

## IMPLICATIONS OF BUDGET REFOCUSING POLICIES IN INDONESIA'S PANDEMIC COVID-19

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### ABSTRACT

Through the implementation of a budget refocusing policy, budget absorption in the administration of state finances during the COVID-19 epidemic in Indonesia has led to dynamic issues with the public finance system. Using a normative methodology and the aid of government policy tools, this study intends to explain and analyze the execution and effects of budget refocusing policies during the COVID-19 epidemic in Indonesia. Using secondary data from books, journals, articles, internet searches, and papers released by the Ministries of Finance, Home Affairs, and Statistics, the research method employs a qualitative descriptive literature analysis. This study may show that fiscal decentralization was used as a strategic policy to guide the implementation of budget refocusing measures during the COVID-19 pandemic in Indonesia that attempted to hasten the pandemic's handling. It has implications for fostering economic growth from efforts to slow the growth rate of government consumption spending, personnel spending, and the existence of a social safety net program that affects the realization of spending on goods and services both in collective and individual consumption expenditures as a result of the budget refocusing policy related to the state revenue and expenditure budget as well as the regional revenue and expenditure budget.

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### 1. INTRODUCTION

Finance, also known as the "public economic sector," is part of economics that studies government financial activities that cover all government units and institutions or organizations holding other public authorities that are controlled and funded by the government. Public finance cannot be separated from the reality of the role of the state and government in every discussion of public policy (Rosen & Gayer [14]; Digdowiseiso [6]; Jaelani, [10]). Public policies are directing, securing, and complementing the role of market mechanisms that need to be intervened in by the government for various reasons within the scope of the fiscal structure, which includes activities to earn income, activities that include public spending, and financing activities [6].

Public finance, according to Hyman [9], is an economic field that studies government activities and alternative means of financing government spending. Public finance will study the economic basis for government activities. An important goal of public finance analysis is to understand the impact of government spending, regulations, taxes, and borrowing on incentives to operationalize, invest, and spend revenues. To carry out an analysis of activities related to public finance, two approaches—costs and benefits of allocating resources in the relationship between citizens and the government—can be used. Government goods and services are supplied through political institutions, which use rules and procedures that have developed in different societies to arrive at collective choices. Increasing government goods and services requires the use of private resources. Government goods and services are usually provided without charge for their use, and they are financed by mandatory payments (mainly taxes) levied on citizens and their activities. The distribution of the tax burden is determined by citizens' political interactions.

The policy foundation used by the Indonesian government regarding public finance is based on Law Number 17 of 2003 concerning State Finance, which authorizes the President as Head of Government to hold the power of managing state finances as part of government power. The State Finance Act stipulates that the budget deficit limit for income and expenditure must be less than 3%. However, during the COVID-19 pandemic, government intervention was needed because the 2020 state revenue and expenditure budget deficit reached 5.07%. Based on this authority, Presidential Instruction Number 4 of 2020 was

issued concerning refocusing activities, budget reallocation, and procurement of goods and services in the context of accelerating the handling of COVID-19 in Indonesia. The concrete form for implementing budget reallocation and activity refocusing by regional governments is carried out through budget adjustments based on the Joint Decree of the Minister of Home Affairs and the Minister of Finance, Numbers 119/28231/SJ and 177/KMK.07/2020, concerning the Acceleration of Adjustment of the Regional Revenue and Expenditure Budget 2020 in the Context of Handling People's Purchasing Power and the National Economy.

The government budget, or what is called the State Revenue and Expenditure Budget (APBN) and the Regional Revenue and Expenditure Budget (APBD), which are managed by the government, is a statement regarding estimated performance to be achieved during a certain period expressed in financial or money measurements. In the process of preparing the budget called budgeting, the budget is prepared based on the interests of public sector organizations in its preparation, taking into account the economic and social politics related to fulfilling the amount of the allocated funds for each activity to be carried out in one monetary manner, covering aspects of planning, controlling, transparency, and accountability that must be approved in advance by the legislature before the budget is spent by the government (Barbekam [5]; Junaidi et al., [11]).

The concept of fiscal decentralization is a form of regional financial management that is defined as the delegation of authority that includes self-financing or cost recovery in the provision of public services, co-financing or co-production of users of public services, increased tax power, transfers, and profit sharing, as well as authority in the freedom to make loans. Fiscal decentralization is realized through budget relocation and refocusing activities to provide public services if implemented in regional financial policies during the COVID-19 pandemic. Refocusing is an alternative to minimizing the occurrence of an economic recession when ensuring national economic stability by taking into account the occurrence of a global economic shock due to an event or the fragility of the economic system due to the impact of inappropriate or strategic policies (Halim & Mujid, [8]; Yuniza et al., [17]; Junaidi et al., [11]). The Ministry of Finance of the Republic of Indonesia stated that budget refocusing is a policy of postponing or canceling activities that are deemed not in accordance with national priorities, such as official travel and other activities that can still be postponed but cannot be carried out in the COVID-19 pandemic situation as stipulated in the Instruction to President Number 4 of 2020. In terms of budget relocation, it is still guided by performance-based budgeting that is fast, simple, and accountable so that it still fulfills accountability in managing state finances (Lestyowati & Kautsarina [13]; Fransisca [7]).

