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Re-budgeting Local Government Budgets to Handle the COVID-19 Pandemic: Indonesia's Experience

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Abstract

This study examines the budgetary response to the COVID-19 pandemic by Indonesia's local governments. It specifically looks at the role of key local government players in executing the Covid-related budgeting instructions from central government, a perspective that has not been adequately addressed by previous studies. A qualitative case study approach is employed, drawing on practice theory. The qualitative data were collected through interviews via video conferences, WhatsApp chats, and documentary analysis. Using practice theory as the framework, this paper provides an in-depth analysis of how budgeting practitioners responded to the pandemic budget policy, conditioned by the rules, practical understanding, and teleoaffective structure that oriented them, and shedding new light on budgetary responses to COVID-19. The findings show that the budget instructions from central government to deal with the COVID-19 pandemic (what was intended) did not match the responses of the key budgeting actors at the local government level (what actually happened). Instead, the budgeting actors tended to prioritise doing their normal everyday bureaucratic activities, rather than implementing central government's instructions to combat the pandemic.

Keywords – Budget, local government, COVID-19, pandemic, practice theory, Indonesia

Paper type - Research paper

1. Introduction

Crises, whether social, economic, or financial, challenge the capacity of public sector organisations to deliver public services (Bracci et al., 2015). In this regard, the role of public budgeting is critical to maintaining the delivery capacity of public sector organisations, including the government, during a crisis situation. As part of the management control system, budgeting provides a means for organisations to adapt to external threats and opportunities caused by crises (Colignon & Covalleski, 1988). Previous studies have tended to focus on the essential role of budgeting in the response to an economic crisis (Becker et al., 2016; Schick, 2009, 2013), however there is little research on budgetary practices in response to a health crisis, which creates multi-dimensional challenges and uncertainty.

Alongside the Great Depression and World War II, the COVID-19 pandemic can be viewed as one of the worst humanitarian crises (ILO, 2020). It is the first pandemic since the Spanish flu over one hundred years ago, and has resulted in a large number of casualties. Most governments have been forced to impose public interventions in vital sectors such as health and the economy, requiring extensive financial outlays at the same time most economic engines were shutting down. This has led to higher government debt and deficits. Thus, the role of public budgeting has been very critical during the pandemic, especially at

the local government (hereinafter LG) level, to ensure the success of the COVID-19 related programmes (Ahrens & Ferry, 2021).

Some recent studies have attempted to investigate budgetary strategies in response to COVID-19, which include expanding deficits, reallocating emergency expenditure to the health sector, improving social security programmes, and increasing government borrowing, with findings highlighting the long-term impact of such policies (Anessi-Pessina et al., 2020; Cepiku et al., 2021; Ejiogu et al., 2020; Wu & Lin, 2020). Drawing predominantly on documentary analysis, these studies also tend to focus on the central government level, with few studies focusing on local government. However, it is important not to neglect the role of LG and its budgeting actors; their closeness to citizens means they have a vital role in ensuring the success of COVID-19 related policies (Anessi-Pessina et al., 2020).

In addition, because existing studies predominantly employ documentary analysis, which explores the macro level, they pay relatively scant attention to the micro-processes of budgeting, specifically actors' experiences, how they made sense of complexity and uncertainty during the pandemic, and how they employed the budget to respond to this complexity at the local government level. This is extremely important since the rapidly evolving pandemic situation posed a massive challenge to governments, testing the rigidity/agility of the bureaucracy and government regulations for guiding budgeting actors to formulate the necessary policies and measures (Anessi-Pessina et al., 2020). By focusing on the budgeting actors' practical understanding, we can explore the complexity of the pandemic situation and how this complexity affected budget decision makers, thereby making a critical contribution to understanding how budgeting should be practised during a multi-dimensional crisis.

While studies conducted from the agential perspective tend to employ an interpretive approach, viewing phenomena through a practice lens can help the researcher better understand how practitioners make sense of the practical implications of a phenomenon (Ahrens et al., 2011; McNulty et al., 2013). Applying a practice lens provides a comprehensive view of a phenomenon, not only "its appearance" but also going deeper into the "black box" by focusing on how practitioners interpret, adapt, and perceive the rules in order to transform them into activities (Brennan & Kirwan, 2015). In other words, viewing a phenomenon such as budgeting through a practice lens sheds light on practitioners' ability and initiatives to convert rules into organisational activities (Whittington, 2006). Hence, this approach fits neatly with an investigation into how budgeting actors made sense of the complexities of applying bureaucratic rules to budgeting practices in response to the pandemic. The study setting is the budgetary response of LGs in Indonesia to the COVID-19 pandemic, drawing on Schatzki's (2002) notion of practice theory. The research is guided by the following questions: How did key budgeting actors make sense of and respond to the complexity of the pandemic? Was the intended outcome of budgeting practices realised as planned? Can practice theory explain the complexity and uncertainty of budgeting practices in a crisis context?

Our aim is to explain budgeting practices in the Indonesian context during the pandemic and how and why key LG actors made sense of the situation and opted to engage in particular policies and strategies during budget decision making to overcome the chaos caused by COVID-19.

Indonesia provides an ideal case study for understanding the impact of budgeting policies in response to COVID-19. The Government of Indonesia announced the first pandemic case on March 2, 2020, immediately implementing several actions, including a large-scale local lockdown and economic stimulus package. As of February 2, 2021, Indonesia had the

highest number of active COVID-19 cases in Asia (Kompas, 2021a). As the scale of the COVID-19 pandemic grew, the central government ordered all LGs to refocus and reallocate their annual budgets to the response, including by increasing funding to the health care sector and providing direct cash aid to the most affected people. Consequently, the role of government budgeting became very critical to dealing with the pandemic situation. Nevertheless, the adequacy of the response was questioned, with the Indonesian Medical Association arguing that the country had not even been through the first wave of the pandemic (Kompas, 2021b).

This study makes several contributions to the accounting and public budgeting literature. First, it demonstrates how key budgeting actors responded to the multi-dimensional crisis caused by the pandemic, with factors including confusing rules, the actors' practical understanding, and a teleoaffective structure that steered practices in a particular way. These factors explain why the actors tended to favour "doing daily business" rather than accelerating the central government's efforts to overcome the pandemic. Second, the study provides evidence of practitioners' skilful agency and "know-how" in rationalising and prioritising their vested interests. Third, it explains in great depth the micro-processes of budgeting during a pandemic, enhancing understanding of why the potential contribution of a budget during a crisis may be curtailed. Previous studies have tended to focus on the macro-process level of budgeting in a crisis. Fourth, responding to the call for studies on budgeting practices at the LG level during a pandemic crisis, this study demonstrates that inconsistent rules, the practitioners' skilful agency, and their purposive projects hindered central government's objective to act immediately in response to the pandemic. Theoretically, Schatzki's (2002) practice theory provides a comprehensive framework for the analysis of budgeting practices during a pandemic and key actors' manoeuvres in relation to budgeting policies. The findings suggest the importance of consistent financial regulations between central and local government when responding to extraordinary events such as the pandemic, to enable budgeting actors to make rapid decisions. They also highlight the essential role of an integrated and real-time financial database that includes budgeting information for all LGs, especially in emerging economies. An integrated database would help avoid problems such as inaccurate policy making leading to low fund realisation for COVID-19 related programmes, as found in this study.

