

# Government Policy on Refocusing Activity and Re-allocation Budget of Local Government in Pandemic and New Normal Period

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**Abstract**—The Corona Virus Disease 19 (COVID-19) pandemic has prompted the Indonesian government to take several strategic policies to ensure the fulfillment of public services that should be provided by the government, including local governments. For this reason, the government issued a policy which is called as budget reallocation and refocusing activities during the COVID-19 pandemic as outlined in Law Number 2 of 2020. In the refocusing activities policy, the Government obliges the local government to postpones and cancels less or unnecessary activities. Meanwhile, in the budget reallocation policy, budgeting priorities are aimed to handling COVID-19. The refocusing and reallocation policy enacted by the central government has a huge influence on local government budget policy making. In this regard, this study aims to find out how local governments interpret policies on refocusing activities and reallocating local government budgets during the Pandemic and to find out the challenges faced by local governments in meeting the demands for refocusing activities and reallocating the budget. The research was conducted normatively using secondary data in the form of legislation, the regional revenue and expenditure budget documents, and literature collected through library research. The data obtained were then examined qualitatively. Based on the research, it was found that the regions cut budgets for certain activities in their revised APBD by also reducing activities, especially offline ones such as meetings and changing them into online. One of the obstacles faced by local governments is the decline in local revenue (PAD). This decline causes the government to be more selective in choosing activities to be carried out and the implementation of these activities must be adjusted to regional financial conditions. It is believed that this research is useful to provide additional knowledge about regional financial management, especially during the pandemic.

**Keywords**—COVID-19, refocusing activities, budget reallocation, policies, regional revenue and expenditure budgets, new normal

## I. INTRODUCTION

Since the Corona Virus Disease 19 (COVID-19) Pandemic, there have been several policy changes from local governments

regarding the use of regional budgets. These changes, among others, involve substantial and technical matters such as restructuring the priority of budget use in the Regional Government so that it must be adjusted and suppressed for certain activities and diverted to other activities, especially those related to handling COVID-19 in the regions. Policies related to budget reallocation and refocusing of activities during the COVID-19 Pandemic are outlined in Presidential Instruction Number 4 of 2020 concerning Refocusing Activities, Budget Reallocations, and Procurement of Goods and Services in the Context of Accelerating Handling of Corona Virus Disease 2019 (COVID-19) (Presidential Instruction Number 4 of 220). Previously, refocusing was a form of budget disincentive which was one of the imposition of sanctions on state ministries/institutions with poor budget performance assessment results. The existence of COVID-19 has made refocusing not only carried out as a form of disincentive but also in handling COVID-19. Presidential Instruction Number 4 of 2020 is addressed, among others, to governors throughout Indonesia and regents/mayors throughout Indonesia. The second point in the policy is to accelerate the refocusing of activities and budget reallocation through the budget revision mechanism and immediately submit a proposed budget revision to the Minister of Finance in accordance with his authority. Then in the sixth point number 2 specifically the Presidential Instruction is addressed to the Minister of Home Affairs to take further steps in the context of accelerating the use of the Regional Revenue and Expenditure Budget (APBD) and / or changes to regional head regulations regarding the elaboration of the APBD to accelerate the handling of Corona Virus Disease (COVID-19) to the Governor/Regent/Mayor. The mechanism for the Budget Revision for Fiscal Year 2020 is regulated in the Regulation of the Minister of Finance of the Republic of Indonesia Number 39/PMK.02/2020 concerning Procedures for Revision of the Budget for Fiscal Year 2020 (PMK Number 39/PMK.02/2020).

The policy for refocusing activities and reallocating the budget is further stated in Law Number 2 of 2020 concerning Stipulation of Government Regulations in Lieu of Law Number

1 of 2020 concerning State Financial Policy and Financial System Stability for Handling the Corona Virus Disease 2019 (COVID-19) Pandemic. and/or in the Context of Facing Threats That Endanger the National Economy and/or Financial System Stability into Law (Law Number 2 of 2020). Article 2 paragraph (1) letter i of Law Number 2 of 2020 states that in the context of implementing state financial policies, the Government has the right to prioritize the use of budget allocations for certain activities (refocusing), adjustment of allocations, and/or cuts/delays. distribution of the Transfer budget to the Regions and Village Funds, with certain criteria. Minister of Finance of the Republic of Indonesia Sri Mulyani conveyed in the presentation of the policy on refocusing activities and reallocating budgets related to handling COVID-19, that for refocusing the signs is to postpone or cancel activities that are considered no longer relevant or not within priority corridors such as business trips and business trips. other activities that cannot be carried out in the emergency period to be reallocated [1]. Meanwhile, budget reallocation is allocating a budget for the purchase of medical equipment in handling COVID-19, eliminating meeting consumption if there are meetings that do not use rooms, delaying capital expenditures to be carried out *multi-year*, postponing the increase in performance allowance (Tukin) for candidates for civil servants (CPNS), especially for delayering programs as instructed by the President of the Republic of Indonesia Joko Widodo in 2020 [1].

