

Financial Policy Analysis of Infrastructure Development During the Covid-19 Pandemic in Palangka Raya City

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Abstract

The Covid-19 pandemic has a tremendous impact on the national economy and social conditions of society, thus affecting the government's financial policies. In order to break the chain of transmission and impact on the economy. local governments are relocating and refocusing regional expenditures, including reducing the budget for infrastructure development in the 2020 Fiscal Year APBD. The policy will have an impact on planning development priorities in order to increase the distribution of infrastructure development in Palangka Raya City. The reduction in spending due to the impact of COVID-19 has experienced a very significant reduction/decrease so that local governments must immediately re-inventory which developments are priorities are still being carried out and which are delayed or even stopped. This is done so that health rescue through the prevention and acceleration of disaster management due to COVID-19 can be carried out and regional development through infrastructure development can continues.

Keywords

Impact of covid-19 pandemic; relocation and refocusing of spending; infrastructure development



I. Introduction

Coronavirus disease (Covid-19), a virus became the latest phenomenon in the world that is scary and dangerous for human health and the stability of the world economy, so it was decided to be a pandemic by the World Health Organization (WHO). Indonesia is no exception, one of the countries in Southeast Asia that has also been affected by the spread of several hundred countries that have been infected with the deadly virus. The case began with the discovery of a mysterious pneumonia in December 2019. This case was discovered for the first time at Huanan animal market in Wuhan China, which was allegedly carried by bats or other animals. Coronavirus is actually already familiar in the world of animal health, but only a few types of viruses are capable of infecting humans to become a dangerous disease.

On March 11, 2020, the World Health Organization (WHO) has made a judgment that COVID-19 can be categorized as a pandemic. According to WHO, a pandemic is the scale of the spread of the disease that occurs globally around the world with an alarming degree of spread and severity.

Reported by worldometers.info, Covid-19 cases around the world as of Tuesday (30/06/2020) reached 10,421,615 cases. Of these, 508,421 people have died and 5,679,527 patients have recovered. There are 4,233,667 active cases or patients in care spread across different countries. For COVID-19 cases in Indonesia itself, in an official statement at the Media Center of the Task Force for the Acceleration of Handling COVID-19 on June 30, 2020 announced that the transmission of the virus in Indonesia is still occurring, with a positive number of 56,385 people, 24,806 people recovered and 2,876 died. Meanwhile, it occurred in 34 provinces and in 435 regencies/cities in Indonesia, and for virus

transmission in Palangka Raya City with positive cases, recovered and died as many as 354, 129 and 24 people.

The Indonesian government has made efforts to prevent and accelerate the the Covid-19 disaster management in Indonesia, namely through the Social Distancing or Physical Distancing policy. regarding Large-Scale Social Restrictions (PSBB) as stated in Minister of Health regulations number 9 of 2020 and the New Normal policy continues to date.

The COVID-19 pandemic in Indonesia not only has an impact on the health and social sectors, but also has resulted in a slowdown in national economic growth, a decrease in state revenues, and an increase in state spending and financing, so that in addition to efforts to save public health, government efforts are also needed to save the national economy so that the focus is on spending on health, social safety net), as well as economic recovery, including for the business world, including the affected communities. If it is not dealt with immediately, it is feared that it will cause potential economic, social and political losses in the short and long term.

The Covid-19 pandemic has had a tremendous impact on the national economy and the socio-economic conditions of the community. Therefore, the Government has issued a stimulus to protect society and the economy, through Government Regulation Number 1 of 2020 and Presidential Regulation Number 54 of 2020. Where in this regulation are joint efforts between the government. In this case the central government and local governments to suppress the increasingly widespread impact of Covid-19, namely by reallocating and refocusing the state budget and the 2020 Fiscal Year APBD for handling the pandemic and the impact of Covid-19.

Local Governments make adjustments to the 2020 Fiscal Year APBD in accordance with the guidelines set forth in the Joint Decree of the Minister of Home Affairs and Minister of Finance Number 119/2813/SJ and 117/KMK.07/2020 concerning the Acceleration of Adjustments to the 2020 APBD in the Context of Handling Covid-19, and Securing Public Purchasing Power and the National Economy. In the implementation of policies in the field of regional finance, the authority is given to make changes to the priority of using budget allocations for certain activities (refocusing), changes to allocations, and the use of Regional Revenue and Expenditure Budgets (APBD).

Expenditures for areas affected by COVID-19 to be relocated and refocused include capital expenditures on infrastructure development, where the availability of infrastructure is the most important to support activities in an area, especially if the city is the center of government activities as is the case with Palangka Raya City.