The next section presents a review of literature relevant to the government response to the pandemic through budgeting. This is followed by an explanation of the theoretical framework used for this research. Section 4 describes the main findings, followed by the theoretical discussion section. The final section outlines the conclusions of this research and its contributions.

2. Literature Review and Theoretical Framework

2.1. Literature Review: Budgetary Responses to COVID-19

Previous studies have explored the role of management control systems such as budgets when responding to economic crises (e.g. Becker et al., 2016; Hopwood, 2009; Schick, 2013; Van der Stede, 2011). Becker *et al.* (2016) examine the role of the corporate budget in response to an economic crisis. Drawing on the mixed-methods approach, they found that budgeting became more important for planning and resource allocation by companies affected by the 2008 economic crisis. In the public sector, studies have also investigated budget policies during an economic crisis (Schick, 2009, 2013). However, while these studies focus on economic crisis, the COVID-19 pandemic is a health crisis that has had multi-dimensional effects on almost every aspect of human life.

The COVID-19 pandemic has been an exceptional event; very few of us have experienced anything similar (Maher et al., 2020). Planes stopped flying, customers stopped purchasing things, people stopped driving and businesses dismissed employees in their millions, causing levels of unemployment unseen since the Great Depression of the 1930s (Joyce & Prabowo, 2020). The pandemic has created great challenges to governance and public budgeting systems around the world, demanding effective budgetary and monetary responses (Balibek et al., 2020) and highlighting public budgeting as essential to dealing with the impact of the pandemic (Anessi-Pessina et al., 2020). Budgeting identifies both the most fundamental and complicated challenges in a crisis and determines what types of resources are needed to cope and contribute to the short and long-term social, financial, and ecological sustainability of a society (Grossi et al., 2018; Schick, 2003).

Some studies have attempted to address the role of public budgeting in response to the COVID-19 pandemic. They have variously examined strategies and mechanisms for coping with the pandemic (Anessi-Pessina et al., 2020; Cho & Kurpierz, 2020), the financial resilience of government (Upadhaya et al., 2020), and the impact of increased borrowing (de Villiers et al., 2020), with the focus predominantly on central government (Raudla & Douglas, 2020; Seiwald & Polzer, 2020). Furthermore, most of these studies are more concerned with the macro-processes of budgeting.

Despite a number of studies addressing the budgetary response to a crisis or flux, including government budgetary responses to the pandemic situation, very few have focused on how the responses of different actors have shaped budgeting practices during the COVID-19 pandemic, especially in the public sector context. Literature on the role of local government budgets during times of crisis or flux is relatively scarce and often lacks a solid theoretical framework. Prior studies tend to focus on the private sector (e.g. Becker *et al.*, 2016; Ryan, 2007; Van der Stede, 2011), be descriptive in nature (e.g. Schick, 2009, 2013), or are concerned with central government (e.g. Cepiku *et al.*, 2021; Joyce and Prabowo, 2020; Upadhaya *et al.*, 2020). More generally, previous studies call for further research into the role of management control, including budgeting, during crises as the management accounting literature provides little guidance on the modes of organisational response to economic crisis (Abernethy & Mundy, 2014; Hopwood, 2009).

As mentioned above, prior studies largely focus on macro analysis, including of budget infrastructure, institutional environments, cultural conditions, health and macroeconomic infrastructure, and fiscal policy (e.g. Anessi-Pessina *et al.*, 2020; Kim, 2020; Upadhaya *et al.*, 2020; de Villiers *et al.*, 2020). Thus, the question of how budgetary actors make sense of the complexity and uncertainty caused by multi-dimensional crisis and gain a practical understanding of how a budget should be used is underexplored. This is especially relevant when budget practitioners are faced with the complexity of macro and micro situations, rules or regulations, the inertia of bureaucracy and other acute complexities, as they were during the COVID-19 pandemic. In other words, the micro-process of budgetary practices at the LG level during a crisis such as the COVID-19 pandemic needs further scrutiny. It is essential to examine LG budgetary responses to the pandemic because due to their closeness to citizens, local governments had a crucial role to play in coping with the impact of the pandemic (Anessi-Pessina et al., 2020). However, sound interaction with central government was needed to avoid inefficiencies (Ramírez de la Cruz et al., 2020).

Although their theoretical foundations remain limited in their ability to take account of crisis and flux, including pandemic situations, the micro-process of management control tools such as budgeting has been theorised in prior studies. For example, studies have drawn

on structuration theory and institutional theory, attempting to employ institutional properties to change management control practices and accountability processes (Ahrens & Chapman, 2002; Lapsley et al., 2011; Modell, 2003; Munir et al., 2013). In the context of local government budgeting, previous studies have highlighted the importance of focusing on the actors, with local government often seen as a battlefield where budget practitioners constantly compete with each other for resource allocations to preserve or even enhance their positions (Kuruppu et al., 2016). This makes the agential perspective of budgeting practice, especially during a pandemic, essential. However, previous studies of public budgeting that draw on practice theory are limited (e.g., Célérier and Cuenca Botey, 2015; Kuruppu et al., 2016). We therefore employ a practice lens, drawing on Schatzki's (1996, 2002) practice theory. The practice lens offers a more comprehensive and deeper understanding of the agential perspective, which is also influenced by things outside the mind, providing a clearer view of how and why practitioners engage in particular practices (Ahrens & Chapman, 2007; Schatzki, 2001).

2.2. Theoretical Framework: Schatzki's Practice Theory

According to Schatzki (1996), practice is a “temporally unfolding and spatially dispersed nexus of doings and sayings”. “Doing” or activity, or what Schatzki refers to as “the energisation”, is the most essential aspect of practice (Uddin et al., 2020). Indeed, the “doing” of practice is central to human existence. According to Schatzki's (2001) approach to practice, “social order is established within the sway of social practices ... and mind is a central dimension of this ‘process’”. For example, budget reallocation practices to combat the pandemic by the key actors involved consisted of measuring the available funds, considering and prioritising alternative allocations, and evaluating the impact of the reallocations.