Fiscal decentralization is an important element in the format of decentralization policies in any country. Bahl and Linn [4] argue that, like developed countries, many developing countries are starting to turn toward fiscal decentralization as an important way to escape the various traps of government ineffectiveness and inefficiency, macroeconomic instability, and economic growth, even in the interest of avoiding divisions between regions. This, if understood further, emphasizes that fiscal decentralization is one way to carry out good governance in various countries around the world. Fiscal decentralization requires requirements that must be followed, namely, as a comprehensive system, money follows the function, the central government must have the ability to monitor and evaluate the decentralization process, a different intergovernmental system is needed for urban and rural sectors, and it requires authority. There is a big investment for local governments to manage taxes, to maintain simplicity, and to design a government transfer system that must suit the goals of decentralization reform by taking into account levels of government and implementing strict budget limits. There also must be reporting for fiscal decentralization.

With regard to the budget, Hyman [9] explains the taxonomy of the budget based on budget constraints, which indicate the purchasing power of the public for goods and services from its income. For most goods, both the income effect and the substitution effect of price increases tend to reduce consumption of a good, and vice versa. Goods with an income effect from rising prices will dominantly reduce consumption due to a decrease in prices, which are said to be normal goods. In this context, it is assumed that all goods and services are normal. The advantages of the budget taxonomy are that one can observe the effects arising from income and substitution for the consumption of goods and services. The weakness of the budget taxonomy is due to the absence of policies that can be accepted by all groups of society, so that the trend of income and substitution depends on the law of demand.

Judging from the Indonesian government's budget policy during the COVID-19 pandemic, it experienced dynamic changes when seen in 2018, where the APBN without changes means that budget planning approaches a different reality compared to the 2020 APBN, which was stipulated under Law Number 20 of 2019. The government then amended the 2020 state budget by two (two) in a three-month

period by issuing Presidential Regulation Number 54 of 2020 and Presidential Regulation Number 72 of 2020 concerning Changes in Posture and Details of the 2020 State Budget. The issuance of this Presidential Regulation was followed by the issuance of the Minister of Finance Regulation Number 38 of 2020, which stipulates that the amount of the budget deficit is allowed to exceed 3% of the Gross Domestic Product (GDP), reallocation and refocusing of the ministry and institutional budgets, as well as justification for the issuance of government bonds (SUN) and state sharia securities (SBSN).

Based on data from the Ministry of Finance of the Republic of Indonesia in 2021, it is known that Indonesia will experience a deficit of Rp. 1,006.4 trillion, an increase compared to the same period in 2020 of Rp. 1039.2 trillion. This deficit can be seen from the state's expenditure, which is greater than its revenue. Revenue increased by Rp. 1,743.6 trillion in 2021 compared to Rp. 1,699.9 trillion in the same period in 2020. The increase in revenue came from increased tax revenues and non-tax state revenues. The increase in revenue was accompanied by an increase in state spending in 2021 of Rp. 2,750.0 trillion compared to the same period in 2020 of Rp. 2,739.2 trillion. State spending consists of central government spending and transfers to regions and villages. Central government expenditure has decreased compared to the previous period due to a budget refocusing policy in the 2021 State Budget. Meanwhile, transfers to regions and village funds have increased due to the central government trying to provide sufficient regional government budgets so that local governments can carry out budget refocusing for handling COVID-19 and preventive measures against the COVID-19 pandemic. A comparison of the realization of the state revenue and expenditure budgets for 2020 and 2021 is shown in the following table.

Table 1. Comparison of the Realization of the 2020 and 2021 State Revenue and Expenditure Budgets

Description	Year (In Trillion Rp)	
	2020	2021
<b>A. Country Income</b>	<b>1.699,9</b>	<b>1.743,6</b>
Tax Receipts	1.404,5	1.444,5
Non-tax Revenue	294,1	298,2
Grant	1,3	0,9
<b>B. Country Expenditure</b>	<b>2.739,2</b>	<b>2.750,0</b>
Central Government Expenditure	1.975,2	1.954,5
Transfer to Regions and Village Funds	763,9	795,5
<b>C. Primary Balance</b>	<b>(700,4)</b>	<b>(633,1)</b>
<b>D. Budget Deficit</b>	<b>(1.039,2)</b>	<b>(1.006,4)</b>
% Surplus (Deficit) of the Budget to GDP	(6,34)%	(5,70)%
<b>E. Budget Financing</b>	<b>1.039,2</b>	<b>1.006,4</b>

Source: Kemenkeu RI 2021; Fransisca, et.al, [7] Processed by Author(2023).

The Central Government is refocusing its budget on transfers to regions and village funds, which have increased from Rp. 763.9 trillion in 2020 to Rp. 795.5 trillion in 2021, a Rp. 31.6 trillion increase. The form of budget refocusing carried out in Transfers to Regions is in the form of distributing general transfer funds to support the acceleration of vaccine delivery in the regions. Special transfer funds have also increased from 2020 of Rp. 182.6 trillion to Rp. 196.43 trillion in 2021 due to the government limiting the physical special allocation fund (DAK) in the 2020 state budget, which is not related to education and health and is aimed at overcoming the COVID-19 pandemic, so that the physical DAK in the 2021 state budget has increased. Meanwhile, budget refocusing carried out on village funds is given to villages with the aim of cash-intensive work, strengthening the village economy, and providing a social safety net in the form of direct cash assistance (BLT) by providing cash to the community. A comparison of the realization of transfers to regions and village funds in 2020 and 2021 is shown in the following table.

