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Quality of Clean Water Services for Regional Water Companies in  
Tangerang City

The Effect of the Internal Control System Effectiveness and the Quality  
of Financial Reporting and Its Impact on Fraud Prevention of Bandung  
Regency

Organizational Capacity of Cianjur Main Rice Seeds Development

The Impact of Remuneration Policy on Increasing Lecturer's Motivation  
and Performance at Universitas Padjadjaran

Implementation of Government Performance Accountability System  
(SAKIP) in Indonesian Local Government (Case of Regional  
Development Planning Board of Sukabumi Regency)

Dynamic Governance Capabilities in Regional Budget Policy  
Formulation to Create Agile Bureaucracy During Covid-19

Strategic Management Capabilities in Child Identity Card (Kartu  
Identitas Anak) Program in Civil Registry Service Office of Depok City.

# Dynamic Governance Capabilities in Regional Budget Policy Formulation to Create Agile Bureaucracy During Covid-19

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## ABSTRAK

Masa pandemic ini merupakan masa tersulit bagi pemerintah daerah, terlebih pandemi sudah berlangsung hampir selama satu tahun anggaran (one year fiscal). Kedatangan pandemi secara tiba-tiba telah memaksa pemerintah melakukan refocusing anggaran. Kajian ini secara khusus ingin mendeskripsikan dynamic governance capabilities pemerintahan daerah dalam merumuskan kebijakan anggaran daerah pada masa pandemi atau setelah wabah covid-19 berakhir, sehingga kedepan pada masa tahun anggaran berikutnya akan terbangun agile bureaucracy di daerah. Kemudian mendeskripsikan persoalan mendasar yang terjadi didalam proses penyusunan anggaran dan menawarkan panduan terkait dengan cara mengatasi persoalan-persoalan dalam siklus penyusunan anggaran untuk tahun anggaran (fiscal year) 2021. Fokus kajian berada pada proses pembuatan kebijakan penganggaran di daerah, bukan pada kebijakan fiskal. Kajian ini menggunakan metode deskriptif kualitatif, dengan sumber data yang sepenuhnya diperoleh melalui sumber-sumber sekunder, sehingga studi ini bisa disebut sebagai penelitian pustaka. Hasil studi ini menemukan bahwa dalam kerangka pemikiran a head pemerintah daerah harus mampu melakukan using existing budgetary flexibility and exceptional spending procedures to fund first, sehingga program dan kegiatan yang akan dijalankan bisa lebih fleksibel. Lalu accelerating revision of regional finance regulation to secure a budget for the response through. Tetap menjalankan program kegiatan lain yang sudah direncanakan, sehingga serapan anggaran akan tetap terus berjalan dan kehidupan ekonomi masyarakat bisa terus berkembang.

## ABSTRACT

This pandemic period is the most difficult period for local governments, especially the pandemic has been going on for almost one fiscal year. The sudden arrival of the pandemic has forced the government to do budget refocusing. This study specifically wants to describe the dynamic governance capabilities of local governments in formulating regional budget policies during the pandemic or after the Covid-19 outbreak ends, so that in the future fiscal year, agile bureaucracy will be built in the regions. Another objective of this study is to describe the fundamental problems that occur in the budget formulation process and offer guidance related to how to solve problems in the budget preparation cycle for the 2021 fiscal year. The focus of the study is on the process of making budgeting policies in the regions, not on fiscal policies.

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This study uses a qualitative descriptive method, with data sources entirely obtained through secondary sources, so that this study can be called a literature research. The results of this study found that within the framework of thinking ahead, local governments must be able to applicate using existing budgetary flexibility and exceptional spending procedures to fund first, so that the programs and activities to be carried out can be more flexible. Another thing that was found was the accelerating revision of regional finance regulation to secure a budget for the response through. During this pandemic, local governments continue to carry out planned programs and activities, so that regional budget absorption can be achieved, and the economic life of the community can continue to develop.

## INTRODUCTION

The spread of the covid-19 outbreak in Indonesia has continued to increase from time to time. This epidemic has caused many casualties and has implications for the social aspect, economic, and community welfare. Based on data from covid19.go.id, the number of Covid-19 cases in Indonesia as of August 1, 2020 was recorded as 109,936 positive, 67,919 people recovered, and 5,193 people died. This number is predicted to continue to grow. Looking at the reports issued by the OECD, it is known that the number of deaths due to the Covid-19 outbreak varies greatly among the 36 countries that are included in the OECD membership. How to respond to outbreaks in each country also varies according to country conditions (OECD, 2020). Responses are focused on efforts to reduce, contain, and manage spread. Highly-affected countries have taken various approaches to budgetary allocation, depending on their public financial management and regulatory systems (Barroy, 2020). Each country is also forced to immediately prepare a budget for the fiscal year 2021 (Curristine, 2020). This condition will certainly be a challenge for all countries given the pandemic situation, which is full of uncertainties like this, which has never happened before.

The Indonesian government has made various policies, in terms of prevention, countermeasures to preparation for a recovery period after this pandemic period ends. Covid-19 is designated as a non-natural national disaster, so the disaster management process must be carried out within the framework of decentralization which is a mixture of collaborative-governance models (Blasio, 2016). Such a model requires the government to be able to demonstrate its capabilities in dynamic governance (Kasim, 2015). In 2020, regional budget policies are still being prepared in a very ordinary process, starting with the preparation of regional expenditure plan documents for each local government work unit. With the assumptions of a very normal situation, then when all planning documents with normal assumptions were completed, suddenly the country was shocked by a pandemic, so that the regional budget in 2020 had not been designed to be resilient in the face of a pandemic.

