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A Critical Constitutional Analysis of Expanding the State Budget Deficit Limit through a Government Regulation in Lieu of Law (Perppu): Assessing the "Compelling Urgency" Requirement

Yono Sugi Anom Darmawan[1]*, Amelia Karima Eliana[2], Jennifer Kristian Mantiri[3]
[1,2,3] University of Airlangga
*Correspondence: yonosugianomdarmawan@gmail.com

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Abstrak

Penelitian ini mengkaji wacana mengenai usulan peningkatan batas defisit Anggaran Pendapatan dan Belanja Negara (APBN) Indonesia melampaui batas maksimum 3% dari Produk Domestik Bruto (PDB) melalui Peraturan Pemerintah Pengganti Undang-Undang (*Perppu*). Penelitian ini dilatarbelakangi oleh meningkatnya tekanan ekonomi global akibat ketegangan geopolitik di Timur Tengah, khususnya gangguan terhadap rantai pasok energi global yang berpotensi memberikan dampak signifikan terhadap Indonesia sebagai negara pengimpor minyak neto. Namun demikian, penelitian ini berpendapat bahwa guncangan eksternal bukan satu-satunya faktor yang memengaruhi tekanan defisit fiskal, karena inefisiensi fiskal internal dan pilihan kebijakan juga dapat berkontribusi terhadap memburuknya posisi fiskal negara. Dari perspektif hukum tata negara, kebijakan tersebut perlu dikaji berdasarkan Undang-Undang Nomor 17 Tahun 2003 tentang Keuangan Negara dan Pasal 22 Undang-Undang Dasar Negara Republik Indonesia Tahun 1945, sebagaimana ditafsirkan melalui Putusan Mahkamah Konstitusi Nomor 138/PUU-VII/2009, yang menetapkan parameter konstitusional penerbitan *Perppu* berdasarkan adanya keadaan "kegentingan yang memaksa." Penelitian ini menggunakan metode yuridis normatif yang dilengkapi dengan analisis statistik terhadap pergerakan harga minyak global, perkembangan defisit fiskal, dan indikator arus keluar modal. Analisis difokuskan pada pertanyaan apakah peningkatan batas defisit yang diusulkan semata-mata disebabkan oleh guncangan ekonomi eksternal serta apakah penerbitan *Perppu* telah memenuhi persyaratan konstitusional mengenai adanya "kegentingan yang memaksa." Penelitian ini berpendapat bahwa kebijakan yang diusulkan belum sepenuhnya memenuhi kriteria konstitusional tersebut karena sebagian tekanan fiskal bersumber dari inefisiensi yang dihasilkan secara internal, sehingga menciptakan apa yang dapat disebut sebagai bentuk "kegentingan yang ditimbulkan sendiri" (*self-inflicted urgency*). Oleh karena itu, mekanisme yang tersedia dalam kerangka penganggaran yang berlaku, khususnya perubahan APBN (APBN-P), dapat menjadi alternatif yang lebih sesuai secara konstitusional dan lebih akuntabel secara prosedural dibandingkan dengan penerbitan *Perppu*.

Keywords: *Defisit APBN; Perppu; Ihwal Kegentingan yang Memaksa.*

Abstract

This study examines the discourse surrounding the proposed increase in Indonesia's state budget (APBN) deficit beyond the statutory ceiling of 3% of GDP through a Government Regulation in Lieu of Law (Perppu). The research is motivated by intensifying global economic pressures arising from geopolitical tensions in the Middle East, particularly disruptions to global energy supply chains that may significantly affect Indonesia as a net oil-importing country. Nevertheless, this study argues that external shocks alone do not account for fiscal deficit pressures, as internal fiscal inefficiencies and policy choices may also contribute to the deterioration of the fiscal position. From a constitutional and legal perspective, the proposed policy must be assessed against Law No. 17 of 2003 on State Finance and Article 22 of the 1945 Constitution, as interpreted by Constitutional Court Decision No. 138/PUU-VII/2009, which establishes the constitutional parameters for the issuance of a Perppu based on the existence of a "compelling urgency." This research employs a normative juridical method complemented by statistical analysis of global oil price movements, fiscal deficit developments, and capital outflow indicators. The analysis focuses on whether the proposed expansion of the deficit ceiling is attributable exclusively to external economic shocks and whether the issuance of a Perppu satisfies the constitutional requirements of a "compelling urgency." The study argues that the proposed policy may not fully satisfy this constitutional criterion because a portion of the fiscal pressure derives from internally generated inefficiencies, creating what may be characterized as a form of "self-inflicted urgency." Accordingly, mechanisms provided under the existing budgetary framework, particularly an amendment to the APBN (APBN-P), may constitute a more constitutionally appropriate and procedurally accountable alternative to the issuance of a Perppu.

