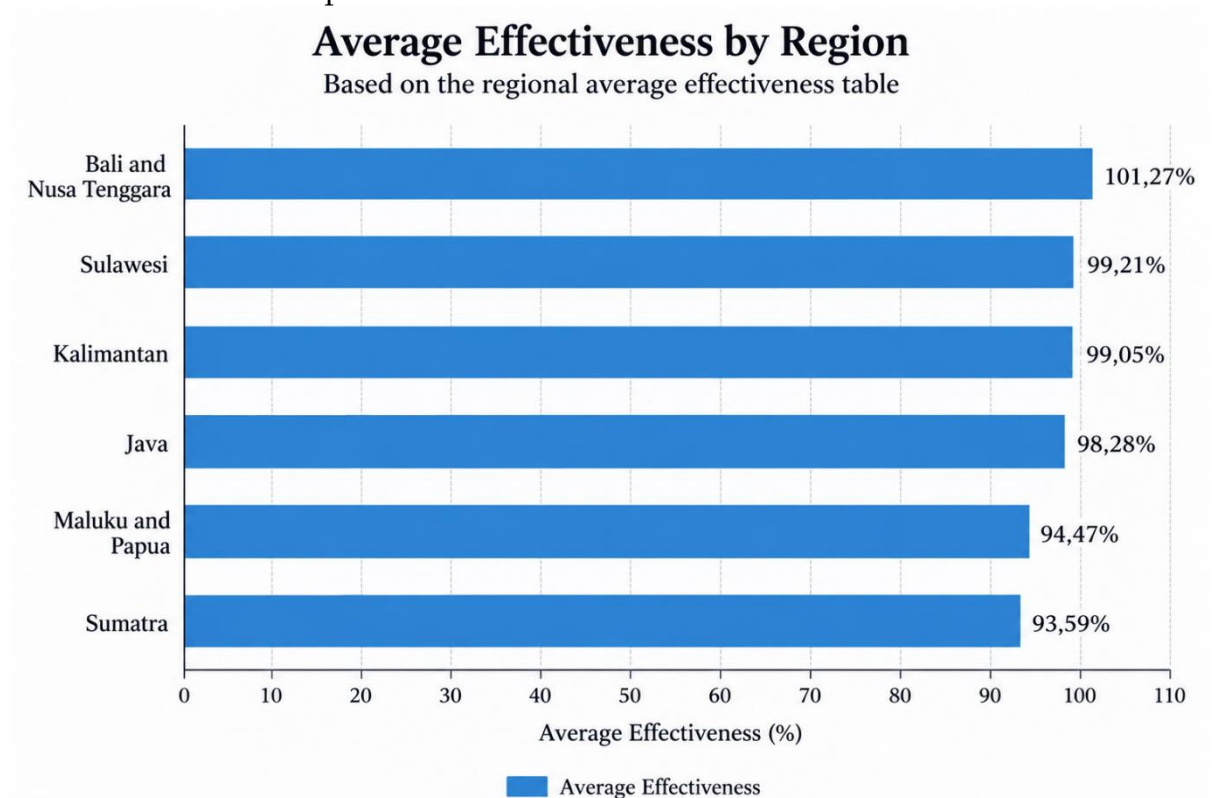
In addition to social protection, the environmental protection function also shows a relatively large implementation gap. This condition shows that the sustainable development agenda still faces challenges in terms of regional fiscal implementation. Environmental spending often faces higher complexity because it requires cross-sector coordination, integration with economic policies, and the technical capacity of local governments. Recent studies on regional development show that the quality of expenditure management is an important factor in ensuring that fiscal policies not only generate administrative outputs, but also support sustainable development (Hidayat et al., 2025).

The economic function also shows that there is room to increase the effectiveness of implementation. Although the economic sector is one of the functions with a large budget allocation, the realization of the program is not fully optimal. This shows that the success of economic spending does not only depend on the amount of funds available, but also on the ability of local governments to direct spending towards productive activities that increase the economic capacity of the region. Research on the performance of regional expenditures shows that fiscal efficiency must be seen from the government's ability to generate development benefits, not only from the rate of budget absorption (Rosa & Bhilawa, 2025).

Region Analysis

Provinces are grouped into:

- Sumatera
- Javanese
- Kalimantan
- Sulawesi
- Bali and Nusa Tenggara
- Maluku and Papua



Regional analysis shows that there are differences in fiscal implementation capabilities between regions in Indonesia. Based on the results of regional grouping, the highest average effectiveness is found in the Bali and Nusa Tenggara regions at 101.27%, followed by Sulawesi at 99.21% and Kalimantan at 99.05%. The high effectiveness in these regions shows that local governments are relatively able to translate budget planning into development realization. However, these achievements are not only influenced by the amount of fiscal

resources, but also by the quality of governance, administrative capacity, and the ability of local governments to manage development priorities.

In contrast, the Sumatra region has the lowest average effectiveness of 93.59%, while the Maluku and Papua regions reach 94.47%. These conditions indicate that there are greater implementation challenges in several regions with different geographical characteristics and institutional capacity. Research on the performance of public spending in Indonesia shows that disadvantaged regions, especially the eastern region of Indonesia, still face a gap in spending efficiency compared to more developed regions due to geographical factors, institutional capacity, and limited supporting infrastructure.

The difference in effectiveness between regions shows that regional fiscal policies cannot be implemented with a uniform approach. Regions with more complex development challenges require strategies to increase the capacity of local governments, strengthen region-based planning, and improve the quality of public spending. Thus, the success of fiscal decentralization depends not only on the distribution of financial resources, but also on the ability of local governments to manage these resources effectively and accountably (Astriana & Khoirunurrofik, 2024; Syafri et al., 2024).

CONCLUSION

This study shows that the effectiveness of the budget implementation of regional development functions in Indonesia in 2024 varies between provinces and between development functions. The structure of regional expenditure is dominated by the functions of public services, education, and the economy, with the education function having the highest level of implementation effectiveness, while the health function experiences the largest gap between budget and realization. The results of the study show that the success of fiscal implementation is not only determined by the amount of budget allocation, but also influenced by institutional capacity, planning quality, and the ability of local governments to manage development programs.

RECOMMENDATIONS

Local governments need to improve the quality of budget management through strengthening planning, building institutional capacity, and implementing performance-based budgeting so that public spending is not only oriented towards absorption, but also produces real development impacts. In addition, evaluation needs to focus on functions with high implementation gaps such as health, social protection, and the environment, as well as implementing development strategies based on regional characteristics to increase the effectiveness and equity of regional development.

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