Regional governments experience uncertainty in implementing budget policies for handling Covid-19, due to the different levels of pandemics in each region, namely the red zone (high

pandemic level), yellow zone (moderate pandemic level), green zone (low pandemic level). However, the financial policy of the central government provides equal treatment in each of these conditions. Regional obligations include refocusing the entire budget from the Special Allocation Fund (DAK). The obligation to reallocate and refocus is not immediately approved by the Regional Representative Assembly, so the process of compromising budget politics takes time. Differences in fiscal capacity, the degree of dependence on transfer funds from the center are one of the dynamic factors in making budget policy decisions.

**Table 1: The Distribution of Province in Indonesia by Independence Rate Categories 2017-2020**

<b>Independence Rate Categories</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Very Low (0-25 %)	10	10	8	8
Low (>25-50 %)	16	16	18	19
Medium (>50-75 %)	8	8	8	7
High (>75%)	0	0	0	0
<b>Total</b>	<b>34</b>	<b>34</b>	<b>34</b>	<b>34</b>

Source: Financial Statistics of Province Government 2017-2020, BPS-Statistics Indonesia; 2020

As in table 1, there are four categories of levels of regional financial independence. The first category is "very low", meaning that the central government has a dominant role compared to the role of the regional government itself. Then the level of independence is "low", which means that the intervention of the central government has begun to decrease, the "medium" category describes regions that already have a little independence, and the "high" category means that local governments have good independence in carrying out affairs in their regions. When the pandemic entered Indonesia, at that time the Indonesian Government had completed the preparation of the 2020-2024 National Medium-Term Development Plan (RPJMN) as outlined in Presidential Regulation No. 18 years 2020. This document is a guideline for the central and local governments in development planning for a period of 5 years, the document was prepared when Indonesia did not have a record of Covid-19 cases, so all the assumptions that underlie it are based on normal conditions.

Government Regulation in Lieu of Law Number 1 of 2020 concerning State Financial Policy and Financial System Stability for Handling the 2019 Corona Virus Disease (Covid-19) Pandemic and/or in Facing Threats That Endanger the National Economy and/or Financial System Stability, which was promulgated on March 31, 2020, became the basis for implementing the government's budget refocusing and reallocation policy. Adjustments to the government budget, which include the budget for revenues, expenditures, and financing, are one of the keys to the initial response that government agencies must carry out in dealing with the development of the pandemic. Details of the policies that have been made by the central government, namely



the addition of spending and financing for the 2020 State Budget in the amount of Rp. 405.1 trillion, which was allocated Rp. 75 trillion for the health sector, Rp. 110 trillion for social protection or social safety net, Rp 70.1 trillion for tax incentives and stimulus for People's Business Credit, and Rp 150 trillion for the national economic recovery program.

Based on Presidential Decree No. 9 of 2020 concerning Amendments to Presidential Decree No. 7 of 2020 concerning the Task Force for the Acceleration of Handling Corona Virus Disease 2019 (Covid-19), the government has also formulated policies related to funding sources, namely the reallocation of the State Budget/ Local Government Budget. This policy is carried out to meet needs with a high level of urgency. Specifically, this paper is intended to describe the dynamic governance capabilities of local governments in making regional budget policies during the pandemic or after the Covid-19 outbreak, so that in the future in the next fiscal year agile bureaucracy will be built in the regions and describes the fundamental problems that occur in the budget formulation process and offers guidance related to how to solve problems in the budget preparation cycle for the fiscal year 2021. The focus of the study is on the process of making budgeting policies in the regions, not on fiscal policies. This paper also contributes to our knowledge of policy formulation regional budget and the practices of local governments.

## LITERATURE REVIEW

Many studies on the formulation of budgeting policies in the context of regional autonomy have been carried out. The construction that is being built is the delegation of authority which forms a "national command" model and a perpendicular relationship between the Central Government and the Local Governments, including issues of budget reallocation and refocusing of program and activities in the regions. The government is required to be more transparent (Muis, 2020) in overcoming all the impacts caused. The bureaucrats are also required to be responsive and more agile (Rulinawati, 2020). It is important to do a special study during a disaster period, so that important lessons can be learned for the post-disaster period (Na Tang, 2019).

