Analysis of Transfer Funds on Regional Expenditure of North Sulawesi Provincial Government Before and During Covid-19 Pandemic

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ABSTRACT

Research Aims: This research was motivated by the dependence of Regional Government, especially North Sulawesi Provincial Government on Transfer Funds in financing their regional expenditure. This was exacerbated when the covid-19 pandemic occurred where covid-19 handling and control activities became the government’s main focus. Therefore, this study conducted to analyze the process of allocating Transfer Funds on regional expenditure by the North Sulawesi Provincial Government before and during the covid-19 pandemic.

Design/methodology/approach: This research uses a qualitative research method with a case study approach, and the results are analyzed with the analysis technique of Miles and Huberman Model.

Research Findings: The results showed that there were differences occurred in the focus of allocating regional expenditure which during the covid-19 pandemic was directed to spending on handling and controlling covid-19, while previously, regional expenditure was allocated to priority programs according to the vision and mission of Governor. Limited fiscal space during the covid-19 pandemic has also affected the pattern of budget allocations so that the Regional Government Budget Team (TAPD) has became more selective in allocating budget. The efforts that have been made by the North Sulawesi Provincial Government through the Regional Financial and Asset Agency (BKAD) to overcome the constraints on expenditure allocations during covid-19 pandemic are refocusing and reallocating the budget by identifying types of budgets that are not urgent to use, conducting supervision and assistance to the regional apparatus, and conducting regular evaluation of Transfer Funds and financial implementation in regional apparatus level to prepare financial reports. The results also show that the North Sulawesi Provincial Government has not established a policy on the use of General Allocation Funds (DALI) and Revenue Sharing Funds (DBH) that have not been allocated.

Keywords: Transfer Funds, Regional Expenditure Allocations, Regional Expenditure, Covid-19 Pandemic.
Introduction

The implementation of regional autonomy in Indonesia is based on Law No. 22 of 1999 on Regional Government. This law allows all authorities that were originally held by the central government to be delegated to each regional government. Thus, the regional governments have the right to regulate government affairs independently, including regulating expenditure financing in their own regions.

The common problem faced by regional governments in Indonesia related to regional finance is the relatively small contribution of Regional Original Revenue in the structure of Regional Revenue and Expenditure Budget (APBD). Therefore, regional governments are still heavily rely on Transfer Funds from central government to finance their governance activities, known as Transfer to Regions and Village Fund (TKDD), including the Regional Incentive Fund (DID) and the Balance Funds, which consist of of the General Allocation Fund (DAU), Special Allocation Fund (DAK), and Revenue Sharing Fund (DBH). The allocation of TKDD received by each region is determined based on a formula, producing regions, and regional performance.

Many studies have examined the influence of transfer funds on regional expenditure, Cantika and Rivandi (2023), Purnasari et al. (2022), Nofian and Rahayu (2021), and Nawawi (2021) show that the greater the transfer funds received by regional governments have an impact on increasing regional expenditure. This shows the regional government’s dependence on transfer funds to finance regional expenditures.

According to Duymazlar (2022), the most important tool that can be used in fiscal policy is public transfer expenditures. Transfer expenditure is a type of expenditure against which there is no corresponding transfer of goods, services or production factors. Although these expenditures do not directly increase the goods, services or production factors, they can contribute to the accumulation or improvement of outputs/factors in the economy.

The allocation of expenditures funded by transfer funds from central government, still faces issues in terms of management. Research by Yaqin and Herwanti (2018) shows that the management of balance funds, both the General Allocation Fund (DAU) and the Specific Allocation Fund (DAK) in the regions, have not been optimal. In general, DAU is often used for personnel expenditure, reflecting a concentration on administrative issues rather than effectively improving public services. Based on data from the Regional Office of the Directorate General of Fiscal Balance for North Sulawesi Province, it is known that in the North Sulawesi region until June 2022, the TKD reached 6.36 trillion, representing 87.41% of the total regional income. Unfortunately, the funds transferred by the central government are not immediately used for APBD expenditure to finance the Regional Government activities for the benefit of regional communities. (Djpb.kemenkeu.go.id, 2022).

The use of Transfer Fund to the Regions (TKD) has come under close scrutiny from the Corruption Eradication Commission (KPK). Quoted from infoindonesia.id news in 2023, KPK has found problems related to the use of transfer funds to the regions and corruption of these funds. According to the Vice Chairman of the KPK, Nurul Ghufron, corruption in the utilization of TKD is caused by several factors,
including a low capacity to manage finances and assets in regional autonomy. This highlights the importance of studying TKD management.

