Pandemic Handling Stimulus in Safeguarding State Finances With The Mechanism of Checks and Balances System in Indonesia 2020

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Abstract

This paper focuses on two key issues, which are: First, how to build a mechanism of checks and balances system in managing state finance when pandemic so it will in line with the efforts to achieve transparency and accountability in state finance. Second, how to implement the function of the government internal control as part of the state finance management. The research method used in this paper is normative juridical methods. The approach used in this paper is the analytical and jurisprudential approach. The nature of the research conducted is descriptive analytical research. The checks and balances system mechanism in managing state finances, and in terms of supporting the economy, the government has issued PMK-23/2020 and PMK 28/2020 which regulates fiscal incentives in order to deal with the Covid-19 pandemic. The results of this study are expected by the Government to restructure its internal oversight authority, by placing the Financial and Development Supervisory Agency (BPKP) as the internal supervision apparatus of the Minister of Finance as the State General Treasurer. And the Government can anticipate with a variety of relevant policies.

Key words: COVID-19, public finance management, check and balances, internal control

Introduction

COVID-19 is a global health problem including Indonesia. This was initiated from the information of the World Health Organization (WHO) on 31 December 2019 there was a case of a cluster of pneumonia with a new etiology in Wuhan City, Hubei Province, China and later expanded beyond China. On 30 January 2020, COVID-19 was set to become the public health Emergency of International Concern (PHEIC). On 11 March 2020, COVID-19 was designated as a pandemic. Indonesia first reported 2 positive cases on March 2, 2020 and a positive case continued to increase (Kementrian Kesehatan RI, 2020a). Until April 25, 2020, Indonesia already reported 8,211 positive cases, 689 cases died, 1,002 cases recovered from 50,563 people examined with the results of the examination is 42,352 negative (Ministry of Health of the Republic of Indonesia, 2020).

The increased case of COVID-19 has affected the world economy including Indonesia. The COVID-19 pandemic that has been established by the UN, affects the transportation, tourism, trade, health and other sectors. The "lock down" policy is taken by various countries to prevent further spread of covid-19, so that economic activities are hindered and put pressure on the world’s economic growth in the future including Indonesia’s economic growth. The Government encourages the Ministry and institutions (K/L) as well as the local government (PEMDA) to accelerate
spending primarily on the first quarter 2020 schedule. This was done to reduce the pressure on Indonesia's economic growth due to the pandemic Covid–19, as well as a decline in commodity prices. The World Bank is projecting Indonesia's economic growth this year will be depressed at 2.1 percent. This is due to the continued widespread distribution of Covid–19 both domestically and abroad. Bank Indonesia (BI) has also revised the projected economic growth of the RI to under 5 percent or only about 2.5 percent. Pandemic Covid–19 will have a bad implication for the world's economy and Indonesia this year, as it occurs along with declining commodity prices and financial market volatility. The relationship between inflation and economic growth is one of the debatable issue and the most important macroeconomic discussions among macro economists, policy–makers and monetary authorities in all countries (Wollie, 2018). Inflation that occurred in this year in the projection will be increased to 3 percent, because of the tight supply of food and depreciation of currencies that are expected to be offset partly by the decline in the price of non–subsidized fuels, as well as additional subsidies for electricity and food. However, in the year 2021 inflation is believed to return to normal levels, which is 2.8 percent. Which is usually able to grow to 5.02 percent. Meanwhile, in terms of inflation, tourism and commodity export revenues, there is an estimated decline that resulted in the current transaction deficit reaching 2.9 percent of the gross domestic product (GDP) in 2020. According to A. Ademuyiwa (2019) when an economy is going through a persistent inflation, Gross Domestic Product (GDP) increases, this does not actually reflect the true growth in an economy. Hence, the rate of inflation must be subtracted from the GDP to get the real growth percentage, called the real GDP. The literature in constitutional economics has focused heavily on the design of effective rules to prevent the abuse of government power, and to facilitate government production that benefits the general population rather than concentrated special interests. It has focused less on the design of institutions that are able to effectively enforce those rules. This paper explains why checks and balances are essential as a constitutional enforcement mechanism.

Method

Information Collection

This method of collecting the research data uses the literature study method. The type of data collected is secondary data. Data extracted from online Media with data criteria are taken from official website Information of the Government of Indonesia, website official online news website, and processed data from relevant sources. The criteria of data that is not taken are personal website Information (blog), personal quotes of people (non–government), social media (Facebook, Instagram, Twitter, and other social media), and media chat. The range of information updates starts from February 2020 to May 2020. The Data collected comes from publications in Indonesia (online).

Information Processing

After obtaining an existing reference, the sorting of information that corresponds to the topic of discussion is the impact of the COVID–19 pandemic to the economy in Indonesia, and then the processing of information according to the topic of discussion.