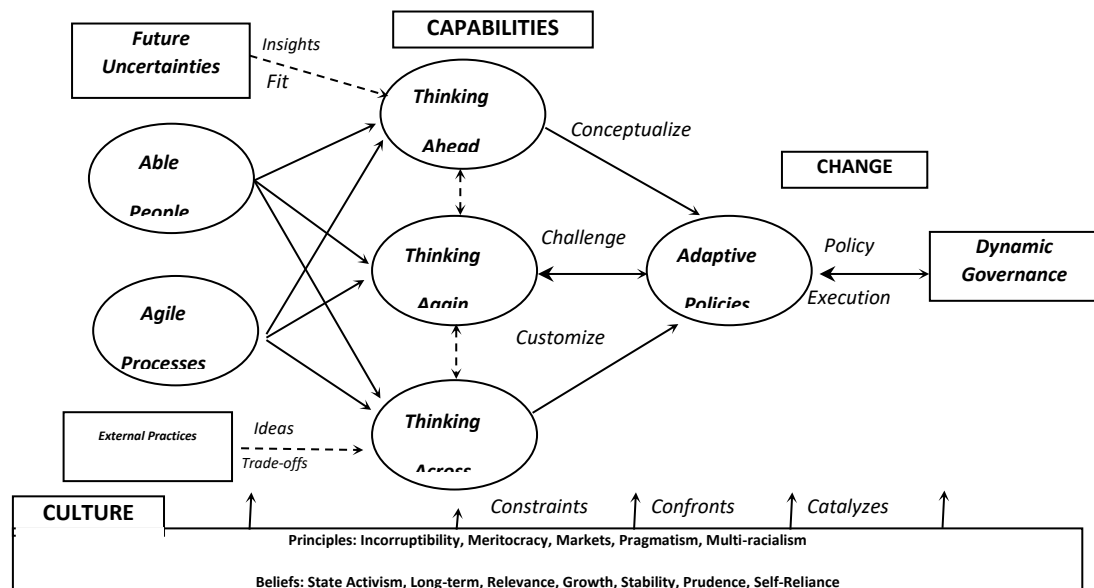
In a short time, the government has mobilized additional budgetary resources and then used its existing powers to resolve the crisis through various policies. The COVID-19 pandemic requires sufficient public funding to ensure a comprehensive response (Barroy, 2020). Dynamic capability is a policy strategy, creative thinking, creating changes that make organizational development realizable and can increase internal capabilities in responding to external factors (Akwei, 2006). In responding to COVID-19, countries put adaptive governance into action within an astonishingly short time span (Marijn Janssen, 2020). The government's response through various policies, especially in the financial sector, has been carried out at every level of government, from the central government to regional governments. A coordinated response is extremely important (R. Djalante, 2020), to synergize central and regional finances. In addition, it is necessary to pay attention to how the government builds information transparency regarding regional budgeting (Putra, 2020). Fiscal decentralization is important to do to improve

the quality of services in the regions, because local governments have a better understanding of the preferences and needs of people in the regions compared to the central government (Oates, 1999).

The bureaucracy in local government must make efforts to survive this pandemic. The weberian character (Serpa, S., & Ferreira, 2010) that shapes the character of the bureaucracy in Indonesia has made the bureaucracy lose its flexibility. Even though when there is a change in society, the bureaucracy should be able to adapt to respond to these changes (Purwanto, 2019). One form of the public sector reform movement is the emergence of the New Public Management concept. This concept affects the process of changing public sector organizations in a comprehensive manner (Indahsari, 2020). Agile organizational models provide the advantage to react while increasing the speed and quality of the most important decisions (Birkinshaw, 2015). Complementing the arguments that efficiencies are achieved through decentralization, by carrying out policy innovation (Sungho Park, 2020) and designing an agile policy. Policy design helps to ensure that the planned actions represent a realistic and viable means of achieving the policy goals (Hallsworth, 2011). In the face of changes in regulatory landscapes in many fields, scholars have urged modification of the structure as well as the content of regulatory programs to accommodate change (Markell, 2016).

Especially for matters of regional budgeting policy formulation in dealing with Covid-19 in a governance approach, it requires dynamic governance as an adaptive form in running the government system. In the traditional planning model, decision makers rely more on historical data in planning, without considering various environmental changes that will have an impact on the organization (Sholiha, 2021). The aim is to help see the government system and problems in budget policy making in a more holistic manner. Dynamic governance will continue to be adaptive by applying dynamic capabilities as seen in Figure 1 which includes the ability to thinking ahead, thinking again and thinking across (Neo, 2007) to realize able people and agile processes in making regional budget policies. Secara khusus tulisan ini akan mendeskripsikan tentang proses penyusunan penggaran di daerah di masa pandemic berbasis dynamic governance.

**Figure 1. Framework for Dynamic Governance System**



Source: Neo and Chen (2007)

Dinamyc governance is paradigma of thought by taking the case in Singapore, which is then tested by academics in various countries with different characteristics, which then results in different conclusions as a good practice (Glicksman, 2016; Kasim, 2016). The condition of the Covid-19 pandemic must force adaptation in various conditions. The existing adaptations certainly do not only talk about how to implement, but also in terms of planning.

Based on the study of Pettus et al, (2007), there are three aspects that can encourage dynamic capabilities, namely: 1) managerial capabilities, 2) organizational learning, and 3) strategic flexibility. The study in this paper is limited to dynamic governance capabilities, in order to obtain a deeper analysis and explanation of the ability to think ahead, think again and think across in the formulation of regional budget policies. With the implementation of the 2020 budget greatly deviating from the projected path amid high uncertainty (Curristine, 2020), the government is paying special attention to the budgeting mechanism by formulating a performance-based budgeting policy. Performance-based budgeting is budget allocation based on programmed results that contribute to the achievement of organizational goals. Efforts to implement performance-based budgeting are able to reduce the uneconomic use of regional expenditures, the targets set have been running effectively (Dewi, 2019).

**Figure 2: Three forms of Performance Based Budgeting**



Source: Curristine (2020)

In Figure 2, there are three forms of Performance Based Budgeting. The first form is Performance Based Budgeting Presentation where performance information is included with budget documentation. However, there is no relationship between the performance information provided and decisions regarding budget funding. On the other hand, performance information provides the background and context to increase accountability in the delivery of use to the legislature and the public. The second form is Performance Based Budgeting ensuring that in the budgeting policy process, the government takes into account the results to be achieved in each financing process. The third form is Direct/ Formula Performance Budgeting, where each resource is directly related to the results achieved.