Table 2. Comparison of the Realization of the 2020 and 2021 State Revenue and Expenditure Budgets

Description	APBN (In Trillion Rp)	
	2020	2021

<b>A. Transfer to Region</b>	<b>692,7</b>	<b>723,50</b>
<b>a. Balance Fund</b>	<b>653,4</b>	<b>688,68</b>
▪ <b>General Transfer Funds</b>	<b>470,8</b>	<b>492,25</b>
1) DBH	86,4	101,96
2) DAU	384,4	390,29
▪ <b>Special Transfer Funds</b>	<b>182,6</b>	<b>196,43</b>
1) Physical DAK	53,8	65,25
2) Non-Physical DAK	128,8	131,18
<b>b. Regional Incentive Fund</b>	<b>18,5</b>	<b>13,50</b>
<b>c. DIY Special Autonomy Fund and Privileges Fund</b>	<b>20,9</b>	<b>21,30</b>
<b>B. Village Funds</b>	<b>71,2</b>	<b>72,00</b>
<b>Total</b>	<b>763,9</b>	<b>795,50</b>

Source: Kemenkeu RI 2021; Fransisca, et.al, [7] diolah Penulis (2023).

The budget refocusing policy carried out by the Indonesian government during the COVID-19 pandemic. There are still implementation gaps in personnel spending at ministries and institutions, as well as non-ministerial and institutional social assistance data validation for dealing with the COVID-19 pandemic. This weakness can be seen in personnel spending, goods spending, and capital spending at ministries and agencies that have increased while social assistance spending has decreased. In non-ministerial/institution spending, debt interest payments and subsidies have been delayed, while personnel expenditures and other expenditures have increased, and the realization of transfers to regions and village funds has also increased in order to prioritize needs that are relevant to the COVID-19 pandemic in the areas of health, economics, and fulfillment of basic needs [7].

On the one hand, the budget refocusing policy illustrates the central government's direction to regional governments in order for them to manage regional finances during the COVID-19 pandemic, which is consistent with Mardiasmo's opinion in Junaidi et al. [11] that "regional autonomy is no longer just carrying out instructions from the center, but regions are really expected to have the freedom to increase creativity in developing potential that during the er Budgeting instability in regional finances can occur if budget refocusing is not carried out properly in accordance with budget policies, according to Heriberta's opinion in Junaidi et al. [11]: "The acceleration and optimization of budget absorption can be done through good budget planning and budget execution conducted appropriately and in accordance with schedule so that the implementation of programs and activities can achieve the target in order to improve." From the description above, the author will discuss and analyze the implications of the budget refocusing policy during the COVID-19 pandemic in Indonesia.

## 2. METHOD

The research method is the method that researchers use to collect and obtain research data [3]. The research approach used is a qualitative, descriptive literature study. Descriptive research is intended to describe a phenomenon found based on secondary data [15]. This study uses a descriptive-qualitative desk-literature method. The data used comes from secondary data obtained from books, journals, scientific articles, internet searches, and documents published by the Ministry of Finance and the Ministry of Home Affairs relating to the budget refocusing policy undertaken by the Indonesian government during the COVID-19 pandemic.

To analyze activities related to the government budget, a normative approach is used. The normative approach is an approach that includes criteria that need to be established to assess budgetary policies, the quality of fiscal policy, and how performance can be improved [6]. The normative approach in this study is used to analyze activities related to the implementation and implications of budget refocusing policies during the COVID-19 pandemic in Indonesia.

## 3. RESULT AND DISCUSSION

### Implementation of the Budget Refocusing Policy during the COVID-19 Pandemic

The application of the concept of refocusing in a country is applied to ensuring the financial stability of a country, especially when facing a crisis. If examined from the aspect of budgeting policy, then every regulation drawn up by the government is certainly based on a budget, which is inseparable from the substance that there are special arrangements related to budget refocusing made by the government

through Presidential Instruction Number 4 of 2020 concerning activity refocusing, budget reallocation, and procurement of goods and services in the context of accelerating the handling of COVID-19. However, every regulation made by the government is of course all based on budget needs [11].

Presidential Instruction Number 4 of 2020 concerning Activity Refocusing, Budget Reallocation, and Procurement of Goods and Services in the Context of Accelerating the Handling of COVID-19 is the basic rule for carrying out fast, precise, focused, integrated, and synergized steps between Ministries/Institutions and Regional Governments to refocus activities, reallocate budgets, and procure goods and services in the context of accelerating the handling of COVID-19. Budget reallocation and activity refocusing are carried out by the government by holding a program to accelerate pandemic handling, revising the budget, and procuring goods and services programs for the purposes of handling a pandemic. All work units using the budget are asked to reallocate the budget and refocus activities through the budget revision mechanism in the budget document, namely DIPA. The revision process for budget reallocation and activity refocusing is a way to reallocate APBDN funding sources for state spending in the context of handling the COVID-19 pandemic in Indonesia [13].