Social order is viewed as “arrangements of people and the organisms, artefacts, and things through which they coexist” (Schatzki, 2001, p.50). Understanding the practical intelligibility of practice is important (Uddin et al., 2020). According to Schatzki, practical intelligibility is the “state of affairs” that makes sense of what someone will do and practice is interpreted as a set of actions conditioned by three properties: practical understanding, rules, and teleoaffective structure.

Practical understanding is defined as “knowing how” or knowing how when it comes to some given practice (know-how). People equipped with this property know what to say and do to perform a particular practice (Schatzki, 2001). Schatzki (2001, p. 59) asserts that consequently, “the actions that compose a given practice are linked by the cross-referencing and interdependent know-hows that they express concerning their performance, identification, instigation and response”, so practical understanding is a condition in which people do things because it makes sense to them and for them to do such things. In order to articulate budgeting practices during the pandemic, we seek to understand how the key budgeting actors at the LG level made sense of the budget’s refocusing and reallocating practices to overcome the impact of the pandemic, and what they did to maintain harmony between central and LG budget policies.

More importantly, practical intelligibility is not merely determined by understanding; it is also conditioned by rules and teleoaffective structures. In relation to rules, Schatzki (1996) argues that rules, principles, instructions and the like are the formulations used when someone is participating in their practice. They are formulated and applied to cause specific consequences or to control current activities. For the purposes of our research, rules are

budgeting regulations, policies and more importantly, central government's pandemic-related budget instructions and policies.

The other essential element of practice is the teleoaffective structure. According to Schatzki (1996), teleoaffectivity is a mixture of teleology, an "orientation toward ends", and affectivity, which is "how things matter". However, Schatzki argues that the norms, forms and ends of feelings in practice need not be explicitly conscious goals for the actors. Instead, they must be seen as structural signifiers that render a sense of purpose ("teleo") to practices, as human projects of a particular kind, and which condition the consent of actors ("affective") to achieve this particular kind of purpose (Kemmis, 2010; Uddin et al., 2020). Thus, in the context of a budget (especially during the pandemic situation), through engaging in budgeting practices, budgeting actors develop the habit of doing what makes sense for them to do; for example, reallocating funds from one programme to COVID-19 related programmes. It is this practical intelligibility that shapes and is shaped by the teleoaffective structure of practice.

Thus, as Schatzki (2001, p. 61) writes, practice is "a set of doings and sayings organised by a pool of understanding, a set of rules, and a teleoaffective structure". Schatzki (2005) argues that artefacts are also important in practices. Artefacts are understood as "material objects" and they cause practices to "transpire" and work with them to form social order. Practices "evolve as circumstances change, opportunities and problems arise, personnel change, new ideas arise and so on" (Schatzki, 2005, p. 475-476). Hence, practices are not static. We believe that Schatzki's practice theory offers a nuanced understanding of what key budgeting actors "actually do" in practice, enabling us to problematise the utilisation of government budgeting to combat the pandemic.

3. Research Methods

This research draws on qualitative data obtained through interviews and documentary analysis of budgeting documents from 12 provincial and regency/city level LGs in Indonesia with red zone status, meaning they were epicentres of COVID-19. LGs with this status were deliberately chosen in order to truly reflect the emergency situation. As suggested by Schatzki, we sought to draw out experience, meaning and intelligibility from practice in the form of practitioners' actions and engagement. To place the perceptions and actions of organisational practitioners involved in budgeting practices, we interviewed LG officials who occupied very strategic budget decision-making positions (the heads of budget or accounting divisions), and who were directly involved in the re-budgeting process. Due to the nature of central government policy in terms of not distinguishing between the diverse local government conditions, we interviewed key budgeting actors responsible for the reallocation and refocusing process from the 12 LGs (see Table 1), either via a chat application, WhatsApp, or video conferencing between August 2020 and January 2021. Each interview lasted between 60 and 90 minutes and was immediately transcribed. By the completion of the 12 interviews, no more new themes were emerging.

We also interviewed a key informant (a middle manager in the Budgeting Directorate) from the Ministry of Home Affairs (MoHA) who was directly involved in formulating COVID-19 budgeting policy for local governments in Indonesia. This informant stated that it was he who prepared computerised drafts of central government policies. In addition, we also interviewed two members of the LG legislatures of the regions that became pandemic epicentres. There were only two informants because the legislatures were not directly involved in the re-budgeting process for responding to the COVID-19 pandemic. The legislatures only received notification of the final re-budgeting decisions from the executive

(Republik Indonesia, 2020). The information from these two respondents was intended to validate the information we gathered from the executive informants. A theoretical sampling approach was used to select interviewees who were important to the theoretical positioning of the study (Corbin & Strauss, 2008; Silverman, 2010).

A bidirectional approach was applied to analyse the interview data, whereby the coding scheme was created based on the theoretical framework and themes arising from the empirical data (Eisenhardt, 1989; Silverman, 2010). The coding scheme was created and discussed by both authors to arrive at the final scheme. The following theoretical themes were pertinent from the beginning: practical intelligibility, rules, practical understanding, teleoaffective structure, and artefact. Other codes arose from the data, including “avoidance strategies” to illustrate the key actors’ movements away from central government’s pandemic-related policies, “powerless role” to depict the legislatures’ manoeuvres during the budgeting practices, and “monitoring function” to address the ineffective monitoring of central government in evaluating the refocusing and reallocation of LG budgeting practices in response to the pandemic.

Another important source of data was budgeting documentation, which allowed us to understand the socio-material setting and complemented our analysis of the interviews. Archival data were obtained from various LG websites and news reports available online. We were granted access to budgeting documents due to one of the author’s close links with certain LG officials. This was extremely helpful for identifying the budget policies and allocations of the LGs, which in turn conditioned the actors’ interpretations when conducting budget reallocations. We also employed this information to formulate the interview questions and to clarify any confusion arising in the interview data.

4. Findings

4.1. *Indonesian and Local Government Context in Dealing with the Pandemic*

The pandemic has had a tremendous impact on the national economy and socio-economic conditions at the community level in Indonesia. To deal with these conditions, the Government of Indonesia issued stimulus policies to safeguard society and the economy. These policies were contained in various forms of regulations and started with government regulations in lieu of laws, leading to ministerial instructions.

On March 16, 2020, the Minister of Home Affairs (MoHA) issued MoHA Regulation Number 20/2020 concerning the Acceleration of Handling COVID-19 in Local Government Environments. LGs were asked to use their Unexpected Expenditure Account to anticipate and deal with the impact of COVID-19 transmission. If the budget in the Unexpected Expenditure Account was insufficient, then LGs were allowed to spend more than the budget ceiling. This expenditure was then accommodated by budget amendments. The funds for this expenditure came from the rescheduling of the LGs’ activities and expenditures in the current fiscal year, and/or by utilising the available cash. This ministerial regulation was intended to provide certainty for the LGs, allowing them to use the Unexpected Expenditure Account to immediately handle the pandemic, without having to be preceded by the announcement of an emergency. In normal situations, LGs must follow procedure and announce an emergency before using this budget. At that time the situation of LGs in Indonesia varied greatly – while there were regions where the number of COVID-19 cases had begun to increase, there were also many areas where COVID-19 cases had not yet been found.