The aim research is intended to describe the dynamic governance capabilities of local governments in making regional budget policies during the pandemic or after the Covid-19 outbreak has novelty value. So far, studies on the formulation of budgeting policies have only been limited to discussing the government's performance in implementing budgeting policies. In this context, the author describes the dynamic governance capabilities of local governments in making regional budget policies.

## RESEARCH METHODS

The research, which was conducted to describe the dynamics governance capabilities in the preparation of this regional budget, seeks to solve policy and organizational problems in order to create accountable regional financial policies by agile bureaucracy, was conducted using a qualitative descriptive method that was specifically carried out which was carried out in several steps. First, conducting a literature review on the concept of dynamic capabilities which creates the principles that local governments must apply and possess. Second, conducting secondary data studies by searching for information through websites, press articles, blogs, and relevant sources to identify regional capabilities in formulating budget policies in the covid-19 period and to face the fiscal year 2021. In simple terms, this is library research. This study chooses to focus on regional financial policies, because the regions have a complex financial policy-making foundation, in addition to policies by the central government which will have implications for the DAU and DBH that the regions will receive, as well as policies made by the regions themselves by taking into account regional fiscal capacity.



Data collection in this study was carried out by conducting a textual study of the articles in various policies. Data collection in this study was carried out by conducting a textual study of articles in various policies, reading and classifying regional expenditure data from the website of the Ministry of Finance, Central Bureau of Statistics of Indonesia, articles and manuscripts presented in various seminars and various other sources. Then the data is grouped, validated by the research team to be analyzed with the concept of dynamic governance capabilities of local government in the process of preparing budgeting policies to deal with Covid-19.

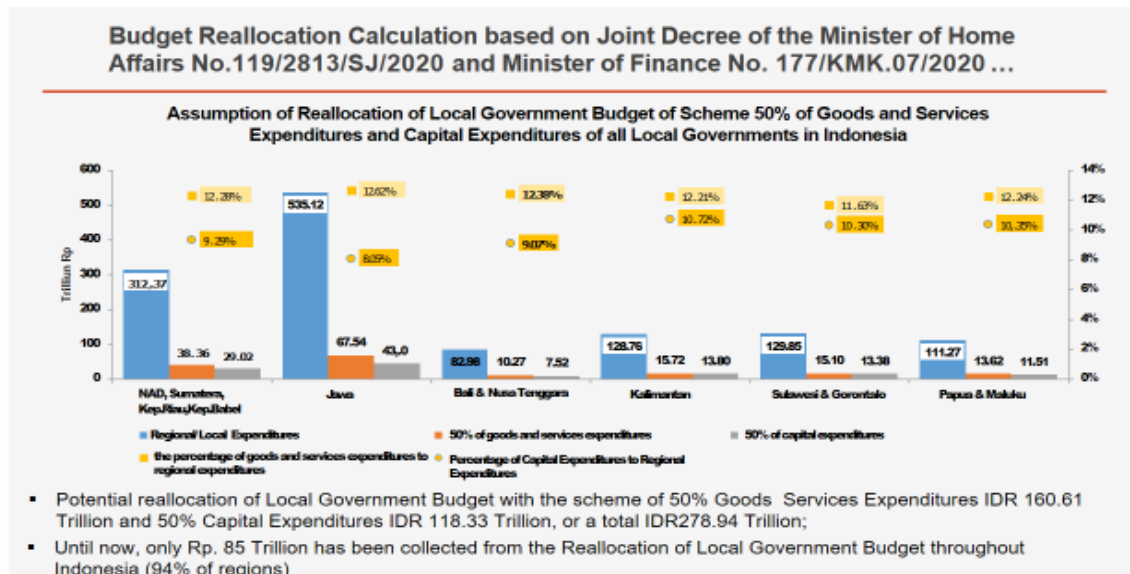
## **RESULTS AND DISCUSSIONS**

### **Preparation of Regional Revenue and Expenditure Budget Policies in the Pandemic Era**

In fact there is no fundamental difference in the formulation of regional budgeting policies during the Covid-19 pandemic with the period before the pandemic. The difference is only in the refocusing process on budget policies that must be carried out by the government. The budget refocusing process carried out by the central government was first implemented through the stipulation of Presidential Instruction Number 4 of 2020 concerning Refocusing Activities, Budget Reallocation, and Procurement of Goods/ Services in the context of Accelerating Handling of Covid-19. Then to strengthen this budget refocusing action, the central government issued a Government Regulation in lieu of Law Number 1 of 2020 which was later ratified as Law Number 2 of 2020. One of which is regulated in this regulation is the adjustment of mandatory spending, shifting, and refocusing the budget both central government and local government. To speed up the process of overcoming the Covid-19 outbreak, the Government has allocated a budget of Rp. 405.1 trillion or 5.07% of GDP (Hasibuan, 2020). This budget consists of Rp. 150 T for economic recovery, Rp. 110 T for a social safety net, Rp. 75 T for health, and Rp. 70.1 T for industrial support.

