

The Effectiveness of Budget Absorption in Pandemic Response

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Abstract. Sustainable Development Goals shortened SDGs or Global Goals as a world development agenda for human safety. The three main pillars in the scope of the SDGs are the social, economy, and the environment. Efforts to achieve the TPB/SDGs targets become a national development priority, which requires a synergy of planning policies at the national level and at the provincial and district/city levels. TPB/SDGs targets at the national level are in line with the 2015-2019 National Medium-Term Development Plan (RPJMN) in the form of measurable programs, activities and indicators as well as indications of financing support. Indonesia has succeeded in achieving most of Indonesia's MDGs targets, namely 49 of the 67 MDGs indicators, however, there are still several indicators that must be continued in the implementation of the TPB/SDGs. During the pandemic, adjustment was made to government programs. There are three main activities that should be prioritized, health services, social safety nets, and mitigating economic impacts. Budget spending has been hampered by institutional and situational issues related to the COVID-19 pandemic. Government regulation in lieu of law number 1 of 2020 concerning state financial policies and system stability finance for handling the Corona Virus Disease 2019 (Covid-19) pandemic and in the context of dealing with threats that endanger the national economy and stability financial system. The government regulation in live of law is the basis for the issuance of a presidential regulation on the details of the APBN 2020 that accommodates the need to overcome the impact of Covid-19. Fiscal pressures on the revenue side brought investment spending and implementation of infrastructure projects to a halt. The problem becomes more complicated when the bureaucratic machine does not operate in full force, so that the Regional Revenue and Expenditure Budget (APBD) cannot function optimally. This resulted in the financial balance of many regions trapped in the negative zone, even experiencing a recession.

Keywords: Global Goals; SDGs; Pandemic Covid-19; Government regulation in lie of law

1 Introduction

Sustainable development is an effort to harmonize economic, social, environmental, and governance aspects in development. Law Number 32 of 2009 defines sustainable development as a conscious and planned effort that integrates environmental, social, and economic aspects into a development strategy to ensure the integrity of the environment as well as the safety, ability, welfare, and quality of life of the present and future generations.

The purpose of sustainable development is to improve the economic welfare of the community in a sustainable way, to maintain the sustainability of the social life of the community, to maintain the quality of the environment, and to ensure justice and the implementation of good governance that can maintain the quality of life across generations. Indonesia itself has committed to implementing the principles of sustainable development within the framework of national development. It is reflected in the issuance of Presidential Regulation (Perpres) Number 59 of 2017 concerning the Implementation of Achieving Sustainable Development Goals. Article 19 in the Presidential Regulation mandates the funding of the Sustainable Development Goals (TPB) sourced from the State Revenue and Expenditure Budget (APBN) and the Regional Revenue and Expenditure Budget (APBD).

The Sustainable Development Goals (TPB) have four main related pillars:

- a. Social development
- b. Environmental development
- c. Economic development
- d. Legal development and governance

The integration of the four pillars is expected to improve the quality of life from one generation to the next, especially during the Covid-19 pandemic. A budget is an effective and short-term planning and control tool, usually covering a period of one year [1]. Not every work plan of a government can be called a budget. Rusdianto (2006) describes several particular features of the budget that distinguish it from the plan [2]. The budget is stated in monetary units; generally, covers a period of one year; contains management commitment; the proposal is approved by an official higher than the budget implementer; once approved the budget is only changed if there are certain circumstances; and if there is a deviation in its implementation, the factors causing the deviation must be analyzed.

The budget concept above shows that basically, the budget is the embodiment of the government's work plan, and under certain conditions, the budget can be changed. To respond to the COVID-19 pandemic, the government is rolling out fiscal restoration through a budget reallocation scheme and program adjustments. Broadly speaking, reallocation and adjustment are related to each other. New adjustments can be made if the reallocation has been completed by the budget formulator. Budget reallocation and program adjustments are efforts to rationalize the regional budget. This is carried out as mandated in Presidential Instruction No. 4 of 2020. Reallocation leads to adjustment steps, which are carried out by changing the APBD. Meanwhile, adjustment (refocusing) is an effort to rearrange government programs based on the results of budget reallocation. This budget rationalization consists of the rationalization of expenditure on goods/services of at least 50 percent; capital expenditure of at least 50 percent; personnel expenses; and other shopping.

When seeking rationalization through reallocation and adjustment schemes, local governments are asked to pay attention to several conditions. The first is regional financial capacity with a total tolerance for rationalization of goods/services and capital expenditures of at least 35 percent. Secondly, the decline in Regional Original Income (PAD) is due to the decline in community activities. Third, the importance of handling budgets in the regions to increase economic development during the COVID-19 pandemic.

