This policy note looks at the implementation of the Indonesia government’s fiscal response to COVID-19. The aspect assessed includes the transparency of reporting about public spending in response to COVID-19 and whether the government implemented their COVID-19 budget as it was announced.

FINDINGS

- **Information was available but details were not provided.** The government regularly released information on the handling of COVID-19 relief funds, but the data was disaggregated, fragmented, and incomplete due to the piecemeal way in which it was released. Information about the budget was inconsistent without adequate explanation.

- **The basis for determining programs to handle the pandemic was inadequate.** The government stated that it used results from surveys and evaluations of social protection programs conducted by other institutions as a reference for developing its support programs. However, nothing was published about the use of those surveys nor their results, especially those relating to how the government set the criteria and indicators when determining programmatic budgets for the Covid-19 Handling and National Economic Recovery (PC&PEN). In addition, the published budget allocations and program details fluctuated without providing adequate explanation.

- **The rate of loan withdrawal was not in line with budget expenditure.** In 2020, the government withdrew loans faster than it spent its allocated funds. The budget expenditure as of December 2020 was only 92.51%, which was accelerated by the PEN program expenditures.

- **Program commitments were not counterbalanced by budget credibility.** The PC&PEN budget disbursement only reached 83.4% of the budget ceiling of Rp 695.2 trillion. The low disbursement rate was mostly a result of the business incentive (46.5%) and health cluster (63.8%). The credibility of this budget is therefore questionable because there is no adequate explanation for the undisbursed funds.
The Covid-19 pandemic has significantly altered the social, economic, and financial conditions of Indonesia, and the impact will be felt for years to come. In response to these changing conditions, the Government of Indonesia has prepared a series of fiscal policies focusing on health and economic impact recovery. This memo was prepared based on the results of research on the credibility of the implementation of various government fiscal policies during 2020. The research was carried out by exploring how the fiscal policy is stated in the annual budget, how it is implemented and reported, and how the government explains the difference between planning and implementation.

BOX 1. FISCAL POLICIES IN INDONESIA

Announcement of Fiscal Policies in Indonesia

The government issued fiscal and non-fiscal policies known as the Economic Stimulus Package 1 (Rp 10.2 trillion) in February 2020 and the Economic Stimulus Package 2 (Rp 22.9 trillion) in March 2020, which were focused on the tourism industry and taxation of impacted industries. The government also issued Presidential Instruction No. 4/2020 instructing all ministries and agencies to reallocate goods and services to provide financial assistance by utilizing the additional expenditures. The government intervention became more comprehensive after April 2020. It issued Government Regulation in Lieu of Law No. 1/2020 (later ratified by the House of Representatives as Law No. 2/2020)\(^1\) to accelerate the budgeting process and to relax state fiscal restrictions. Through this law, the government was able to revise its budget through the Presidential Regulation without having to discuss it with the House of Representatives. During 2020, the government revised its budget twice, indicated by the issuance of Presidential Regulation No. 54/2020 in April 2020 and No. 72/2020 in June 2020. These regulations provided budget for the handling of the Covid-19 pandemic in the amount of Rp 677.2 trillion and Rp 695.2 trillion, respectively.

General Timeline of 2020 Fiscal Policies in Indonesia

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>25 February</td>
<td>Stimulus Package 1</td>
</tr>
<tr>
<td>20 March</td>
<td>Presidential Instruction No.4 of 2020</td>
</tr>
<tr>
<td>3 April</td>
<td>1st Revision of State Budget</td>
</tr>
<tr>
<td>18 May</td>
<td>Law No. 2 of 2020</td>
</tr>
<tr>
<td>13 March</td>
<td>Stimulus Package 2</td>
</tr>
<tr>
<td>31 March</td>
<td>Government Regulation In Lieu of Law No.1 of 2020</td>
</tr>
<tr>
<td>11 May</td>
<td>Announcement of PEN programs</td>
</tr>
<tr>
<td>25 June</td>
<td>2nd Revision of State Budget</td>
</tr>
</tbody>
</table>