Budget adjustment is one of the steps taken by the Regional Government to deal with the COVID-19 Pandemic [2]. Provisions for budget adjustments are made based on Joint Decrees of the Minister of Home Affairs and the Minister of Finance Number 11 9/2831/SJ and Number 177/KMK.07/2020 concerning Acceleration of Adjustment to the 2020 Regional Revenue and Expenditure Budget in the Context of Handling Mass Purchasing Power society and the National Economy on April 9, 2020 [3]. Based on the a quo joint decision, for regional heads who have not submitted a report on the results of the adjustment of the regional income and expenditure budget (APBD), the Minister of Finance after receiving consideration from the Minister of Home Affairs has postponed the distribution of the General Allocation Fund (DAU) or the Sharing Fund. ha sil (DBH) until the submission report referred to the appropriate regulations prevailing regulations [3]. According to the Minister of Home Affairs Tito Karnavian, the APBD adjustment is a legal certainty and confirmation for regions to immediately make APBD adjustments for health, economic aspects, and *social safety nets* for people affected by COVID-19 [3].

A number of regions immediately made changes to the government program in their regions following the instructions of the Minister of Home Affairs and the Minister of Finance. Regent of Aceh Tamiang H. Musril, S.H., M.Kn. said that changes to the Draft General Policy for Budget Changes (KUPA) and Temporary Budget Priorities and Ceiling Amendments (PPAS-P) Changes in the Aceh Tamiang District Revenue and Expenditure Budget (APBK) must be carried out due to the impact of the COVID-19 pandemic [4]. In addition,

various policies formed are based on priority expenditures that will focus on economic and social recovery while still prioritizing public health [4]. Then in West Java Province, there is also a General Policy for Changes to the Budget Priority Ceiling of the Provisional Budget (KUPA-PPAS), the Amendment to the Regional Budget for the 2020 Fiscal Year and the General Policy for the Budget-Priority Ceiling of the Provisional Budget (KUA-PPAS) of the 2021 APBD which is based on West Java development priorities in 2021, one of which is the Acceleration of Handling the economic, social, and health impacts of the COVID- 19 Pandemic [4].

The COVID-19 pandemic has had an impact on the implementation of local government spending. This is partly due to unexpected spending and changes in budget allocations from the central government to local governments. As an example, on Regional Shopping Bantul Regency. The Bantul Regency Government's Unexpected Expenditure increased by 703.97%.

Increased Spending Not Unexpected Bantul Regency cause problems with the absorption of local budget Bantul District Government so it is not according to plan. Based on these problems, through the Attachment to the Decree of the Governor of the Special Region of Yogyakarta Number 313/KEP/2020 concerning the Evaluation Results of the Draft Regional Regulation of the Bantul Regency regarding the Amendment to the Regional Revenue and Expenditure Budget for Fiscal Year 2020 and the Draft Regulation of the Regent of Bantul concerning the Elaboration of the Amendment to the Regional Budget of Revenue and Expenditure for the Fiscal Year 2020 is given recommendations for the realization of Unexpected Shopping should be prioritized for handling health, handling economic impacts and optimizing the implementation of the provision of social safety nets in accordance with the Instruction of the Minister of Home Affairs Number 5 of 2020 concerning Priorities for Amendments to the Regional Budget for Fiscal Year 2020

The APBD of the Bantul Regency Government must then be adjusted according to Presidential Regulation Number 72 of 2020 concerning Amendments to Presidential Regulation Number 54 of 2020 concerning Changes in Tour Posts and Details of the State Revenue and Expenditure Budget for Fiscal Year 2020 and Minister of Finance Regulation Number 35/PMK 07/2020 concerning Management of Transfers to Regions and Village Funds for Fiscal Year 2020 in the context of Handling the Corona Virus Disease 2 019 (COVID-19) Pandemic or Facing Threats That Endanger the National Economy and Minister of Finance Regulation Number 113/PMK.07/2020 concerning Determination of Underpayment and Overpayment of Profit Sharing Funds in 2020. The adjustment is specifically in the breakdown of income from the Balancing Fund due to changes in the General Allocation Fund (DAU).

Another example is in North, Central Sulawesi, Gorontalo, and North Maluku. The Regional Office of the Directorate General of State Assets of Central North Sulawesi, Gorontalo,

and North Maluku (Kanwil DJKN Suluttenggomalut) which implements the *work from home* (WFH) policy has an impact on the implementation of tasks and functions as well as less than optimal budget absorption [5].

Based da ta Actual Budget Directorate General of State of North Sulawesi, Central, Gorontalo and North Maluku (DJKN Suluttenggomalut) March-May 2020 occurred lowering an example of genius budget realization s shopping goods. In February 2020 realized 10% then decreased to 6% in March and decreased again by 3% in April and May [5].

