

Policy Brief

Strengthening the DAU Specific Grant Activity List to Accelerate the Fulfilment of Basic Services in Subnational Government Areas

Tengku Munawar Chalil and Muhammad Maulana*

 October 2025

EXECUTIVE SUMMARY

CONTEXT: Since 2023, the central government has allocated a specific-purpose component within the General Allocation Fund (**DAU** – *Dana Alokasi Umum*),¹ known as the Specific Grant (**DAU SG**), to assist subnational governments in reducing public service delivery gaps and accelerating the achievement of Minimum Service Standards (**MSS** – *Standar Pelayanan Minimal*). The DAU SG aims to close fiscal gaps and strengthen basic services across the education, health and public works sectors. However, implementation has not yet achieved its intended focus on essential service outcomes.

CHALLENGES: Implementation continues to face challenges with the differing interpretations of MSS indicators between the Ministry of Finance (**MoF** – *Kementerian Keuangan*) and the Ministry of Home Affairs (**MoHA** – *Kementerian Dalam Negeri*). The list of eligible DAU SG activities under Kemenkeu Regulation No. 102 of 2024 remains excessively broad, with fewer than half of the listed subactivities directly supporting MSS. The use of the DAU SG funds is also dominated by recurrent expenditures such as salaries, while subnational governments have limited capacity to coordinate cross-sectoral sub-activities. Delays in receiving allocation information further constrain planning.

RECOMMENDATIONS: This policy brief recommends refining the list of DAU SG activities and subactivities to sharpen the focus on essential services. It also calls for classifying MSS-related subactivities by the relevant technical ministries to ensure coherence between fiscal and delivery goals. Joint ministerial circulars on technical guidelines should be issued to enhance consistent implementation. The timing of definitive allocation announcements should be aligned with budget cycles to enable MSS data-driven planning.

Keywords: sub-activities, Specific Grant DAU, strengthening, basic services.

* Tengku Munawar Chalil (Technical Specialists, SKALA Program); Muhammad Maulana (Fiscal Transfer Manager, SKALA Program).

¹ Th DAU is the main fiscal transfer from the central to subnational governments. It consists of a Block Grant providing flexible, unconditional support, and a Specific Grant designated for targeted service-delivery priorities aligned with Minimum Service Standards in key sectors such as education, health, and public works.

Introduction

As mandated by Law No. 1 of 2022 on Fiscal Relations between Central and Regional Governments (**HKPD Law** – *Hubungan Keuangan antara Pemerintah Pusat dan Pemerintah Daerah*), the DAU provided to provinces, regencies, and cities is comprised of a Block Grant (**DAU BG**), which is unconditional and a DAU SG, which is conditional and tied to achieving MSS.² The DAU SG aims to reduce disparities in public service delivery across subnational governments and accelerate improvements in service quality, particularly in the education, health, and public works sectors, while promoting the achievement of MSS by subnational governments. Accordingly, the DAU SG not only addresses fiscal capacity gaps but also promotes tangible improvements in public service quality through the achievement of MSS.

Kemenkeu has issued technical regulations for implementation under Regulation No. 102 of 2024. Nevertheless, the implementation of the DAU SG necessitates ongoing monitoring and evaluation to ensure improvements in its utilisation and to support developing more targeted allocation policies. In 2025, the DAU SG allocation for education is IDR 33.97 trillion (7.61% of the total national DAU), distributed to subnational governments for priority and support activities. The health sector receives IDR 19.41 trillion (4.35% of the total national DAU). The scale of these allocations demonstrates the government's commitment, but also demands a high degree of spending effectiveness.

Accordingly, a comprehensive evaluation of the DAU SG implementation to date is fundamental in formulating the 2026 DAU SG policy, with a particular focus on refining the list of activities and sub-activities to enhance implementation by subnational governments and to accelerate the provision of basic services to communities.

Problem Description

1. Discrepancies between ministries in interpreting MSS performance indicators have led to debates about their use in calculating DAU SG allocations.

Kemendagri interprets MSS as the mechanism for providing minimum public services, as set out in Government Regulation No. 2 of 2018. Consequently, its performance indicators are understood as basic service outputs reported by subnational governments via the electronic MSS system. In contrast, Kemkeu, referencing Government Regulation No. 37 of 2023, emphasises outcome indicators of basic service achievement. Under this approach, DAU SG allocations are calculated based on a subnational government's performance in meeting MSS targets or, where data is unavailable, service outcome indicators.

