

**OPTIMIZING LOCAL GOVERNMENT BUDGETS
FOR MANDATORY PUBLIC SERVICE INFRASTRUCTURE SPENDING**

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ABSTRACT

Over the next three years, all regional governments will be required to allocate at least 40% of their budgets to essential public service infrastructure spending. However, this requirement poses a significant challenge for regional governments as their current average investment in infrastructure falls well below the mandated level. To address this gap, this study aims to identify and analyse strategies for meeting mandatory infrastructure spending obligations through regional budget financing schemes. To achieve this goal, this study employed literature review and descriptive analysis. These findings provide several recommendations for future policy formulation. First, reallocating regional budgets to prioritise essential infrastructure spending is crucial. Second, efficiently utilising unspent funds from the previous fiscal year (known as SILPA) to boost infrastructure investment in the subsequent year can be beneficial. Finally, strategically using debt financing to develop infrastructure that enhances public service coverage and quality stimulates economic growth and potentially increases regional revenue.

Keywords: Mandatory Spending, Infrastructure, Local Governments Budget

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