Keywords: *State Budget Deficit; Perppu (Government Regulation in Lieu of Law); Compelling Urgency.*

INTRODUCTION

The construction of public finance law in Indonesia is fundamentally grounded in the principles of prudence and macroeconomic discipline, as reflected in Law Number 17 of 2003 on State Finance. The law establishes quantitative limits on the structure of the State Budget (Anggaran Pendapatan dan Belanja Negara/APBN) as an instrument for maintaining the stability and sustainability of public financial management. One of the fundamental provisions within this fiscal policy architecture is Article 12 paragraph (2), which sets the maximum budget deficit at 3% of Gross Domestic Product (GDP) and the cumulative government debt ceiling at 60% of GDP.[1] his provision serves not merely as a fiscal constraint but also as a *fiscal rule* designed to maintain macroeconomic stability, ensure fiscal sustainability, and strengthen the credibility of public financial management in global financial markets.[2]Consistent adherence to these deficit limits has also been

[1] Sofyan, M. (2026) *Defisit APBN di atas 3%: Antara fleksibilitas kebijakan dan kredibilitas fiskal*. Bisnis Indonesia E-paper, 28 January. Available at: https://epaper.bisnis.com/articles/read/20260128/251/1947773/opini-jika-defisit-apbn-melampaui-3-dari-pdb (Accessed: 20 March 2026).

[2]Ardiyanto, D. (2026) *Menimbang disiplin fiskal dalam APBN 2026*. Direktorat Jenderal Perbendaharaan, Kementerian Keuangan Republik Indonesia, 23 January. Available at:

regarded as contributing to the control of government debt burdens and the strengthening of the national economy's fundamental resilience in confronting various systemic shocks.[3]

Nevertheless, this fiscal stability framework has faced significant challenges amid the escalation of geopolitical tensions in the Middle East from late February to early March 2026. The escalation was triggered by military operations conducted by the United States and Israel against Iran, referred to in this study as Operation *Epic Fury* on February 28, 2026. In response to the operation, Iran closed the Strait of Hormuz beginning on March 1, 2026.[4] The Strait of Hormuz constitutes one of the world's principal strategic routes for global energy trade, facilitating the transportation of approximately 20 million barrels of oil per day, equivalent to around 20% of total global energy supplies.[5] The closure of this strategic maritime route subsequently disrupted the flow of oil and fuel trade, potentially generating significant disruptions throughout global energy supply chains, including those affecting Indonesia.[6] This development is particularly relevant to Indonesia's fiscal stability, as disruptions in global energy supplies may increase energy prices, import costs, and the government's fiscal burden in maintaining national energy security. These interconnected effects demonstrate that geopolitical shocks in major energy-producing regions can rapidly transmit into domestic fiscal conditions. The substantial volume of crude oil, condensate, and petroleum products transported through the Strait of Hormuz, which underscores the strategic importance of this maritime chokepoint to global energy markets, is presented in the following table:

Table 1. Volume of Crude Oil, Condensate, and Petroleum Products Transported through the Strait of Hormuz, 2020–First Quarter 2026 (Million Barrels per Day)

Description	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026 (Q1)**
Total oil flows through the Strait of Hormuz	19,1	19,4	21,4	21,4	20,3	20,5	20,2
Crude oil and condensate	14,3	14,4	16,0	15,5	14,3	14,4	14,3
Petroleum products	4,8	5,0	5,5	5,8	5,9	6,1	6,0

https://www.djpb.kemenkeu.go.id/portal/id/berita/lainnya/opini/4578-menimbang-disiplin-fiskal-dalam-apbn-2026.htm (Accessed: 20 March 2026).