These differing perspectives have prompted technical ministries to develop their own sets of performance indicators. The Ministry of Primary and Secondary Education (**Kemendikdasmen** – *Kementerian Pendidikan Dasar dan Menengah*) has revised its education indicators to focus on learning outcomes, while the Ministry of Health (Kemenkes – *Kementerian Kesehatan*) uses verified health outcome indicators.

In contrast, in 2024, the Ministry of Public Works (**KemenPU** – *Kementerian Pekerjaan Umum*) and the Ministry of Public Housing (**KemenPKP** – *Kementerian Perumahan dan Kawasan Permukiman*) did not have an MSS index, leading Kemenkeu to develop a technical index. Kemenkeu, however, continues to adhere to Government Regulation No. 37 of 2023, while Kemenkes considers that MSS requirements can be calculated through its Health Costing System (**SISCOBIKES** – *Sistem Costing Biaya Kesehatan*).

2. The list of eligible DAU SG activities under Minister of Finance Regulation No. 102 of 2024 is excessively broad, including sub-activities not directly related to achieving MSS.

An analysis of the activities and sub-activities listed in Minister of Finance Regulation No. 102 of 2024 identified 860 sub-activities in education, 256 in health, and 346 in public works. Referencing the MSS tagging within the Kemendagri Decree on Regional Development and Finance Classification, only a fraction is directly related to MSS: 43% for education, 21% for health, and 15% for public works. Further, an analysis of the DAU SG activity list found that many sub-activities were tagged under government sectors unrelated to their core function, as detailed in Table 1.

² Government Regulation No. 2 of 2018 (*PP Nomor 2 Tahun 2018*) on MSS focuses on six sectors: education, health, public works, housing, public order and security, and social affairs. However, the DAU SG currently covers only education, health, and public works.

Table 1. MSS Sub-activities Outside Their Relevant Government Sector

EDUCATION SUB-ACTIVITIES	TOTAL SUB-ACTIVITIES OUTSIDE THEIR RELEVANT SECTOR	HEALTH SUB-ACTIVITIES	PUBLIC WORKS SUB-ACTIVITIES
1.01 Education Sector	353	1.01 Education Sector (0)	1.01 Education Sector (0)
1.02 Health Sector	0	1.02 Health Sector (17)	1.02 Health Sector (0)
1.03 Public Works and Spatial Planning Sector (PUPR -Urusan Pemerintahan Bidang Pekerjaan Umum dan Penataan Ruang)	0	1.03 Public Works and Spatial Planning Sector (7)	1.03 Public Works and Spatial Planning Sector (53)
1.04 Housing and Settlement Sector	0	1.04 Housing and Settlement Sector (0)	1.04 Housing and Settlement Sector (0)
1.05 Public Order, Peace and Community Protection Sector	2	1.05 Public Order, Peace and Community Protection Sector (1)	1.05 Public Order, Peace and Community Protection Sector (0)
1.06 Social Affairs Sector	13	1.06 Social Affairs Sector (29)	1.06 Social Affairs Sector (0)

Source: Processed from the list of Sub-activities in Kemenkeu Regulation No. 102 of 2024.

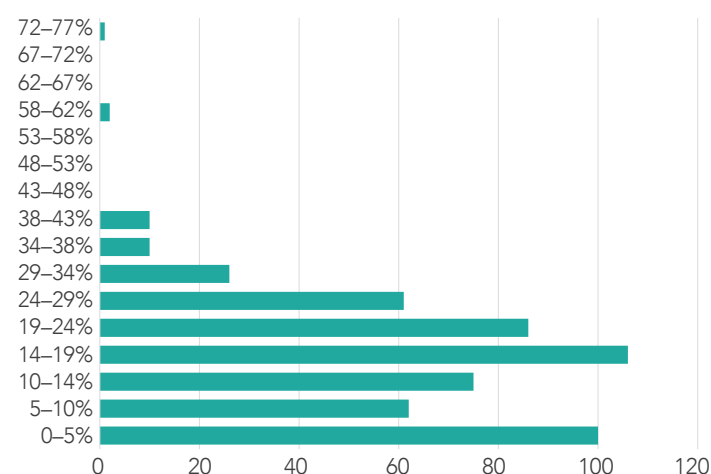
According to Kemenkeu Regulation No. 102 of 2024, the Education DAU SG includes 15 MSS-related sub-activities that fall outside the purview of the education sector. The Health DAU SG has 37 such sub-activities, while no similar issues were identified in the Infrastructure DAU SG.

