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Legal Reforms in Indonesia's Financial Sector on Institutional Relations between Bank Indonesia and the Government

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Abstract: Legal reform in the financial sector has an important role to play in preparing Indonesia a Golden Indonesia in 2045. The financial sector is very important strategic in the development and welfare Indonesia, supporting its sustainable economic development. Strengthening institutional functions and tasks as well as coordination among ministries and institutions, in this case between the central bank and the government, are essential in order to increase financial system resilience and economic growth. This study analyses financial sector legal reforms that impact institutional relations between central banks and governments by conducting comparative studies of the United States, Japan, Australia, and Thailand. This research also has been updated to present the implications of legal reform in the financial sector on Bank Indonesia's expanding duties and authorities to support a sustainable economy through the enactment of Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector. The results of this study show that with the legal reform in the financial sector, there is a new perspective related to Bank Indonesia's independence, which has been adjusted through the adoption of a policy mix prioritising monetary policy. Fiscal authority does not become superior but accommodative as long as it does not conflict with monetary policy interests. The institutional relationship between Bank Indonesia and the government using a policy mix pattern that emphasizes aspects of monetary policy harmonization based on other policy paradigms that are in line with safeguarding broader economic interests.

Keywords: Bank Indonesia; Central Bank; Fiscal; Institutional; Independence; Monetary; Policy Mix

1. Introduction

Bank Indonesia (BI) and the government have a strategic institutional relationship in maintaining national economic stability. As the monetary authority, BI is responsible for maintaining the stability of the rupiah, while the government, through fiscal policy and other sectors, supports the achievement of sustainable economic development goals. The synergistic collaboration between BI and the government is key in responding to both domestic and global economic challenges, which is based on the regulatory reform.

The COVID-19 pandemic has had a tremendous impact on all facets of human life in terms of economy, and public finance, health, and humanity as well as social and legal aspects, requiring an integrated system and institutional strengthening. This needs to be done to avoid conditions that nearly caused the paralysis of the financial system, as happened during the Covid-19 pandemic. Bank Indonesia (BI) is an independent state institution, free from government intervention, except in matters regulated by law. BI's role is to assist the government in implementing monetary policy, but its position is not on par with other government institutions.[1] In addressing the impacts of the Covid-19 pandemic, Bank Indonesia and the government coordinated and synergized through the burden sharing program of the National Inflation Control Team, which continues to play a role in maintaining price stability, as well as innovations in the Digital Payment System that have been very beneficial to the broader community.

Learning from the impact of the COVID-19 pandemic in the form of a multidimensional crisis threat from monetary, social, economic, and humanitarian perspectives,[2] the development and strengthening of a well-integrated coordination between monetary (Bank Indonesia) and fiscal policies (Government) to accelerate national and global economic recovery and strengthen health systems. One of the extraordinary measures was the purchase of government bonds in the primary market. Before pandemic, BI was not involved in the direct purchase of government bonds in the primary market. However, to support the financing of the fiscal deficit due to the pandemic, BI directly purchased government bonds. This step was a form of coordination between monetary and fiscal policies to ensure economic recovery.[3]

Coordination and cooperation in handling the Covid-19 pandemic were also carried out by various countries around the world. On March 11, 2021, President Joe Biden signed the American Rescue Plan Act providing assistance at an estimated cost of US$1.844 billion (about 8.8 percent of the US 2020 GDP).[4] The plan focused on investing in response to public health crises and providing assistance to families, communities, and businesses. Additionally, the Act expanded unemployment benefit programs, provided direct assistance to eligible individuals and direct assistance to state and local governments as well as adding resources for vaccination programs and increasing funding for reopening schools. For monetary policy, the Federal Reserve Bank (Fed) introduced facilities to support credit flows, in some cases supported by the Treasury using funds allocated under the 2020 CARES Act.[5]

[1] Maqdir Ismail, "Bank Indonesia dalam Tata Pemerintahan Indonesia", Jurnal Hukum No.3 Vol 17, 2010, https://journal.uii.ac.id/IUSTUM/article/download/3911/3488/5658

[2] "Public Policy Optimization during the Pandemic: Three Important Lessons from Bank Indonesia," Bank Indonesia-Gajah Mada University, December 19, 2022, https://www.bi.go.id/id/publikasi/ruang-media/news-release/Documents/Buku_BI_UGM.pdf

[3] "Krisis Kemanusiaan Covid-19 Dan Implikasinya Pada Tatanan Perekonomian Global," Laporan Perekonomian Indonesia, 2020, https://www.bi.go.id/id/publikasi/laporan/Documents/3_LPI2020_BAB1.pdf?

[4] "Policy Response to COVID-19," International Monetary Fund, 2022, https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19

[5] "Management's Discussion & Analysis: The Government's Financial Position and Condition," United States Government, 2021. https://www.fiscal.treasury.gov/reports-statements/financial-report/government-financial-position-and-condition.html

In a similar manner, in April 2020, the Japanese Government adopted the Emergency Economic Package Against COVID-19, allocating 117.1 trillion yen (20.9 percent of Japan's 2019 GDP).[6] The package aimed to (i) develop preventive measures against the spread of infection and strengthen treatment capacity, (ii) protect jobs and businesses, (iii) stimulate economic activity, (iv) rebuild economic structures, and (v) improve preparations for the aftermath of the COVID-19 pandemic. From the monetary side, the Bank of Japan (BoJ) implemented a comprehensive set of measures to maintain the smooth functioning of financial markets (especially the US dollar funding market) and provide incentives for the provision of credit.

In Europe, European Union (EU) leaders agreed on an EU budget and the EU's Next Generation Recovery Package (NGEU) that provided for additional spending of 750 billion euros in total financed by loans at the EU level. The funds were divided between grants (390 billion euros) and loans (360 billion euros) that would be disbursed through a dedicated Recovery and Resilience Facility.[7] The European Commission introduced temporary flexibility to state aid rules in order to support national economic recovery. After announcing the flexible interpretation of the aid rules, the European Commission further directed EU Member States to implement Article 107(2)(b) of the TFEU,[8] compensating companies on a temporary basis for damages directly caused by extraordinary events such as the COVID-19 pandemic, including measures in the aviation and tourism sectors.