Four days later, on March 20, 2020, the President issued Presidential Instruction Number 4/2020 to all institutions in central and local government, requiring them to refocus

their activities and reallocate of their budgets to accelerate the handling of COVID-19 through a budget revision mechanism. To strengthen the presidential instruction, on March 31, 2020, the central government issued Government Regulation in Lieu of Law Number 1/2020 concerning State Financial Policy and Financial System Stability for Handling the COVID-19 Pandemic and/or in the Context of Facing Threats that Endanger the National Economy.

It turned out that even though these regulations were issued, LGs were still hesitant to revise their budgets. It has become common in Indonesia for LGs not to follow any undetailed and unspecified instructions/regulations because they are afraid of accusations from law enforcement officials. Doing something without detailed regulations means that LGs need to employ their discretion or understanding, which in turn are open to diverse interpretations by law enforcement officials. Again seeking to accelerate the revision of the LGs' budgets, on April 2, 2020, the Minister of Home Affairs issued Instruction Number 1/2020. to accelerate the refocusing and/or reallocating of LG budgets. The aim was to increase the capacity of their public health response and ability to handle the pandemic's economic impacts so that regional business would remain alive and to provide a social safety net. This instruction required the LGs to complete their budget revisions within seven days, as well as listing the penalties for failing to complete the revisions within that time. In addition, to implement government regulations in lieu of the aforementioned law, on April 3, 2020, the President issued Presidential Regulation Number 54/2020 concerning Posture Changes and Details of the State Revenue and Expenditure Budget for the 2020 Fiscal Year.

Despite the issuing of these various regulations, they were still not sufficient to spur the LGs to revise their budgets. As a result, the central government issued the Joint Decree of the Minister of Home Affairs and the Minister of Finance Number 119/2813/SJ and 117/KMK.07/2020, hereinafter referred to as the Joint Decree, concerning the Acceleration of Adjustment of the 2020 Local Government Budget in the Context of Handling COVID-19, as well as Safeguarding Public Purchasing Power and the National Economy. The Joint Decree was issued to ensure that the LGs had sufficient funds to deal with the pandemic. There were two main reasons why these central government directives were issued in the form of joint decrees rather than ministerial regulations. Firstly, based on the procedure for establishing the rule of law in Indonesia, ministerial regulations require a lengthy process for their formulation. Secondly, budgeting policy is regulated jointly, not by just one minister. As such, the re-budgeting policy regulated two sides of the budget at once, namely the transfer of funds policy on the revenue side of the LGs, which is under the authority of the MoF, and the LGs' expenditure allocation policy, which is under the authority of the MoHA.

The emphasis of the re-budgeting policy was on the expenditure side – it explicitly determined a rationalisation rate of 50% for goods and services and capital expenditures. The policy of cutting transfer funds on the revenue side was not stated explicitly but this change was indicated for the next regulation by the Minister of Finance. The expenditure rationalisation figure was determined by the policy and not subject to a detailed technical simulation. This figure was determined based on the assumption there would be a lockdown and no infrastructure development in Indonesia until December 2020. As the situation at that time was very worrying psychologically and policymakers were not used to video conference meetings, this policy was formulated in only one face-to-face meeting.

The results of the rationalisation of personnel expenditure, goods and services expenditure and capital expenditure were subsequently accommodated in the Unexpected Expenditures Account for dealing with the pandemic. This Unexpected Expenditure Account can only be used for three activities: health activities related to the handling and prevention

of the pandemic, activities to provide social safety nets, and activities for handling the economic impacts to keep business activities in the regions alive.

The re-budgeting results were compiled in budget adjustment reports, which were then submitted by the LGs to the MoF and MoHA. In order to ensure LG commitment to handling COVID-19, the LGs whose budget adjustment reports did not comply with the provisions were sanctioned by postponing the distribution of a portion of the transfer funds from central government (Ministry of Finance, 2020).

4.2. Local Government Context

All of the above regulations applied equally, with no exceptions, to all types of local government, both provincial and regency or city governments. There are 542 autonomous local governments in Indonesia. These LGs are divided into 34 provincial and 508 regency/city governments. Our interviewees were recruited from 12 local governments: three respondents were from provincial government, and the others came from regency/city governments, as shown in Table 1. We opted for these LGs mainly because they were the worst-hit by COVID-19 and shared similarities in development focus and main revenues and expenditures. Most of our LGs tend to focus on the development of cultural and natural tourist attractions as their primary source of income, such as in CC, BB, JJ, FF, and AA. These LGs offer various tourist attractions such as beaches, mountain views, and rural areas as well as cultural tourism in the form of cultural heritage and ceremonies. However, basic infrastructure remains one of the main challenges to attracting more tourists, such as in JJ, KK, and II Regency. Hence, capital expenditure is spent on establishing basic infrastructure, not only for general public services, but also for developing tourism.

Aside from tourism, regional tax is one of the most significant contributors to the revenue of these LGs. Developing human capital is also a focus, mainly through investing in the education sector, such as by improving school facilities, increasing allocation for school operating activities, and providing scholarships, such as in the Sintang, Grobogan and Tangerang Regencies.

Due to the pandemic and resulting imposition of social and travel restrictions, tourism was one of the worst hit sectors. Tourist attractions lost their visitors, as did associated economic activities such as restaurants and other small businesses, which traditionally contributed the most through regional tax, making LGs more reliant on central government transfers. The pandemic placed the LGs in a tight fiscal space due to decreased regional income. At the same time they were required to reallocate most of their budget for COVID-19-related programmes imposed by the central government. In this situation, a “normal” level of expenditure was even more difficult to execute due to decreased income. Since these LGs tended to focus on developing infrastructure, they had ongoing third-party commitments that made it very difficult for the actors involved to practice reallocation under the refocusing policy implemented by central government.