Central Java also carried out regional expenditure reallocation activities by cutting the budget for official travel, meetings, and purchasing goods, and delaying several other physical projects to meet the social safety net for the people of Central Java who lost their jobs due to the COVID-19 pandemic [6]. The reallocation of budgets at the district level one done in District Banyuwangi that change the allocation of regional expenditures amounted Rp77,8 billion for medical equipment, infrastructure, pharmaceuticals and logistics as well as social safety nets amounted to Rp36, 65 billion, and the operational costs of the task force amounted to Rp. 1.8 to 1 billion [6]. The Government of Rembang in addressing policy to The Rembang Regency Government in responding to the budget reallocation policy from the central government has made adjustments by establishing Rembang Regent Regulation Number 14 of 2020 concerning the Second Amendment to Rembang Regent Regulation Number 54 of 2019 concerning the Elaboration of the 2020 Rembang Regency Regional Revenue and Expenditure Budget on 23 April 2020 [7].

Although some regions have reallocated their budgets, there are also obstacles for regions that have narrow fiscal space so that they cannot meet the government's demands that the regional government focus their APBD on health, *social safety net*, and handling the economic impact of COVID-19 [8]. This is due to the high dependence of transfer funds. In fact, there will be a delay in the distribution of the General Allocation Fund (DAU) if the regions have not submitted reports related to the 2020 APBDN adjustment for handling the pandemic and the impact of COVID- 19 [9]. This is regulated in the Decree of the Minister of Finance Number 10/KM.7/2020 concerning Postponement of Distribution of General Allocation Funds and/or Revenue Sharing Funds to Regional Governments that Do not Submit Reports on Adjustment of Regional Revenue and Expenditure Budgets for Fiscal Year 2020.

The current policy is related to refocusing the 2021 budget such as stated in the Circular of the Ministry of Finance No. SE2 / PK / 2021 dated February 8, 2021 which contains the adjustment of budget transfers to local usage and the village fund in 2021 for handling COVID-19 [10]. That budget *refocusing* concerning the general allocation fund (DAU) and revenue sharing (DBH). A number of regions until 2021 are still focused on handling COVID-19, including the Grobogan Regency government. In 2020 the budget for refocusing \$ 140 billion, and at the 2021 amounted to 88 billion [11].

COVID-19 caused quite significant changes in budgeting in local governments. There are a number of activities that are charged to the APBD. Based on Article 13 of Presidential Decree Number 7 of 2020 concerning the Task Force for the Acceleration of Handling Corona Virus Disease 2019 (COVID-19), the funding required for the activities of the Task Force for the Acceleration of the Handling of Corona Virus Disease 2019 (COVID-19) is charged to the Regional Budget which includes Local Revenue (PAD), and budget revisions; unexpected shopping; and utilization of regional treasury funds consisting of: central government transfer funds; and transfer funds between regions [12]. In fact, with COVID-19, there has been a reduction in regional original income (PAD) and a number of other revenues from the tourism sector. This makes efforts to refocus activities and reallocate budgets become a necessity and are very important to be completed immediately.

The refocusing of activities and budget allocations is a form of accelerated steps for the prevention and handling of COVID-19 by the regional government. This is done by changing the Regional Head Regulation on the Elaboration of the Regional Budget and notifying the DPRD leadership for refocusing on activities and reallocating the budget, such as rationalizing the official travel budget, meeting expenses, and non-priority expenditures and financing expenditures in the current fiscal year.

The increase in unexpected costs on the one hand is accompanied by a decrease in government budget absorption due to the prohibition on activities that require direct contact, such as offline meetings (outside the network) which are usually held at hotels or with accommodation and consumption costs, field surveys, and out-of-town trips. In addition to being an effective policy to reduce direct contact, the transfer of these activities from offline to online also results in budget efficiency. The existence of a budget reallocation causes changes in APBD as an annual regional government financial policy [13]. So based on this, it is necessary to know the steps of the local government in dealing with the COVID-19 pandemic, especially regarding their APBD policies. These steps are also part of the regional financial policy. The author wants to put it in an article entitled: " Government Policy on Refocusing Activity and Re-allocation Budget of Local Government in the Pandemic and New Normal Period." This research is important to assist local governments in analyzing policies related to refocusing activities and reallocating budgets.

## II. LITERATURE REVIEW

### A. Regional Financial Management

Regional financial management is regulated in Government Regulation No. 12 of 2019 concerning Regional Financial Management (PP No. 12 of 2019). Based on Article 1 number 2 PP No. 12 of 2019 it is stated that "Regional Financial Management is all activities that include planning, budgeting, implementation, administration, reporting, accountability, and supervision of Regional Finances." Meanwhile, regional

finance according to Article 1 number 1 PP No. 12 of 2019 is defined as "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 used as regional property in connection with the rights and obligations of the region."