In Indonesia, efforts to recover and handle the financial sector system have been jointly carried by fiscal and monetary authorities for the first time through Law Number 2 of 2020, including coordination of actions and institutional synergy that allows recovery efforts by fiscal authorities to be carried out together with monetary authorities. Bank Indonesia (BI) is the monetary, payment system, and macroprudential authority whose duties and objectives are to maintain financial system stability in order to support sustainable economic growth. Although BI is an independent institution, in carrying out its duties, it is necessary to coordinate with other authorities through strengthening the policy mix, improving coordination mechanisms and information exchange, as well as increasing good governance, so that decision making for addressing problems in the financial sector can be achieved more effectively. The concept of synergy is a new legal policy in the development of Bank Indonesia's independence, which was previously

[6] "Policy Response to COVID-19," International Monetary Fund, 2022, https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19

[7] European Union/Eur Are response to COVID-19," International Monetary Fund, 2022, https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19

[8] European Union Law. "Consolidated version of the Treaty on the Functioning of the European Union - part Three: Union Policies and Internal Actions - Title VII: Common Rules on Competition, Taxation and Approximation of Laws - Chapter 1: Rules on competition - Section 2: Aids granted by States - Article 107 (ex Article 87 TEC). 9 Mei 2008. https://eur-lex.europa.eu/eli/treaty/tfeu_2008/art_107/oj

independent-comprehensive,[9] becoming independent-cohesive or independent but integrated with each other.

This cohesive nature is then formulated in legal policies through Law Number 4 of 2023 enacted January 12, 2023, concerning the Development and Strengthening of the Financial Sector as a step to accelerate national economic development in the current era of global challenges by reforming Indonesia's financial sector to become more inclusive, and with greater depth and stability. This law regulates, among other things, institutional relations between relevant authorities to stabilize the financial system. Furthermore, strengthening authorized institutions as regulators and supervisors of the financial sector is carried out to increase the public trust through stability of the financial sector industry.

Regarding institutional relations, independence, and interdependence of Bank Indonesia, with the expansion of duties and authorities provided by this Law, it is necessary to compare institutional relations applied by other countries. To examine the possible effects of the Law, this study conducts benchmarking with the applications of relevant laws in Australia, the United States, Japan, and Thailand by looking at how institutional relations between central banks and their governments function to maintain economic stability. In line with that, this study will also look at the relationship between financial sector development and strengthening with Bank Indonesia through the policy mix and interdependence of the Central Bank. In the end, this research will present a new perspective on legal reform in the financial sector as well as Bank Indonesia's independence, which has been adjusted to the adoption of the policy mix, while monetary policy remains prioritized.

2. Method

The data source in this study was obtained from primary and secondary data. Primary data was obtained through *Focus Group Discussion* (FGD) with fiscal authorities (the Ministry of Finance), monetary authorities (the legal department of Bank Indonesia), experts from related fields (academics and practitioners) and secondary data obtained from literature comprising primary legal materials and secondary laws. The primary legal materials are binding laws and regulations consisting of national legislation, Bank Indonesia regulations, and regulations promulgated by members of the BI Board of Governors. Secondary legal materials provide explanations of primary legal materials obtained from literature studies on related research problems. The author selected Thailand, Japan, and Australia to provide a representation of neighboring countries, as well as the United States as a developed country. Furthermore, these four countries were

[9] Independent-comprehensive means that Bank Indonesia's position is comprehensive, free from the influence of any party in carrying out its duties, functions, and authorities.

chosen based on their speed in handling the pandemic based on lobal COVID-19 Index (GCI). This research uses normative and comparative methods, following a statutory approach. The comparative approach compares laws and/or policies both regarding the legal system applied in various countries, comparison of legal frameworks, and legal characteristics during relevant periods in each country.

3. Comparison of Central Bank Institutional Relations with Governments in Other Countries

This section will explain the institutional relationship by implementing the regulatory reform/framework between central banks and governments which plays a crucial role in maintaining financial stability and supporting economic growth in a few countries (Japan, United States, Thailand, and Australia). Insights from the experiences of these four countries highlight the supportive of institutional relationship between the central bank and the government in Indonesia, in handling of recovery pandemic which is presented in Section 3.2.

3.1. Comparison of Central Bank Institutional Relations with Governments

The institutional relationship between a central bank and its government against the covid pandemic is also a key component of a mix policy country's economic system. The central bank serves as an independent institution responsible for the setting and implementation of monetary policy, while the government plays a role in making fiscal policy and various other aspects of the economy. Effective relationships between central banks and governments are essential for maintaining economic stability, managing inflation, and boosting economic growth through legal reform which is giving an impact to the institutional relationship between two parties.

3.1.1. Japan

As is commonly recognized, the economic crisis resulting from the COVID-19 pandemic has brought changes to regulations and policies in various countries. Since being elected in late 2012, Japan's Prime Minister, Shinzo Abe, and his government launched a comprehensive policy package to revive Japan's economy facing two decades of deflation followed by fiscal discipline that has come to be known as "Abenomics".[10]

Furthermore, one of characteristic of the Japanese system of government is the constant revision of laws. Legislation is one of the features of Japan's emergency management mechanism as laws and regulations highlight responsibilities at all levels, necessary measures, financial support, penalties for non-compliance, and implementation

[10] "Abenomics," Government of Japan, 2019, https://www.japan.go.jp/abenomics/about/index.html

limitations. They are detailed and revised in a timely manner in response to changing disaster situations, directly applicable to addressing the COVID-19 pandemic.

On January 28, 2020, COVID-19 was designated as a Class 2 infectious disease under Japan's Law on Infectious Diseases. On March 10, 2020, the Law on Special Measures against Infectious Diseases was amended to include COVID-19 in the scope of its application. In addition to providing a legal basis for infectious disease crisis response, the law also places crisis management processes under strict legal supervision, effectively preventing excessive public authority, and ensuring proper functioning of the state and social order. This remained in effect until May 2023, when COVID-19 was downgraded from class 2 to class 5.[11]

Under the COVID-19 Special Measures Act, the Japanese government strengthened financial support for affected industries and communities, such as affected supply chains, and introduced a comprehensive set of fiscal and financial support policies, as well as providing measures for businesses and individuals in terms of tax and social security payments and strong financing support policies for small and medium-sized enterprises. This law adds to the scope of COVID-19 implementation by amending the Law on Special Measures regarding New Types of Influenza/Novel Influenaz Act (INA) passed in 2012. This law was enacted to prepare for emergencies and authorize the Prime Minister of Japan to declare a state of emergency.[12]

In the face of the COVID-19 pandemic, Japan implemented a series of economic and legal policies that reflect the resilience and responsiveness of the government. A unique characteristic of Japan's government system is that it does not enact new laws but rather amends existing laws multiple times to address the situation. Laws and policies such as the COVID-19 Special Measures Act provide a legal basis for crisis management to ensure strong financial support for affected industries and communities and prevent excessive actions by public authorities. This action reflects Japan's swiftness in maintaining economic and social stability in the face of serious challenges such as the pandemic.