Table 1: Overview of Demographics and Finances of Informants' Local Governments

No	Local Government	Type of Local Government	Population	Area (Km2)	Population Density	Total Revenues (\$)	Total Expenditure (\$)	Revenue per Capita (\$)	Expenditure per Capita (\$)
1	AA	Provincial Government	5.534.472	42.012,89	131,73	495.398.850,68	515.533.540,41	89,51	93,15
2	BB	Provincial Government	3.882.288	3.133,15	1.239,10	394.053.250,92	337.985.024,73	101,50	87,06
3	CC	Provincial Government	4.317.404	5.780,06	746,95	431.957.626,28	372.325.521,83	100,05	86,24
4	DD	City Government	1.051.500	197,22	5.331,61	212.948.446,81	207.524.842,00	202,52	197,36
5	EE	City Government	1.895.486	164,55	11.519,21	255.886.063,07	287.752.111,98	135,00	151,81
6	FF	City Government	522,364	44,04	11.861,13	126.866.826,22	133.689.997,02	242,87	255,93
7	GG	Regency Government	1.453.526	2.022,25	718,77	185.232.918,01	185.401.181,78	127,44	127,55
8	HH	Regency Government	1.174.986	655,56	1.792,34	177.917.860,58	155.129.988,48	151,42	132,03
9	II	Regency Government	586,11	1.389,87	421,70	114.750.165,92	94.168.969,03	195,78	160,67
10	JJ	Regency Government	436,395	586,27	744,36	116.389.140,83	108.662.904,16	266,71	249,00
11	KK	Regency Government	747,161	1.485,36	503,02	137.728.927,01	147.313.672,33	184,34	197,16
12	LL	Regency Government	421,306	21.635,00	19,47	141.130.019,00	156.356.197,78	334,98	371,12

4.3. Mechanism for Budget Revision

Each LG budget team determined the amount of the budget that must be cut at the LG level from both goods and services expenditure and capital expenditure. After that, each local government working unit (hereinafter abbreviated as LGWU) was asked to calculate the amount of the budget realised by the cuts, identify the value of work under a binding contract, and calculate the amount of goods or services received from suppliers. The total budget of each LGWU, less the amount that had been realised and the amount needed to cover contracted work, gave the amount left in the budget at the LGWU level that could be cut. LGWUs that were not disciplined or timely in realising their budgets were subject to more budget cuts than those that were. Thus, the percentage of budget cuts for each LGWU differed.

There were two approaches generally used by the LGs to rationalise their free budget. The first approach was for each LG budget team to determine a minimum percentage of budget cuts for each LGWU. Furthermore, the head of each LGWU was given the freedom to determine which budgets would be cut. This approach was chosen on the grounds that each LGWU best understood its budget priorities. The second approach involved the LG budget teams determining budget cuts at the LGWU level. The free budget in each LGWU was examined by the respective LG budget team to determine which parts could be cut or postponed. To ensure that the LGWUs complied, the budget team leaders implemented control policies such as directly cutting a LGWU's budget without consultation, cutting employee performance allowances, or not paying the LGWU's bills.

The criteria for cutting LGWU budgets that guided the LG budget teams were found in the policies formulated by the regional heads. These policies were stated in the form of a circular letter or as oral instructions in a meeting. The budget-cutting measures varied among the LGs, depending on the policies of each regional head. However, one measure that was generally the same across all the LGs was to cut official travel and eliminate meals and meetings.

If the amount of budget cuts did not meet the minimum amount stated in the Joint Decree, the LGWU was asked to make an addendum with suppliers. Addendum forms included postponing payment for jobs that had received goods or services, or reducing the volume of work for jobs that had not received goods or services. This is illustrated in the following quote:

*"... if those who have been contracted, there are some addendum to the volume, but most of the payments are postponed, waiting for cash to become available."
(Informant M, Head of Budget Division of T City Government)*

4.4. Difficulties in Revising the Budget and the Opportunism of Key Actors

The Ministry of Finance (MoF), together with the MoHA, monitored the budget revisions made by the LGs. Based on the results of monitoring and evaluation, the MoF postponed the distribution of a portion of the May 2020 transfer funds to 380 LGs (68.85%) with due regard to the considerations of the MoHA (Ministry of Finance, 2020). The postponement of transfer funds was imposed on LGs that had not submitted budget revision reports, and LGs that had submitted budget revision reports but had not yet complied with the provisions of the Joint Decree.

The LGs faced major difficulties in revising their budgets. The first obstacle was that the 50% deduction set by the central government was too large to be cut from expenditure on goods and services. Goods and Services Expenditure includes the School Operational Aid Expenditure Budget for education and the LG Public Service Agency Expenditure Budget, which fund health services provided by hospitals and community health centres. LGs were reluctant to cut these two budgets because they constitute spending on basic services to the people. As a result, the rationalisation of goods and services expenditure did not reach the targeted 50%.

“T City Government can only cut spending on goods and services by up to 37% because the components of spending on goods and services are a lot for the public interest, such as UHC (universal health care) expenditure¹ and the School Operational Aid Expenditure Budget.” (Informant M, Head of Budget Division of T City Government)

However, because the MoF continued to delay the distribution of transfer funds, in the end the LGs were forced to cut their mandatory expenditure budgets. Some LGs chose to cut their Public Service Agency Expenditure Budget because this budget’s policy is in the hands of the LGs. The LGs did not cut their school operational aid expenditure budgets because the policy for that budget came from the Ministry of Education.

“The School Operational Aid Expenditure Budget funds were not tampered with because (the budget) followed technical instructions from the Minister of Education. Finally, a reallocation was made again by cutting the LG Public Service Agency Expenditures Budget.” (Informant W, Head of Budget Division of G Regency Government)

Thus, the rationalisation figures set for goods and services expenditure budgets became too large, with the result that the application of this policy collided with other ministry policies and reduced basic services to the public.

The second obstacle was the insignificant amount gained from the rationalisation of capital expenditure because the LGs had realised their capital expenditure on time. The realisation of expenditure since the beginning of 2020 had been in accordance with the presidential instruction to increase the rate of economic growth in Indonesia, to benefit the people. Construction work involving large capital expenditure budgets had been tendered and work contracts signed. It was therefore almost impossible for the LGs to cancel contracts with their partners. As a result, the LGs could not achieve the target of rationalising their capital expenditure by at least 50%. LGs that had difficulty rationalising their capital expenditure due to having already realised their capital expenditure budgets were finding it increasingly difficult to comply with central government policies because, at the same time, they were also experiencing difficulties with rationalising their goods and services budgets, as described above.

¹Universal Health Care expenditure is the LG's obligation to pay health insurance contributions for the poor.

However, because the MoF continued to delay the distribution of some of the transfer funds in adherence to the provisions in the Joint Decree, some LGs responded by cutting their capital expenditure budgets on paper, to appear to comply with central government policies. However, in real terms the work contracts with their partners continued because they were both bound by the contracts. These LGs dared to cut budgets on paper because based on their experience so far, the central government was often inconsistent in its policies. The LGs predicted that the policy of postponing transfer funds would only be tightly enforced at the beginning of its implementation, and then loosened.