The central government also instructs local governments to refocus and reallocate regional budgets. This instruction is set forth in the Joint Decree of Ministry of Home Affairs No. 119/2813 / SJ and the Ministry of Finance No. 177 / KMK.07 / 2020 concerning Acceleration of Adjustment of Local Government Budget on Fiscal Year 2020 in the context of Handling Covid-19, Safeguarding Public Purchasing Power, and the National Economy. The central government explicitly ordered regions to relocate a budget of 50 percent of goods/ services and capital expenditures to be used for handling Covid-19. The calculation of regional budget reallocation is carried out based on the Joint Decree which can be seen in Figure 1.

**Figure 3. Assumption of Local Government Budget Reallocation of 50% Scheme of Goods/ Services Expenditures and Capital Expenditures of All Local Governments in Indonesia**



Source: Misbah Hasan (2020)

From Figure 3, the potential reallocation of the local government budget with the 50 percent scheme is for goods and services expenditures of Rp. 160.61 Trillion and for capital expenditure of Rp. 118.33 Trillion or the total amount is Rp. 278.94 Trillion. The policy is to shift the budget ceiling between organizational units, between functions, and/or between programs in the context of handling the covid-19 pandemic and/or facing threats that endanger the national economy and/or financial system stability.

Facing a pandemic caused by a very new virus, which is not known how it behaves and its effects on humans. It is a very difficult situation, which must involve decision-making abilities, especially the making of regional financial policies. Control diseases stabilize the economy, and create tranquility in the community must hunt with time and situation. In such a particularly difficult context, it is imperative to avoid regulatory hurdles that could result in the loss of valuable time coping with the situation. Local governments that have the ability to formulate budget policies in the context of dynamic governance capabilities are needed to be a major concern in the discourse of building agile bureaucracy (Anwar, 2011). It is the responsibility of local governments to maintain economic stability in the midst of health threats that strike citizens from vulnerability and to reduce the impact of other pandemics. Everything really depends on the allocation of the budget ceiling owned by the regional apparatus organization.

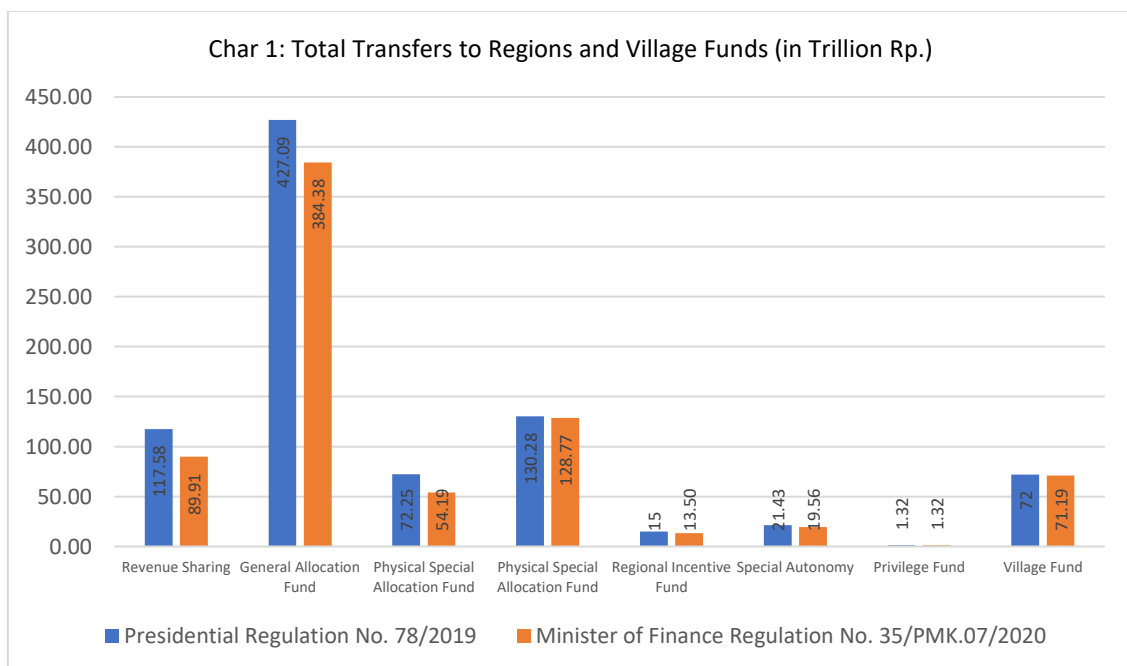
This instruction to regions needs to be carried out in pandemic conditions, even though regional governments have the autonomy to manage their own finances. In Law Number 23 of 2014 concerning Regional Government, it is stated that the Regional Head is the holder of regional financial management power and represents the regional government in ownership of

separated regional assets (article 284). In carrying out the duties, the regional head has the authority to take certain actions in urgent situations which are urgently needed by the regions and/ or the community (article 65 paragraph 2 letter d). Then in Law Number 1 of 2004 concerning the State Treasury it has also been stated that the regional head determines the local government budget management policy (article 5 letter a).

Initially, the central government's instructions for local governments to refocus and reallocate the budget through the 50 percent scheme encountered a few obstacles. This is evidenced by the reallocation of the APBD throughout Indonesia until June 17, 2020, it was recorded that only Rp. 85 Trillion (Misbah Hasan, 2020). Many factors can cause this condition to occur. However, it cannot be denied that one of the factors is the confusion experienced by the regions. The local government certainly experienced confusion in carrying out these instructions. This is because local governments have also experienced a very significant decrease in regional revenues. Nationally, regional income has decreased by 15.94%, including a decrease in Local Own-Source Revenue which is quite deep, namely 28.87%. This decline in Local Own-Source Revenue especially occurred in areas on the island of Java-Bali with a high pandemic rate (Directorate of Financial Balance, 2020 in Rozi, 2020).