Article 4 paragraph (1) PP No. 12 of 2019 states that regional financial management is carried out by the Regional Head as the holder of the Regional Financial Management Authority. In exercising the power as referred to in Article 4 paragraph (1) PP No. 12 of 2019, the Regional Head delegates part or all of his powers in the form of planning, budgeting, implementation, administration, reporting and accountability, as well as regional financial supervision to regional officials. The regional apparatus officials consist of: a. regional secretary as coordinator of regional financial management, b. the head of the regional financial management work unit (SKPD) as the regional financial management officer (PPKD); and c. head of SKPD as budget user (PA).

Regions manage regional finances by synchronizing financial relationships between the central government and regional governments as well as inter-regional financial relationships. The financial relationship between the central government and regional governments is based on the handover of government affairs that are autonomous to the regions. Even though there is regional autonomy, local governments must continue to follow national-scale policies. This is confirmed in the excerpt of the General Elucidation of Law no. 23 of 2014 which states that:

"In essence, Regional Autonomy is given to the people as a legal community unit that is given the authority to regulate and manage their own Government Affairs given by the Central Government to the Regions and in its implementation is carried out by regional heads and DPRD with the assistance of Regional Apparatus. Government affairs that are handed over to the Regions come from the government power that is in the hands of the President. The consequence of a unitary state is that the final responsibility for government rests with the President. In order for the implementation of Government Affairs that are handed over to the Regions to run in accordance with national policies, the President is obliged to carry out guidance and supervision of the implementation of Regional Government."

Based on this quote, local governments in managing regional finances still refer to the financial policies of the central government. This is confirmed through Article 283 paragraph (1) of Law no. 23 of 2014 which states that: "Regional financial management is an inseparable part of the administration of government affairs which are the authority of the region as a result of the handover of government affairs." Based on Law no. 23 of 2014, government affairs are defined as: "government power which is the authority of the President whose implementation is carried out by state ministries and local government administrators to protect, serve, empower, and prosper the community."

The role of the central government in the management of regional finances is in terms of financing government affairs that are handed over and/or assigned to the regions which include: a.) the provision of regional revenue sources in the form of regional taxes and regional levies; b.) the provision of funds sourced from the financial balance between the Central and Regional Governments; c.) granting of funds for the implementation of special autonomy for certain Regional Governments as stipulated in the law; and d.) providing loans and/or grants, emergency funds, and incentives (fiscal) for the Regional Revenue and Expenditure Budget.

In addition to the central government and regional governments, regional financial management is also viewed from the inter-regional financial relationship. Financial relations with other regions are still an integral part of the administration of government affairs handed over by the central government. The inter-regional financial relations include: a.) inter-regional tax and non-tax profit sharing; b.) funding of Government Affairs under regional authority which is a shared responsibility as a consequence of inter-regional cooperation; c.) inter-regional loans and/or grants; d.) inter-regional financial assistance; and e.) the implementation of special autonomy funds as stipulated in the Law.

#### *B. Regional Revenue and Expenditure Budget*

Provisions related to the regional revenue and expenditure budget (APBD) are regulated in Chapter III of PP No. 12 of 2019. Regional revenue and expenditure budgets are defined as regional annual financial plans stipulated by regional regulations (perda). Based on Article 23 paragraph (1) PP No. 12 of 2019, the APBD is prepared in accordance with the needs of the administration of regional government affairs which are the authority of the region and the ability of regional revenues.

The APBD can be adjusted every year by stipulating a regional regulation on the revised APBD. In addition, accountability for the implementation of the APBD is also stipulated in regional regulations. The contents of the APBD implementation accountability report include: a) budget realization report, b) balance sheet, c) cash flow report, and d) notes on financial statements.

Based on Article 24 paragraph (1) PP No. 12 of 2019 all regional revenues and regional expenditures in the form of money are budgeted in the APBD. Regional revenues consist of: a) regional revenues, and b) regional financing receipts. Meanwhile, regional expenditures consist of: a) regional expenditures, and b) regional financing expenditures.

The APBD structure includes: a) regional revenues, b) regional expenditures, and c) regional financing. The classification of APBD is based on regional government affairs and organizations determined in accordance with the provisions of laws and regulations by taking into account regional needs.

Based on Article 30 PP No. 12 of 2019, Regional income which is one part of the APBD consists of regional original

income, transfer income, and other legitimate regional revenues. Meanwhile, regional expenditure is the budget used to fund the implementation of government affairs which are the authority of the region (divided into mandatory government affairs and optional government affairs). Regional expenditures are broken down according to regional government affairs, organizations, programs, activities, types, objects, and details of regional expenditure objects.

Regional financing consists of financing receipts and financing expenditures which are detailed according to regional government affairs, organization, type, object, and details of regional financing objects. Regional financing revenues are sourced from: a) SiLPA; b) disbursement of Reserve Funds; c) proceeds from the sale of separated regional assets; d) receipt of Regional Loans; e) re-acceptance of Regional Loans; and/or f) receipt of other Financing in accordance with the provisions of the laws and regulations. Meanwhile, financing expenditures can be used to finance: a) payment of principal installments of maturing debts; b) regional capital participation; c) the establishment of a Reserve Fund; d) Regional Loans; and/or e) other Financing expenditures in accordance with the provisions of laws and regulations.