“We just suggest the mayor follow the central government's provisions for cutting the budget. After all, the central government is usually inconsistent. Later, we will return the cut budget to its original account at the time of the budget amendment.” (Informant R, Head of Accounting of B City Government)

After the transfer funds were distributed by the central government, the LGs reinstated the expenditure that had been cut when preparing their budget amendments in the third quarter of 2020. It turned out that the LGs' predictions concerning the “behaviour” of the central government were accurate. After being very strict regarding the initial implementation of the revised budget policy, the central government became lax in overseeing the refocusing and reallocating of pandemic budgets by LGs. This is evidenced by the absence of further supervision from the MoF over the LGs' budget revisions. Moreover, the MoHA no longer monitors the implementation of policies contained in the Joint Decree concerning the budget amendment phase.

4.5. Unexpected Expenditure Realisation

As explained earlier, the money saved from the cuts in the budgets for goods and services and capital expenditure was diverted to the LGs' unexpected expenditure accounts for handling the pandemic. However, the budget realisation rate from the unexpected expenditure budgets were low. For all types of LGs, the realisation rate was 68.25% (Ministry of Home Affairs, 2020). For the provincial LGs, the realisation rate was 69.8% and the rate for regency and city LGs was 55.86% (ibid.).

There were a number of causes for the low realisation of the unexpected expenditure budgets. The reason most often mentioned by informants was setting too high a minimum limit on the budget cuts for goods and services and capital expenditure. Another reason quite often cited by informants was a sense of concern about law enforcement officials (such as prosecutors and police) finding legal violations when the LGs realised their unexpected expenditures due to unclear accountability regulations for the LGs.

“For the realisation (of the Unexpected Expenditure Budget), maybe sir, there is a sense of worry and fear of using the Unexpected Expenditure Budget.” (Informant I, Head of Budget of K Regency Government)

“Then the execution of the Unexpected Expenditure Budget is directly monitored by law enforcement officials, the Corruption Eradication Commission, and the Supreme Audit Agency. The executing apparatus is increasingly shrinking their guts (discouraged).” (Informant M, Head of Budget of T City Government)

Other causes mentioned by informants also contributed to the low utilisation of the LGs' unexpected expenditure budgets, namely the unavailability of necessary items such as personal protective equipment for medical personnel, high community participation in contributing aid to the LGs, assistance from higher government levels (i.e., central and provincial governments) to subordinate LGs (regency/city governments) for handling the pandemic, central government regulations that prohibited LGs from realising certain needs, and LG officers who became tired of recording the distribution of social assistance and grants, as well as protective equipment such as masks and disinfectant. In turn, these practices call into question the effectiveness of the budgetary responses of the Indonesian LGs to the pandemic.

4.6. *The Exclusion of the Legislative Budgeting Function*

Normally, a significant budget revision (in this case rationalisation of a minimum 50% of goods and services expenditure and 50% of capital expenditure) should involve the legislature. However, in this pandemic situation, the legislative budgeting function was bypassed due to the need to respond quickly to the emergency. The legislature was therefore not involved in the process of refocusing and reallocating the budget, with the executive only reporting the results of the budget revisions to the legislature. The LG heads (governors, regents, mayors) were given full authority to make budget revisions. At the LG level, policies from the regional head were implemented by the LG Financial Management Agency and the LG Development Planning Agency. At the LGWU level, the implementation of budget revisions was carried out by the head of the LGWU, assisted by the planning department.

The loss of the local legislatures' budgeting function received mixed responses, particularly due to budget cuts for activities such as monitoring public opinion in their electoral district. Some legislators (hereafter DPRD) received "compensation" for losing their budgetary rights, but others did not get any "compensation". The form of compensation received by the legislators was in the form of no budget cuts for the legislature.

"The DPRD is not angry, sir. Because it is clear what the laws are. Meanwhile, DPRD activities have not been touched. Rationalisation is carried out on (budgets) belonging to non-DPRD entities." (Informant S, Head of Budget Division of P Regency Government)

Another form of compensation requested by the legislatures was to carry forward the amounts cut to the budget for 2021. For LGs with strong sources of finance, this legislature aspiration could be accommodated. However, for LGs with weak financing, this request could not be fulfilled due to the absence of funding sources. The main source of LG funding is transfer funds from central government, which were also subject to significant deductions due to the pandemic. With the drastic decline in transfer funds, some executives could not fulfil the compensation requests made by the legislature. Hence, the allocation of compensation was mainly driven by resource scarcity, which was both caused and exacerbated by the pandemic.

“Yes, the classic reason is ... deficit. Even the DPRD budget for fiscal year 2021 has been cut by the LG Development Planning Agency.” (MD, a legislator from B Regency)

5. Discussion

Our study attempts to explore the complexity of budgeting practices and why the central government's COVID-19 related policies were acted upon differently by the various LGs in Indonesia. A thorough examination of “doings” and “sayings” is used to shed light on how the key budgeting actors/practitioners tried to overcome the impacts of COVID-19. As explained by Schatzki (1996), “doings” and “sayings” are linked by sets of practical understandings, rules or instructions that regulate them, and a teleoaffective structure that orients them. A discussion of our findings follows.

First, before we discuss the practical understandings and teleoaffective structures that oriented the budgeting actors, we briefly recap the rules or instructions that primarily regulated budgeting policies in response to the pandemic. The central government issued instructions and regulations for pandemic-related budget policies to the LGs, directing them to reallocate 50% of their expenditure to COVID-19-related policies, specifically health programs, social safety net programs, and financial aid programs to support business activities in the regions. If the LGs refused to comply, the fund transfer from central government (the primary revenue source for the LGs) would be delayed (as a punishment). Four regulations concerning budget reallocations for COVID-19 were issued within one month, conflicting with other regulations and often lacking detail. Because the policies were set without thorough consideration of the practical implications, practitioners were reluctant to implement them. As theorised by Schatzki (2001), practitioners who implement policy are guided by “what makes sense to them to do”. The implementation of budget policy will therefore remain symbolic or manipulated if it does not significantly change the “usual activities”. Prior studies have highlighted that budget rigidity hinders policies and strategies in times of crisis (Hopwood, 2009; Van der Stede, 2011). The current study offers a more comprehensive lens, revealing that the effectiveness of budget allocation policies during a crisis depends on multiple elements. The practitioners in our case study exercised the central government policies relying on their interpretation and understanding of budgeting practices. Their resulting actions such as disobedience, symbolic/paper compliance and even manipulation undermined the reallocation policy, which was intended to provide an immediate response to the pandemic crisis.

The lack of information dissemination and detailed instructions or regulations on budgeting practices in a pandemic situation may explain why the budget practitioners in our study did not obtain an adequate practical understanding. The intention of central government was to facilitate a quick response to the pandemic situation, but a similar intention could not be engendered among budget practitioners in the LGs. Schatzki (2001) explains that people mobilise artefacts in order to implement practices. In this study, artefacts such as detailed rules for the execution of the COVID-19 programs were absent, as were central government communication and consultation to encourage their implementation. Mobilisation of artefacts was paramount to fostering a wider understanding of central government's instructions to ensure the intended responses to the pandemic situation happened. Similarly, previous studies have shown that budget policies or reforms require training and consultations with experts to ensure their successful implementation (Harun et al., 2015; Tambulasi, 2007).