\(^1\) Despite being issued in March, Government Regulation In Lieu of Law No. 1 of 2020 can only be implemented in May 2020 after its promulgation through Law No. 2 of 2020.
FINDING 1: INFORMATION IS AVAILABLE BUT DETAILS WERE NOT PROVIDED

During 2020, the government regularly informed the public of policies to minimize the impact of the Covid-19 pandemic. Government officials, including officials of the Ministry of Finance, regularly spoke before the media at both national and international events. Online and offline information channels were regularly updated containing public service announcements and government explanations of its Covid-19 policies.

The government-owned public information channels that provided the most information related to fiscal policy during the pandemic were controlled by the Ministry of Finance. Those channels comprised of social media, such as YouTube and Facebook, and a special portal was established to provide fiscal information during the pandemic. The Ministry of Finance and the Coordinating Ministry for Economic Affairs as the head of the Committee for Covid-19 Handling and National Economic Recovery Program (KPC-PEN) maintained information related to fiscal policies on Covid-19 in 2020. In early to mid-2020, the Ministry of Finance announced the PC&PEN’s budget performance before being taken over by KPC-PEN in the third quarter. Both parties have their own dedicated websites for Covid-19 and regularly announce the PC&PEN budget performance.

However, the budgetary information that was frequently released was disaggregated, fragmented, and incomplete due to the piecemeal way in which it was released. Budgetary information related to the handling of pandemic was not consolidated in one place and the public had to search each ministry’s website to find the necessary details.

Budgetary policies for the handling of Covid-19 and the PEN program were not accompanied by comprehensive official documents. Information regarding the PC&PEN budget in the APBN KiTa and the 1st Semester Report only presented data for certain programs, despite having narrative information, budget amounts, and input and output indicators. In addition, the 2020 revised APBN document in the form of Presidential Regulation No. 54 of 2020 and Presidential Regulation No. 72 of 2020 and their implementing regulations did not separate between general budgeting and PC&PEN, although press releases reveal information about the budget for the handling of the pandemic.

Along with incomplete information, there was also inconsistent data. When this memo was prepared in mid-May 2021, the status of the Ministry of Finance’s dedicated portal stated that the information was last updated on October 15, 2020. Some information was therefore no longer relevant. For example, information released by the Ministry of Finance in January 2021 puts the total cost of handling the impact of Covid-19 at Rp695.2 trillion, but the dedicated portal still lists it as Rp677.2 trillion.
FINDING 2: BASIS FOR DETERMINING PROGRAMS TO HANDLE THE PANDEMIC WAS INADEQUATE

The largest budget allocated to managing the pandemic was for a program known as Covid-19 Handling and National Economic Recovery Program (PC&PEN). Presidential Regulations No. 54/2020 and No. 72/2020 set forth the PC&PEN budget to the amount of Rp677.2 trillion and Rp695.2 trillion, respectively. The programs were announced at a meeting chaired by the Committee for Covid-19 Handling and PEN (KPC-PEN). The results of the discussion held at the meeting were then discussed at the ministry level meeting before being decided upon at a Limited Meeting with the President. These types of meetings can be held in short time frame, even one week if necessary.

FIGURE 1. COVID-19 HANDLING AND NATIONAL ECONOMIC RECOVERY PROGRAM (PC&PEN)

However, information about how these programs were selected was not published. Explanations about the process for determining the program criteria, budget, and indicators are not available. Based on the interview results, KPC-PEN discussed the proposed programs by taking into account community inputs collected by the meeting participants and based on the results of surveys and studies conducted by several institutions such as The World Bank, Tim Nasional Percepatan Penanggulangan Kemiskinan (The National Team for the Acceleration of Poverty Reduction/TNP2K), and others. However, no documentation could verify this claim, as the discussions were held in closed meetings.