In 2020, the global spread of the coronavirus (Covid-19) prompted the Indonesian Government to release Presidential Decree Number 11 of 2020 on Determination of Covid-19 Public Health Emergency. This emergency condition had a significant impact on the domestic economic cycle and the implementation of government activities. Due to the negative impact of Covid-19, the Minister of Finance, Sri Mulyani, predicted a decline in state revenue from taxes along with weakening economic conditions. However, the government still had to allocate budgets to focus on handling the spread of the Covid-19 virus and its impacts. The fiscal policy response to the Covid-19 crisis was swift and strong, in tandem with monetary policy (Alberola et al., 2021). As a response, the Indonesian government including the North Sulawesi Provincial Government, implemented comprehensive policy in the fiscal and monetary fields by refocusing and reallocating budget policies. This financial dependency poses a dilemma, especially for a government that is not yet financially independent but needs to optimize its budget for handling the spread of Covid-19 and its impacts.

Budget adjustment through activity refocusing and budget reallocation are carried out by adjusting employee expenditure, goods/services expenditure, and capital expenditure, which were then redirected to unexpected expenditure (BTT). Consequently, there was a significant increase in both the budget and the realization of unexpected expenditure (BTT) in 2020. In general, BTT is allocated for the procurement of consumable goods for the community, such as basic foodstuffs and other daily necessities. However, a different approach is taken by the North Sulawesi Provincial Government, which allocates BTT for the procurement of a large quantity of antigen rapid test kits. The procurement of these rapid test kits is intended for the implementation of Rapid Antigen Tests for all travelers arriving at Sam Ratulangi Airport. This has sparked controversy among travellers who will enter North Sulawesi. This policy needs to be studied by researchers to understand the considerations made by the North Sulawesi Provincial Government when formulating the policy. This is to ensure that the allocation spent through BTT is not wasteful and futile, as its implementation may inadvertently lead to crowds that potentially increase the risk of disease transmission, thus undermining the goal of preventing Covid-19.

The condition of the Regional Revenue and Expenditure Budget (APBD) of the North Sulawesi Provincial Government, which still exhibits dependence on TKDD, the management of transfer funds starting from the budgeting process of income and expenditure to the allocation and realization of these transfer funds, and the challenges in management, particularly during the Covid-19 pandemic, serve as the primary criteria driving the author to investigate the allocation of transfer funds to the regional expenditures of the North Sulawesi Provincial Government before and during the Covid-19 pandemic.

Based on the background and problem statements that have been outlined, the aims of this research are to analyze the process of allocating transfer funds on regional
expenditure of the North Sulawesi Provincial Government before and during the Covid-19 pandemic, and to understand the efforts made by the North Sulawesi Provincial Government to overcome the constraints in allocating transfer funds on regional expenditure before and during the Covid-19 pandemic.

**Literature Review**

**Theory of Intergovernmental Grants**

One form of intergovernmental grants in Indonesia is the balance fund, which is funds derived from the state budget (APBN) allocated to regions to finance their needs through regional expenditure. These funds aim to cover the regional government's fiscal picture by providing regional government expenditure needs (Wiyeki and Qibthiyyah, 2021). The increasing allocation of these funds will impact the economic growth and welfare of the local communities. Davey (1988) states that the financial relationship between the central and regional governments emphasizes the distribution of powers, especially the right to make budget decisions, such as how to obtain funding and how to spend it.

Transfers from the central government to regional governments can be categorized into two types: conditional grants and unconditional grants. Conditional grants can only be given by the central government to regional governments with certain requirements, in other words, the purpose of fund usage is determined by the central government. On the other hand, unconditional grants can be used by the receiving region according to its specific interests without any specific restrictions set by the central government (Oates, 1999).

**Theory of Stewardship**

The stewardship theory is a theory that describes a condition in which managers prioritize the interests of the organization to achieve the primary goals of the organization and are not motivated by individual interests. According to Donaldson and Davis (1991) and Anton (2010), stewardship illustrates that there is no situation which management is motivated by individual goals; instead, the focus is more on the primary goal, which is the interest of the organization. This is in line with Sucipto (2018) who also states that stewardship theory describes the existence of a strong relationship between satisfaction and organizational success.