### *C. Financial Policy in a Pandemic Period*

Changes to state financial policies are a form of discretion that the Indonesian government immediately takes when COVID-19 hits and is designated as a world pandemic. One of the quick steps taken by the Indonesian government was the issuance of Presidential Instruction of the Republic of Indonesia Number 4 of 2020 concerning Refocussing Activities, Budget Reallocation, and Procurement of Goods and Services in the Context of Accelerating Handling of Corona Virus Disease 2019 (COVID-19). Shortly after the birth of Presidential Instruction Number 4 of 2020, then came Government Regulation in Lieu of Law Number 1 of 2020 concerning State Financial Policy and Financial System Stability for Handling the Corona Virus Disease (COVID-19) Pandemic and/or in Facing Dangerous Threats. National Economy and/or Financial System Stability. The Perpu was later stipulated as Law through Law Number 2 of 2020. What is meant by state finances in the Perpu includes state revenue policies including policies in the field of taxation, state expenditure policies including policies in regional finance, and financing policies.

Based on Article 2 paragraph (1) letter h of Perppu No. 1 year 2020 jo. UU no. 2 of 2020, in implementing state financial policies for handling the COVID-19 pandemic, the government has the authority to include: prioritizing the use of budget allocations for certain activities (refocusing), adjusting allocations, and/or cutting/delaying the distribution of budget transfers to regions and funds. village, with certain criteria. Then in Article 3 paragraph (1) Perppu No. 1 year 2020 jo. UU no. 2 of 2020 it is explained that local governments are given the authority to prioritize the use of budget allocations for certain activities (refocusing), change allocations, and use APBD. The provisions related to refocusing, changes in

allocations, and the use of the APBD are regulated by the Minister of Home Affairs Regulation (Permendagri).

The Minister of Home Affairs Regulation related to refocusing is regulated in the Minister of Home Affairs Regulation Number 39 of 2020 concerning Prioritizing the Use of Budget Allocations for Certain Activities, Allocation Changes, and Use of Regional Revenue and Expenditure Budgets (Permendagri No. 39 of 2020). Article 2 paragraph (1) Permendagri No. 39 of 2020 states that local governments establish regional financial policies in the context of: a) handling the COVID-19 pandemic and/or b) facing threats that endanger the regional economy. Regional financial policies based on these provisions are policies to prioritize the use of certain activity budgets (refocusing), changes in allocations, and the use of APBD which can also be in the form of incentives for handling the economy due to the COVID-19 pandemic.

Adjustment of budget allocations in policies related to handling COVID-29 is prioritized for: a) handling Health and other matters related to health, b) handling economic impacts, especially keeping the business world of each region alive; and c) provision of a social safety net. Adjustment of the budget allocation for regional revenues, regional expenditures and regional financing is carried out through changes to regional head regulations concerning the elaboration of APBD.

In addition to being stated in laws and other implementing regulations, financial policies during a pandemic are also written in the Macroeconomic Framework and Fundamentals of Fiscal Policy for 2022. These documents were prepared at a time when the national and global economy was still in a COVID-19 pandemic situation. These policies include: 1) a description of the impact of the COVID-19 pandemic and policy responses carried out in various countries and in Indonesia, 2) economic dynamics and policy responses in the last ten years as an illustration and reference for the dynamics of the national economy, and 3) a description of the baseline the economy in 2021 as well as the 2022 and medium-term projections that will cover the passage of fiscal policy towards the APBN, 4) structural and fiscal reforms that will be the focus of the 2022 APBN, 5) the main points of the fiscal policy in 2022, 6) a description of the fiscal risks involved will be faced in the future, 7) the elaboration of the indicative ceiling policy of Ministries/Agencies in 2022 which will serve as a guide in the preparation of budgeting policies for Ministries/Agencies in 2022, and 8) description of several strategic issues [14].

The Minister of Finance also issued Minister of Finance Regulation Number 23 of 2020 concerning tax incentives for taxpayers affected by the COVID-19 virus outbreak. This was influenced by the pandemic conditions which resulted in termination of employment for most Indonesians. The provision of these incentives is one of the government's responses to the declining productivity of business actors due to the drastic decline in the economy of taxpayers due to the COVID-19 pandemic [15]. The Minister of Finance stated that

the government will bear the payment of Article 21 Income Tax (PPH) and the policy will come into effect in April 2020.

#### *D. Budget Reallocation and Activity Refocusing*

The issuance of Presidential Instruction of the Republic of Indonesia Number 4 of 2020 became the basis for all Ministers, Presidential Chiefs of Staff, Governors, Regents/Mayors and other Government Institutions to conduct refocusing of activities, reallocation of budgets and procurement of goods and services in the context of accelerating the handling of COVID-19. The Presidential Instruction does not provide a specific definition of budget reallocation and refocusing of activities, but it is expressly stated that the President has ordered to prioritize the use of existing budget allocations for activities that accelerate the handling of COVID-19 by referring to the protocol for handling COVID-19 at the Ministry of Finance. Institutions/Regional Governments and operational plans for the acceleration of handling COVID-19 by the Task Force for the Acceleration of Handling COVID-19.