There is also inconsistencies in the value and number of programs, without adequate explanation from the government. For example, in an infographic released by the Ministry of Finance in July 2020, the budget ceiling for

---

2 Indonesia high Monitoring frequency of Covid 19, Impacts round 3 and 4, The world Bank
3 Results of Survey on Pre-Employment Card Evaluation of pre-employment card PMO, Survey on Electricity Bill Relief Stimulus Program of TNP2K
4 Other studies include “Monitoring of the Family Hope Program (Pemantauan Program Keluarga Harapan/PKH), Nine Basic Necessities Card (Kartu Sembako) and Cash Social Assistance (Bantuan Sosial Tunai/BST)” by the Secretariat of Team for the Controlling of Non-Cash Assistance and “National Survey on Public Perception of Internet Quota Assistance (Survei Nasional Persepsi Publik Bantuan Kuota Internet)” by Arus Survei Indonesia.
the Health Cluster was set at Rp87.55 trillion, but a later infographic published in January 2021 indicates that the budget ceiling was Rp99.5 trillion, after it was previously reported that the ceiling was decreased to Rp72.73 Trillion in August 2020. There is no explanation provided for the increase. In another example, the Regional Government and Sectoral cluster prior to the Revised Presidential Regulation No. 54 of 2020 indicated a total of 7 programs, which then increased to 16 programs in January 2021. There was also no explanation given for the discrepancy.

The PC&PEN includes a Regional Government and Sectoral Cluster with 16 programs. The cluster has the most programs compared to other clusters and quite a significant budget of about Rp66.59 trillion (9.8% of the total budget ceiling for PC&PEN). According to the Ministry of Finance, this cluster is aimed at supporting the Regional Governments and Ministries/Agencies in the economic recovery process.

**FIGURE 2. PROGRAMS IN THE REGIONAL GOVERNMENT AND SECTORAL CLUSTER (BUDGET CEILING: RP 67.86 TRILLION)**

This cluster seemed to be a 'dumping ground' or 'miscellaneous' category for programs in this cluster that do not have detailed objectives and indicators. Without providing program objectives and beneficiaries, these programs can be more flexible in terms of their budget disbursement; however, that also negatively affects their accountability. There is also minimal information regarding the rationale and relevance of the programs in this cluster. Consequently, it is prone to corruption and inefficiency. The criteria for including the programs in this cluster must be examined and will be discussed elsewhere in this memo.

The grouping of the pandemic handling in the PC&PEN meant the government neglected to measure in detail the actual impact of Covid-19 on fiscal policy. In addition to the health and economic issues provided in the PC&PEN, the

---

5 Material for Presentation of “PERFORMANCE OF THE 2020 PEN AND IMPLEMENTATION OF THE 2021 STATE BUDGET POLICY (PELABUKSANAN PEN 2020 DAN IMPLEMENTASI KEBIJAKAN APBN 2021)” on 28 January 2021 uploaded to the Ministry of Finance’s website
pandemic has also impacted other sectors – including education, social, political, transportation, and legal sectors – the resolution of which requires a separate fiscal policy.

When searching for news in the press and on websites of ministries/agencies, the researcher found examples of problems in other sectors, which, if intervened in, would have an impact on the budget. For example, additional audits for the PEN program, changes in the government work system from working in the office to working from home, savings from budget reallocation and refocusing, handling of the pandemic in prisons, etc. With respect to the political sector, the Ministry of Finance also announced a budget increase for the simultaneous regional elections held during this pandemic from Rp 15.23 trillion to Rp 20.46 trillion. This increase should also be considered part of the impact of the Covid-19 pandemic.

Grouping the impact of the pandemic in only two sectors, namely the health and economy sectors, also meant the government neglected to allocate budget to deal with the effects of the pandemic on other sectors. For example, the National Commission on Violence Against Women (Komnas Perempuan) noted an increase in violence against women and children during the pandemic. In addition, due to the criteria for social assistance being too rigid, some members of society such as transgender people cannot receive assistance. It is unknown how the government responded to these examples, which are not related to the health and economic sectors but have fiscal consequences.