The Ministry of Finance of the Republic of Indonesia, through Circular Letter Number 6 of 2020, instructs ministers and heads of institutions to prioritize the use of existing budget allocations for activities that support the acceleration of the handling of the COVID-19 pandemic. Funding for these activities is carried out through a fast, simple, and accountable budget revision mechanism. To facilitate activity planning, coordination of implementation, and monitoring and evaluation of activities, including shifts between organizational units, functions, and/or programs in handling the COVID-19 pandemic, the allocation of funds for handling COVID-19 is carried out based on the classification of a special COVID-19 account. This budget reallocation is carried out while still guided by performance-based budgeting, so it still fulfills the element of accountability in managing state finances. The concept of performance-based budgeting has been used in such a way that the expenditures of a program are treated as inputs and the program's outcomes are treated as outputs to measure the efficiency of public sector budgeting. Performance-based budgeting is a secondary stage of the public budgeting process, while the initial stage of achieving a prosperous country is being efficient in planning public spending from revenue (Lestyoawati & Kautsarina [13]; Arora [2]).

Judging from the efforts made by the Government at the central level as well as Regional Governments throughout Indonesia, they have made various efforts to maintain the stability of the state and regional financial systems. Various policies in the financial sector have been made, even to the issuance of Government Regulation in Lieu of Law Number 1 of 2020 to accelerate the government's steps in maintaining financial system stability. Even though there is a policy basis, the Presidential Instruction of the Republic of Indonesia Number 4 of 2020 and Government Regulation in Lieu of Law Number 1 of 2020 do not explicitly state the definition of budget reallocation and activity refocusing but only explain the intent of budget reallocation and activity refocusing. The absence of this definition can have implications for implementing budget refocusing policies during the Covid-19 pandemic in Indonesia.

The implementation of budget priority refocusing aims to overcome the adverse effects of the COVID-19 pandemic and budget reallocation; spending related to the COVID-19 pandemic covers three sectors, namely health, the economy, and the social safety net. Problems arise in implementing the budget refocusing policy due to budget insufficiency from refocusing and budget allocation when managing unexpected expenses due to the COVID-19 pandemic. Under these conditions, it should be noted that the policies adopted by the government in preparing the budget will affect the absorption of the budget, which will be carried out in each period, where the absorption of the budget is a manifestation of the ability and accountability of the work units in ministries and agencies and regional governments in each activity of implementing the budget as stipulated in Presidential Decree Number 42 of 2002 concerning Guidelines for the Implementation of the State Budget as the basis for policy in the implementation of the state revenue and expenditure budget. Issuance of government regulation in lieu of Law Number 1 of 2020 related to the authority to prioritize the use of budget allocations by focusing on the budget issued by the state based on a priority scale to prevent irregularities in budget absorption [1].

The implementation of budget refocusing in handling the COVID-19 pandemic in Indonesia can be seen in the implementation of the State Revenue and Expenditure Budget (APBN) for Fiscal Year 2020, shown in the following figure.



Figure 1 Implementation of the 2020 State Budget in Handling the Covid-19 Pandemic in Indonesia

The implementation of the 2020 APBN Budget can show an increase in the 2020 state spending component compared to 2019 state spending. The increase in the state spending component is due to the implementation of budget refocusing policies from Ministries and Agencies carried out by way of budget reallocation and refocusing activities to advance the recovery of the national economy, which includes the health sector, social protection, sectoral and local government regulations and institutions, MSMEs, corporate financing, and business incentives.

Based on the state budget for the 2020 fiscal year, the government is required to quickly anticipate the deteriorating health situation, potential social unrest, and national economic downturn. The policy taken at that time was to issue Presidential Instruction No. 4 of 2020 concerning refocusing activities, budget reallocation, and procurement of goods and services in the context of accelerating the handling of COVID-19, which led to the birth of government regulation in lieu of Law Number 1 of 2020. The budget announced initially reached IDR 405.1 trillion. This budget is projected to be used for the health sector at IDR 75 trillion (3%), social protection at IDR 110 trillion (4%), taxes and KUR at IDR 70.1 trillion (3%), and economic recovery at IDR 150 trillion (6%). Although not yet implemented, the budget scheme for handling COVID-19 has been overhauled on a much larger scale. The Ministry of Finance changed the budget for handling COVID-19 in the National Economic Recovery (PEN) scheme, with various regulations covering it. The PEN budget increased very significantly to IDR 695.2 trillion, or 42% of the previous budget, which was distributed for health (IDR 87.55 trillion), social protection (IDR 203.90 trillion), business incentives (IDR 120.61 trillion), MSMEs (IDR 123.46 trillion), corporate financing (IDR 53.57 trillion), as well as sectoral ministries and institutions and regional governments (IDR 106.11 trillion). Judging from the absorption performance of the health budget, it is the lowest compared to other PEN schemes. The low absorption of the health budget is due to the complexity of claim procedures for treatment costs and delays in incentives for health workers.

The PEN scheme, which has a fairly good level of budget absorption, is a social protection program. The budget absorbed reached IDR 134.4 trillion, or 57.49 percent, which was distributed in various programs, including the Family Hope Program (PKH), basic food assistance, Jabodetabek social assistance (bansos), non-Jabodetabek social assistance, worker cards, electricity discounts, and Direct Village Fund Cash Assistance (BLT-DD). Another PEN scheme, namely incentives for business actors, only reached 18.43 percent, or IDR 22.23 trillion. This incentive is given in the form of PPh 21 DTP, an exemption from PPh 22 on imports, a reduction of PPh 25 installments, a preliminary refund of VAT, a reduction of corporate PPh rates, and other stimuli. Meanwhile, support for Micro, Small, and Medium Enterprises (MSMEs) absorbed IDR 58.74 trillion, or 41.34 percent.