The refocusing of activities and reallocation of the budget is carried out through a budget revision mechanism whose proposals are submitted to the Minister in accordance with his authority.

The explanation regarding the refocusing of activities then begins to be detailed in Perpu Number 1 of 2020 which states that in the context of implementing state financial policies during the COVID-19 pandemic, the government is authorized to prioritize the use of budget allocations for certain activities (refocusing), allocation adjustments, and/or deductions/delay in distributing budget transfers to regions and village funds, with certain criteria. With regard to regional finances, regional governments also have the authority to prioritize the use of budget allocations for certain activities (refocusing), changes in allocations, and the use of Regional Revenue and Expenditure Budgets. It is further explained that what is meant by "prioritizing the use of budget allocations for certain activities (refocusing)" includes the authority of the Regional Government to make changes to inter-program allocations.

Various experts argue that based on Presidential Instruction Number 4 of 2020 and Government Regulation in Lieu of Law Number 1 of 2020, the government can refocus on the budget, especially for the health and social sectors. The government can also cut certain expenditures, such as spending on official travel, meeting spending, technical guidance, counseling, and the like to be diverted to handling COVID-19 [16].

One month after the birth of Presidential Instruction Number 4 of 2020, the Minister of Finance, Sri Mulyani opened to the public about what forms of budget have been reallocated and the focus of activities carried out to accelerate the handling of COVID-19. Sources of budget savings or reallocations carried out are reducing official travel, meeting costs, honoraria, non-operational expenditures, goods expenditures, and other expenditures not related to handling COVID-19. This includes postponement of capital expenditures for multi-year work, project activities that have

been renegotiated so they can be delayed and delays in increasing performance allowances for Civil Servant Candidates (CPNS). The types of expenditure that are excluded from this budget reallocation are expenditures for the prevention of COVID-19, stunting, maternal and infant mortality, and eradication of infectious diseases (TB, HIV-AIDS, and DHF), as well as spending on social assistance. The budget that has been saved is then reallocated to meet the needs of COVID-19 management, namely for the procurement/distribution of buffer stock drugs, COVID-19 control tools/materials, procurement of Personal Protective Equipment (PPE) to various hospitals that handle COVID-19, procurement of COVID-19 rapid tests, as well as socialization/education regarding COVID-19 [1].

### III. DISCUSSION

#### *A. Policy Setting for Budget Reallocation and Refocusing Activities by Local Government During a Pandemic*

Following up on Presidential Instruction Number 4 of 2020 and Government Regulation in Lieu of Law Number 1 of 2020, various regions then changed the Regional Revenue and Expenditure Budget in the current year, namely 2020. Some of the regions that changed their Regional Revenue and Expenditure Budget are as follows.

*1) Province of the Special Capital Region (Daerah Khusus Ibukota "DKI") Jakarta:* DKI Jakarta Province as the capital city of Indonesia is an area that is in the spotlight and is often a role model for other regions in various ways. In 2020, the Regional Revenue and Expenditure Budget in DKI Jakarta underwent a significant change. Regional Revenue is calculated to decrease to 19 trillion rupiah compared to the Regional Revenue and Expenditure Budget before the amendment. Then Regional Expenditures are also calculated to decrease by around 1 trillion rupiah compared to before the change. Meanwhile, regional financing is calculated to increase in the range of 400 billion rupiah compared to before the change.

The DKI Jakarta government has reallocated the budget, which can be seen from the decrease in the personnel expenditure budget of around 5 trillion rupiah, then the increase in the social assistance budget by 300 billion rupiah and the increase in unexpected spending by 5 trillion rupiah and this is focused on handling COVID-19. Based on the details of the DKI Jakarta APBD after the amendment, it was found that the influence of the pandemic situation caused budget reallocation and refocusing of activities.

*2) West Nusa Tenggara Province:* Moving to the central region of southern Indonesia, as one of the foreign tourism destinations. West Nusa Tenggara Province as a province that has many tourist destinations and is starting to get busy with tourist arrivals, of course, has been significantly affected by the COVID-19 pandemic situation [17]. Tourism areas such as Senggigi, Kuta, and the Rinjani hiking trail have been closed

several times and empty of visitors. This greatly affects regional financial conditions, especially income from the tourism sector. West Nusa Tenggara Province has also changed its Regional Revenue and Expenditure Budget due to the COVID-19 pandemic situation. The amendment to the Regional Revenue and Expenditure Budget is stated in the West Nusa Tenggara Provincial Regulation Number 9 of 2020 concerning Amendments to Regional Regulation Number 10 of 2019 concerning the Regional Revenue and Expenditure Budget for Fiscal Year 2020. Regional income is calculated to decrease by around 300 billion rupiah compared to the Regional Revenue and Expenditure Budget. Regional Shopping before the change. Then Regional Expenditures are also calculated to decrease by around 200 billion rupiah compared to before the change.