**FINDING 3: RATE OF LOAN WITHDRAWAL WAS NOT IN LINE WITH BUDGET EXPENDITURE**

During 2020, the government withdrew loans faster than its ability to spend the state budget. When Presidential Regulation No. 72/2020 was announced in July, the government planned to withdraw a new loan of Rp1,220.46 trillion (from Rp351.8 trillion in the 2020 State Budget) and increase its expenditures to Rp2,739.2 trillion (from Rp1,683.48 trillion in the 2020 State Budget). By the end of 2020, the government had withdrawn loans in excess of its actual expenditures. Withdrawal of new loans exceeded the target (100.5% of the target) while the disbursement of its budget was only 92.51%. This is detrimental to the tax-payer, because they have to pay the interest on the new loans that have not been disbursed.

As of December 2020, almost all expenditure categories exceeded their targets, except for the Miscellaneous Expenditure category which only disbursed at 26.4% or Rp119.24 trillion. The number of Miscellaneous Expenditures targeted in Presidential Regulation No. 72 of 2020 was Rp450.57 trillion or 22.8% of the total Central Government Expenditures, an increase of 3.5 times compared to the 2020 State Budget and the highest compared to other
categories. This increase was as a result of the inclusion of new PC&PEN programs that did not have an account at the time.

**BOX 2. EXPENDITURE BUDGET DISBURSEMENT AND LOAN WITHDRAWAL**

<table>
<thead>
<tr>
<th>Rate of Loan Withdrawal and Expenditure Disbursement</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="https://www.kemenkeu.go.id/media/15559/sp_49-burden-sharing-pembiayaan-penanganan-pandemi-covid-19-antara-pemerintah-dan-bank-sentral.pdf" alt="Graph" /></td>
</tr>
</tbody>
</table>

High loan withdrawal after the enactment of Presidential Regulation No. 72 of 2020 was estimated to be caused by Bank Indonesia’s purchase of government-owned long-term SBN in accordance with the Joint Decree on burden sharing mechanisms between the Ministry of Finance and Bank Indonesia for deficit financing purposes.⁶

Expenditure disbursement was accelerated in June 2020, which was encouraged by social expenditures in PEN programs.

High allocation for Miscellaneous Expenditures shows weak mitigation by the government in dealing with the impact of COVID-19. Separation of the PC&PEN program from Miscellaneous Expenditures makes it easier to track and display the achievements of the PC&PEN programs to the public. Unfortunately, not all PC&PEN programs fall into this category. Miscellaneous Expenditures were also not historically detailed in the government’s reporting and publication. In addition to these transparency concerns, the increase in this category will also affect the OBS assessment, which requires ‘miscellaneous expenditures’ to be 3% lower than total expenditures to achieve the best performance rate.

---

### TABLE 1. REALIZATION OF THE CENTRAL GOVERNMENT EXPENDITURES IN 2020 (IN TRILLIONS)

<table>
<thead>
<tr>
<th>Central Government Expenditures</th>
<th>Presidential Regulation 72/2020</th>
<th>Interim Realization</th>
<th>% Disbursement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditures of Ministries/Agencies</td>
<td>836.38</td>
<td>1.055.04</td>
<td>126%</td>
</tr>
<tr>
<td>Personal Expenses</td>
<td>256.62</td>
<td>244.64</td>
<td>95%</td>
</tr>
<tr>
<td>Purchase of Goods</td>
<td>271.69</td>
<td>416.50</td>
<td>153%</td>
</tr>
<tr>
<td>Capital Expenditures</td>
<td>137.38</td>
<td>188.84</td>
<td>137%</td>
</tr>
<tr>
<td>Social Assistance</td>
<td>170.69</td>
<td>205.06</td>
<td>120%</td>
</tr>
<tr>
<td>Expenditures of Non-Ministries/Agencies</td>
<td>1.160.99</td>
<td>629.53</td>
<td>54%</td>
</tr>
<tr>
<td>Payment for Loan Interest</td>
<td>338.80</td>
<td>314.08</td>
<td>93%</td>
</tr>
<tr>
<td>Subsidy</td>
<td>192.02</td>
<td>196.21</td>
<td>102%</td>
</tr>
<tr>
<td>Other Expenditures</td>
<td>450.57</td>
<td>119.24</td>
<td>26%</td>
</tr>
<tr>
<td>Transfer to Regional Governments</td>
<td>763.93</td>
<td>762.53</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL EXPENDITURES</td>
<td>2761.30</td>
<td>2447.10</td>
<td>89%</td>
</tr>
</tbody>
</table>