Kemendikdasmen has formally discussed a list of sub-activities relevant to education MSS indicators and their supporting functions with Kemenkeu's Directorate

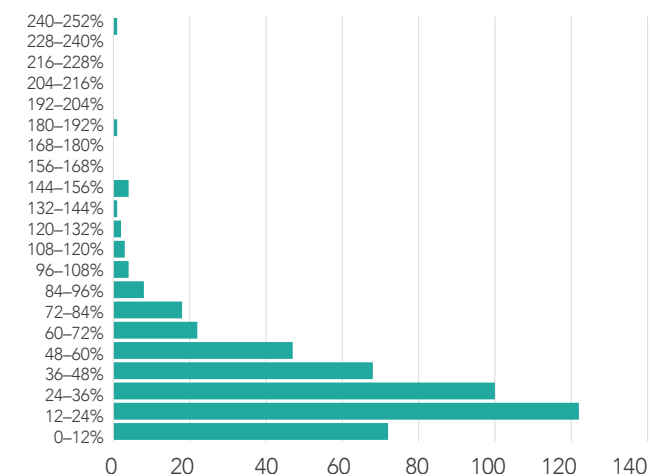
General of Fiscal Balance (**DJPK – Direktorat Jenderal Perimbangan Keuangan**). However, the DJPK faces a dilemma due to the limited financial capacity of subnational governments. Most subnational governments remain heavily dependent on the DAU SG, which restricts their flexibility in selecting sub-activities. Figure 1 illustrates this issue by comparing DAU SG allocations for education and health with realised subnational expenditure in the same sectors for the 2023 Fiscal Year.

Figure 1. DAU SG Allocations for Education and Health as a Percentage of Realised Subnational Expenditure F.Y. 2023

Education DAU SG as a percentage of realised subnational education expenditure, 2023 fiscal year



Health DAU SG as a percentage of realised subnational health expenditure, 2023 fiscal year



Source: Data processed by the Directorate General of Fiscal Balance (DJPK – Direktorat Jenderal Perimbangan Keuangan), Kemenkeu.

The graphs indicate that realised regional education expenditure consistently exceeds the amount allocated through the Education DAU SG. This suggests that the Education DAU SG funds are fully absorbed and supplemented by other sources, such as the regular DAU and locally generated revenue.

However, there is a tendency for subnational governments to allocate the entire Education DAU SG directly to their Education Office (*Dinas Pendidikan*). This budgeting practice restricts spending choices to activities that fall under the education function, as defined by the roles and responsibilities of the Education Office. Consequently, it is unlikely that Education DAU SG funds are used to support relevant programs outside the education sector, such as nutrition improvement initiatives managed by the Health Office (*Dinas Kesehatan*). Moreover, Education Offices tend to select sub-activities recommended by Kemendikdasmen. Although Kemenkeu Regulation No. 102 of 2024 allows for the financing of sub-activities to provinces with special autonomy status, namely Aceh and the five provinces of Papua, this option is rarely chosen.

Conversely, in the health sector, regional budget allocations are often lower than the Health DAU SG received. In 11 subnational government, the Health DAU SG even exceeded their total health budget. In practice, these funds are typically allocated in full to the Health Agency. While this simplifies accountability, it constrains cross-sectoral flexibility, such as in sanitation programs under the Public Works Agency or school-age child nutrition programs under the Education Agency.

Monitoring and evaluation from the SKALA (*Sinergi dan Kolaborasi untuk Akselerasi Layanan Dasar*), Australia-Indonesia Partnership Program, found that subnational governments perceive the authority to manage the DAU SG as being limited to three agencies: the Education Office, the Health Office, and the Public Works Office. This situation reinforces the need for more explicit provisions to clarify cross-sectoral roles and responsibilities.

SKALA's monitoring and evaluation also identified different interpretations of the terms 'MSS' and 'basic services'. These terms are often used interchangeably among stakeholders. For instance, Kemenkeu tends to regard them as synonymous, whereas at the subnational level, government agencies distinguish between them. For example, the Health Agency in one SKALA provincial location expressed frustration that only two MSS sub-activities could be funded through the DAU SG.

3. Including employee salaries as a priority item has absorbed a significant portion of DAU SG expenditure.

Employee salaries have been included as a priority item in the list of eligible activities under Kemenkeu Regulation No. 102 of 2024. Consequently, many subnational governments have opted to finance these costs through the DAU SG. For example, a 2025 Education DAU SG of IDR 116 billion, including IDR 29 billion for salaries and allowances, has been allocated to the North Kalimantan Provincial Education and Culture Agency (*Dinas Pendidikan dan Kebudayaan Provinsi Kalimantan Utara*). Similarly, a 2025 Education DAU SG of IDR 175 billion, including IDR 65 billion for salaries and allowances, has been allocated to the East Nusa Tenggara Provincial Education and Culture Office (*Dinas Pendidikan dan Kebudayaan Provinsi Nusa Tenggara Timur*).