[3] Adi, S. K. "Procyclical Fiscal Policy and the Role of Fiscal Rule in Indonesia." *International Journal of Scientific & Technology Research* 8, no. 12 (2019). https://www.ijstr.org/final-print/dec2019/Procyclical-Fiscal-Policy-And-The-Role-Of-Fiscal-Rule-In-Indonesia.pdf

[4] MAUPA.ID (2026) *Konflik Asia Barat meluas, Indonesia tercekik*. Maupa.id, 6 Maret. Tersedia pada: https://maupa.id/konflik-asia-barat-meluas-indonesia-tercekik/ (Diakses: 20 Maret 2026).

[5] Center on Global Energy Policy (2026) *Iran conflict brief: What it will take to open up the Strait of Hormuz*. Columbia University SIPA, Maret. Tersedia pada: https://www.energypolicy.columbia.edu/iran-conflict-brief-what-it-will-take-to-open-up-the-strait-of-hormuz/ (Diakses: 20 Maret 2026).

[6] Wiranto, S. (2026) *Krisis Selat Hormuz dan implikasi ketahanan nasional*. RMOL.id, 6 Maret. Tersedia pada: https://rmol.id/publika/read/2026/03/06/699605/krisis-selat-hormuz-dan-implikasi-ketahanan-nasional (Diakses: 20 Maret 2026).

Global maritime oil trade	71,4	72,6	74,3	76,0	75,5	77,7	79
Total global consumption of oil and other liquids	91,0	96,6	99,5	101,8	102,7	102,1	104,5
LNG flows through the Strait of Hormuz (billion cubic feet per day)	10,7	10,7	11,0	10,5	10,3	11,8	2,5

Source : U.S. Energy Information Administration. *Short-Term Energy Outlook*. June 2025. U.S. Energy Information Administration. *Analysis Based on Vortexa Tanker Tracking Data*. 2025., International Energy Agency. *Oil Market Report 2025–2026*. Paris: International Energy Agency, 2025.

The statistics presented in the table above demonstrate that the Strait of Hormuz constitutes one of the most strategic and critical routes in global energy trade. The substantial volume of oil transported through the strait means that any potential restriction on access could trigger market panic and significant economic disruptions, including a sharp increase in benchmark crude oil prices to approximately US$95 and potentially above US$100 per barrel. For Indonesia, which is a *net oil importer*, with domestic oil consumption of approximately 1.5 million barrels per day compared to domestic production of only around 600,000 barrels per day, such external shocks have the potential to exert direct pressure on national economic stability.[7] This vulnerability, particularly in terms of energy and food security, has subsequently contributed to an internal government discourse concerning the possibility of increasing the APBN deficit. The discourse was, among other factors, advanced by Coordinating Minister for Economic Affairs Airlangga Hartarto and Minister of Finance Purbaya Yudhi Sadewa through consideration of expanding the deficit beyond the 3% of GDP threshold by utilizing a Government Regulation in Lieu of Law (*Peraturan Pemerintah Pengganti Undang-Undang* or *Perppu*).[8]The government based this consideration on heightened global economic uncertainty and rising global energy prices, while Indonesia's oil requirements of approximately 900,000 barrels per day necessitate energy diversification measures that could place additional pressure on the APBN.[9] At the same time, limited fuel reserves, reportedly sufficient to meet national demand for only approximately 20 days, further reinforce the government's need to provide sufficient fiscal space to deliver economic stimulus and maintain national economic stability. .[10]

[7] Handayani, T. W. (2026) *5 dampak besar penutupan Selat Hormuz bagi Indonesia, dari harga BBM hingga ekonomi nasional*. tvOnenews.com, 2 Maret. Tersedia pada: https://www.tvonenews.com/lifestyle/trend/420712-5-dampak-besar-penutupan-selat-hormuz-bagi-indonesia-dari-harga-bbm-hingga-ekonomi-nasional?page=all (Diakses: 20 Maret 2026).

[8] Mawangi, G. T. (2026) *Menko Airlangga Hartarto usul Perppu, antisipasi defisit APBN lampaui 3 persen*. ANTARA News, 13 Maret. Tersedia pada: https://megapolitan.antaranews.com/berita/512518/menko-airlangga-hartarto-usul-perppu-antisipasi-defisit-apbn-lampaui-3-persen (Diakses: 20 Maret 2026).

[9] Deutsche Welle (2026) *Stok BBM Indonesia*. DW Indonesia, Maret. Tersedia pada: https://www.dw.com/id/stok-bbm-indonesia/a-76245335 (Diakses: 20 Maret 2026).