Source: APBN KiTa January 2021 edition, processed

### FINDING 4: PROGRAM COMMITMENTS HAVE NOT BEEN COUNTERBALANCED BY BUDGET CREDIBILITY

Budget credibility is one of the key indicators in the SDGs, especially in indicator 16.6.1. Budget credibility is the government’s ability to meet the planned revenue and expenditure targets. Sometimes the discrepancy between the budget results and planning is understandable, particularly in an emergency situation such as a pandemic. After the issuance of Law No. 2 of 2020, the government was more flexible in managing the budget to be more responsive in dealing with the impact of the pandemic.

The low disbursement of the state expenditures can be seen from the low disbursement of PC&PEN budget. Up to the end of 2020, the realization of the PC&PEN budget only reached 83.4% of the budget ceiling of Rp695.2 trillion. The low realization rate was mostly contributed by the business incentive cluster (46.5%) and health cluster (63.8%).
As much as Rp50.94 trillion (8.1% of the ceiling) that was not disbursed will be transferred to the 2021 expenditures. This included the budget on Health and Social Protection clusters (Rp 47.07 trillion), as well as the MSME Support and Business Incentives cluster (Rp 3.87 trillion). With respect to the Health cluster, the budget transferred to 2021 was related to the implementation of vaccinations, while in other clusters the budget transfer is related to business incentives. There is no adequate explanation for these transferred budgets.

Source: Processed from the releases by the Ministry of Finance and Committee of PC-PEN.

There was no sufficient explanation provided for why other program budgets were not disbursed, leaving questions about the credibility of the PC&PEN allocated budgets. During the course of research for this memo, the government explained that the slow disbursement was because many people failed to register themselves for government assistance. In addition, some target beneficiaries did not know they had received assistance, or if they did, they did not know how to collect the assistance. There are also members of the community and business actors who claimed they were not interested in the government assistance.

It is not easy to identify the performance of the PC&PEN budget disbursement without relying on the government announcements. The PC&PEN program budget were not shown separately from other expenditures. Some programs were included in the Miscellaneous Expenditures category as described previously, but there were also programs that were not included in that category. This raises question as to why activities in some programs were included in Miscellaneous Expenditures instead of in their appropriate category. We cannot find much explanation of which programs were included in Miscellaneous Expenditures and which were included in other categories (subsidies, social assistance, or grants).
RECOMMENDATIONS

- **It is necessary to provide accurate and comprehensive information through effective information channels.**
  The public needs to obtain detailed, clear, updated, and regular information regarding the progress of PC&PEN program implementation. The information should be provided by government-appointed institutions using information channels that are affordable and easily understood by the public at large.

- **Fiscal policy packages must be created using criteria and indicators based on the updated impact assessment.**
  Programs and activities as well as achievements must be determined based on clear criteria. The criteria and indicators must be established by referring to the results of surveys about the potential impact of the program and activities on the targeted/beneficiary/impacted communities. It is better if the government can engage those group of targeted/beneficiary/impacted communities.

- **The government needs to increase the credibility of budget disbursement.**
  Budget credibility refers to the government’s performance of implementing the budget in an optimum manner and on target. Achievement of government performance is not only in the form of quantitative information but should also be accompanied by a comprehensive and accurate explanatory note on the reasons for achieving program/activity targets or budget disbursement. These explanatory notes should always be added in every official government document in the form of an accountability report on program and budgetary implementation.