Analysis by Kemenkeu shows that the provision of salaries and allowances through the Education DAU SG at the subprovincial level is the most frequently selected sub-activity by subnational governments. However, the issue is that this expenditure cannot be further disaggregated. It is unclear whether these funds are genuinely used to finance the salaries of teachers and education support staff or fund other employees not directly supporting education.

4. Beyond the education sector, there has been no detailed mapping of sub-activities that strengthen public service performance.

While Regulation No. 102 of 2024 classifies sub-activities as either 'priority' or 'supporting', it does not specifically classify which are directly linked to the MSS indicators or the technical indices used as the basis for the DAU SG allocation. Kemendikdasmen has written to the DJPK proposing a three-tiered classification for education sub-activities:

- a. Sub-activities closely related to Education MSS (Education MSS Priority)
- b. Sub-activities related to education but not directly to Education MSS
- c. Supporting sub-activities for categories (a) and (b).

Table 2. Classification of Sub-activities Directly Related to Education MSS,
According to the Ministry of Primary and Secondary Education (Kemendikdasmen)

NO.	Education MSS Indicator	Senior High School (Code)	Vocational High School (Code)	Special Needs School (Code)	Activity Nomenclature	Sub-activity	Performance Indicator	Unit
1	School Participation Rate (SPR)	1.01.02.1. 01.0060	1.01.02.1. 02.0053	1.01.02.1. 03.0059	Coordination, planning, supervision and evaluation	Coordination, planning, supervision, and evaluation of newly constructed schools	Number of output documents	Document
		1.01.02.1. 01.0072	1.01.02.1. 02.0064		Construction of new school units (USB)	Number of newly constructed schools	Unit	
		1.01.02.1. 01.0059	1.01.02.1. 02.0061		Construction of New Classrooms	Number of new classrooms	Number of new classrooms built	Room
		1.01.02.1. 01.0061	1.01.02.1. 02.0062		Rehabilitation of classrooms (medium/ heavy)	School Classrooms Having Undergone Medium/Heavy Rehabilitation	Number of school classrooms rehabilitated (medium/ heavy)	Room
		1.01.02.1. 01.0040	1.01.02.1. 02.0032		Procurement of school mobility facilities	Availability of school mobility facilities	Number of school mobility facilities	Unit
		1.01.02.1. 01.0039	1.01.02.1. 02.0031		Procurement of student equipment	Availability of student equipment	Number of student equipment packages available	Package
		1.01.02.1. 01.0045	1.01.02.1. 02.0037		Provision of Personnel costs for senior high/ vocational/ special needs school students	Personnel costs for senior high/ vocational/special needs school students	Number of senior high/ vocational/ special needs school students receiving personnel cost Assistance	Student
2	Literacy and Numeracy		1.01.02.1. 02.0004		Construction of student practice rooms	Student practice rooms constructed	Number of student practice rooms	Room
		1.01.04.1. 01.0001	1.01.04.1. 01.0001	1.01.04.1. 01.0001	Compilation and mapping of education	Availability of documents from education calculation and mapping	Number of output documents	Document
		1.01.04.1. 01.0002	1.01.04.1. 01.0002	1.01.04.1. 01.0002	Assessment of student distribution in secondary and special needs education	Implementation of assessment of student distribution for secondary and special needs education	Number of assessment reports on student distribution	Report

Source: Presentation by Kemendikdasmen at the Technical Input Workshop on Activities and Sub-activities to Support Subnational MSS Achievement in the Education Sector (Bogor, September 2025).

This Kemendikdasmen initiative could serve as a model for similar mapping exercises by Kemenkes and PUPR for sub-activities relevant to MSS in health, drinking water, or sanitation. Such cross-sectoral classification efforts are essential to refine the list of sub-activities in Regulation No. 102. This, in turn, would encourage subnational governments to select more sub-activities that genuinely support MSS achievement or the technical indices for basic services used in DAU SG allocation calculations.

5. Delays in the provision of information on DAU SG ceilings, which is often communicated only in the final stages of subnational government budget approval.

The timing of DAU SG allocations within the national budget is often misaligned with the subnational budget planning and preparation schedule. This disconnect makes it difficult for subnational governments to integrate DAU SG allocations into their annual budgets. In the absence of definitive ceiling information, subnational governments typically rely on estimates based on the previous year's ceiling or current MSS achievement data. However, these estimates often differ significantly from the definitive ceiling, which is usually communicated only during the final stages of budget ratification.