In order to realize the mission of palangkaraya city as a smart environment, the focus of the development of Palangka Raya City is on infrastructure development where the problems of road, bridge and drainage infrastructure have received many complaints from the public which are in line with the development goals of Palangka Raya City, namely "increasing the equitable distribution of infrastructure development" (Strategic Plan: Palangkaraya City 2019-2023).

Based on the background of the problems above, it is known that the impact of the COVID-19 Pandemic affects the financial policies of local governments in order to break the chain of transmission and impact on the economy, namely by relocating and refocusing regional expenditures including infrastructure capital expenditures in the Palangka Raya City Budget by refocusing on spending on health, social safety nets, as well as economic recovery. it has an impact on the planning of the Palangka Raya City Infrastructure Development in 2020, so this study was carried out to determine the extent to which the impact of COVID-19 affects the infrastructure development planning implemented by the Palangka Raya City Government.

II. Review of Literature

2.1 Covid-19 Pandemic

Regional autonomy is the authority that autonomous regions have in regulating and managing their communities based on community aspirations, in accordance with applicable regulations (Halim, 2008: 1).

To be able to implement regional autonomy, including the allocation of transfer funds or balance funds from the Central Government and regional original revenue receipts so that they can be poured into the Regional Revenue and Expenditure Budget (APBD) in regional governments. In the preparation of the APBD structure, local governments should first conduct a prognosis and analysis related to potential sources of regional income in a thorough, careful and rationally measured manner to determine how large the target amount of regional income, regional expenditure and financing is.

This is done to avoid not achieving or realizing the budget at the end of the year that is not in accordance with the targeted projections. Based on article 23 paragraph 4 of Government Regulation Number 12 of 2019, the Regional Revenue budgeted in the APBD is a rationally measurable Regional Revenue plan that can be achieved for each source of acceptance and is implemented based on the provisions of the laws and regulations.

The Financial Balance between the Central Government and Regional Governments in Law of the Republic of Indonesia Number 33 of 2004 states the principle of financial balance policy including financial balance between the central government and regional governments which are sub-systems of State Finance as a consequence of the division of duties or authorities and financial balance between the central government and local governments in order to fund the implementation of the principle of decentralization, deconcentration, and Auxiliary Duties.

In the face of the Covid-19 pandemic, the Government of Indonesia has adopted a comprehensive policy in the fiscal and monetary fields. In the fiscal sector, the Government carries out a policy of refocusing activities and reallocating budgets for regional governments by issuing a Joint Decree of the Minister of Home Affairs and the Minister of Finance concerning the Acceleration of Adjustment of the 2020 Regional Revenue and Expenditure Budgets in the Context of Handling Corona Virus Disease 2019 (Covid-19), as well as Security Public Purchasing Power and the National Economy, namely by asking all regional heads to:

1. Adjusting the regional income target by adjusting the details of the balance fund to be received from the central government, and adjusting regional original income by taking into account the potential for regional taxes and levies by taking into account the estimated macro assumptions including economic growth, growth in regional taxation ratios, and inflation rates that can affect tax revenues and regional levies as a result of declining economic activity.
2. Adjustment of regional expenditures by rationalizing employee expenditures, goods/services expenditures, and capital expenditures by reducing the budget for activities that can be delayed in implementation, including by reducing at least 50% of the capital expenditure budget in which there is a budget for infrastructure development.

The outbreak of this virus has an impact of a nation and Globally (Ningrum *et al*, 2020). The presence of Covid-19 as a pandemic certainly has an economic, social and psychological impact on society (Saleh and Mujahiddin, 2020). Covid 19 pandemic caused all efforts not to be as maximal as expected (Sihombing and Nasib, 2020).

2.2 Infrastructure Development

Infrastructure development can be used as a driving force for the development of an area. The existence of adequate infrastructure will contribute to the smooth production and distribution of goods and services that can increase the country's economic growth and increase economic equality in a region.

Infrastructure development on economic growth has a significant influence, where the increasing infrastructure development will increase economic growth in Indonesia (Mega Lustari; Suhadak, 2018) which among others will encourage the interest of foreign and domestic investors to invest in Indonesia.

Infrastructure development and macroeconomic development should have a reciprocal relationship, because infrastructure development causes economic expansion through a multiplier effect. While economic expansion raises the need to expand existing infrastructure, to absorb the increasing flow of goods and people circulating or circulating throughout the economy. However, if the infrastructure development of an area does not have an impact on increasing economic activity or not enough new infrastructure is developed, then in the government there will be problems similar to clogged arteries in the human body that cause life-threatening conditions because the blood cannot flow.