If government organizations are associated with stewardship theory, then in this context, manager is the government acting as ruler and budget user who utilize funds for the benefit of the community. Stewardship theory assumes a relationship between the government and the achievement of organizational goals, namely, the welfare of society. This can be seen through the programs developed by both the central and regional governments, which are realized through regional expenditure. These programs are intended to provide services to the community in order to enhance the welfare of the entire community, as mandated by laws.
Balance fund

Reality shows that not all regions are able to escape from the government center, because the level of needs of each region is different, which in the end the government transfers funds. This fund transfer is in the form of a balancing fund (Putri et al., 2020). Based on Law Number 33 of 2004, balance fund is the source of funds from allocated state budget to area for fund needs area in skeleton implementation decentralization (Omar et al., 2021). Balance fund consist of:

a. General Allocation Fund (DAU)
   Law Number 23 of 2014 states that DAU is funds sourced from APBN allocated with the aim of equalizing the financial capabilities among regions to finance regional needs in the context of decentralization implementation.

b. Special Allocation Fund (DAK)
   Law Number 33 of 2004 declares that DAK is funds sourced from the APBN and allocated to regions with the aim of helping to fund special activities under regional affairs and in in accordance with national priorities.

c. Revenue Sharing Fund (DBH)
   Law Number 23 of 2014 states that DBH is funds sourced from certain APBN revenues allocated to producing regions based on certain percentage figures with the aim of reducing imbalances in financial capacity between the central and regional governments.

Regional Incentive Fund (DID)

Based on the State Budget Law of 2020, DID is a fund derived from the APBN revenues allocated to specific regions based on certain criteria It aims to reward regional improvements and/or achievements in regional financial management, public governance services, basic public services, and community welfare.

The policy of allocating DID is fair, which means that every region has an equal opportunity to obtain this fund. The purpose of allocating DID is not only to recognize and reward Regional Governments but also to enhance the quality of regional financial management and the fiscal health of the APBD.

Regional Expenditure

The management of regional government expenditure is specifically regulated by Law Number 23 of 2014 on Regional Government. According to this law, Regional Expenditure is the Regional Government's obligations acknowledged as the reducer of the net property values within the respective fiscal year period. Regional expenditure is prioritized to fund mandatory government affairs related to essential services that are set with minimum service standards.

Appropriate expenditure allocation has an important role to achieve economic stability and encourage economic growth of a country or region. In addition, spending is also an information tool for the public regarding the implementation of development which can also be used as a means of control and accountability of government
performance (Fitriana and Warni, 2023). The classification of Regional Expenditure, according to Government Regulation Number 12 of 2019, consists of operational expenditure, capital expenditure, unexpected expenditure, and transfer expenditure.

Method

This research uses a qualitative research method with a case study approach. The qualitative method is chosen for its ability to explain hidden phenomena from the in-depth experiences of certain individuals using a series of specific research methods such as interviews, focus group discussions, observations, content analysis, visual methods, and life histories (Hennink, dkk 2011).

The use of a case study approach in this research allows researchers to analyze the process of allocating transfer funds on regional expenditure by the North Sulawesi Provincial Government before and during the Covid-19 pandemic, as well as the efforts made to overcome constraints that occurred in the allocation process. A case study is one type of qualitative approach in which the researcher can thoroughly explores in depth a program, event, activity, process, or one or more individuals, and collect detailed information using a variety of data collection procedures within a certain time and context (Creswell, 2014).

The data used in this research consists of primary and secondary data. Primary data are obtained through interview methods with participants determined by the researcher. Secondary data are obtained through documentation methods by collecting supporting data related to the research objectives.

Participants in this research were selected using purposive sampling technique. This sampling method aims to select participants that aligned with the research objectives and targets, so that best participants can be obtained to understand the research problems and questions. Based on purposive sampling technique, there were 5 (five) participants selected by the researcher. These five participants were directly involved in the process of allocating regional expenditure in the North Sulawesi Provincial Government. The five participants are as follows: the Head of the Budget Division in the Regional Financial and Asset Agency (BKAD) for the period 2017 to 2020, the Head of the Budget Division in BKAD from 2020 until the present, the Head of the Subdivision for the Preparation of APBD in the Budget Division BKAD, the Head of the Treasury Division in BKAD, and the Head of the Subdivision for Financial Reporting in the Accounting Division in BKAD.