Based on the Regional Revenue and Expenditure Budget of West Nusa Tenggara Province after the amendment, it can be analyzed that the local government reallocated the budget by lowering the personnel budget by around 25 billion rupiah, then increasing the social assistance budget by almost 400 billion rupiah and increasing unexpected spending by 295 billion. rupiah and this are focused on handling COVID-19.

3) *East Kalimantan Province*: East Kalimantan as a region that is projected to become the new capital city of Indonesia has also made changes to its regional financial plan. The province, which has the title as the richest province in Indonesia, has also felt the economic impact of the COVID-19 pandemic. Amendments to the Regional Revenue and Expenditure Budget in East Kalimantan are stated in the East Kalimantan Governor Regulation Number 24 of 2020 concerning Amendments to the Governor's Regulation Number 62 of 2019 concerning the Elaboration of the Regional Revenue and Expenditure Budget for Fiscal Year 2020. Regional income is calculated to decrease by around 3 trillion rupiah compared to the Revenue Budget and Regional Expenditure before the change. Then Regional Expenditures are also calculated to decrease by around 3 trillion rupiah compared to before the change.

Based on the Regional Revenue and Expenditure Budget of West Nusa Tenggara Province after the amendment, it can be analyzed that the local government reallocated the budget by lowering the personnel expenditure budget by around 100 billion rupiah and then increasing the unexpected spending budget by 475 billion rupiah and this was focused on handling COVID-19. Unlike DKI Jakarta and West Nusa Tenggara, the Province of East Kalimantan did not change the budget allocation for social assistance. The amount of the budget for social assistance remains the same between the APBD before the amendment and after the amendment.

Based on the changes to the APBD of DKI Jakarta Province, West Nusa Tenggara Province, and East Kalimantan Province, it can be seen that the APBD changes made in various regions in Indonesia have almost the same points. The

three regions both reduced the budget for personnel expenditures, then increased the budget for unexpected expenditures, the amount of which was adjusted to the financial conditions in each region. Furthermore, regarding the addition of social assistance spending, there are indeed differences, especially in East Kalimantan Province, there is no increase or decrease in the social spending budget. Meanwhile, in DKI Jakarta Province and West Nusa Tenggara Province, both of them increased the budget for spending on social assistance.

Variations in APBD changes made by Regional Governments in order to deal with the COVID-19 pandemic, especially in their regions, are influenced by national policies regarding the mandate of budget reallocation and refocusing of activities. Policies at the national level, such as 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 state the definition of budget reallocation and refocusing of activities. Regulations at the national level only implicitly explain the purpose of budget reallocation and refocusing of activities. Therefore, regions have great authority to determine which components in their APBD must be reduced and which components must be increased in order to support the acceleration of handling the COVID-19 pandemic. This has also caused various variations in the APBD changes to appear in the regions, such as East Kalimantan, for example, which did not increase the social assistance budget but massively increased the budget unexpectedly, whereas other regions mostly increased the social assistance budget.

#### *B. Challenges Faced by Local Governments to Fulfill Demands for Budget Reallocation and Refocusing Activities*

During the COVID-19 pandemic, many changes have occurred and have affected various sectors of life, one of the most significant being the financial sector or the economic sector. The government at the central level and regional governments throughout Indonesia have made various efforts to maintain the stability of the state and regional financial system. Various policies in the financial sector have been made, even until the issuance of Government Regulation in Lieu of Law Number 1 of 2020 to accelerate the government's steps in maintaining financial system stability. However, the various efforts made by the Central Government cannot be perfect because the pandemic conditions are increasingly difficult to control and there are many things that also need to be taken into account besides the financial sector. Therefore, behind all the policies that were born and the quick steps taken by the Central Government, there were some gaps that still needed to be fixed in terms of policy and practice. This gap then becomes a challenge for the Regional Government to take policies for the region which of course must remain within the corridors of the Unitary State of the Republic of Indonesia. The challenges faced by the Regional Government in meeting the demands for budget reallocation and refocusing activities to accelerate the handling of COVID-19 in Indonesia are as follows.

1) *Short time and limited resource:* The reasons for not fulfilling the budget reallocation orders and refocusing activities for some of these regions are due to various things. First, some regions have poor internet networks so that policy makers in the regions find it difficult to coordinate to hold meetings regarding budget reallocation and refocusing activities, plus in the early situation of the pandemic all activities must be carried out from home and minimize activities that gather many people. Second, not all regions have a flexible APBD for budget reallocation and refocusing of activities. Some regions have minimal sources of income and personnel budgets that are difficult to cut because they are already very tight and crucial. This has resulted in regions that have narrow fiscal space to find it difficult to determine budget reallocations and refocus activities to deal with the COVID-19 pandemic and expect a helping hand from the Central Government to increase transfer funds. Third, in the near future with the entry of the COVID-19 pandemic into Indonesia, previously several local governments had just signed contracts with various parties and this had an impact on the obligations of local governments to fulfill the contents of applicable contracts such as the law (*pacta sunt servanda*).