Furthermore, interaction and communication between central and local government were limited. Practitioners were aware that the urgency and uncertainty created by the crisis required government intervention through budget reallocations. However, they believed that they were constrained by factors such as insufficient funds, undetailed and conflicting policies and regulations, their commitments to third parties, and more importantly, the fear of law enforcement. These obstacles should have been addressed by central government using adequate artefacts (Schatzki, 2002). However, central government's understanding did not align with the local government actors' practical experience of the reallocation policy. The policy failed to substantially navigate practical understanding in any particular direction, thus, practical understanding emerged from how actors coped with the reallocation policy (Schatzki, 2001). In other words, the intelligibility of budget reallocation policy will only influence budgeting practices if the basis for practical intelligibility is shared by all, or at least by individual budget practitioners affected by the process (Schatzki, 2002).

The imposition of the budget policy to combat the pandemic required budget practitioners' acceptance of the instructions and rules (Schatzki, 2001) to fully realise the policy in the LGs. Although detailed instructions and joint decrees/regulations were issued by the relevant ministries, many local actors were still reluctant to realise the pandemic-related programs. Many contracts with third parties had been executed at the beginning of the year, and these were difficult to cancel. Mandatory expenditure was also difficult to reallocate, while inadequate funds and contradictory and inconsistent rules may also have triggered practitioners' fear of being subject to law enforcement. Some actors even exploited a loophole in the rules to express symbolic compliance based on their practical understanding of the habits of central government (lack of monitoring) to avoid punishment. Hence, our findings on budgeting in a crisis show how the budgeting actors made sense of practices according to the existing rules and their aims, beliefs, and practical understanding (Schatzki, 2002). The subjectivities of the practitioners drove symbolic compliance through disobedience, subjective assessment, avoiding punishment, and exploiting the "loophole".

Previous research demonstrates the critical role of budgeting in the response to crises, particularly through the reallocation function (Anessi-Pessina et al., 2020; Becker et al., 2016). Nevertheless, based on prior studies and Schatzki's work, we argue that budgeting practices, including in crisis, are shaped by budget practitioners' skilful agency in favouring vested interests (Kuruppu et al., 2016; Uddin et al., 2019) and their experience of "know-how". According to Schatzki (2001), it is "know-how what to do" that shapes the sayings (meanings) and doings (actions) of practice. Practical understanding offers a framework through which budgeting policies obtain meaning and intelligibility, such as "difficult", "inconsistent", "too large a cut", and "undetailed". Placing practitioners' sayings and thoughts about budgeting policies, as expressed by terms such as "contradictory", "reluctant", "difficult to implement", "inadequate funds", and "afraid of law enforcement", is important, along with their doings (actions), for example "focusing on existing contracts", "manipulating compliance", and "disobeying the policies". These sayings and doings constituted the practical understanding of the budgetary response to the pandemic crisis by Indonesian LGs.

Teleoaffective structures determined what made sense for the projects the practitioners were about to pursue, based on their understanding of budget policy. Schatzki argues that projects may not necessarily be conscious objectives for practitioners; rather they are structural signifiers that give a sense of purpose ("teleo") and condition the practitioners' consent ("affective"). The teleoaffective structure in the context of this research arose from the future orientation of the actors, such as "avoiding funding delays", "inconsistent

regulations”, “inadequate funds”, “avoiding being the subject of scrutiny by law enforcement officials”, and “paper/symbolic compliance.” These concerns have critical implications for making the budget reallocation policy less relevant. Our findings show that the reallocation policy resulted in diverse responses, in particular expressing symbolic compliance to avoid funding delays and disobeying instructions to avoid potential law enforcement, or due to insufficient funds or third-party commitments. Some budgeting actors went against the budget policies to maintain their “usual” way of engaging in organisational activities. The actors perceived that carrying out “usual activities” was more important than obeying the COVID-19 budget policies. In this case bureaucratic logic trumped the pandemic situation. This finding is consistent with previous studies criticising the rigidity of budgets in responding to uncertainty in a crisis (Hopwood, 2009; Shih & Yong, 2001). However, the teleoaffective structure analysis shows that the implementation of the crisis budget was curtailed by practitioners’ sense of purpose and their discretion over the budget. Based on the practice lens approach, we argue all such practices are established through the skilful agency of LG actors.

Therefore, our study’s application of practice theory sheds new light on budget allocation in a crisis context budgeting practices in response to crisis. First, prior studies have often focused on the macro-process of budgeting when debating the important role of budgeting during a crisis. The previous literature has also demonstrated budgeting’s function with regard to planning and resource allocation (Becker et al., 2016), and the importance of the rebudgeting cycle in crisis situations (Anessi-Pessina et al., 2012, 2020). Researchers argue that the planning and resource allocation function is mainly driven by the urgency of the crisis situation and the rebudgeting cycle plays a critical role in coping with immediate changes caused by the uncertainty of events such as a pandemic. The current study expands our understanding of the resource allocation function of budgets and the rebudgeting cycle during crisis, taking a more complex micro-process view and focusing on actors’ reflexive actions. Practice theory offers a lens on the micro process of the allocation function, which depends on a shared interpretation of what “makes sense” according to the budget actors. Practitioners are not necessarily influenced to make decisions on budget allocations by the urgency of the crisis or a particular budget function, but rather their preference for what is “appropriate behaviour” for them. Although the budget resource allocation function is still critical in a crisis, our findings suggest actors’ preferences and interests are more influential, making budgets less useful in the case of combating the pandemic.

Second and furthermore, the purposive projects of practitioners (teleoaffective formations) further clarify why budgeting practices may be less useful in a crisis (Collins et al., 1997). “Avoid funding delays”, “inadequate funds”, and “avoid being the subject of scrutiny by law enforcement officials” emerged as the purposive projects of practitioners in our study. These are not what might be expected given the urgency of budget allocation in crisis. Indeed, such projects may deviate the course of the budget intended to cope with the emergency situation and reduce its flexibility for dealing with the uncertainty of the crisis, in turn limiting the responsiveness of organisations (Collins et al., 1997; Van der Stede, 2011). It further explains why the role of accounting, including budgeting, is less important to making immediate financial decisions in response to a crisis situation (Hopwood, 2009; Van der Stede, 2011), not only due to its inherent rigidity (Arwidi & Samuelson, 1993) and unresponsiveness in the face of crisis (Anessi-Pessina et al., 2020; Kattan et al., 2007), but also because of the skilful agency and purposive projects of practitioners. Prior studies have depicted the critical role of reallocation or rebudgeting policy using mainly macro-level factors

(Anessi-Pessina et al., 2012, 2020), whereas our case shows that the purposive projects of actors are important to determining the success of rebudgeting during a crisis.