Not only the COVID-19 Special Measures Act, but in March 2020, Japan also amended the NIA to include COVID-19 as a disease covered by the law. Previously, the NIA only applied to certain types of influenza, so this expansion allowed the government to take stricter measures in handling the pandemic, such as imposing sanctions on individuals and businesses.[13]

[11]Response to COVID 19 (Novel Coronavirus) after the classification change, "Ministry of Health, Labour, and Welfare Japan", 2023, https://www.mhlw.go.jp/stf/COVID-19/kenkou-iryousoudan_00006.html

[12] Kazuho Nakajima, "Japan: Outline of the COVID-19 Special Measures Act of Japan," (2 April 2020). https://www.nishimura.com/sites/default/files/images/en_newsletter_200402_corporate.pdf

[13]Narufumi Kadomatsu, "Legal countermeasures against COVID-19 in Japan: effectiveness and limits of non-coercive measures," (11 April 2022). https://link.springer.com/article/10.1007/s12689-022-00093-x

3.1.2. The United States

The United States, through the Treasury Department, used the Exchange Stabilization Fund (ESF) during the COVID-19 pandemic to support the Federal Reserve's new loan program aimed at stabilizing credit and money markets. In general, the Treasury Secretary can only spend money that has been appropriated by Congress. However, with the President's approval, the Treasury Secretary has great leeway to use the money in the ESF that Congress made under the Gold Reserve Act in 1934.[14]

The Law established the ESF as a reserve to stabilize the U.S. dollar in times of turmoil in foreign currency markets after the U.S. abandoned the gold standard. Over time, however, the Treasury largely used the reserve to lend to other economies that were on the verge of default, for example, to stabilize Mexican government debt during the 1994 peso crisis. As amended in the late 1970s, the ESF consists of three types of assets, the U.S. dollar, foreign currency, and Special Drawing Rights (SDRs) which are international reserve assets created by the International Monetary Fund.

All ESF operations require explicit authorization from the Treasury Secretary.[15] The Secretary is responsible for the formulation and implementation of U.S. international monetary and financial policy, including market intervention policy. Under the Gold Reserve act of 1934, the Treasury Secretary has great discretion in the use of ESF resources.[16] As amended in the late 1970s, this Act states in pertinent part that "the Treasury has a stabilization fund". Consistent with government obligations in the International Monetary Fund (IMF) regarding orderly exchange arrangements and an orderly exchange rate system, the Treasury Secretary, with the approval of the President, may handle gold, foreign exchange, and other credit instruments and securities.

Furthermore, with the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Congress authorized more than $3 trillion in loans. Its total value was equivalent to about 14.5 percent of the United States' GDP in the fourth quarter of 2019. Thus, the fiscal package during the crisis was huge and much larger than the fiscal package enacted in 2009.

In his initial response to the COVID-19 pandemic (wave 1),[17] President Donald Trump passed the Coronavirus Preparedness and Response Supplemental Appropriations Act (CPRSAA) on March 6, 2020, and spent $10 million. Then on March 18, 2020, Congress

[14] Sage Belz and David Wessel, “What is the Exchange Stabilization Fund? And how is it being used in the coronavirus (COVID-19) crisis?” (24 Maret 2020). https://www.brookings.edu/blog/up-front/2020/03/24/what-is-the-exchange-stabilization-fund-and-how-is-it-being-used-in-the-coronavirus-COVID-19-crisis/

[15] “Exchange Stabilization Fund,” U.S. Department of The Treasury, 2023. https://home.treasury.gov/policy-issues/international/exchange-stabilization-fund

[16] “Gold Reserve Act of 1934,” United States Government,1934, https://fraser.stlouisfed.org/files/docs/historical/house/1934hr_goldresact.pdf

[17] Policy Response to COVID-19,” International Monetary Fund, 2022, https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19

passed the Families First Coronavirus Response Act (Families First, or FFCRA) and poured in funds of 0.2 trillion dollars. Wave 1 of the government stimulus ended with the issuance of the Paycheck Protection Program and Health Care Enhancement Act (PP HCEA) on April 24, 2020, with funding of 0.5 trillion dollars. In wave 2, from May to December 2020, the Coronavirus Response and Relief Supplemental Appropriations Act (Response and Relief, or CRRSAA) was passed on December 27, 2020, appropriating 0.9 trillion dollars. On March 11, 2021 (during wave 3), the American Rescue Plan Act (ARPA) was enacted with a budget of 1.9 trillion dollars.

The policies promulgated by the United States government to mitigate the impact of the COVID-19 pandemic show that the United States provided a broad and flexible economic policy response. The U.S. Treasury used the ESF to support the Fed's loan program, giving the Secretary of the Treasury great leeway to use the funds as needed in line with the Gold Reserve Act of 1934. A range of legislation and aid programs, ranging from the Coronavirus Preparedness and Response Supplemental Appropriations Act to the American Rescue Plan Act, reflect the government's swift and major response to the

3.1.3. Australia

After the pandemic hit in March 2020, Australia established cooperation between the Reserve Bank of Australia (RBA) and the Australian Government by closely coordinating efforts to stabilize the economy. Among these efforts, the Australian Government launched a significant economic stimulus package to support individuals and businesses affected by the pandemic, including wage subsidies for companies to retain their employees.[18] Additionally, the Reserve Bank of Australia (RBA) kept its Reserve Bank of Australia (RBA) interest rate policy in a tight range near zero for an extended period.

The government's economic and fiscal strategy is designed to foster sustainable private sector-led growth and job creation and ensure Australia is well-positioned to respond to future shocks. The government's economic and fiscal strategy is consistent with the Charter of Budget Honesty Act 1998 (the Charter).[19] The Government's Economic Recovery Plan aimed to increase employment, growth and business and consumer confidence in several ways, including:

a. Budget stabilizers to operate in order to support aggregate demand;
b. Temporary, proportionate, and targeted fiscal support, including tax measures that encouraged private sector investment to boost productivity and create jobs;
c. Structural reforms to improve ease of doing business and increase long-term economic growth potential to create jobs in the future; and

[18] "Pengaruh Covid-19 Atas Kondisi Sosial Ekonomi Global 2020", Kementerian Keuangan Republik Indonesia, 2020, https://pen.kemenkeu.go.id/in/page/sosialekonomiglobal

[19] "Charter of Budget Honesty Act 1998 Compilation No.4," Australian Government, 2020, https://www.legislation.gov.au/Details/C2020C00126

d. Improving the efficiency and quality of government spending, the progress of which being reviewed at each budget update.