The data obtained was analyzed using techniques developed by Miles and Huberman (1994), consisting of three parts of activities, namely data reduction, data presentation, and conclusions and verification. The research data put through validity and reliability tests. The validity testing procedure through source triangulation, method triangulation, and member checking was performed to confirm the accuracy of the research results.
Result and Discussion

The Process of Allocating Transfer Funds on Regional Expenditure of the the North Sulawesi Provincial Government Before and During the Covid-19 Pandemic

The budget allocation of Regional Governments plays a crucial role because the allocation process determines the direction of a region's expenditure implementation for the respective year. Before carrying out the process of allocating regional expenditure, each regional government will undergo budgeting process or budget preparation. The budgeting process is the process of preparing regional government financial plans for a one-year period expressed in monetary units. In addition, the process of allocating transfer funds on regional expenditure is also inseparable from the realization of transfer funds received by each regional government. If there are changes in the realization of transfer funds compared to the initially budgeted amounts by the regional governments, adjustments must be made to the value of revenue and expenditure through shifts in the APBD and/or changes in the APBD. The process of allocating transfer funds on regional expenditure in North Sulawesi Provincial Government before and during the Covid-19 pandemic is explained in detail as follows:

a. Transfer Funds Budgeting Process


The budgeting process for transfer funds revenue in the North Sulawesi Provincial Government before the Covid-19 pandemic was carried out in accordance with the general regional revenue budgeting process stipulated by law. The budgeting process for DAU, DBH, DAK, and DID revenues in the APBD uses allocation values set forth in the Presidential Regulation on the Details of APBN. Based on information from research informants, the process of budgeting transfer funds before Covid-19 pandemic did not encounter significant issues. This is because there were not many adjustments made in the APBD, so there were no
significant differences between the allocated transfer funds on the Original APBD and the Revised APBD.

Based on information from the research informant, who is the primary data source in this study, overall, the process of budgeting for DAU, DBH, DID, and DAK during the Covid-19 pandemic remains the same as the process of budgeting for transfer funds before the pandemic. The significant difference felt by the North Sulawesi Provincial Government in process of allocating transfer funds during the Covid-19 pandemic was the adjustment of transfer fund allocation and cuts to the transfer funds budget in the fiscal years 2020 and 2021. Local governments faced even harder challenges as intergovernmental transfers were reduced and room for mobilizing alternative finances was limited (Desdiani et al., 2022). This required the North Sulawesi Provincial Government to promptly adjust the APBD for the current year due to these budget adjustments and cuts. The adjustments were carried out through refocusing and reallocation activities, which were implemented in a limited manner by the TAPD and the Regional Budget Committee (Banggar) of the North Sulawesi DPRD.

Before the Covid-19 pandemic, the process of implementing the Revised APBD was carried out starting from July of the current year. However, when the Covid-19 pandemic occurred in 2020, regional governments were allowed to make changes to the APBD starting from April 2020. Despite numerous limitations during the Covid-19 pandemic, the central government still endeavored to provide transfer funds to regional governments as a form of financial assistance or intergovernmental grants to the regions.

b. Realization of Transfer Funds

The disbursement process of transfer funds before the occurrence of the Covid-19 pandemic remains the same as the disbursement process during the Covid-19 pandemic, according to information from the research informant. Transfer funds in the form of Physical Special Allocation Funds (DAK Fisik) are distributed in three stages, and regional governments are required to submit reports on the realization of activities funded by DAK for disbursement purposes. Reporting for DAK uses the Online Monitoring System for Treasury and State Budget (OM-SPAN) application. Meanwhile, for Non-Physical Special Allocation Funds (DAK Non Fisik), they are disbursed in two stages and are required to submit reports to the central government.

The disbursement of DID is conducted in two stages. The requirement for the disbursement of the first stage of DID is that the regional governments must submit a report containing the plan for fund utilization. Meanwhile, for the disbursement of the second stage, the regional government is required to report the realization of the utilization of the first stage. Disbursement and reporting for DAU is done monthly. In DAU reporting, the regional governments is required to submit a Cash Position Report, an Estimated Expenditure Report for the entire APBD funds, and a Daily Transaction List and Daily Transaction Recapitulation. On the other hand, the disbursement of DBH is done every quarter, and the submission of reports for DBH disbursement is carried out in the form of a
Semesterly Reconciliation Report between the regional government and the Tax Service Office and the State Treasury Service Office.

Based on secondary data obtained from the Audited Financial Report (LRA) of the North Sulawesi Provincial Government for the fiscal years 2018 to 2019, the budget and realization for transfer funds are as follows:

Table 1. Budget and Realization of Transfer Funds Fiscal Years 2018 to 2019

<table>
<thead>
<tr>
<th>Source: Audited LRA FY 2018 and FY 2019</th>
</tr>
</thead>
</table>

Table 1 shows that DAU and DID could be fully realized in FY 2018 and FY 2019. However, for DBH and DAK, could not be fully realized. According to information from research informants, DAK could not be fully realized due to reporting obligations related to the use of DAK that had to be reported by the North Sulawesi Provincial Government, but were either delayed or not reported, leading to the funds not being fully disbursed by the central government. Meanwhile, DBH was not fully realized because some funds were yet to be received. The transfer funds that are not fully realized as initially budgeted lead to the non-achievement of program goals in the current year, thus requiring fulfillment in the subsequent fiscal year.