2) *There are no specific standards for budget reallocation and activity refocusing:* The Government in Lieu of Law Number 1 Year 2020 does not explain in detail the form of budget reallocation and activities that must be refocused by the Regional Government. However, the Minister of Home Affairs Regulation Number 20 of 2020 provides slightly clearer guidelines than the Presidential Instruction and Government Regulation in Lieu of Law. The Minister of Home Affairs Regulation mandates that expenditures in the context of anticipating and handling the impact of COVID-19 transmission for which a budget is not yet available are carried out by directing unexpected expenditures. Unfortunately, this provision is not balanced with the details of what components of unexpected expenditure are the targets of budget reallocation and refocusing of activities.

With regard to budget reallocation and refocusing of activities, if there is a component whose budget is increased, then there must be a component whose budget is lowered. In the Minister of Home Affairs Regulation No. 20 of 2020, it is only an unexpected addition to the budget, but there is no regulation regarding the budget being reduced or reduced in amount. This causes the Regional Government to be unable to immediately make changes to the APBD because they still have to discuss matters that are not regulated or wait for other technical instructions that may be issued by the Central Government. On the other hand, the acceleration of handling the COVID-19 pandemic cannot be delayed too long because it will endanger public health and affect the survival of the Indonesian people from various aspects.

### C. *Solutions for Local Governments to Fulfill Demands for Budget Reallocation and Refocusing Activities*

The various challenges above certainly need attention, especially the COVID-19 pandemic situation is still ongoing today. It has been more than a year that Indonesia and even the world have been hit by the COVID-19 pandemic which has not yet been resolved. Various sectors have adapted to their respective methods, including the state financial sector. Preparing for the new normal era, there are many things that must be improved so that it no longer bothers many parties. Improvement steps, especially those related to government affairs, will generally be related to policies and laws and regulations. Therefore, here are some ways that the government, both at the central and regional levels, can take to help accelerate the handling of the COVID-19 pandemic, especially those related to the state financial sector.

1) *Equitable distribution of internet networks and technology facilities for local governments:* The government, both at the central and regional levels, will certainly focus heavily on budget allocations and refocusing activities on matters related to health, such as the provision of medical equipment, vaccination costs, provision of rapid test kits and COVID-19 PCR tests. Actually the policy to focus on meeting health needs is indeed an important thing that needs to be prioritized. However, apart from that, other things that also need to be prepared are the distribution of internet networks and the provision of technology facilities for local governments, especially those in remote areas of Indonesia. This will certainly increase the burden of the budget, both the State Revenue and Expenditure Budget and the Regional Revenue and Expenditure Budget, but indeed this is needed by the Regional Government to be able to formulate fast and appropriate policies in the midst of an uncertain pandemic situation as it is today. Policies taken by the government such as Large-Scale Social Restrictions to the Enforcement of Restrictions on Community Activities are all aimed at minimizing direct contact between one person and another. This has an impact in the form of all activities carried out online or in a network. If there are still areas that cannot reach the internet network properly and do not have adequate technological facilities, it will be difficult for those regions to adapt their regional policies to developments at the national and other regional levels. Therefore, the distribution of internet networks and the provision of technology for local governments must be one of the targets for increasing the budget in the budget reallocation program and refocusing activities in the COVID-19 pandemic situation.

2) *Establishing standard operational procedures regarding budget reallocation and refocusing activities in the regions:* The Minister of Finance in synergy with the Minister of Home Affairs has made every effort to form various policies as guidelines for Regional Governments to make changes to their regional financial policies during the COVID-19



pandemic. However, of the many existing regulations, there is not a single definition regarding budget reallocation and refocusing of activities to accelerate the handling of the COVID-19 pandemic. Therefore, from the most basic things such as the definition must be completed first. Then, the Government at the central level should provide clear guidelines regarding what activities should be reallocated and which activities are the targets of refocusing. The indecisiveness of the rules regarding this has resulted in the birth of many variations in the regional budget changes.

Changes in pandemic conditions from 2020 to 2021 find different challenges. It is possible that with the various new variants of COVID-19 in Indonesia, changes to the 2021 APBD will be made in various regions. In order to prevent inconsistencies and variations that arise from changes to the APBD in the regions, the government at the central level, especially the Ministry of Finance and the Ministry of Home Affairs, must work together to develop Standard Operating Procedures that contain at least:

- Choice of reduced budget components and their details;
- Choice of increased budget components and their details;
- Standards for the use of unexpected budgets related to the handling of COVID-19; and

Types of activities that must be refocused and should be charged to the APBD.

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