In terms of legal reform, although there is no national-level human rights legislation, states such as Victoria, Queensland, and the Australian Capital Territory have Human Rights Acts that ensure the government acts in accordance with human rights. During the pandemic, these laws were used to assess government policies related to restrictions and to ensure that individual rights were respected.[20]

This COVID-19 response demonstrates that Australia implemented a comprehensive economic policy, whereby the RBA kept interest rates at a near-zero range and expanded through quantitative easing. This monetary policy was combined with the government's fiscal support, such as lockdowns and emergency economic programs. The significant response to the AUD exchange rate against the USD reflects countercyclical policies, which tried to mitigate the impact of the pandemic and support economic growth. This strategy, pursuant to the Charter of Budget Honesty Act 1998, included budget stabilization, proportional fiscal support, structural reforms, and increased efficiency of government spending to achieve sustainable economic recovery.

3.1.4. Thailand

On March 25, 2020, the Thai government declared a state of emergency. This allowed them to operate in accordance with the Emergency Decree of the Public Administration in Emergency Situations, BE 2548 (2005) which gives the Prime Minister more decision-making authority as well as the ability to impose certain restrictions. The most important clause of the Emergency Decree is Section 9, which explicitly authorizes the Prime Minister to issue regulations prohibiting or restricting personal movement, gatherings, communications that spread fear or misinformation, the use of routes and buildings, as well as implement evacuations or prevent entry into designated areas. During the COVID-19 pandemic, these measures allowed the Thai government to implement restrictions that went beyond what is permitted under the BE 2550 Disaster Prevention and Mitigation Act, which included the authority to quarantine individuals, conduct residential checks, and restrict the use of routes and vehicles.

One of the Prime Minister's first actions in the face of the COVID-19 pandemic was the establishment of the COVID-19 Situation Administration Centre (CCSA) and an executive committee consisting of ministers and department heads who were expected to report directly to the Prime Minister's office. They were tasked with implementing policies under the Infectious Disease Act. BE 2558, the Disaster Prevention and Mitigation Act, BE

[20] “How are our human rights protected in law in Australia during COVID-19?”, Australian Human Rights Commision, 2020, https://humanrights.gov.au/about/covid19-and-human-rights/how-are-our-human-rights-protected-law-australia-during-covid-19

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2550, and the State Administration Act, BE 2534.[21] The Thai government has issued many restrictive announcements such as closing certain places and halting some services to prevent the spread of COVID-19. Each province also has its own restrictions issued by the provincial governor.

The consequence of this declaration is that the Thai government has secured further control and management in accordance with the law. For example, there was a temporary transfer of a certain amount of ministerial power under certain laws to the Prime Minister to the extent necessary for expediency and unified management. Regulations were issued in the form of certain prohibitions and guidelines including prohibitions on entering or leaving certain areas, prohibitions or restrictions on entering or leaving the kingdom, and the movement of large numbers of people in different areas, control over the use of vehicles, transportation routes, and control of distribution of medical goods and supplies.

Those measures led Thailand to be ranked first in successfully controlling the COVID-19 outbreak in both the Global COVID-19 Index (GCI) and in Asia.[22] This is due to adopting timely measures including declaring a national emergency in March 2020, imposing curfews, closing educational institutions, large-scale tracking and testing, and high levels of public awareness and compliance with rules such as wearing masks outdoors.

Thailand's economy, however, contracted by 6.1 percent in 2020, close to the level of economic contraction during the Asian Financial Crisis. This happened due to the spread of the COVID-19 virus and restrictive measures that affected economic activities in several sectors. One of the most affected sectors was tourism, although Thailand issued special tourist visas.[23] In addition, falling external demand affected domestic demand, causing job losses and falling household incomes. Accordingly, households were supported by the Government through stimulus measures, and these stimulus measures were essentially the driver of purchasing power.

In the same year, the Thai government spending increased and played an important role in supporting the national economy, especially after the enactment of the fiscal 2020 budget and the Emergency Decree that gave Thailand's Ministry of Finance the authority to increase lending in order to repair and restore the economy and communities affected by the pandemic. The Monetary Policy Committee (MPC) also voted to cut the policy rate three times to a historic low of 0.5 percent to mitigate the impact of the COVID-19 outbreak and support economic recovery.

[21] Department of Disaster Prevention and Mitigation. Ministry of Interior. 2007. http://project-wre.eng.chula.ac.th/watercu_eng/sites/default/files/2112618%20water%20dis-%202019/02%20Disaster%20Prevention%20and%20Mitigation%20Act%202550.pdf

[22] "Recovery Index Top 10," Global COVID-19 Index (GCI), 30 December 2022, https://covid19.pemandu.org/

[23] "Thailand's Economic Conditions in 2020," Bank of Thailand, https://www.bot.or.th/content/dam/bot/documents/en/thai-economy/the-state-of-thai-economy/annual-report/annual-econ-report-en-2020.pdf

In 2021, the overall global economy began to pick up. The country has been showing signs of recovery from the COVID-19 pandemic and economic growth is already the trend. Thailand's economy expanded by 1.5 percent, driven by a recovery in external and domestic demand.[24]

The COVID-19 pandemic has been dealt with more quickly through several measures involving the government, central bank, and Thai people. The village health volunteers (VHVs) scheme[25] is at the heart of the National Primary Health Care Programme's efforts to reach more people at a lower cost. The initiative began in 1978 and to date there are more than one million VHVs in Thailand tasked with controlling and preventing the spread of disease, such as mitigating the impact of the SARS and bird flu outbreaks in Thailand.[26]

From the explanation above, the Thai government, which managed to rank first in the Global COVID-19 Index (GCI), showed its ability to control the COVID-19 pandemic through policies adopted in a timely manner. Although Thailand's economy contracted significantly in 2020, the government invoked stimulus measures and fiscal policies to shore up purchasing power and support economic recovery. This is also reinforced by the monarchical system of government in Thailand which provides advantages in policy coordination and integrated management through emergency decrees and the establishment of the COVID-19 Situation Administration Centre (CCSA).

3.2. From Crisis to Recovery: Institutional Lessons for Indonesia's Fiscal-Monetary Relationship

In Indonesia, one of the important aspects in overcoming the economic impact of the COVID-19 pandemic is the harmonization of institutional relations between fiscal and monetary authorities. The fiscal authority, under the Ministry of Finance, is responsible for state expenditures and revenue policies, while the monetary authority held by Bank Indonesia is responsible for implementing monetary policy to regulate inflation and exchange rates in order to maintain financial system stability.

When the pandemic hit, the relationship between fiscal and monetary authorities became key in determining an effective economic response. The mutually supportive policies between the two authorities helped mitigate the negative impacts on the

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[24] "Thailand's Economic Conditions in 2021," Bank of Thailand, https://www.bot.or.th/content/dam/bot/documents/en/thai-economy/the-state-of-thai-economy/annual-report/annual-econ-report-en-2021.pdf Bank of Thailand. Thailand's Economic Conditions in 2021. https://www.bot.or.th/content/dam/bot/documents/en/thai-economy/the-state-of-thai-economy/annual-report/annual-econ-report-en-2021.pdf

[25] VHVs are individuals selected by villagers to receive basic medical training in accordance with Ministry of Public Health requirements, help inform and support public health in their communities.