The National Economic Recovery Program (PEN) aims to reduce the impact of COVID-19 on the Indonesian economy. Government Regulation (PP) Number 23 of 2020 states that PEN is a series of programs for the recovery of the national economy, as part of the state financial policy implemented by the government to accelerate the handling of the COVID-19 pandemic and/or face threats that endanger the national economy and/or system stability.

finance and saving the national economy. The purpose of this program is to protect, maintain, and improve the economic capacity of business actors in running their businesses.

Public policy is a series of actions/activities proposed by the government by optimizing the potential to overcome a public problem. Thomas Dye (2008) describes the public policy as the government's authoritative decision to do or not to do something. A policy starts from a public problem, in which the government responds in the form of a policy as a solution, regardless of the choice made. Chocran and Malone (2005) state that public policy is a form of government decisions and actions to address problems that are of public concern [3]. Several points must be assessed to measure the benefits of a policy, namely the substance, implementation, and impact of the policy.

Effectiveness is the observation criteria used to provide recommendations for solving problems caused by a policy. Hubert Graf and Smulders in Lele (2016:7) state that effectiveness (and efficiency) is seen as the value of government performance (performing governance) [4]. There are five types of criteria for assessing effectiveness: efficiency, adequacy, equity, responsiveness, and feasibility [5]. Effectiveness is an assessment dimension that focuses on achieving policy objectives. The concept of effectiveness is the correlation between policy objectives and the achievement of results, and the effectiveness assessment framework includes three things, namely inputs, processes, and outputs [6].

Program effectiveness can be measured by comparing program achievements and objectives. The opinion of program beneficiaries can be an indicator to measure program effectiveness. This study uses indicators of target accuracy [7], output achievement, and program relevance. These three indicators are used to measure performance in budget reallocation and program adjustments in Indonesia. The following is the definition of each indicator:

- a. Accuracy of targeting assesses whether the program is following the needs of the group that is the target of the policy.
- b. Output is the number of results that can be issued. That is, the results have a quantity or physical form of policy.
- c. Relevance is the relationship between the program and the policy objectives, which shows the benefits of the policy.

In addition, the effectiveness of budgeting is also measured based on the assessment criteria, to get an idea of the level of effectiveness of budget realization. The standards for this assessment are based on the Decree of the Minister of Home Affairs Number 13 of 2006 concerning Guidelines for Financial Performance Assessment. The following are the criteria used [8]:

Table 1. Effectiveness Assessment Criteria

Realization Percentage	Categories
100%	Very effective
90 % s.d. > 100 %	Effective
80 % s.d. > 90 %	Effective enough
60 % s.d. > 80 %	Less effective
below 60 %	Ineffective

Source: Ministry of Home Affairs No. 13 of 2006, 1994

Implementation of Budget Reallocation and Adjustment of Regional Programs

The implementation of public policies at the regional level is the key to the successful handling of the impact of the pandemic. The local government is the unit of government and implementer of public policies that are closest to the community. In addition, the local

government is the closest entity that functions to accommodate various complaints and problems in the community. Therefore, local governments must try to implement public policies in an integrated and comprehensive manner. This means that local governments must try to meet the basic needs of the community and ensure public participation in program implementation.

In practice, budget reallocations and program adjustments in response to the government's response to this pandemic must have measurable benefits. It is important to be used as a reference for reflection when assessing program implementation within a certain period. Budget reallocations and program adjustments must be able to respond concretely to community needs. Therefore, the ability to capture the real needs of the community becomes a relevant touchstone for local governments. The community wants to see programs that are beneficial to them, without the need to delve into the implementation process. It is a challenge for local governments. During this pandemic, local governments are expected to be able to overcome various problems related to the implementation of their policies, so that they can win public trust.

The right policy diagnosis instrument is a thorough evaluation of the dimensions of input, process, and policy output. Local governments must overcome problems in the implementation of budget reallocations and program adjustments so that the objectives of this policy can be achieved properly. No one knows when this pandemic will end, therefore program adjustment policies must be able to provide sustainable benefits for the community. The budget must be managed wisely so that it can support the three focuses of the government's program during this pandemic.

Budgeting issues are crucial in implementing government programs during the COVID-19 pandemic. The budget concept reflects the local government's commitment to tackling the pandemic. Regional autonomy has given the broadest possible authority and space for provincial governments to determine programs to mitigate the impact of the pandemic. Furthermore, the actualization of this authority will be the key to the success of local governments in tackling the impact of the pandemic.