Apart from the decrease in Local Own-Source Revenue, the decrease in regional revenue also occurred in the source of income from the central government transfer funds. The decrease in transfer funds to the regions can be seen in Figure 2.

**Figure 4. Total Transfers to Regions and Village Funds**



Source: Data processed from the Ministry of Finance website, 2020

Based on chart 4, in nominal terms the decrease in transfer funds occurred in the General Allocation Fund transfer of Rp. 42, 71 Trillion, Revenue Sharing Fund of Rp. 27.76 Trillion, and Physical Special Allocation Fund of Rp. 18.06 Trillion. However, if seen from the percentage, the largest decrease occurred in transfers of Physical Special Allocation Fund by -33%, Revenue Sharing Fund -31% and General Allocation Fund -11%. In a performance-based budget scenario, the strategy taken by the government related to the implementation of budgeting policies is to make program adjustments, by making improvements to assumptions that are adjusted to the covid-19 period, and by maintaining programs that are relevant to the assumptions during covid-19. Regional governments reformulate development strategies and regional spending strategies in regional expenditure plan documents, Local Government Budget documents, and Budget Implementation Documents.

The fact shows that not all regions have reported their budget reallocation to the central government because the regions have concerns that it will interfere with regional fiscal policy (Yusuf, 2020). As a result of all this, the Minister of Finance issued Decree of the Minister of Finance No.10 / KM.07 / 2020 concerning the postponement of General Allocation Fund and / or Revenue Sharing Fund consequently and sanctions for regions that do not comply with central government regulations. The effect of fiscal transfers to these regions (Darmi, 2017) has consequences for the region's ability to spend in the following fiscal year. The sanction for postponing the General Allocation Fund should be a shock therapy for the region. Local governments should ensure that they have the commitment and capacity to handle Covid-19.

The efforts of the budget refocusing, and reallocation carried out by the central and regional governments can be said to be steps in realizing dynamic governance. A dynamic government is a government that is able to create adaptive policies that can overcome problems caused by social changes that occur in the midst of society. Dynamic governance is the output obtained from the government's capabilities in Thinking Ahead, thinking across, and thinking again. The government's decision to refocus and reallocate the budget cannot be separated from the ability to think ahead or Thinking Ahead and also the rapid learning process carried out in other countries in dealing with Covid-19. One of them is South Korea. South Korea's experience with agile adaptive approach learning can be an important lesson to create and realize a fast and accurate decision-making process.

In fact, the government must do thinking across, so that the sanction for postponing the General Allocation Fund does not shift to become a burden on the community, namely by reducing capital expenditure. If this happens, it will certainly bring an element of harm to the wider public. When the General Allocation Fund is postponed, the local government should take a policy to shift personnel expenditure, so that reallocation and refocusing strategies can help the process of dealing with covid-19. Synchronization of regulations until an integrated database between the Central Government and Local Governments must be carried out to ensure that program refocusing will have an effective impact on prioritized use of budgets for health management, economic impact, and provision of social safety net.



If we look at the Regulation of the Minister of Home Affairs Number 20 of 2020 concerning the acceleration of the handling of Corona Virus Disease 2019 in the Regional Government Environment, it is necessary to take fast, precise, integrated focus and synergy among Local Government Work Unit. This is done by prioritizing the use of budget allocations (refocusing) and changing budget allocations. Budget refocusing can be done by optimizing the use of unexpected expenditures for the 2020 fiscal year. The characteristic of this budget allocation is that it must be reactive and limited.

When local governments refocus and reallocate budgets for handling covid-19, actually local governments will also make changes to their regional revenue targets. This can happen because the covid outbreak can also affect regional income. From the perspective of formulating a budget structure, budgeting documents must be made very firm and clear. Deductions and reallocations for each planned activity, it is important to make a clear description, so that each expenditure can be tracked. Improve policies so that each situation can be justified and modified according to the needs of the pandemic handling situation. For example, like France allocates through the creation of a special budget program dedicated to the response (i.e. "emergency plan for health crises") (Barroy, 2020).

To carry out the process of budgeting and implementing program and activities during the pandemic, local governments can do several things. First; in order to make expenditures for which the budget allocation is not yet available, it can be suggested later during the Local Government Budget amendment draft preparation process. Second, rescheduling related to program achievements and other activities as well as current year's financing expenses. Third, take advantage of the available cash. This policy provides space for regions to do thinking across. Learning from the many cases that have occurred in various countries, the ability to do thinking across must be done agile and responsive, which demands able people, then the resulting policies must be adaptive to the conditions. This is because a pandemic condition is an abnormal condition, so that budgeting policy planning activities also no longer have to move on a normal line but must become a new normal in order to be adaptive.

### **Dynamic Governance Capabilities in Regional Budget Policy**

The process of budget refocusing, and reallocation carried out by local governments can be said to be a step towards realizing dynamic governance. In order to realize dynamic governance, there are three capabilities that must be possessed by public officials, namely Thinking Ahead, Thinking Across and Thinking Again. Thinking Ahead's ability will bring government officials to think far ahead. This capability will encourage the government to constantly review current policies and strategies, update targets and achievements, and formulate new steps to prepare for the future.