Based on secondary data obtained from the Audited LRA of the North Sulawesi Provincial Government for the fiscal years 2020 to 2022, the budget and realization for Transfer Funds are as follows.

Table 2. Budget and Realization of Transfer Funds Fiscal Years 2020 to 2022

<table>
<thead>
<tr>
<th>Description</th>
<th>DBH</th>
<th>DAU</th>
<th>DAK</th>
<th>DID</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2020</td>
<td>142.167.161.000,00</td>
<td>1.340.960.749.000,00</td>
<td>1.104.137.394.700,00</td>
<td>98.116.490.837,00</td>
</tr>
<tr>
<td></td>
<td>120.758.520.934,00</td>
<td>1.427.544.997.000,00</td>
<td>1.463.436.158.000,00</td>
<td>1.463.436.158.000,00</td>
</tr>
<tr>
<td>FY 2021</td>
<td>1.013.884.068.000,00</td>
<td>956.923.255.552,00</td>
<td>1.113.788.926.400,00</td>
<td>1.044.216.781.208,00</td>
</tr>
<tr>
<td></td>
<td>8.750.000.000,00</td>
<td>8.750.000.000,00</td>
<td>35.641.998.000,00</td>
<td>35.641.998.000,00</td>
</tr>
</tbody>
</table>

Source: Audited LRA FY 2020 and FY 2022

Table 2 shows that DID can be fully realized in the fiscal years 2020 to 2022. However, DAU, DBH, and DAK for the fiscal years 2020 to 2022 cannot be fully
realized due to the impact of the Covid-19 pandemic, resulting in uncertainty in the realization of transfer revenues and adjusting to the realization of the APBN. According to information from research informants, DAK is not fully realized due to delays in the implementation of programs, resulting in the failure to submit the DAK implementation report required for budget disbursement. The remaining work that has not been paid for will be budgeted again as a debt after being audited by the Supreme Audit Agency (BPK RI) and will be communicated to the leadership of DPRD in the Regional Regulation on Budget Changes or the Regional Regulation on the Budget for the following year.

During the Covid-19 pandemic, there was an additional requirement for realizing DAU. This requirement mandated that the regional government must submit a Covid-19 Prevention and/or Handling Report every month to the Minister of Finance, represented by the Director General of Fiscal Balance. Therefore, to maximize the transfer funds during the Covid-19 pandemic, the North Sulawesi Provincial Government consistently fulfilled the requirements for DAU disbursement, including submitting reports on Covid-19 prevention and/or handling, reports on the planned use of Mandatory Expenditures funded by General Transfer Funds (DTU) consisting of DAU and DBH for the current fiscal year, and other reports requested in a timely manner.

c. Regional Expenditure Budgeting Process

The process of budgeting regional expenditure in fiscal year 2018 and 2019, remains the same as the process of budgeting regional expenditure in 2020 to 2022. The process is aligns with the process of budgeting regional revenue, referring to Government Regulation Number 12 of 2019 on Regional Financial Management, Ministry of Home Affairs Regulation Number 77 of 2020 on Technical Guidelines for Regional Financial Management, and the Ministry of Home Affairs regulation on Guidelines for Compiling APBD, which is issued annually.

The process of budgeting regional expenditure in the North Sulawesi Provincial Government begins after the Regional Government Work Plan (RKPD) is established through a Regional Head Regulation. Subsequently, the regional government will prepare the Budget Work Plan (KUA) and Budget Implementation Document (PPAS), referring to the RKPD document. The KUA and PPAS documents contain the budget for each Local Government Agencies (SKPD) using indicative limits specified in the RKPD. The determination of indicative limits is based on the expenditure budget value in the previous year's Revised APBD and considers priority programs for the respective year.

Based on information from the research informant, in the process of drafting the Regional Regulation (Perda) on the APBD, the planned values for APBD can undergo adjustments when information from the Ministry of Finance regarding the Detailed Allocation of TKDD has been provided. Adjustments to the regional expenditure budget will be discussed again between TAPD and the Regional Budget Agency (Banggar DPRD) before finalization. Regional expenditure can be
adjusted or modified in the Revised APBD, where the process and stages are still the same as the preparation of the Main APBD.

Budgeting for regional expenditure in the North Sulawesi Provincial Government is carried out by preparing regional expenditure that supports priority programs, both those that contribute to national priorities and those that support regional priorities according to the vision and mission of North Sulawesi Province.