In Indonesia, local governments have different strategies to cope with the impact of the pandemic. Each region has a different focus on adjusting its budget. It shows that local governments are using their autonomy rights well. It also shows that this pandemic has a different impact in each region.

2 Research Methods

There are several methods used in this research to determine the implementation of the three main focuses of government program adjustments in the field. The first is the textual observation of reality (using secondary data) and contextually (using FGD and interview methods). The second, is a partial observation of each program, to identify obstacles without debating which program should be prioritized. The data used in this study is Bappenas evaluation data related to pandemic prevention in the regions, assuming the data is calculated until July 2020.

3 Results and Discussion

Local governments face a big challenge, namely how to carry out budget realization after budget reallocation. This reallocation concept is carried out by moving the budget in non-priority posts to the pandemic impact mitigation section, which is in the Unexpected Shopping post (BTT). To be able to disburse the budget in this BTT post, local governments must

determine the status and level of regional disasters. There are several ways that local governments do to determine the status and level of a disaster. The first is to estimate the economic impact of the pandemic in their area. If people's incomes decrease, it means that local tax and retribution revenues will decrease. The second is to look at fluctuations in poverty and unemployment rates. Third, by looking at how much weakening the tourism sector and other sectors that are the foundation of Regional Original Income (PAD) is.

Budget reallocation requires certainty of budget support, through realistic regional revenues. 15 provinces in Indonesia still receive regional income at a ratio below the national average. This shows the potential for delays in the implementation of the response to the impact of the pandemic in these areas. In turn, limited regional income will make it difficult for local governments to deal with the pandemic. Budget reallocation is carried out utilizing budget efficiency in several posts, namely Direct Expenditure, Indirect Expenditure, Grant Expenditure, Subsidy Expenditure, and Financing Expenditure. In addition, there are also five posts whose budgets were transferred to other posts, namely the Office Travel Expenditure Post; Shopping for Food, Drink and Meetings; Accommodation Shopping; Equity Participation Expenditure; and Expenditures for Non-Priority Activities. The budget reallocation in the five posts was carried out because bureaucratic work had been shifted to using an online work system or working from home.

The scale of regional priorities and the existence of earmarking shopping posts complicate the budget reallocation process in the regions. The budget that has been set for earmarking regional expenditures and financing the 2020 Regional Head Election (Pilkada) makes it difficult for the government to rationalize the budget. The target for reallocation of 50 percent of goods/services expenditures and 50 percent of capital expenditures is unlikely to be achieved, considering that the 2020 APBD implementation process is ongoing and some expenditures have already been realized. The existence of ongoing projects is also an obstacle because each region has different priorities in regional development during the pandemic.

Limited fiscal space also triggers problems in the budget reallocation process. The issue of fiscal space is influenced by the allocation of mandatory spending that cannot be changed because the process is complicated. In addition, some budget items are hard to reallocate because the contract has been completed or is currently running. The implementation of the high-cost Pilkada also affects the limited fiscal space. The dependence on transfer funds for the Budget Reallocation and Adjustment (Refocusing) Program 43 regions has an impact on budget availability, especially for regions with reduced transfer fund allocations due to the reallocation process at the central level.

Bureaucratic, administrative, and decision-making issues make the budget reallocation process more complicated. Budget reallocation needs to be discussed at the DPRD level. This is time-consuming and has an impact on the government's response to COVID-19. Coordination and administration between Regional Apparatus Organizations (OPD) are also problematic because sometimes the data needed is in the office, while during a pandemic an online work system or work from home is applied. There is also the issue of OPD refusal, which indicates sectoral ego in dealing with COVID-19.

The initial regulatory uncertainty also affected the performance of local governments in preparing budget reallocations. The chaotic problem of coordination between OPDs that hinders the reallocation process is exacerbated by the ever-changing regulations. For example, the Provincial Government of South Sumatra (by the Instruction of the Minister of Home Affairs of the Republic of Indonesia Number 1 of 2020, dated April 2, 2020) has adjusted the APBD to actual needs, and the results are reported to the Minister of Home Affairs [9]. However, the results of this adjustment were rejected because there was a new regulation on April 9, 2020,

that asked local governments to rationalize the APBD by reducing at least 50 percent of capital expenditures and 50 percent of goods and services expenditures. This refusal made the reallocation of the budget to be revised, as well as hampering the realization of the budget.