[26] Nicola Luigi Bragazzi dan Rajib Shaw, "COVID-19 Response in Thailand and Its Implications on Future Preparedness," 2021, International Journal of Environmental Research and Public Health 18 (3): 1089. https://doi.org/10.3390/ijerph18031089

national economy caused by the pandemic, which included a decline in economic activity, availability of health facilities, and loss of jobs, leading to high economic uncertainty.

The relationship between the central bank and the government in Indonesia reflects the principles of democracy and independence demonstrated through the separation of powers. The following is a comparison of the institutional role of central banks during the pandemic in countries as explained in the subchapter above.

Table 1. Comparison of Central Bank Institutional Roles in the Pandemic Period

Comparison	Japan	USA	Thailand	Australia	Indonesia
Institutional	Progressive	Progressive	Conservative	Moderate	Moderate
Institutional Adjustments during the Pandemic	Not Easy	Not Easy	Easy	Feasible	Easy
Relationship with Fiscal Authorities	Superior	Superior	Subordination	Coordination	Coordination
Changes in Central Bank/National Regulations during the pandemic	Yes	None	Yes	None	Yes

Source: processed by authors.

As in subchapter 3.1 which describes the relationship between central banks and governments in Japan, the United States, Thailand, and Australia during the COVID-19 pandemic crisis, it is found that institutions in Japan and the United States are progressive, where central bank institutions during the pandemic have not changed in laws and regulations. As such the monetary authorities and fiscal authorities remain in accordance with the system and the relationship between them is still carried out with existing institutional mechanisms.

Meanwhile, for Thailand, which adheres to a constitutional monarchy system of government, the institutional relationship is conservative which makes fiscal policy a consideration in monetary policy. In other words, monetary policy always pays attention to fiscal policy issued by the government such as during the COVID-19 pandemic. Under this regime, government stimulus through the central bank is very large and its support for economic growth, and monetary policy is very concerned and synergized with government fiscal policy, making fiscal policy very dominant in the monetary sector. During the COVID-19 pandemic, institutional adjustments were not easy for Japan and the United States, while Thailand adjusted quickly because its monetary policy was strongly influenced by the dominance of fiscal policy. In Australia, policy adjustments were made by considering the balance of interests for the monetary sector.

The role of central bank institutions in institutional relations with fiscal authorities during the pandemic in Japan and the United States was superior, which means that the central bank could not be influenced or controlled by fiscal authorities, although coordination could be carried out, but is not binding on monetary authorities. In Thailand, the central bank is subordinate to the fiscal authority, which means it follows government policy and is always based on government policy. In Australia on the other hand, the relationship between the central bank and fiscal authorities during the COVID-19 pandemic is coordinative, which means that the policies taken were coordinated in advance between the monetary authority and the fiscal authority, whether or not regulatory changes are needed. Central bank regulations during the COVID-19 pandemic have not changed in the United States, Japan, and Australia. However, there have been changes to central bank regulations in Thailand, namely BE 2548 (2005) which gave the Prime Minister more decision-making authority and the ability to impose certain restrictions.

From the four-country case study, it was found that Indonesia has moderate institutions, where fiscal interests can be adopted in monetary interests by considering several government policies as the basis of monetary policy, with a note that these policies must be in line with monetary policy. Institutional adjustments during the COVID-19 pandemic were carried out easily using existing political and legal instruments or through enactment of laws. The character of the Indonesian government system is influenced by the *gotong-royong* (mutual cooperation) system, namely state institutional relations are always based on the principle of deliberation and consensus.

The Indonesian people have the principle of the spirit of mutual cooperation, which is an advantage of the Indonesian people that other nations in the world do not have. Multi-stakeholder collaboration, or pentahelix, involving the government, private sector, universities, civil society, and mass media, is crucial in facing disasters in Indonesia, including the Covid-19 pandemic. Coordinating Minister for Human Development and Culture, Muhadjir Effendy, emphasized the importance of the gotong royong spirit as a unique strength of the Indonesian nation that should be developed into a tradition in disaster management. The contribution of strategic groups outside the government is significant, accounting for 70% of the Covid-19 response efforts. The government aims to strengthen this pentahelix relationship to ensure effective cooperation in addressing future disasters.[27] Therefore, moderate institutions are also suitable for Indonesia at the highest level of state government according to the constitution, the President, so that the administration of government, including the monetary sector is in the interests of the nation in general.

[27] Press Release from Coordinating Minister for Human Development and Culture, "Kontribusi Terbesar Penanganan Pandemi dari Gotong Royong". 31 Agustus 2021. https://www.kemenkopmk.go.id/index.php/kontribusi-terbesar-penangananan-pandemi-dari-gotong-royong

Furthermore, Bank Indonesia, which is the central bank, coordinates and consults in conjunction with fiscal authorities. The policies taken must be based on mutual interests and maintain the independence of Bank Indonesia, which resulted in changes to central bank regulations during the COVID-19 pandemic, namely Law No. 2 of 2020 and Law No. 4 of 2023 where Bank Indonesia is mandated to be able to purchase government securities on the primary market.

Indonesia took policy steps by implementing changes in economic and financial sector regulations towards fiscal and monetary consolidation, tax and spending reforms, and institutional structural policies. The Government of Indonesia issued a Government Regulation in Lieu of Law (Perppu) as a measure to secure the national economy and financial system stability through various relaxation policies related to the implementation of the State Budget. Policies taken include spending on health, spending on social safety nets, and economic recovery, as well as strengthening the authority of various institutions in the financial sector. A Government Regulation in Lieu of Law was issued in order to create a foundation so that the threat does not materialize or at least the impact of the threat can be mitigated or minimized.

In addition, a Government Regulation in Lieu of this Law was promulgated to allow the government and relevant authorities to carry out necessary extraordinary actions, including widening the deficit and economic recovery programs for protection against shock, while at the same time preparing for economic recovery. Furthermore, the Government Regulation in Lieu of the Law also confirms the strengthening of Bank Indonesia's authority, namely participating in buying long-term government securities to fund the state budget which experienced extraordinary pressure for economic recovery.