According to the implementation of the APBD's budget refocusing policy at the provincial and district/city levels, the obligation to reallocate and refocus for COVID-19 prevention and management is also not spared. Even in more severe areas, the government adopted a "sweep of the universe" policy, equalizing the percentage of APBD reallocation to all regions, even though the pandemic situation varied, both in areas with a high level of pandemic (the red zone), medium (the orange zone), and low (the yellow

zone), as well as in areas not affected by the pandemic (the green zone). This has caused the regions to experience "confusion" in the implementation of budget policies for handling COVID-19. The regional obligation to refocus all budgets originating from the Non-Physical Health Special Allocation Fund (DAK) in the form of Health Operational Assistance (BOK) and Family Planning Operational Assistance (BOKB) for handling COVID-19 is one of these policies. In addition, provincial, district, and city governments throughout Indonesia are also "forced" to reallocate their 2020 APBD by 50 percent of goods and services expenditures and 50 percent of capital expenditures. In addition, there is also a potential budget of up to Rp. 20.80 trillion from physical DAK for the health sector, Rp. 15.29 trillion from health operational assistance (BOK) and additional BOK, and Rp. 278.94 trillion from APBD reallocation that can be used to deal with pandemics in the regions. There are around 380 regions that have been subject to punishment for the postponement of the General Allocation Fund (DAU) or Revenue Sharing Fund (DBH) of 35 percent for each region. Until May 2020, the regional budget for handling COVID-19 had only collected around IDR 85 trillion, far from expectations.

The Ministry of Finance of the Republic of Indonesia, as one of the ministries responsible for the stability of the national financial system, should follow up on Presidential Instruction (Inpres) Number 4 of 2020, implement it through a budget revision mechanism, and immediately submit a budget revision proposal to the finance minister according to his authority. The budget allocation ratio for handling COVID-19 for each region amounts to IDR 56,571,044,379,850. There are several regional governments that have experienced delays in the disbursement of the COVID-19 handling budget, which was disbursed in the form of the General Allocation Fund (DAU), which should have been disbursed by the Central Government but experienced delays. The DAU delay could be caused by the regional government submitting the APBD adjustment report without complying with existing regulations. This sanction was given by the Ministry of Finance to regional governments in making adjustments to the APBD for goods and services spending activities and capital spending that did not reach 50% and were still below 35%, so that it was not in accordance with the provisions previously stipulated in the rationalization of APBD spending according to the SKB Minister of Finance and Minister of Home Affairs and PMK No. 35/2020, namely goods and services expenditure of at least 50%, capital expenditure of at least 50%, personnel expenditure, and other expenditures.

In the Government Regulation of the Republic of Indonesia Number 12 of 2019 concerning Regional Financial Management, it is stated that what is meant by "regional finance" are all regional rights and obligations in the context of administering regional government, which can be valued in money and all forms of wealth that can be owned by the region in connection with rights and obligations in the area. Whereas what is meant by "regional financial management" is the entire activity, which includes planning, budgeting, implementation, administration, reporting, accountability, and supervision of regional finances. Based on the Regulation of the Minister of Home Affairs Number 38 of 2018 concerning Guidelines for Preparing the APBD for the 2019 Fiscal Year, it is stated that the implementation of activities in an emergency and/or other urgent situation that are not yet sufficiently available and/or have not been budgeted for can be carried out prior to the stipulation of the Regional Regulation concerning the Amendment of the APBD by establishing a Head Regulation concerning Changes to the Elaboration of the APBD and notifying the DPRD Leadership will then be accommodated in the Draft Regional Regulation on Amendments to the APBD That is, in the amendment to the Regional Head Regulation concerning the Elaboration of the APBD, it is sufficient to notify the DPRD leadership, but it must be based on limitations on the implementation of activities in emergencies and/or other urgent situations that are not sufficiently available and/or have not been budgeted for. The spending criteria for urgent needs refer to the Regulation of the Minister of Home Affairs Number 21 of 2011, which states that the spending criteria for urgent needs include basic community service programs and activities whose budget has not been available in the current fiscal year and other urgent needs that, if postponed, will cause greater losses for The regional government and the community need the availability of a budget to meet these needs.

In terms of budget refocusing, including in Presidential Decree No. 4 of 2020 concerning Activity Refocusing, Budget Reallocation, and Procurement of Goods and Services in the Context of Accelerating Handling of COVID-19, efforts to draw up legal sources for these provisions are based on the principles of implementation, efficiency, and effectiveness. This principle certainly guarantees the interests of the community. The existence of this principle means that, from a regulatory point of view, budget refocusing is a form of regulation that comes out of the realm of formal justice, wherein in formal justice itself, the procedural values of the rules that have been ingrained must really be implemented in such a way. If formal justice is applied, then budget refocusing cannot be implemented because the budgeting in the APBN and APBD related to the procurement of goods and services has mainly been an agreement for certain interests.