The government certainly realizes that actions in dealing with the Covid-19 pandemic outbreak can be overcome if financial resources can be met. Therefore, the government has conducted a study of what budget allocations must be met in dealing with Covid-19. At least there are three matters that must be provided and met with budget allocations, namely for health management, provision of social safety nets, and handling of economic impacts. The amount of local government budget allocations for these three functions can be seen in table 1 regarding the budget allocation for handling covid-19 in the Local Government Budget of province and regency/ municipality for the 2020 fiscal year.

**Table 2: Expenditure Realization of Provincial Government Throughout Indonesia by Type of Expenditure (Billion Rupiahs), 2017 – 2020**

No	Type of Expenditure	2017	2018	2019	2020*
<b>A</b>	<b>INDIRECT EXPENDITURE</b>	<b>186,536</b>	<b>198,763</b>	<b>214,232</b>	<b>236,156</b>
1	Personnal Expenditure	72,477	80,187	81,825	90,774
2	Interest Expenditure	69	77	131	222
3	Subsidy Expenditure	1,489	2,875	2,943	5,751
4	Grant Expenditure	46,838	51,941	50,757	58,522
5	Social Assistance Expenditure	4,130	4,964	5,273	7,079
6	Sharing Fund Expenditure	40,014	40,947	50,939	58,522
7	Financial Assistance Expenditure	21,324	17,650	22,253	23,536
8	Unpredicted Expenditure	195	120	111	3,789
<b>B</b>	<b>DIRECT EXPENDITURE</b>	<b>120,503</b>	<b>127,667</b>	<b>140,592</b>	<b>161,746</b>
1	Personnel Expenditure	8,365	5,845	9,340	10,829
2	Goods and Services Expenditure	64,809	70,299	80,685	88,217
3	Capital Expenditure	47,329	51,522	50,566	62,699
<b>TOTAL</b>		<b>307,039</b>	<b>326,430</b>	<b>354,824</b>	<b>397,902</b>

\* Budget Data

*Source:* Financial Statistics of Province Government 2017-2020, BPS-Statistics Indonesia, 2020

Based on table 2, dominant component of expenditure was goods and services expenditure in the 2020 fiscal year is 2020 it budgeted to 88.22 trillion rupiahs or increased by 9.34 percent. If it is analyzed from the total percentage of the budget allocation for health management affairs, it is greater than for other affairs, it could be because local governments with Thinking Ahead capabilities estimate that health management is the main key to solving this pandemic problem. If health management can be done properly, in the future other problems will also be resolved.



The management of the Covid-19 disaster in the context of decentralization is a mixed concept between the collaborative-governance model and governance based on autonomy (Xueliana, 2016), deconcentration and assistance tasks. For the covid-19 response process, the Central Government issued Presidential Decree No.12 of 2020 which regulates the authority of the management institution (Task Force) as the result of the President's delegation. This delegation of authority takes place from the Chairperson of the Central Task Force, the Governor as Chair of the Provincial Task Force, the Regent as the Head of the Regency Task Force, and the Mayor as the Chair of the Municipality Task Force.

If examined further, this pattern has in fact formed a system of "national command" and a vertical relationship between the Central and the Regions. One of the impacts of implementing this system will also affect the process of budget reallocation and refocusing of programs and activities in the regions. This pattern requires strength in the aspect of leadership as well as space for local variations that give rise to the need for regional independence and freedom of action (discretion). If we look at Figure 5, in relation to local governments submitting reports on the results of APBD preparation, it will be seen that the number of districts that have submitted their reports is more than the city areas as of July 7, 2020. Out of a total of 540 local governments, 34 provinces have submitted reports, 413 districts and 93 cities have submitted reports. If analyzed from the aspect of leadership, government officials in the regencies are faster and more responsive in completing the APBD adjustment process than municipalities.

Regional budget policies will become increasingly complex in terms of formulation, implementation, and evaluation of their follow-up. Not only based on work performance on performance indicators, analysis of spending standards, and minimum service standards, but the changes must also pay attention to public health conditions due to the pandemic. RKA-SKPD contains income plans, expenditure plans for each program and activity, as well as financing plans for the planned year, detailing the details of the objects of income, expenditure, and financing as well as forward forecasts for the following year, must undergo adjustments. Agency budget and work plan of Local government work unit also contains information on regional government affairs, organization, cost standards, work performance to be achieved from programs and activities. Local governments must pay attention to the accuracy of cash inflows, including accuracy in estimating the disbursement of government funds, and controlling the occurrence of short-term cash shortage conditions caused by mismatches between cash inflows and cash outflows. There is a need for review and rethinking of the strategic plan, the level of services to be provided to communities. This is also a difficult thing for the regions, considering that in 2020, apart from the pandemic which forces local governments to "rack their brains" so that it can be resolved, most local governments will be also busy holding Regional Head Elections.

Another problem that must be faced by regional governments is the reduction in regional revenue allocations and expenditure allocations. This reduction in budget allocations will have an effect and disrupt the achievement of targets from the initial plans for programs and

activities. Reduced allocation of local government revenue and expenditure can be seen in table 2 regarding refocusing and reallocation in the Local Government Budget of province and Regency/ Municipality for the 2020 fiscal year.