Law No. 2 of 2020 is one of the government's legal actions to address the COVID-19 pandemic.[28] Through Law No. 2 of 2020, at least two things are regulated. First, the policy aspect, where the government regulates efforts to handle the COVID-19 pandemic, starting with increasing health spending, refocusing the budget mechanism of ministries/ institutions/local governments, social safety nets, economic recovery and strengthening the authority of several institutions. Second, from an institutional perspective, the government provided immunity from prosecution for members of the Financial System Stability Committee not to be prosecuted criminally or civilly in carrying out their duties in good faith and in accordance with laws and regulations.[29]

[28] Muhammad Beni Kurniawan, "Government Legal Politics in Handling Of COVID-19 Pandemic Reviewed from the Right to Health's Perspective", *Jurnal HAM* Vol.12 No.1 (2021), http://dx.doi.org/10.30641/ham.2021.12.37-56

[29] Yunus Husein and Ichsan Zikry, "Legal and Institutional Aspects of The Financial Sector in Handling the COVID-19 Pandemic, *Journal of Central Banking Law, and Institution* Vol.1 No.2 (2022). https://www.jcli-bi.org/index.php/jcli/article/view/15/11

Furthermore, Law No. 2 of 2020 also granted additional authority to Bank Indonesia, the Deposit Insurance Corporation (LPS), and the Financial Services Authority (OJK) in an effort to handle the COVID-19 pandemic in the context of national economic recovery. Under Law No. 2 of 2020, Bank Indonesia can purchase government bonds and/or state sharia securities in the primary market in the context of burden sharing conducted by BI and the Ministry of Finance as an effort to handle state financial stability during crisis conditions to finance expenses during the COVID-19 pandemic. The principle of burden sharing is stated in the Joint Decree with details of funds of 266.1 trillion rupiah in the first phase and funds of 397.56 trillion rupiah in the second phase. Meanwhile, until November 15, 2022, the third phase aimed at health and humanity had reached 310.4 trillion rupiah, leaving 128.58 trillion rupiah available.[30]

4. Policy Mix and Interdependence of Bank Indonesia after Legal Reform

Tables The process of drafting and debating the Financial Sector Development and Strengthening Bill began in 2020. Initially, the Financial Sector Development and Strengthening Bill was an initiative of the Government, until 2022, when the Financial Sector Development and Strengthening Bill became an initiative of the House of Representatives of the Republic of Indonesia-Commission XI with a broader regulatory reach, encompassing institutional aspects of authority, financial system stability, and industry regulation. Bank Indonesia is involved in the preparation of the Inventory List of Government Problems in response to the Financial Sector Development and Strengthening Bill. In the debate of the Draft Law on the Development and Strengthening of the Financial Sector with the House of Representatives of the Republic of Indonesia, the government was represented by the Ministry of Finance, the Ministry of Cooperatives and MSMEs, the Ministry of Law and Human Rights, and the Ministry of Investment /Investment Coordinating Board.

Law No. 4 of 2023 concerning the Development and Strengthening of the Financial Sector is the second Omnibus Law following the Job Creation Law. The omnibus method is defined by drafting laws and regulations: a) containing new material; b) amending the material content material of laws and regulations of the same type and hierarchy; and/or c) repealing laws and regulations of the same type and hierarchy, by combining them into one law to achieve this goal.

The legal basis for making Law No. 4 of 2023, namely (1) Law No. 13 of 2022 concerning the Second Amendment to Law No. 12 of 2011 concerning the Establishment of Laws and Regulations stipulates that the preparation of laws and regulations can use the omnibus

[30] Maria Elena, "BI Burden Sharing SBN Purchases Reach Rp974.09 Trillion as of 15th November 2022", Click here: https://ekonomi.bisnis.com/read/20221122/9/1600903/pembelian-sbn-burden-sharing-bi-tembus-rp97409-triliun-per-15-november-2022.

method (Article 64 paragraph (1a) of the Law on the Establishment of Laws and Regulations) and (2) the subject matter regulated in laws and regulations using the omnibus method can only be changed and/or repealed by changing and/or repeal the omnibus (Article 97A of the Law on the Establishment of Laws and Regulations).

After the Financial Sector Development and Strengthening Act was signed by the President, the government and regulatory institutions in the financial sector draft the implementing regulations, including Government Regulations, Bank Indonesia Regulations, Financial Services Authority Regulations, and Deposit Insurance Agency Regulations. All implementing regulations are to be drafted within two years from the promulgation of the Financial Sector Development and Strengthening Act.[31] The Financial Sector Development and Strengthening Act amended 17 laws in the financial sector, repealed one law, and regulated a number of new substances. Amendments to the Bank Indonesia Law in the Financial Sector Development and Strengthening Act are contained in Chapter III on Institutions, Part Five on Bank Indonesia, Trunk, and Explanation. There is a mandate of the Financial Sector Development and Strengthening Act which regulates the delegation of authority to further regulate some materials in the Financial Sector Development and Strengthening Act into a number of implementing regulations.

Several follow-up actions that need to be taken by Bank Indonesia after the enactment of the Financial Sector Development and Strengthening Act include:

a. Establishment of 23 Bank Indonesia Regulations;
b. Establishment of 4 Members of the Board of Governors Regulations;
c. Bank Indonesia's involvement in the preparation of a number of Government Regulations;
d. Drafting joint agreements with other institutions; and
e. Revisit a number of frameworks/blueprints

The background of the drafting of the Financial Sector Development and Strengthening Act is the awareness of the importance of the financial sector as an intermediary function in the framework of economic growth. There are a number of problems and challenges faced by the financial sector today, such as high transaction costs and limited financial instruments amid the dynamics of global economic and financial developments and the development of increasingly complex and interconnected financial instruments and transactions as a result of the development of digital technology.

In addition, most laws in the financial sector are more than a decade old, such as the Banking Law, the Capital Markets Law, and the Insurance Law as well as laws and regulations governing financial sector authority institutions such as the Bank Indonesia

[31] Press Release from the Ministry of Finance, "President Passes P2SK Bill into Law", https://www.kemenkeu.go.id/informasi-publik/publikasi/siaran-pers/Presiden-Sahkan-RUU-P2SK

Law, the Financial Services Authority Law, and the Deposit Insurance Agency Law. Regulatory reforms are needed to strengthen and develop the financial sector, including strengthening industrial governance and coordination among financial sector institutions/authorities in order to form a deeper, stronger, stable, and more efficient and inclusive financial sector.

In its structure and scope, the Financial Sector Development and Strengthening Act: 1) Affirms/strengthens the duties and authorities of Bank Indonesia; 2) Clarifies Bank Indonesia's duties; and 3) Defines governance aspects of Bank Indonesia. Affirmation/ strengthening of Bank Indonesia's duties and authorities includes: a) Macroprudential policy; b) Regulation and supervision of money markets; c) Management and acquisition of data and/or information; d) Non-Bank Foreign Exchange Business; and e) Digital Rupiah management.