Results & Discussion

Based on Manulife investment Management data, Indonesia is a country that has decreased interest rates, decreased major sectors such as tourism sector, aviation transportation, property, and social security as well as a GWM (mandatory Giro) decline (Manulife Investment Management, 2020).

Pandemic COVID–19 in Indonesia resulted in a potentially growing negative Indonesian economy of 0.4% which is the worst–case scenario. The optimal scenario is only 2.3%. Reviewed from the growth of household consumption,
growth scenarios were assessed to slow down, which was 3.2% in weight scenarios, and 1.6% in worst-case scenarios, and government consumption growth only grew 6.83% or worst case scenario of 3.73%. In areas that implement large-scale social restrictions (PSBB), it certainly has an impact on the economy. One of the areas that implement PSBB, namely Jakarta, is the calculation of the scenario so that the results gained that economic activity does not stop completely. About 75% stopped for 14 days in the worst scenario, thus having an implication of -2.78% against gross Regional domestic product (PDRB), and a decrease in household income of -2.77% (CNBC, 2020). In areas that implement large-scale social restrictions (PSBB), it certainly has an impact on the economy. One of the areas that implement PSBB, namely Jakarta, is the calculation of the scenario so that the results gained that economic activity does not stop completely. About 75% stopped for 14 days in the worst scenario, thus having an implication of -2.78% against gross Regional domestic product (PDRB), and a decrease in household income of -2.77% (CNBC, 2020). In areas that implement large-scale social restrictions (PSBB), it certainly has an impact on the economy. One of the areas that implement PSBB, namely Jakarta, is the calculation of the scenario so that the results gained that economic activity does not stop completely. About 75% stopped for 14 days in the worst scenario, thus having an implication of -2.78% against gross Regional domestic product (PDRB), and a decrease in household income of -2.77% (CNBC, 2020).

### Table 1. Economic Losses

<table>
<thead>
<tr>
<th>Variable</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workers</td>
<td>1.5 million workers experience a break</td>
</tr>
<tr>
<td>Purchasing Managers Index (PMI)</td>
<td>Below level 50</td>
</tr>
<tr>
<td>Flight</td>
<td>≥ 12,703 flights at 15 airports cancelled</td>
</tr>
<tr>
<td>Air Service</td>
<td>Loss of revenue amounted to Rp 207 billion</td>
</tr>
<tr>
<td>Tourist</td>
<td>Dropped drastically by 6,800 per day</td>
</tr>
<tr>
<td>Hotel and Restaurant</td>
<td>Occurrence of decreased occupancy rate around 6,000 hotels in Indonesia reached 50%</td>
</tr>
<tr>
<td>Import</td>
<td>Down 3.7% year to date (YTD)</td>
</tr>
<tr>
<td>Inflation</td>
<td>Inflation of 2.96% year on year (yoy)</td>
</tr>
</tbody>
</table>

From Kontan.Com

The Government issued circular letter (SE) on 18 March 2020, all indoor and outdoor activities in all sectors relating to tourism and the creative economy were delayed temporarily in order to reduce the spread of Corona. This resulted in the tourism sector being paralyzed, so that unemployment is increasing because tourism is one of the containers that provide jobs for the community around the tourism area and outside society. It is not only a
temporary paralysis of the tourism sector, but employees of other types of companies have experienced the impact of the Covid-19 pandemic. Worker activity that is usually done outside the home directly forced to be done in the House, and there are many employees who are threatened by the termination of work rights (layoffs) because of the many jobs that are not possible to be done at home, as does the production activities that depend on the machine that is in the production place.

The termination of this work is also done due to lack of purchase from consumers and dibatasi exports to certain countries so that it will inhibit exports and reduce the company’s revenue, even the company can suffer losses. There is also another cause of dismissing the employees because of the scarcity of raw materials to be produced imported from the outside country such as from China so that it will impede industrial activities. Companies that cease to operate and an increase in the number of unemployment rates can inhibit and reduce gross domestic product (GDP) and inhibit Indonesia’s economic growth despite the policy being done, but there are still people who misuse this policy, such as learning activities and work at home in use for vacations outside the city. Thus, this policy can expand and accelerate the spread of Corona viruses, both from being disseminated by visitors to local communities, as well as disseminated by local communities to visitors.