According to Law Number 23 of 2014 concerning Regional Government, it is stated that: "Regional planning and budgeting are a reflection of the effectiveness of good regional financial management to support the success of fiscal decentralization." The planning process begins with the Regional Long Term Development Plan (RPJPD), which incorporates the National Medium Term Development Plan. The RPJPD is a regional development planning document for a period of 20 (twenty) years that is used as a reference in the preparation of the Regional Medium-Term Development Plan (RPJMD) for every five-year period. After the RPJMD is established, the local government prepares a Regional Government Work Plan (RKPD), which is an elaboration of the RPJMD for a period of one year, referring to the Government Work Plan. Based on the RKPD, the regional head drafts the general policy of the APBD. The APBD general policy draft that has been discussed by the regional head with the DPRD is then agreed upon to become the APBD general policy (KUA). Based on the general policy of the APBD that has been agreed upon, the local government and the DPRD discuss the draft priority and temporary budget ceiling (PPAS) submitted by the regional head. Then the regional head issues guidelines for preparing SKPD work plans and budgets (RKA) as guidelines for SKPD heads to prepare RKA-SKPD based on a memorandum of understanding. After the RKA-SKPD has been drawn up, the next step is to plan the regional regulations regarding the APBD and the draft regional head regulations regarding the elaboration of the APBD. The regulatory plan will be evaluated and then stipulated by the regional head to become a regional regulation regarding the APBD and a regional head regulation regarding the elaboration of the APBD.

Referring to the mechanism above, the policy in Presidential Instruction Number 4 of 2020 concerning activity refocusing, budget reallocation, and procurement of goods and services in the context of accelerating handling of COVID-19 is completely contrary to the basic norms contained in Law Number 23 of 2014 concerning regional government, which is the main reference for regulation in the regional financial budgeting system. This is where the concept of a government regulation in lieu of law comes into play, which, according to Law Number 12 of 2011 concerning the Formation of Legislation, aligns norms between Law Number 23 of 2014 and government regulation in lieu of law (Perppu). On the other hand, the nature of budget refocusing implementation, in which the format is more delegating authority to regional heads, has resulted in the neglect of the principle of administering regional government, which is stated in Article 18 of the Republic of Indonesia's Constitution. Ideally, the authority between regional heads and the DPRD in regional finance should go hand in hand [11].

The implementation of a budget refocusing policy that mandates local governments to reallocate budgets from refocusing activities during the COVID-19 pandemic in Indonesia resulted in difficulties for most local governments in implementing this policy due to the difficulty in coordinating between parties taking policies to hold meetings regarding budget reallocation and refocusing activities. due to inadequate internet facilities and access in some areas as an inhibiting factor in the policy coordination process. In addition, obstacles were also found for regional governments in reallocating budgets and refocusing activities towards the regional revenue and expenditure budget (APBD), where not all regions have flexible APBDs because some regions have minimal sources of income and personnel expenditure budgets that are difficult to predict. resulting in regions having narrow physical space, making it difficult to determine budget reallocations and refocus activities for handling the COVID-19 pandemic (Wardhana [16]; Yuniza et al., [17]).

### **Implications of Budget Refocusing Policy During the COVID-19 Pandemic**

Government Regulation in Lieu of Law Number 1 of 2020 provides a new instrument to minimize the impact of the Covid-19 pandemic on the village economy. In Article 2 Paragraph (1) letter (i) of the regulation states that it is necessary to prioritize the use of budget allocations for certain activities (refocusing), adjusting allocations, and/or cutting/delaying the distribution of budget transfers to regions and village funds, with certain criteria.

Refocusing and reallocating expenditures for Ministries and Institutions for the 2021 Fiscal Year needs to be carried out, not only to secure the implementation of vaccine procurement and support the national vaccination program but also for handling the COVID-19 pandemic as a whole, supporting social protection budgets for the community, and accelerating national economic recovery (PEN). One of the government's policies is to take strategic steps in the form of refocusing and reallocating expenditures among ministries and agencies for the 2021 fiscal year. As of the second quarter of the 2021 fiscal year, the government has carried out Refocusing and Reallocating Expenditure of Ministries and Agencies for the 2021 fiscal year 4 (four) times, namely as follows:

1. The first phase of the refocusing policy, as outlined in the Circular Letter of the Minister of Finance, Number S-30/MK/02/2021, dated January 12, 2021, concerning the refocusing and reallocation of

expenditures of ministries and institutions for the 2021 fiscal year, contains all ministries and institutions asked to make spending savings. Ministries/Agencies, particularly for spending savings originating in Pure Rupiah (RM), can save on Goods Expenditures and Capital Expenditures. As for the types of goods and capital expenditures, the savings made during this period were non-operational expenditures.

The criteria for saving spending for Ministries and Institutions for the 2021 fiscal year in the first phase of refocusing are focused on honoraria, official travel, meeting packages, service spending, assistance to communities and local governments that are not directed by the President, construction of office buildings, procurement of vehicles and equipment, remaining funds auctions and/or self-management, budgets for activities that have not been contracted or that are not possible to carry out, as well as activities that are not urgent and can be postponed or cancelled.

2. The second phase of the Refocussing Policy was issued on February 8, 2021, through a circular letter from the Director General of Fiscal Balance of the Ministry of Finance (number SE-2/PK/2021) concerning adjustments to the use of budget transfers to regions and village funds for handling the COVID-19 pandemic. The Circular Letter was issued in the context of refocusing the Transfer to Regions and Village Funds (TKDD) budget as a result of the government's policy on the Implementation of Limitations on Micro Community Activities (PPKM).