6. Use and analysis of disaggregated socio-economic data is not optimised. As a result, basic service provision does not effectively target the most vulnerable groups.

Due to this limitation, budget allocation guidance tends to stop at the sub-activity level, with no mechanism to ensure that spending below this level genuinely addresses community needs. Amid declining subnational financing sources, particularly central government transfers, an instrument is urgently needed to sharpen priorities down to the operational level. Without such a tool, regional spending risks being fragmented, normative, and limited in its impact on improving basic service delivery.

The policy for utilising the National Socio-Economic Single Data (**DTSEN**– *Data Tunggal Sosial Ekonomi Nasional*) holds strong potential as a guiding tool for expenditure planning. However, this data must first be processed and integrated into the regional planning and budgeting system (**SIPD**– *Sistem Informasi Pemerintahan Daerah*) in a format that is simple and directly linked to actual spending. Otherwise, DTSEN data is unlikely to function as an effective instrument.

Targeted Policy

Minister of Finance Regulation No. 102 of 2024 concerning Amendments to Minister of Finance Regulation No. 110 of 2023 concerning Indicators of Regional Performance Levels and Technical Instructions for the Specific-Purpose General Allocation Fund.

Policy Recommendations

This policy brief recommends that the list of sub-activities in Minister of Finance Regulation No. 102 of 2024 be strengthened through the following measures:

1. Remove non-essential sub-activities based on the following criteria:

- Sub-activities not proposed by technical ministries and agencies – accommodate only proposals from the Ministry of Education (Kemendikdasmen), Ministry of Health (Kemenkes), and Ministry of Public Works (PUPR).
- Sub-activities never selected by subnational governments: DJPK can analyse data from the Regional Financial Information System (**SIKD** – *Sistem Informasi Keuangan Daerah*) and remove sub-activities that have never been chosen.
- Sub-activities not aligned with MSS priorities or supporting functions in education and health, particularly those outside the authority of the Education and Health Offices (Dinas Pendidikan and Dinas Kesehatan), except for those under the Social Affairs Office (Dinas Sosial). Based on a SKALA Program simulation, 52 MSS priority sub-activities currently fall outside the scope of the relevant DAU SG field.

- Strengthening sub-activities should cover not only their nomenclature but also their linkage to MSS performance indicators, outputs, and outcomes.

2. Encourage technical ministries and agencies to classify sub-activities.

Each technical ministry should lead the classification for its respective sector to ensure consistency with MSS indicators and technical indices. For example, the Ministry of Health and the Ministry of Public Works and Housing should develop classifications for sub-activities focused on achieving MSS. The results of these classifications could form the basis of a Joint Circular issued by the Ministry of Finance, the Ministry of Home Affairs, and relevant technical ministries and agencies that guides DAU SG utilisation.

This circular should include clear priority weightings:

- MSS priorities should receive the largest portion of the DAU SG.
- Government affairs priorities and supporting functions should be designated as supplementary.

Guidance is also needed for Social Affairs Offices to enable them to use DAU SG allocations in education and health to finance social MSS priority activities.

3. Prioritise sub-activities that support MSS achievement.

Subnational governments should reference guidelines and MSS achievement databases from technical ministries and agencies.

Expenditure on salaries and allowances should not be charged to the Block Grant DAU, allowing the DAU SG to focus on expenditure that directly improves MSS outcomes.

4. Align the communication of DAU SG allocations with subnational budget cycles.

The Ministry of Finance should align the timing of definitive DAU SG allocations with the subnational budget preparation schedule.

Coordination between central and subnational governments, particularly cross-sectoral and inter-agency collaboration in planning and implementing the DAU SG, should also be strengthened to ensure more integrated and effective implementation.

5. Strengthen evidence-based planning.

Subnational governments should use SEPAKAT Analysis (*Sistem Perencanaan, Penganggaran, Analisis dan Evaluasi Kemiskinan Terpadu*) to determine service and regional priorities. Priorities based on current socio-economic data (DTSEN) will improve targeting accuracy.

6. Ensure DAU SG responsiveness to Gender, Equality, Disability, and Social Inclusion (GEDSI)

The Ministry of Finance should establish explicit provisions on GEDSI-responsive DAU SG allocations within the main body of the Minister of Finance Regulation.

Disclaimer: The views, findings, interpretations, and recommendations presented in this publication do not necessarily reflect the policies or official positions of the Government of Indonesia, the Government of Australia, or DT Global. The SKALA Program is supported by the Australian Department of Foreign Affairs and Trade (DFAT) and implemented by DT Global.