A significant difference experienced by the North Sulawesi Provincial Government in the process of budgeting regional expenditure during the Covid-19 pandemic is the limitation on the implementation of expenditures by the regional government. During the Covid-19 pandemic, the regional government is also required to allocate budgets for regional expenditure for the prevention and/or handling of the impact of Covid-19. Therefore, in this situation, the North Sulawesi Provincial Government must promptly adjust the previously planned regional expenditure to accommodate expenditure for the prevention and/or handling of the Covid-19 pandemic. Consequently, the North Sulawesi Provincial Government must carry out refocusing and reallocation of the budget in accordance with the directives from the central government.

Further information from the research informant indicates that during the Covid-19 pandemic, some types of regional expenditures were adjusted and their allocations reduced. These include expenditures for the procurement of official vehicles, meeting meal expenditure, renting hotel buildings for meetings, travel expenditure, and various other expenditure. The determination and discussion regarding the reduction of regional expenditures were based on studies and calculations presented to TAPD and decided collectively in TAPD meetings.

The fiscal obstacles faced by the North Sulawesi Provincial Government during the Covid-19 pandemic affected the budget allocation pattern for local government agencies, making TAPD more selective in allocating the budget. In addition, stakeholders within the North Sulawesi Provincial Government also support and direct that regional expenditures be prioritized to support Covid-19 prevention and/or handling activities in the province. This indicates that the North Sulawesi Provincial Government acts as a steward and makes decisions to achieve the organizational goal of the welfare of the entire community, especially during the Covid-19 pandemic, despite the very limited regional expenditure budget at that time.

During the Covid-19 pandemic, the North Sulawesi Provincial Government took out a National Economic Recovery (PEN) loan to supplement regional expenditure funding. This PEN loan resulted in an increase in interest expenses in the APBD of the North Sulawesi Provincial Government. In addition, the payment of the principal debt of the PEN loan will be deducted directly from the received transfer income, impacting the accounting records in the Financial Report of the North Sulawesi Provincial Government.

d. Process of Allocating Regional Expenditure Derived from Transfer Funds
The process of allocating regional expenditure derived from transfer funds in fiscal years 2018 and 2019 remains the same as the process of allocating in fiscal years 2020 to 2022. According to information from research informants, the process of allocating regional expenditure during the preparation of the Regional Regulation (Perda) on the APBD is conducted by taking into account the revenue projection budget for the respective fiscal year and financing to avoid budget deficits. The allocation of regional expenditure becomes significantly influential when adjustments are made to the transfer revenue budget. When information regarding the Detailed Allocation of General Allocation Fund (TKDD) from the Ministry of Finance is conveyed to the regional government, adjustments to the regional expenditure budget will be discussed between the TAPD and the Regional Budget Agency (Banggar DPRD) before being finalized.

In allocating regional expenditure, the North Sulawesi Provincial Government does not consider the funding source, whether it will be funded from transfer funds, local own-source revenue, and so on. However, specifically for expenditure funded by DAK, adjustments will be made immediately when information from the Ministry of Finance regarding the Detailed Allocation of TKDD has been provided because the use of these funds has already been directed.

**Before the covid-19 pandemic**

The process of allocating regional expenditure during the preparation of the Perda draft on the APBD is carried out by considering the projected regional revenue budget. Discussions about the allocation of regional expenditure are conducted between TAPD and the Regional Financial Affairs Committee (Banggar) of DPRD, taking into account policies and regulations related to APBD preparation. In these discussions, prioritized allocations include mandatory spending, the fulfillment of minimum service standards as stipulated by the law, and personnel expenditure. Once all these expenditures are fulfilled, the budget is then allocated for priority programs aligned with the vision and mission of the Governor and the local conditions.

Based on information from the research informant, in fiscal years 2018 to 2019, the North Sulawesi Provincial Government prioritized regional expenditure more, focusing on areas such as education, health, and capital expenditure. In education, initiatives were implanted to prevent stunting, address obesity, and combat infectious diseases. For capital expenditure, funds were allocated to projects such as road/bridge construction, irrigation, clean water, and the development of habitable housing.

Physical Special Allocation Fund (DAK Fisik) in the fiscal years 2018 to 2019 in the North Sulawesi Provincial Government was predominantly allocated for capital expenditure in the infrastructure sector. Although not specifically regulated like DAK, the allocation of the DID has been directed towards sectors such as education, health, and others based on provisions issued by the central government that support governance performance. The allocation of regional expenditure from the DAU and DBH cannot be entirely traced in its utilization.
because there was no initial budget mapping for the use of these two transfer funds. The DBH that can be traced in their usage include the DBH-Reforestation Fund, DBH-Excise, and the General Transfer Fund (DAU and DBH), which are mandated by the central government to fund mandatory spending. Meanwhile, the DAU that can be traced is for the payment of salaries and employee allowances, as well as mandatory spending.