According to SE-2/PK/2021, dated February 8, 2021, for refocusing transfer budgets to regions and village funds (TKDD) as a result of the imposition of micro community activity restrictions (PPKM), including general allocation funds (DAU) and/or revenue sharing funds (DBH) for fiscal year 2021, provided that it is only used to support funding for health spending for dealing with the COVID-19 pandemic and other priority expenditures, such as implementing COVID-19 vaccinations,

3. The third phase of the refocusing policy is then regulated in Minister of Finance Regulation Number: S-584/MK.02/2021, dated July 6, 2021, concerning the refocusing and reallocation of expenditures of ministries and institutions for the 2021 fiscal year. In the third phase of refocusing, which is still originating in pure Rupiah (RM), the types of spending that can be refocused are goods and capital expenditures, with priority on non-operational expenditures. The sources of spending for ministries and institutions that have the potential to be refocused are:

- a) The remaining spending budget as of June 30, 2021, that has not been absorbed, excluding personnel spending, operational spending, the Multiyears Contract (MYC) budget, handling the COVID-19 pandemic and the National Economic Recovery Program (PCPEN), as well as disaster management;

- b) The remainder of the spending budget as of June 30, 2021, comes from honoraria, official travel, meeting packages, service spending, assistance to the community or local government that is not directed by the President, construction of office buildings, procurement of vehicles and equipment/machinery, remaining auction funds and/or self-management, budget for activities that have not been contracted or that are not possible to carry out, as well as activities that are not urgent and can be postponed or cancelled.

In the 2021 State Budget, the Government has allocated a PEN budget of IDR 699.43 trillion, higher than the allocation in 2020 of IDR 695.2 trillion, and according to developments, it has increased by 6.4% to IDR 744.75 trillion (Rayahu, 2021). The Minister of Finance said that in order to increase the PEN budget, it was necessary to refocus and reallocate ministry and agency expenditures. So on July 20, 2021, the Minister of Finance submitted Letter Number S-629/MK.02/2021 regarding the refocusing and reallocation of expenditures of ministries and agencies for TA 2021 Phase IV.

4. The policy on refocusing phase 4 (the fourth), which is used to deal with the COVID-19 pandemic, requires an additional budget of IDR 55.21 trillion, which in the PEN scheme can be met, among other things, from refocusing and budget reallocation for K/L FY 2021. Regarding the refocusing policy, the Minister of Finance has issued a decree regarding the fourth (fourth) phase of refocusing with the number S-629/MK.02/2021 dated July 20, 2021, concerning the refocusing and reallocation of expenditures of ministries and agencies for TA 2021 Phase IV.

In the 4th (fourth) refocusing stage, the source of refocusing expenditure comes from pure rupiah (RM). The types of expenditure that can be refocused are goods expenditure, capital expenditure, and personnel expenditure originating from operational and non-operational expenditure. As for the criteria for refocusing ministries or institutions in stage 4 (fourth), this includes:

- a) The remaining ministry/agency spending budget as of July 19, 2021, which has not been absorbed outside the National Economic Recovery Program (PEN) but may include allocations

- for the National Priority Program and the Multiyear Contract (MYC) Budget, which can be recomposed or launched into the next fiscal year;
- b) The remaining ministries' and agencies' budgets as of July 19, 2021, for single-year activities for FY 2021 that have not been implemented or have not been completed can be relaxed into a multi-year contract (MYC);
  - c) The remainder of the expenditure budget comes from honoraria, official travel, meeting packages, service expenditures, assistance to local government communities that are not directed by the President, construction of office buildings, procurement of vehicles and equipment/machinery, remaining auction funds and/or self-management, budgets from activities that are not yet contracted out and impossible to carry out, activities that are not urgent and can be postponed or cancelled, and activities that have been contracted out but their implementation must be postponed to the next fiscal year, as well as projections of the remaining personnel and operational expenditures at the end of the year that will not be absorbed. The PEN budget is used for health, social protection, priority programs, MSME support, corporate financing, and business incentives.