As the full force of the pandemic-induced economic crisis begins to take hold, Indonesia is likely to need more cash for stimulus measures. The move would reduce Indonesia's ability to pay for its own infrastructure projects. However, Indonesia should view infrastructure development as part of the recovery as it provides jobs, opens up new markets, and creates efficiencies.

2.3 Infrastructure Capital Expenditures

The infrastructure development of a region is stated in capital expenditures in the Regional Revenue and Expenditure Budget (APBD) which is included in the direct expenditure category where regional expenditure activities are budgeted and directly related to the implementation of regional government programs and activities. This type of expenditure is generally divided into personnel expenditure, goods and services expenditure, and capital expenditure.

Infrastructure Capital Expenditures are part of capital expenditures that are directly related to the acceleration of the construction of public and economic service facilities in order to increase employment opportunities, reduce poverty, and reduce the gap in public services between regions, including building and building expenditures, as well as irrigation and network spending.

III. Research Method

This type of research data is included in quantitative data with an observation period of 2019 to 2020 by comparing Infrastructure Capital Expenditures in the Palangka City APBD before the COVID-19 pandemic, namely in 2019 and after the 2020 pandemic, after adjustments or rationalization of capital expenditures for infrastructure due to relocation policy, budget refocusing in the 2020 Fiscal Year APBD.

Sources of data used in this study is secondary data in the form of data that supports the research variables. Data in this study is Capital Expenditure for Infrastructure Development in 2019-2020. Where the object of research is the City of Palangka Raya.

IV. Results and Discussion

In order to minimize and mitigate the impact of the COVID-19 pandemic, The Palangka Raya City Government must relocate and refocus the budget that has been prepared in the APBD by saving health and the national economy, which focuses on spending on health, social safety net, and economic recovery, including for businesses and affected communities.

Relocation and refocusing changes in Development Planning in the regional budget in the Palangka Raya City Government before and after the changes can be seen in the following table:

Table 1. Relocation and refocusing of the APBD

DESCRIPTION	AMOUNT (Rp)		INCREASE / (DECREASE)	
	2019	2020	(IDR)	%
Income	1.220.703.841.518,60	1.079.763.740.455,04	(140.940.101.064)	-11,55
Local Revenue (PAD)	173.011.638.738,69	171.140.305.228,36	(1.871.333.510)	-1,08
Equalization Fund	905.875.661.000,00	781.877.026.000,00	(123.998.635.000)	-13,69
Miscellaneous Legitimate Regional Revenues	141.816.541.779,91	126.746.409.226,68	(15.070.132.553)	-10,63
Expenditure	1.246.639.925.329,34	1.105.699.824.265,78	(140.940.101.064)	-11,31
Indirect Expenditure	633.033.186.610,14	694.919.081.360,16	61.885.894.750	9,78
Direct Expenditure	613.606.738.719,20	410.780.742.905,62	(202.825.995.814)	-33,05

Data source: APBD of the city of Palangka Raya

Based on the table above, it is known that the relocation and refocusing of the budget that must be carried out by the City of Palangka Raya by reducing its revenue and expenditure target is IDR 140,940,101,064 or 11.55% of revenue and 11.31% of total expenditure. Meanwhile, the biggest adjustment or decrease occurred in direct spending, which was IDR 202,825,995,814 or 33.05%, where the decrease was relocated to indirect spending of IDR 61,885,894,750.00.

Further explanations regarding the relocation and refocusing of direct and indirect spending budgets can be seen in the following table:

Table 2. Relocation and Refocusing

DESCRIPTION	AMOUNT (Rp)		INCREASE / (DECREASE)	
	2019	2020	(IDR)	%
Expenditure				
Indirect Expenditure	633.033.186.610,14	694.919.081.360,16	61.885.894.750,02	9,78%
Employee Expenditure	579.235.741.471,33	553.885.852.471,33	(25.349.889.000)	-4,38%
Flower Expenditure	1.520.000.000,00	1.520.000.000,00	-	0,00
Grant Expenditure	19.751.217.775,00	18.626.817.775,00	(1.124.400.000)	-5,69%
Social Aid Expenditure	13.255.000.000,00	21.755.000.000,00	8.500.000.000	64,13%
Financial Aid Expenditure	1.249.044.744,13	1.249.044.744,13	-	0,00%
Unexpected Expenditure	18.022.182.619,68	97.882.366.369,70	79.860.183.750	443,12%
Direct Expenditure	613.606.738.719,20	410.780.742.905,62	(202.825.995.814)	-33,05%