Furthermore, Bank Indonesia's objective strengthening covers three areas: a) Achieving rupiah stability; b) Maintaining payment system stability; and c) Contributing to maintaining financial system stability. These three areas are aimed at supporting sustainable economic growth. Furthermore, strengthening governance aspects of Bank Indonesia includes: a) Regulations regarding Bank Indonesia's institutional performance reports; b) Budget management; and c) Bank Indonesia's wealth management authority, including write-offs.

The Financial Sector Development and Strengthening Act consists of 27 chapters and 341 articles. Changes to the Bank Indonesia Law are regulated under Chapter III, Part Five on Institutional Structure, Article 9 of the Act. In addition, there are changes to the Currency Law in Article 10 of the Financial Sector Development and Strengthening Act. Regulation of the Financial Sector Development and Strengthening Acts related to BI's authority are also contained in several other chapters, such as Banking, Money Markets, and Foreign Exchange Markets, financial sector technology innovation (ITSK), financial inclusion and consumer protection, and financial system stability (FSS). Institutional aspects of Bank Indonesia, the Financial Services Authority, the Deposit Insurance Agency, and the Financial System Stability Committee have been strengthened, including coordination mechanisms among authorities in order to maintain financial system stability. The following legal reforms are contained in the Financial Sector Development and Strengthening Act (Table 2).

Table 2. Law Reform of the Financial Sector Development and Strengthening Act

Amended Law	New Substance	Repealed Law
1. Bank Indonesia Act of 1999 2. Deposit Insurance Agency Act of 2004 3. Financial Services Authority Act of 2011 4. Financial System Crisis Prevention and Handling Act of 2016 5. Currency Act of 2011 6. Banking Act of 1992 7. Cooperative Act of 1992 8. Capital Market Act of 1995 9. Commodity Futures Trading Act of 1997 10. Government Bond Act of 2002 11. National Social Security System Act of 2004 12. Bankruptcy and Suspension of Debt Payment Obligations Act of 2004 13. Sharia Banking Law of 2008 14. Law of Indonesian Export Financing Institutions Year 2009 15. Microfinance Institutions Act of 2013 16. Insurance Act of 2014 17. Business Guarantee Act of 2016	1. Market Infrastructure 2. Money Markets and Forex Markets 3. Financial Markets Development, including special purpose vehicles and/or trustees 4. Foreign Exchange Business 5. Joint Business Insurance 6. Policy Guarantee Program 7. Financing Services Business 8. Bullion Business Activities 9. Financial Conglomerate 10. Financial Sector Technology Innovation 11. Application of Sustainable Finance 12. Financial Literacy, Financial Inclusion, and Consumer Protection 13. Access to MSME Financing 14. Human Resources and Financial Reporting	1. Pension Fund Act of 1992

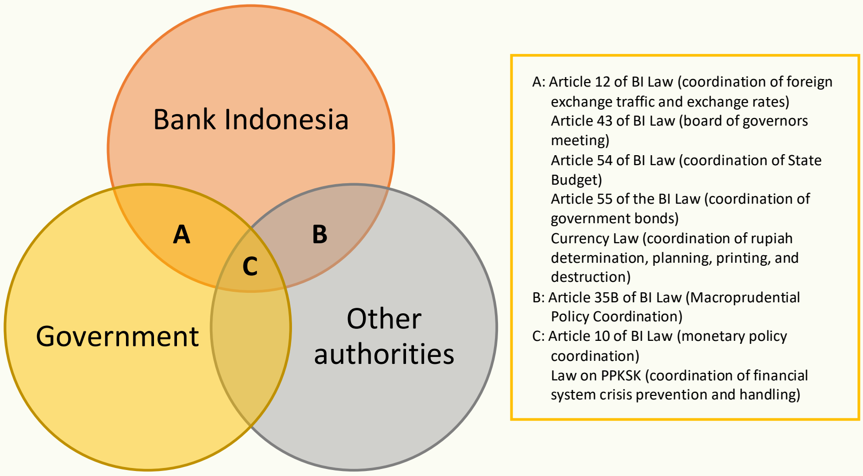
Source: Legal Department of Bank Indonesia (2023)

Conceptually, Bank Indonesia's institutional role under the Financial Sector Development and Strengthening Act encompass determining and implementing monetary policy and regulating and maintaining a smooth payment system and macroprudential underwent changes offered as a policy mix offered as compromise norms to maintain harmony between monetary authorities and fiscal authorities. Alan Reynolds in "The Fiscal-Monetary Policy Mix" states that, "[t]he policy mix is the combination of a country's monetary policy and fiscal policy. These two channels influence features such as economic growth and employment, and are generally determined by the central bank and the government".[32]

The policy mix is not considered a form of government interference with the central bank, but rather as a form of elaboration or integration of decision making by taking into account certain economic conditions and having an impact on broader interests, for example when monetary policy is needed to support fiscal policy measures, and vice versa. This cohesiveness is manifested in a joint policy that is discussed first before being established as a joint policy. Figure 1 illustrates these aspects of BI coordination in the Law.

[32] Alan Reynolds, "The fiscal-monetary policy mix," 2001, Cato Journal, https://www.cato.org/sites/cato.org/files/serials/files/cato-journal/2001/11/cj21n2-11.pdf

Figure 1 Bank Indonesia's Coordination in Law



Source: processed by authors.

Part A describes coordination between the government and Bank Indonesia, including exchange rate policy, foreign exchange traffic, board of governors' meetings, and debt instruments. Part B describes coordination between Bank Indonesia and other authorities related to macroprudential policy. Finally, part C describes coordination among the Government, Bank Indonesia, and other authorities related to monetary authority as well as prevention and handling of financial system crises.

From the figure above, Bank Indonesia plays a major role in setting monetary policy by referring to the inflation targets set by the government, while exchange rate and macroprudential policy are also part of Bank Indonesia's mandate. In addition, forums such as monthly board of governors' meetings can be attended by the government with non-voting rights and Bank Indonesia's involvement in government policy processes, such as the draft state budget and the issuance of government bonds, reflect close coordination among related authorities.

Coordination among Bank Indonesia, the government, and other authorities is evident in the Financial Standard Stability Committee forum, tasked with monitoring and maintaining financial system stability, handling financial system crises, and handling systemic bank problems, both under normal financial system stability and financial system crisis conditions.[33] In addition, during the COVID-19 pandemic, Bank Indonesia participated in addressing the impact of the pandemic and national economic recovery by sharing the burden[34] as outlined in the Joint Decree as a synergy measure for economic

[33] Paramita Prananingtyas, "Juridical Analysis of the Task of the Financial System Stability Committee in Preventing Financial System Crisis in Indonesia", Diponegoro Private Law Review Vol. 1 No. 1 November 2017, file:///C:/Users/HP/Downloads/1932-5519-1-SM.pdf

[34] Pihri Buhaerah and Nur Firdaus. ADBI Working Papers Series. July 2023. https://www.adb.org/sites/default/files/publication/897366/adbi-wp1402.pdf

recovery.[35] This shows that coordination among institutions is needed to maintain a sustainable economy.