Based on data released by the Central Statistics Agency (BPS) on May 5, 2021, Indonesia's economic growth in Quarter 1 of 2021 was still low -0.74% (minus zero point seven percent) year-on-year (y-on-y). This economic growth was lower than in Quarter 1 of 2020, when it was 2.97% (two point nine and seven percent) y-on-y, indicating that the Indonesian nation was still struggling to deal with the COVID-19 pandemic in both years. However, economic growth in Quarter 1 of 2021 is still higher than in Quarter IV of 2020, which is at -2.19% (minus two point one nine year on year. at -0.74% (minus zero point seven percent) year-on-year (y-on-y). This economic growth decreased compared to Quarter 1 of 2020, which was 2.97% (two point nine and seven percent) y-on-y, which in both years in Quarter 1 was still in the same condition, namely that the Indonesian nation was still struggling in handling the COVID-19 pandemic. However, economic growth in Quarter 1 of 2021 is still higher than in Quarter IV of 2020, which is at -2.19% (minus two point one nine) year on year. The government is also trying to issue policies so that Indonesia's economic growth can continue to grow at or above 1% year over years still year over year. at -0.74% (minus zero point seven four percent) year-on-year (y-on -y). This economic growth decreased compared to Quarter 1 of 2020, which was 2.97% (two point nine seven percent) y-on-y, which in both years in Quarter 1 was still in the same condition, namely the Indonesian nation was still struggling in handling of the Covid-19 Pandemic. However, economic growth in Quarter 1 of 2021 is still higher than in Quarter IV of 2020, which is at -2.19% (minus two point one nine) y-on-y. The government is also trying to issue policies so that Indonesia's economic growth can continue to grow to above 1% year-on-y. Government consumption expenditure in the first quarter of year over year rose 1.2% y-on-y from the fourth quarter of 2020, which was 2.96% y-on-y. The increase in the growth rate of government consumption expenditure was mainly due to increases in the realization of expenditure on goods and services and the realization of expenditure on social assistance (APBN) by 40.51% and 16.52%, respectively. Meanwhile, actual personnel spending experienced a contraction of 2.01%. The increase in spending on goods and services occurred in collective and individual consumption spending, which occurred more in non-operational goods spending, especially for handling the COVID-19 pandemic such as the procurement of medicines and vaccines. Meanwhile, the increase in spending on social assistance mainly occurred in spending on poverty alleviation and disaster management. Fiscal developments show an increase in both income and spending. The realization of state revenues and grants in the first quarter reached 21.7 percent of the 2021 state budget target, according to Bappenas data. Meanwhile, realization of state spending reached 19.0 percent of the 2021 state budget. In the context of economic recovery for the poor and vulnerable to poverty, social assistance realization has reached 35.1 percent of the ceiling, driven by social assistance programs. Meanwhile, TKDD realization was lower than in the first quarter of 2020 due to obstacles in fulfilling reporting requirements for DAU distribution. Based on this realization of income and spending, the budget deficit in the first quarter of 2021 is IDR 144.2 trillion, or around 0.8 percent of GDP.

According to BPS data on August 5, 2021, the economy in Indonesia in the 2nd quarter of 2021 began to grow better compared to the previous period (2nd quarter of 2020), which was 7.07% (y-o-y). This value is the highest in the last 16 years as well as recording the highest quarterly growth record since the subprime mortgage crisis, even higher than peer countries (Susiwijono, 2021). Meanwhile, compared to the first quarter of 2021, Indonesia's economic growth increased by 3.39% (q-to-q), namely 3.31% (q-to-q). Based on the type of business field, there are five types of business fields that encourage economic growth in Indonesia in the 2nd quarter of 2021, namely the processing industry, which grew 6.58% (y-o-y), agriculture, 0.38% (y-o-y), trade, 9.44% (y-o-y), construction, 4.42% (y-o-y), and mining, 5.22% (y-o-

y). In the second quarter of 2021, the five business fields contributed 64.85% (year on year) to the Gross Domestic Product (GDP).

The existence of an extension of the policy of limiting community activities by the government has effectively suppressed community mobility. This is one of the factors that encourages people to open up businesses to provide accommodation, food, and drink. In the end, the provision of accommodation, food, and drink in the second quarter of 2021 grew by 21.58% (y-o-y), and economic growth according to expenditure came from household consumption, namely 5.93% (y-o-y). The economic growth that occurred was supported by strong growth both in terms of demand and supply. From the demand side, the government's commitment to PC-PEN has encouraged government consumption to grow by 8.06% (y-o-y). Government consumption expenditures grew, driven by an increase in the realization of spending on goods and services as well as spending on personnel in the APBN. The increase in actual spending on goods and services for both collective and individual consumption expenditures was influenced by various programs for handling the COVID-19 pandemic, including the implementation of vaccinations, procurement of medical test kits, spraying of disinfectants, testing and tracing, assistance for MSMEs, relief of KPR and KUR payments, and other activity programs. The realization of state revenue up to the end of June 2021 reached IDR 886.89 T, consisting of tax revenue of IDR 557.8 T, customs and excise of IDR 122.23 T, and PNB of IDR 206.88 T. Meanwhile, realization of state expenditure up to June for the 2021 fiscal year reached IDR 1,170.13 trillion, consisting of central government expenditures of IDR 796.27 trillion and transfers to regions and village funds of IDR 373.86 trillion.

#### 4. CONCLUSION

The implementation of the budget refocusing policy during the COVID-19 pandemic in Indonesia was based on Law Number 17 of 2003 concerning State Finance as the basis for the President's authority in managing state finances, especially in dealing with crisis situations during the COVID-19 pandemic by using reallocation policy instruments, a budget, and refocusing activities in an effort to accelerate the handling of the COVID-19 pandemic. The budget refocusing policy chosen by the Indonesian government is in line with fiscal decentralization in line with Bahl and Linn's opinion [4] as a strategic policy in escaping various traps of government ineffectiveness and inefficiency, macroeconomic instability, and insufficient economic growth, even in the interest of avoiding divisions between regions. Budget refocusing policies must be carried out in an appropriate manner so that they are in line with budget policies to prevent budgeting instability in regional finances [11].

The implications of the budget refocusing policy implemented during the COVID-19 pandemic in Indonesia are considered effective because they can create economic growth from efforts to reduce the growth rate of government consumption expenditures and personnel expenditures, as well as from the existence of social safety net programs that affect the realization of spending on goods and services both collectively and individually affected by various programs for handling the COVID-19 pandemic in Indonesia.

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