**Table 3. Refocusing and Reallocation in the Local Government Budget of Province and Regency/ Municipality FY 2020**

<b>REFOCUSING AND REALLOCATION IN THE LOCAL GOVERNMENT BUDGET OF PROVINCE AND REGENCY/ MUNICIPALITY FY 2020</b>						
Update data: Juli 7th, 2020, 16.00 WIB.						
No	Local Government	Adjustment of Transfer to Regions and Village Fund	Adjustment of Local Own-Source Revenue	Rasionalization of Government Officials Expenditure	Rationalization of Expenditure of Goods and Services	Rationalization of Capital Expenditure
1.	<b>Province</b>	(16.098.582.338.382,70)	(54.669.011.856.569,90)	(8.723.104.665.593,71)	(31.839.552.373.439,30)	(35.655.664.658.684,00)
2.	<b>Regency</b>	(58.537.168.604.186,80)	(17.542.572.125.181,80)	(8.285.079.124.532,96)	(44.695.752.153.732,50)	(47.178.165.822.799,80)
3.	<b>Municipality</b>	(9.320.904.053.835,00)	(14.040.007.196.802,00)	(3.686.577.215.059,85)	(14.654.365.199.307,80)	(15.356.307.373.456,80)
	<b>Total</b>	(83.956.654.996.404,50)	(86.251.591.178.553,80)	(20.694.761.005.186,50)	(91.209.669.726.479,50)	(98.190.137.854.940,60)

REGIONAL INCOME  
Reduced  
170.21 T

REGIONAL EXPENDITURE  
Reduced  
210.09 T

Data Source: Processed from 540 (34 Prov, 413 Kab, 93 Cities) Local Government Letters regarding APBD Adjustments, Ministry of Home Affairs, 2020 (moving data)

Source: Latif (2020)

Based on table 3, regional revenue has decreased to Rp. 170,217 trillion as of July 7th, 2020. Meanwhile, regional expenditure allocation has decreased to Rp. 210.09 Trillion. This condition will certainly make it difficult for local governments to achieve the initial targets set in implementing program and activities. In response to the COVID-19 pandemic, the government adjusted create flexibility, speed, and accuracy in using the budget. For example, by encouraging the acceleration of spending in the third quartile of 2020 with the aim of minimizing over-liquidity conditions. Another strategy is forecasting, where each level needs to ensure the accuracy of cash inflows, accuracy in estimating the disbursement of government funds, and control when short-term cash shortages occur due to mismatches between cash inflows and cash outflows. The government in each work unit compiles a one-year activity calendar which is detailed in monthly activities. This work calendar is expected to be able to overcome the uneven absorption of the budget in one fiscal year. The trend is that budget absorption accumulates in the final quarter. Each work unit is encouraged to detail its calendar of activities into a daily calendar, so that the work unit can be precise in disbursing when to spend in one fiscal year.

Therefore, the Local Government Work Unit must adjust the schedule and targets of the implementation of the program and activities that were set before the pandemic period





occurred. This must be done so that the predetermined program of activities can continue and budget absorption for activities outside of the pandemic response can be realized. Agile Bureaucracy is very much needed because in principle social change will continue to occur in the midst of society. Life, problems, and community needs will continue to develop and change from time to time. The government is required to have Dynamic Governance Capabilities in order to create an Agile Bureaucracy so that the policies issued can be innovative, adaptive and overcome existing problems.

Local governments that are able to create adaptive policies in the budgeting process during a pandemic have proven that they are trying to create Dynamic Governance Capabilities. The adjustments made are a form of dynamic government capability. In addition, the government must also be able to continue to carry out the program of activities that they have determined before the pandemic outbreak occurs. Although the target achievement and implementation process must be adjusted to the conditions and the remaining budget allocation. Adaptation of policies, dynamics, and the expertise of local governments in overcoming problems in the midst of a pandemic must all be carried out in the next period or fiscal year. This is done with the aim that local governments can continue to create Agile Bureaucracy after the Covid-19 pandemic.

## CONCLUSION

The strategy of refocusing and budget reallocation carried out by local governments in the covid-19 response process is a strategy that must be carried out with dynamic governance capabilities. This means that every program and activity that is compiled, reorganized, and which will be planned for the fiscal year 2021 are programs and activities that are structured with the processes of thinking ahead, thinking across, and thinking again. The government's decision to refocus and reallocate is done by making savings on expenditures that are not related to Covid-19, postponed capital expenditures, namely capital expenditures not related to Covid-19 which can be extended from single-year to multi-years, and by renegotiating project contracts with third parties. Then the government must think across, so that the budget refocusing process does not shift to become a burden on the community, such as delaying the appointment of CPNS and delaying the payment of performance allowances that are not related to Covid-19.

Dynamic Governance Capabilities in the formulation of regional budget policies during a pandemic and in preparation for the post-pandemic period to create agile bureaucracy that can generate adaptive policies. A dynamic local government with all its capabilities needs to be continuously put into practice, to deal with social changes that continue to occur where the needs and problems that exist in the community are also constantly evolving and changing. Regional capabilities are needed to create adaptive policies that are in line with changes that occur in society. However, local governments will certainly experience many problems amidst budget policy adjustments during the pandemic. These issues include the leadership factor of the regional head which can determine priorities for budget use. Regional head election activities that are still carried out during the pandemic and other program activities that must

also be carried out despite a reduction in the allocation of regional income and expenditure. This must be done so that budget absorption for program activities outside of the Covid-1 response can continue.

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