According to Juhro,[36] the central bank needs to implement a new policy paradigm, namely the policy mix which is basically an optimal integration between monetary policy, macroprudential policy, and foreign capital flow management, and is supported by strengthening government economic policy coordination. In terms of public policy theory, the policy mix as long as it meets "the achievement of goals, values and practices that are directed and well systemized to bring good impact", can be considered good.[37]

This was reinforced by the view of the Governor of Bank Indonesia, Perry Warjiyo, at the Annual Meeting of the International Monetary Fund and the World Bank in October 2023 in Marrakech who affirmed, "the use of the central bank's policy mix does not rely on one policy instrument alone, but combines various policies, namely interest rate policy, macroprudential policy, and exchange rate stability policy".

In terms of administrative law, this study finds that the policy mix in the public interest or broader interests, is possible, and its impact and limits on monetary authorities and fiscal authorities that are no longer up for debate. The development of the policy model in theory is no longer a coercive isomorphism or policy change due to regulatory pressure, but a normative isomorphism that arises from considerations of professionalism and expediency for certain sector activity actors.[38] In terms of the structure of the legal concept, *normative isomorphism* proves the independence of certain bodies by offering a policy mix that is in accordance with the character of institutional independence. On the one hand, however, normative isomorphism offers the possibility of succumbing to the rationality of the other as long as the benefits are greater.

The results of the focus group discussion conducted on institutional relations between Bank Indonesia and the government and interests/policies that need to be prioritized, the reveal there is interest from the government in consulting with Bank Indonesia regarding the implementation of government interests/policies, such as the bond issuance plan. However, it turns out that the policy influences/interference/conflicts with in achieving Bank Indonesia's objectives, Bank Indonesia prioritizes the implementation of its policies in order to achieve Bank Indonesia's objectives. This is expressly regulated in article 11 of the Financial Sector Development and Strengthening Act which reads "Bank Indonesia prioritizes the achievement of the objective to achieve rupiah stability in the framework of monetary policy by taking into account macroeconomic conditions".

[35] Dwi Tjahja K.Wardhono et al, Crisis, Hazard, and Disaster Management: A Study of Regulatory Formulation and Institutional Coordination. Journal of Central Banking Law and Institutions, Volume 2, Number 3, 2023

[36] Solikin M. Juhro, "Pengantar Kebanksentralan: Teori dan Kebijakan," 2021, Rajawali Pers

[37] Harold D. Lasswell and Abraham Kaplan, "Power and Society: A Framework for Political Inquiry," 1981, New Haven: Yale University Press

[38] Paul J. DiMaggio dan Walter W. Powell, "The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organisational Fields," American Sociological, 48: 147-160, 1983

This is done to prioritize Bank Indonesia policy to remain prudent. This is in line with Warjiyo and Juhro's view that Bank Indonesia in prioritizing inflation also sees a broader policy dimension for public welfare, although not explicitly to control inflation to build policy credibility in the future.[39]

Institutional relations between Bank Indonesia and the government have been running well as stated by the Governor of Bank Indonesia, where Bank Indonesia supports the Government's downstream policies (mining and plantations, agriculture and marine) to adding value and encouraging sustainable economic growth, through: (i) Regional Economic and Financial Studies; (ii) Implementation of foreign currency term-deposit (TD) effective in March 2023 for DHE management Natural resources; and (iii) formulation of liquidity and other macroprudential policies to banks that disburse credit to support downstream.[40] In addition, the Ministry of Finance worries that a plan for BI's consultation on government policy interests has the potential disruption for Bank Indonesia's objectives, respecting the considerations, views, and input of Bank Indonesia that prioritize Bank Indonesia's policy interests.

5. Conclusion

In the experiences of the United States, Australia, Japan, Thailand, and Indonesia, a legal reform giving an impact to the institutional relationship between the central bank and the government, which has been key in designing integrated fiscal and monetary policies. The responses from the central banks and governments highlight the importance of institutional synergy in addressing multidimensional crises such as the pandemic. Legal reforms, such as amending existing laws or enacting COVID-19-related legislation, emphasize rapid adaptation to crisis situations.

Central bank regulations during the COVID-19 pandemic which have not changed, such as in the United States, Japan, and Australia, had made these countries not easy to make an adjustment during the pandemic. However, there have been changes to central bank regulations in Indonesia and Thailand, which gave mandates to the authorities more decision-making competence and the ability to impose certain restrictions. The institutional relationship between Bank Indonesia and the government regulated in the Financial Sector Development and Strengthening Act supports sustainable economic growth using a policy mix pattern that emphasizes aspects of monetary policy harmonization based on other policy paradigms that are in line with safeguarding broader economic interests.

[39] Perry Warjiyo and Solikin M. Juhro, "Kebijakan Bank Sentral: Teori dan Praktik", Depok: Rajawali Pers (2017)
[40] Internal Exposure of the Governor of Bank Indonesia (Further information may be asked to the author)

This legal reform has resulted in a compromised institutional relationship between the two authorities, but is more effective in maintaining economic growth, as evidenced by the response to the COVID-19 pandemic. Monetary policy by Bank Indonesia is not only based on its own considerations, but also concerns for economic growth and others and support for fiscal authorities. In this case, Bank Indonesia remains prioritizing the achievement of the objective to achieve rupiah stability in the framework of monetary policy. This evidence shows that Bank Indonesia policy to remain prudent and independent.

Nevertheless, Bank Indonesia continues to prioritize the achievement of rupiah stability in the framework of monetary policy, which is the exclusive mandate of Bank Indonesia in carrying out its duties. Bank Indonesia's independence and interdependence under the Financial Sector Development and Strengthening Act has changed with the adoption of a policy mix to implement Bank Indonesia's duties and objectives as an excessive-legalistic form. This means that fiscal policy cannot rule over an independent Bank Indonesia. To prevent fiscal authority superiority, an accommodative form is ensconced in the legal framework, broadening Bank Indonesia's interests, as long as it does not compromise monetary interests. Legally, a policy mix is possible as long as it has general benefits and does not conflict with the general principle of good governance. This presents a future challenge for Bank Indonesia, where it must maintain its independence without being entangled in short-term fiscal interests while still supporting fiscal policies in a broader context. Additionally, it must ensure flexibility in dealing with crises and alignment with technological advancements and global changes

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