DESCRIPTION	AMOUNT (Rp)		INCREASE / (DECREASE)	
	2019	2020	(IDR)	%
Employee Expenditure Shop for Goods and Services	99.432.544.225,68	92.709.229.475,68	(6.723.314.750)	-6,76%
Capital Expenditures	257.156.057.786,92	187.859.916.450,34	(69.296.141.337)	-26,95%
	257.018.136.706,60	130.211.596.979,60	(126.806.539.727)	-49,34%

Data source: APBD of the city of Palangka Raya

Direct expenditures in the table above are divided into employee expenditures, goods/ services expenditures, and capital expenditures, where the most significant adjustment to the budget decrease occurred in capital expenditures of Rp126,806,539,727.00 or 49.34%, where the decrease was relocated to direct expenditures on unexpected expenditures of Rp79,860,183,750.00 which is used for handling the impact of COVID-19 in the field of health and other matters related to health, providing a *social safety net*, and handling economic impacts.

Infrastructure development planning is budgeted in the APBD on capital expenditures used for the construction of buildings, roads, irrigation and networks. Based on relocation and refocusing, namely a decrease in the capital expenditure budget used for development, especially infrastructure development, it is known that the decrease in capital expenditure is in the following table:

Table 3. Capital Expenditure Planning for the Development of Palangka Raya City

DESCRIPTION	AMOUNT (Rp)		INCREASE / (DECREASE)	
	2019	2020	(IDR)	%
Capital Expenditures	57.018.136.706,60	130.211.596.979,60	(126.806.539.727)	-49,34%
Infrastructure capital Expenditure	73.136.379.090,00	74.190.902.090,00	(98.945.477.000)	-57,15%
Buildings and buildings	18.269.640.000,00	7.720.662.000,00	(10.548.978.000)	-57,74%
Irrigation Roads and Networks	54.866.739.090,00	66.470.240.090,00	(88.396.499.000)	-57,08%
Non-Infrastructure capital Expenditures	83.881.757.616,60	56.020.694.889,60	(27.861.062.727)	-33,21%
Portion of infrastructure Expenditure against capital Expenditure	67,36%	56,98%		

Data source: APBD of the city of Palangka Raya processed data

The portion of infrastructure expenditure based on the table above before the change was 67.36% and there was a decrease due to the adjustment of expenditure to IDR 56.98% compared to the total capital expenditure in Palangkaraya City. Capital expenditure for infrastructure development amounted to Rp173,136,379,090.00 decreased by Rp98,945,477,000.00, including building and building infrastructure expenditure of Rp10,548,978,000.00 and Irrigation Roads and networks of Rp88,396,499,000.00.

Based on the explanation above, it is known that the COVID-19 pandemic has an impact on reducing the budget for the implementation of infrastructure development in the city of Palangka Raya which is very significant due to the policy of relocating and refocusing the budget, so that in planning infrastructure development must be re-inventoried which development is a priority must be carried out and which is postponed or

even stopped so that infrastructure development continues to run and handle handling covid 19 is also running in order to break the chain of transmission.

However, in the context of selecting these priority activities, it will result in potential delays in the completion of development projects where there are constraints in the mobilization process and the availability of manpower or materials or equipment, there is an increase in implementation costs due to the status of PSBB and physical distancing.

V. Conclusion

With the Corona virus (Covid-19) phenomenon which has an impact on the world and Indonesia is no exception, namely the slowdown in national economic growth, decrease in state revenues, and increase in state spending and financing, the government is required to make various efforts to save health and the national economy, including by relocating and refocusing the capital expenditure budget for infrastructure development at the Palangka Raya City Government.

Infrastructure capital expenditure after the COVID-19 pandemic has resulted in a very significant reduction in the budget for the implementation of infrastructure development in the city of Palangka Raya by 57.15%, which means that half of infrastructure development is diverted to save health and the national economy for health spending, providing social safety nets and handling economic impacts in the business world and society in general.

With the relocation and refocusing of the capital expenditure budget for infrastructure development The impact of the COVID-19 pandemic, infrastructure development planning in Palangka Raya City made several adjustments and anticipations, namely by choosing priority activities/projects that must be carried out, postponed or stopped because of fears of construction disputes carried out by the contractor/implementer.

In determining the priorities of infrastructure development during the COVID-19 pandemic, infrastructure development planning should refocusing, if previously, focused on encouraging development growth and acceleration. However, in the future, it will focus on infrastructure for economic recovery.

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