Third, we argue that the absence of artefacts meant the outcomes of budgeting practices in our case were not as intended. Schatzki (2005) describes artefacts as crucial elements in navigating practice and “material objects” mobilised within and by practitioners. Artefacts are crucial as they allow practices to occur and work to form social order. Artefacts were required to maximise the role of the budget within a complex and uncertain situation like the pandemic crisis and facilitate the “orchestration of possible interactions” among practitioners (Ahrens et al., 2010). Nevertheless, our data shows there was almost no “orchestration of interactions” between practitioners. In the absence of artefacts or any particular navigation guides, actors’ experience of know-how and their skilful agency became crucial. Due to the rapidly unfolding pandemic situation, the budget reallocation policy was not disseminated well. It was inconsistent and even unclear, without any particular training provided for practitioners. The practitioners understood the urgency of the reallocation policy but had a poor understanding of how to operationalise it. Given this incomplete engagement, the budgeting actors tended to revert to what they were used to doing and therefore attempted to avoid or even manipulate the reallocation policy, which is far from ideal in a pandemic situation (Anessi-Pessina et al., 2020). This finding extends most previous studies, which have rarely engaged with artefacts to explain budgeting in crisis (e.g. Becker et al., 2016; Ejiogu et al., 2020; Hopwood, 2009). Artefacts such as clear communication and policies are critical to optimising the role of budgeting in spite of its rigidity during a crisis, as suggested by prior research (Anessi-Pessina et al., 2012, 2020).

6. Conclusion

This paper has examined the complexities faced by budget policymakers in responding to the pandemic. To conclude and articulate the research contributions, we need to answer the research questions set out in the Introduction: How did the key budgeting actors make sense and respond to the complexity of the pandemic? Was the outcome of the budgeting practices realised as intended? Can practice theory explain the complexity and uncertainty of budgeting practices in a multi-dimensional crisis context? First, this study has explored the role of key budgeting actors at the LG level and how those actors grasped instructions from central government intended to combat the pandemic. Following (Schatzki, 1996, 2001, 2005), we examined the rules, the actors’ practical understanding, and the teleoaffective structure of LG budgeting practices carried out by Indonesian LGs during the pandemic.

Our findings show that the rules and instructions from the Government of Indonesia were confusing and inadequate for the practitioners at the LG level, leading them to do only what made sense to them. This practical reaction by the practitioners makes sense of the diversity of responses from the key actors in the LGs to the instructions and regulations issued by the central government. Their responses included symbolic or “paper” compliance with the instructions and delaying funding absorption to avoid becoming the subject of scrutiny by law enforcement officials later. Many key actors also tended to prioritise their “daily business” and bureaucratic mechanisms over assisting central government in responding to the pandemic immediately. The intelligibility and consistency of the central government’s instructions are therefore crucial since they facilitate practical understanding among actors regarding what they should do. Otherwise, this understanding may vary across practitioners. Second and consequently, the actors’ understanding of what made sense to do and say, or their skilful agency and “know-how”, explain the difference between “what [was] intended”

(by the central government) and “what actually [happened]” (at the LG level). Schatzki asserts that the teleoaffective structure is central to “what actually happens”. In this study, the teleoaffective structures emerged from the orientation of the practitioners. Thus, factors such as “avoiding funding delays”, “inconsistent regulations”, “disobedience”, and “paper/symbolic compliance” were all crucial to making the COVID-19 budget instructions less relevant. The key budgeting actors therefore responded differently across the regions to the instructions from central government, in turn reducing the efficiency of the intended output by central government towards overcoming the pandemic.

Third, drawing on Schatzki’s (2001) practice theory, this study has focused on the micro-process of organisations and practitioners’ practice rather than on the macrostructure formed by institutional environments and macroeconomic conditions (Arwidi & Samuelson, 1993; Cepiku et al., 2021; Collins et al., 1997; Joyce & Prabowo, 2020; Upadhaya et al., 2020). Schatzki’s approach has enabled us to gain a deeper understanding of the micro-process through a practice lens, uncovering the complexity and uncertainty of the pandemic crisis and its influence on budgeting practices. This study extends prior research debating the relevance of budgets during a crisis. Prior studies have demonstrated that the rigidity of budgeted numbers makes budgeting less relevant during a crisis (Arwidi & Samuelson, 1993; Hopwood, 2009). Taking a more nuanced view, this study has shown that the relevance of budgeting in a crisis depends on various elements, including the vested interests of actors, their skilful agency and future orientation, as well as having clear rules and policies in place. This further explains why the budget reallocation policies produced unintended outcomes in Indonesia. This study contributes a comprehensive view of budgeting practices during a crisis at the micro-level, explaining why unintended outcomes made the budget policy response even less relevant in a crisis context.

Fourth, responding to prior studies (Ahrens & Ferry, 2021; Anessi-Pessina et al., 2020) calling for empirical research into budgeting practices to overcome a pandemic at the LG level, we have highlighted the crucial role of LGs in the success/failure of the implementation of the COVID-19 budget policy in Indonesia. Our micro-level analysis shows that actors at the LG level tended to prioritise “normal daily activities” rather than accelerating the central government’s effort to combat the pandemic, in turn confirming the reduced relevance of the crisis budget.

Our research also offers some policy contributions. First, the uncertainty caused by a pandemic crisis requires an immediate response and budget flexibility to maximise the potential to cope with the crisis. From the micro-level perspective, considering the role of practitioners is essential to ensuring the success of budgeting practices. Clear communication across different levels of government and other necessary artefacts are critical to steering practice to achieve intended outcomes. Second, local financial management regulations are set up to deal with a normal LG environment. When a prolonged and large-scale extraordinary event occurs, it is not covered by existing financial management regulations, which is a stumbling block for policymakers in central government and LG executives. The results of this study can be used by central government to improve the existing master regulations on local financial management by adding regulations on budgeting under extraordinary conditions. For example, clear guidelines must be added to the existing regulations regarding who has the authority to revise the budget when an extraordinary event occurs, and how the mechanism for revising the budget works when such an event occurs, among other aspects.

The central government must also have a real-time financial database for all LGs, especially their budget data, to improve budget revision policymaking. In the face of the

pandemic in 2020, the formulation of policies regarding the minimum amount of budget cuts for goods and services and the capital expenditure budget was based solely on expedient decision making, with no simulation of comprehensive real-time budget data. As a result, due to caution and conservatism, the policy decisions were inaccurate, which resulted in overpricing of the Unexpected Expenditure Budget. In turn, there was a residual budget due to low expenditure realisation. The remaining excess budget would have been better used in providing better services to communities.

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