**During the Covid-19 pandemic**

The pattern of allocating regional expenditure from transfer funds during Covid-19 pandemic remains the same as before the Covid-19 pandemic. However, the difference lies in the focus of regional expenditure allocation, where the DAK from 2020 to 2022 is mostly used for capital expenditure in the education and health sectors. DID is primarily directed towards addressing the impact of regional inflation and activities that can be directly felt by the community, such as distributing goods to the public, organizing affordable markets, and providing assistance to the community. Meanwhile, DAU and DBH, aside from the predetermined uses, their allocation cannot be entirely traced, allowing more flexibility in allocation. In general, DAU can be used to finance programs and cross-sectoral activities, including mandatory, optional, and supporting regional government affairs.

The significant difference experienced by the North Sulawesi Provincial Government during the Covid-19 pandemic, as stated by the research informant, is that a substantial portion of transfer funds have been directed towards certain purposes, including the prevention and handling of Covid-19. Similar condition also found in Poland, funding was mainly provided by the European Regional Development Fund, with the dominant support allocated to entrepreneurship and health care. In the Opolskie voivodeship, which is the case study, the additional financing in the health area concerns: personal protective equipment, equipment, construction works, oxygen installations, and waste water management (Bedrunka et al., 2021).

This made the allocation of expenditure budgets that had been planned previously by the Regional Government of North Sulawesi Province, had to be changed for expenditures and/or activities that were not previously allocated. This adjustment was carried out through refocusing and reallocating the budget. In addition, the TAPD of North Sulawesi Provincial Government became more selective in allocating regional expenditure during the Covid-19 pandemic. TAPD also issued a notification to the local government agencies to be more selective in proposing activities due to the limited budget that could be allocated. A very significant and noticeable difference in the Audited Financial Report of the North Sulawesi Provincial Government, which serves as secondary data in this study, is the substantial increase in the budget and realization of the BTT in the fiscal years 2020 to 2022 compared to previous years. The increase in BTT occurred because the
regional governments was allowed to make expenditures for which the budget was not yet available, using BTT, which would then be proposed in the revised APBD. The budget and realization of BTT by the North Sulawesi Provincial Government for the fiscal years 2018 to 2022 are as follows.

Table 3. Budget and Realization of BTT Fiscal Years 2018 to 2022

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Value (Rp)</th>
<th>Budget</th>
<th>Realization</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>6.500.000.000,00</td>
<td>0,00</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>4.000.000.000,00</td>
<td>400.000.000,00</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>229.585.349.142,00</td>
<td>216.942.675.596,00</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>7.000.313.711,00</td>
<td>6.499.465.833,00</td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td>6.328.125.226,00</td>
<td>4.846.207.705,00</td>
<td></td>
</tr>
</tbody>
</table>

Source: Audited LRA FY 2018 to 2022

Table 3 shows that in the fiscal year 2020, the BTT budget of the North Sulawesi Provincial Government increased significantly. Furthermore, in terms of realization, from the fiscal year 2020 to 2022, the realization of BTT increased compared to previous years. This is because during the Covid-19 pandemic, there was a need for the procurement of a large quantity of goods quickly. Therefore, it was not feasible to go through the usual procurement process. Hence, the central government issued regulations allowing regional governments to purchase goods related to Covid-19 handling through BTT.

Efforts Made by the North Sulawesi Provincial Government in Overcoming Obstacles of the Transfer Funds Allocation for Regional Expenditure Before and During the Covid-19 Pandemic

Before Covid-19 Pandemic

Based on information from research informants, the process of allocating transfer funds on regional expenditure before the Covid-19 pandemic by North Sulawesi Provincial Government did not encounter significant obstacles. The allocation process at that time was carried out as usual, following the regulations and procedures applied in previous years. Before the Covid-19 pandemic, it was also noted that the North Sulawesi Provincial Government had the flexibility to allocate regional expenditure budgets that supported priority programs for regional development.

During Covid-19 Pandemic

During Covid-19 pandemic, the North Sulawesi Provincial Government faced several challenges and/or obstacles in allocating regional expenditure sourced from transfer funds, including:

a. The existence of provisions stating that budgeting and allocation should be directed towards Covid-19 prevention and handling expenditures;

b. Frequent changes in regulations related to Covid-19 handling; and
c. Limitations in communication space and mobility, which could only be done virtually during the Covid-19 pandemic.