The problem of data accuracy makes it difficult for local governments to adjust programs and identify the correct program targets. The data accuracy of recipients of social safety net programs has a classic problem, namely inaccurate beneficiary data. For example, data on residents who are living and those who have died, as well as domiciles and residents who have moved. Local governments rarely update data.

In fact, before the pandemic, only 50 districts/cities did data updates. The uncertainty of the end of the pandemic poses a challenge for local governments to create pandemic prevention programs that support regional resilience. The issue of uncertainty has led the region to a fumbling-looking plan. The benchmark for vaccine discovery at the end of the pandemic cannot be used as a certainty, because the production process for clinical trials of vaccines takes a long time.

The consequences of budget planning in the 2021 Fiscal Year will be made based on assumptions during the pandemic. The collection of potential taxes and levies has become less than optimal due to the COVID-19 pandemic. Regional revenues are projected to decline. The measurement basis for this estimate is the potential reduction in regional tax and levy revenues as well as other non-tax state revenues (PNBP). The decline in regional income was also influenced by the weakening of the regional economy, thereby reducing people's income. Local governments set revenue targets that are too high regardless of their potential.

The lack of availability of funds due to the reduction in transfer funds impacted on the funding of activities. The Ministry of Home Affairs released data on the realization of regional income in the first half of 2020 of 48.18 percent or IDR 536.3 trillion. Meanwhile, the regional revenue target is IDR 1,113 trillion. The realization of revenue for 34 provinces was Rp. 154.19 trillion or 47.55 percent of the target of Rp. 324.28 trillion. At the district/city level, the realization of revenue was Rp. 382.11 trillion, or 48.44 percent of the target of Rp. 788.77 trillion.

4 Conclusion

The effectiveness of budget absorption in the regions in tackling COVID-19 after the policy of budget reallocation and program refocusing is still problematic at the level of targeting accuracy. Variations in the achievement of local government budget realization indicate that local governments have tried to increase their effectiveness. The application of budget reallocations and program adjustments are relevant to the goal of mitigating the impact of the pandemic, namely ensuring the creation of economic, social, and public health resilience.

However, its implementation has not been fully effective. Regional governments have various challenges in the realization of budget reallocations and program adjustments to cope with the COVID-19 pandemic in the regions. The challenges of the working model in budget reallocation and program adjustment are leadership strengths (communication, coordination, policy direction to budget control and programs/activities), as well as space for local variations that raise the need for regional independence and freedom of action (discretion) at the agency level or government officials (regional heads). The problems that occur at the stage of budget reallocation, and program adjustments, until the realization of this budget, are not far from primary problems such as coordination between lines of government, database accuracy (database), and the flexibility of local government performance.

In essence, sustainable development and pandemic response are two integrated government agendas. These two aspects do not need to be presented as a choice. The mutually supportive support system between business actors and the government will be a reflection of the creativity of regional heads to carry out these two agendas side by side. The debate between development and health will only lead to an unnecessary dichotomy that is empty of dialectics without providing concrete ideas.

Policy Recommendations

Each region has a problem character, but the typology of problems that have been described in general in this study can be solved through a national policy recommendation framework.

General Recommendation (Central Government and Local Government)

a. Short Term (1-3 Months)

Decentralized management of handling COVID-19. The principle of the implementation and design of the authority for handling non-natural national disasters in Indonesia indeed places the central government in command. Regional governments receive a delegation of authority from the president through working squad and task forces. However, given the pattern of the pandemic response that is growing on a local basis (even in local communities), the space for local government discretion should remain wide open with powerful control by the central government. The challenge that will be faced is the capacity and capability gap between local governments. There must be assistance and control to reduce the gaps that arise to facilitate the implementation of this recommendation.

b. Medium Term (3-6 months)

Surveillance protocol integration. To create a conducive situation for local governments, various supervisory institutions that run separately must formulate a supervisory protocol with clear standards. Starting from the government's internal supervisors, financial audit officers, to law enforcement officers. The challenge faced is the variety of surveillance protocols that apply in the regions, so integration and synchronization are crucial steps to overcome this challenge.

c. Long term (>6 months)

Overcoming the pandemic is a prerequisite for economic recovery. Health must be a priority, considering the escalation of the pandemic and the degree of threat on the one hand, and the lack of a vaccine on the other. In this uncertainty, local governments need to create simulations for various fiscal schemes, to ensure health services can run well while economic activity is maintained. The challenge that will be faced is community discipline, so the government needs to increase community discipline persuasively.

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