ABSTRAK

This study aims to analyze the effect of Regional Original Revenue (PAD), General Allocation Fund (DAU), population size, Gross Regional Domestic Product (GRDP), and the COVID-19 pandemic on regional expenditure in regencies and municipalities across Sulawesi Island during the 2017–2024 period, as well as to identify the occurrence of the flypaper effect phenomenon. The persistently high dependence of local governments on central government transfers compared to locally generated revenue indicates that fiscal decentralization has not yet fully encouraged regional fiscal independence. This research employs panel data regression analysis on 81 regencies and municipalities in Sulawesi Island using the Fixed Effect Model (FEM) with Stata 17.

The results reveal that PAD, DAU, and GRDP have a positive and statistically significant effect on regional expenditure, whereas population size and the COVID-19 dummy variable do not. The coefficient of DAU is greater than that of PAD, confirming the existence of a flypaper effect phenomenon, which demonstrates that local governments respond more strongly to central government transfers than to increases in locally generated revenue. These findings imply that optimizing PAD and strengthening regional fiscal independence are essential to support the effectiveness of fiscal decentralization and improve the efficiency of regional expenditure.

Keywords: *Regional Expenditure, Regional Original Revenue, General Allocation Fund, Gross Regional Domestic Product, COVID-19, Flypaper Effect, Fiscal Decentralization.*