Based on the obstacles faced, the efforts made by the North Sulawesi Provincial Government in overcoming obstacles in the allocation of transfer funds for regional expenditure during the Covid-19 pandemic are as follows:

a. The North Sulawesi Provincial Government carried out budget refocusing and reallocation by identifying specific types of expenditures that were not urgently needed, to expedite the budget adjustment process and accommodate expenditure for the prevention and handling of the Covid-19 pandemic. Types of expenditures reduced during the Covid-19 pandemic included travel expenditure, meeting-related meal expenditure, meeting venue rental expenditure, and other expenditures that could be conducted virtually. The budget for these expenditures was reallocated to BTT for the purchase of goods related to the prevention and handling of the Covid-19 pandemic, as well as providing assistance to affected communities.

In addition to the provisions by the central government stating that budgeting and allocating of funds must be directed towards expenditures for the prevention and handling of the Covid-19 pandemic, changes in budgeting and allocation are also initiated by the Governor who acts as a member of the Regional Task Force for Handling and Controlling Covid-19. The Governor conveys to TAPD about the need to respond the current conditions and the existing urgency.

Based on research findings, it is also known that during the crisis caused by the Covid-19 pandemic in North Sulawesi Province, financial management practices included absorbing expenditure for Covid-19 handling from other budget categories that could be reallocated, even though the process of shifting and/or adjusting the budget had not been carried out first. This condition illustrates the implementation of stewardship theory, where stakeholders in North Sulawesi Province did not follow the usual procedural process but took a stance with specific actions based on the analysis of the situation and urgency. This legitimized that the resulting actions were not for the benefit of personal or specific group gains but rather for addressing Covid-19, which was the focus at that time. The process of budget shifting/adjustment after absorbing expenditure for Covid-19 handling continued to ensure fairness in the presentation and preparation of the financial report of the North Sulawesi Provincial Government.

b. Frequent changes in regulations related to handling Covid-19 and the limitations in communication space and mobility that could only be conducted virtually during the Covid-19 pandemic had an impact on suboptimal or delayed absorption of the budget. One consequence of mobility limitations is that activities funded by DAK cannot be completed in the respective years, leading to debts and burdening the subsequent year's regional budget as they need to be budgeted again. Efforts made by the North Sulawesi Provincial Government to reduce the occurrence of similar issues include monitoring and mentoring local government agencies, conducting regular evaluations, and collaboratively seeking solutions to ensure the optimal realization of transfer funds.
c. From an accounting recording perspective, the issue arising due to communication space limitations is the difficulty in confirming data with local government agencies during the preparation of annual financial reports. The efforts made by the Accounting Division include actively initiating virtual meetings with each local government agency to provide assistance, confirmations, and evaluate the implementation of financial management at the local government agency level.

Conclusion

Based on the research findings and analysis, it can be concluded that:

a. The process of allocating transfer funds on regional expenditure by the North Sulawesi Provincial Government before and during the Covid-19 pandemic shows no significant difference, as it still adheres to the annual APBD preparation guidelines. However, the difference lies in the focus of allocating regional expenditure during the Covid-19 pandemic, which is directed to spending on handling and controlling Covid-19. Meanwhile, previously, regional expenditure was allocated to priority programs according to the vision and mission of Governor. Among the four types of transfer funds discussed in this research, DAU and DBH are transfer funds that are more flexible for refocusing and reallocating budgets during the Covid-19 pandemic because there are no specific regulations regarding their use. In contrast, DAK and DID have predefined purposes, so it is more challenging to adjust and reallocate.

b. The efforts that have been made by the North Sulawesi Provincial Government through the BKAD to overcome the obstacles in allocating Transfer Funds on regional expenditure during the Covid-19 pandemic are refocusing and reallocating the budget by identifying types of budgets that are not urgent to use, conducting supervision and assistance to the local government agencies, and conducting regular evaluation of transfer funds and financial implementation in local government agency level to prepare financial reports.

Based on this research, the researcher provides suggestions and recommendations to those involved in the budget allocation process and future researchers. The researcher suggests to the North Sulawesi Provincial Government, especially BKAD, to map the funding sources for each regional expenditure to prevent misallocation of funds and facilitate budget control. The North Sulawesi Provincial Government is also encouraged to enhance the competence of financial management officials in each local government agency level, especially in managing expenditure originating from transfer funds, through support provided by BKAD and periodic evaluations.

The researcher also suggests that future researchers conduct research on other regional governments with different characteristics to compare their allocation processes. Future researchers could also explore other aspects by examining the allocation processes carried out by regional governments after the end of the Covid-19 pandemic to understand the current allocation process.
References