Corona virus outbreak in China was also suspected to have an impact on Indonesian agricultural trade. During this time the export of palm oil is one of the largest export contributors to China. However, in February 2020, the realization only reached 84,000 tonnes. This figure is very far when compared with the previous month’s realization of January 2020 of 487,000 tons and in the same period of 2019 that reached 371,000 tons (Detik.com, 2020). In terms of the import of food, Indonesia, which has a dependence of garlic from China, can only import garlic from China for 23,000 tonnes by February 2020. This figure also drops drastically when compared with the previous year’s imports reaching 583,000 tons (finance.detik.com, 17 February 2020). In February 2020, China’s largest import decline was also seen on fruit commodities. The fruit commodity imports fell significantly by 78.88% from USD160.4 million to USD33.9 million. Since the outbreak of the Corona virus, in addition to enforcing the restriction policies of importing living animals from China, the government also stopped flights from and to China as of February 5, 2020. Which of course will also affect the Indonesian tourism sector. Many travel and flight companies suffer losses due to flight termination from and to China. Since the implementation, the number of Chinese tourists visit to Bali has decreased. In 2019, from 6.3 million foreign tourists, as many as 1,185,519 tourists or 18.2% were from China. However, in January to mid-February 2020 noted 22,000 Chinese tourists cancel to Bali (Tribunnews, 2020). It greatly affects the economy of Bali province.

In February 2020, state acceptance showed an improvement from January 2020. Realization of state income and grants per end of February 2020 has reached Rp216.61 trillion or 9.70 percent of the target on the BUDGET 2020. The realization is supported by the tax receipt recorded as positive growth, which is growing by 0.3 percent. With such conditions, until the end of February 2020 the realization of taxation receipt recorded at Rp177.96 trillion or has reached 9.54 percent of the target stipulated in the state BUDGET, non-tax country acceptance (PNBP) reached Rp38.62 trillion (10.52 percent of the target), and grants amounting to Rp0.03 trillion (5.73 percent of the target) (Ministry of Finance of RI, 2020). The growth of tax revenues was driven by the growth of Earth and building tax revenues (PBB) and other taxes, each growing 95.00 percent (YoY) and 5.67 percent (YoY). For Nonmigas PPh, the achievement of its acceptance is still supported by the acceptance of PPh 21 which grew by 10.08 percent, PPh 25/29 agency, and PPh Final. The realization of customs and excise receipts reached 11.22 percent of the target in the BUDGET of 2020 and was able to grow 51.52 percent (YoY). The actual realization of the acceptance is supported by the acceptance of excise and import duty (BM). The growth in its customs and excise acceptance is still derived from the recorded tax revenues of 89.20 percent.

The realization of PNBP until the end of February 2020 reached Rp38.62 trillion or 10.52 percent of the target in the BUDGET 2020. The achievement of PNBP realization is mainly dominated by the realization of PNBP SDA and other PNBP, each amounting to RP Rp20.92 trillion and Rp15.98 trillion. The realization of the PNBP of SDA Migas (Natural resources of oil and Gas) Indonesian Crude Price (ICP) period from January to February 2020 recorded at USD61.00/barrel or higher USD2.07/barrel compared to the same period in the previous year of USD58.93/barrel (Ministry Of Finance of RI, 2020).

**Government Roles**

The Indonesian Government has taken various measures through the social safety nets to help the people’s economy affected by the COVID-19 either directly or indirectly. The step to break the COVID-19 deployment chain was judged to have an economic impact on the crowd. This means that the Government is seriously providing an economic stimulus package. The Government realized the true non–medical impact of the plague caused by the SARS–CoV–2 virus and can be seen from the many people who lost their jobs and livelihoods because they had to be home. Seeing the condition, the Government has made various efforts to help the Community economy through various policies. Policies that only rely on economic growth are policies that limit the circulation of assets among the rich people. Some of these policies include direct cash assistance (BLT) which uses the village fund. The BLT is budgeted to use a Rp22.47 trillion that is appropriated from the RP72 trillion estimated for the village fund. In addition, there is a
“Prakerja’s card” with a monthly incentive that reaches RP3, 5 million per person. Not only that the government has also launched an electricity tariff reduction of 50 percent for customers capacity of 450 watts over three months.

Some of the steps to be taken are as follows: accelerating realization of Shopping ministries/institutions, especially social assistance spending (SUCH as PKH and health), as well as non-operational shopping, Mendorong tourism centers through various support programs, such as the acceleration of development of five super-priority tourist destinations (Lake Toba, Borobudur, Likupang, Labuan The government will also set up fiscal and non-fiscal policies to stimulate the tourism sector, encourage and accelerating the labor-intensive spending on productive activities that absorb a lot of manpower, such as infrastructure shopping in the center and the region, are optimizing the role of the APBN as a flexible instrument in response to the economic situation (counter-cyclical) by staying within the limits of safe and restrained, accelerating development of the people’s Business Credit (KUR).

**Conclusion**

COVID–19 pandemic, in addition to being a global health problem, also has implications on the economy in Indonesia. Indonesia potentially grows negative 0.4% which is the worst-case scenario. The economic sector most affected by COVID–19 is the household sector. Optimizing the potential in the country, the decline of BI-7 Day Reverse Repo Rate (BI7DRR), the interest rate of Deposit facility, and Lending facility interest rate, monitoring of global and domestic economic development conducted by Indonesia was assessed precisely so that inflation and stability remain in control.

**References**