[10] Redaksi (2026) *Pemerintah pilih tambah stimulus*. RiauTribune.com, 8 Januari. Tersedia pada: https://riautribune.com/news/detail/34116/pemerintah-pilih-tambah-stimulus (Diakses: 20 Maret 2026).

From an economic perspective, particularly within the study of monetary and fiscal policy, a fundamental question arises as to whether the proposed increase in the APBN deficit ceiling is solely a consequence of economic shocks originating from external factors or whether it also reflects weaknesses in domestic public financial management. This question is particularly important because fiscal pressures are not necessarily exogenous in nature but may also be influenced by the structure of government expenditure, the effectiveness of budgetary allocation, and the quality of fiscal governance. Accordingly, identifying the underlying sources of fiscal pressure constitutes an essential prerequisite for determining whether an expansion of fiscal space represents a proportionate response to prevailing economic conditions or, conversely, constitutes a consequence of internally generated fiscal problems. From the perspective of constitutional and administrative law, meanwhile, the discourse surrounding the expansion of the deficit through a Government Regulation in Lieu of Law (*Peraturan Pemerintah Pengganti Undang-Undang* or *Perppu*) raises significant questions concerning the constitutional legitimacy of exercising such authority. A *Perppu* constitutes a legal instrument derived from the President's constitutional authority under Article 22 of the 1945 Constitution and may only be issued in circumstances constituting a "compelling urgency" (*hal ihwal kegentingan yang memaksa*). Accordingly, the proposed use of a *Perppu* to alter the statutory ceiling of the APBN deficit must not only be assessed in terms of its economic necessity but also examined against the constitutional parameters governing the existence of an emergency that justifies the exercise of such extraordinary authority. This ultimately raises the question of whether the economic pressures confronting the state genuinely satisfy the constitutional criterion of "compelling urgency," or whether such circumstances may instead be invoked as a legal justification for fiscal governance and public financial management problems arising, at least in part, from the government's own policies what may be characterized as *self-inflicted urgency*.

Nevertheless, the fiscal pressures arising from the disruption of global energy supplies cannot be understood solely as a consequence of external factors or an *external shock*. Although geopolitical escalation and rising global energy prices have demonstrably placed pressure on the structure of the State Budget (Anggaran Pendapatan dan Belanja Negara/APBN), a comprehensive assessment requires further examination of the internal factors that contribute to Indonesia's fiscal vulnerability. Such an approach is essential to ensure that an expansion of the fiscal deficit is not automatically regarded as an unavoidable consequence of external conditions without considering the extent to which domestic fiscal policies have contributed to the state's constrained fiscal space. In this context, the structure of government budgetary policies and the quality of public financial governance (*internal governance*) must constitute an integral part of the assessment of national fiscal conditions. The effectiveness of expenditure allocation, the consistency of budget-efficiency policies, the prioritization of government expenditure, and the government's capacity to control less productive spending are relevant factors in determining the extent to which fiscal pressures originate from internal governance problems. Accordingly, any assessment of the necessity to expand the APBN deficit should take into account the interaction between the *external shock* and the quality of domestic public financial management.

This debate has become increasingly significant when examined in conjunction with the dynamics of domestic fiscal policy, which have attracted substantial criticism from academics and civil society in recent years. One policy particularly relevant to this context is the state expenditure efficiency policy established through Presidential Instruction No. 1 of 2025, which set a budget-saving target of IDR 306.69 trillion.[11] The policy was presented by the government as a strategic measure to improve the efficiency and optimization of public expenditure while reallocating fiscal resources toward programs considered national priorities, including the Free Nutritious Meals (*Makan Bergizi Gratis* or MBG) program, which constitutes one of the principal policy agendas of the Prabowo–Gibran administration. [12]

Within this policy framework, the government emphasized that budgetary efficiency was intended to reduce expenditures considered unproductive, excessive, or insufficiently aligned with the public interest. Accordingly, fiscal efficiency should not be understood merely as an instrument for reducing government expenditure, but rather as a mechanism for restructuring fiscal priorities to ensure that APBN resources are allocated effectively, productively, and in accordance with the public interest.[13] Nevertheless, this policy is directly relevant to the debate over expanding the APBN deficit, as the effectiveness of expenditure-efficiency measures should first be assessed before fiscal constraints are invoked as a justification for increasing the statutory deficit ceiling through an extraordinary legal instrument

The contradiction becomes increasingly apparent in the implementation of the expenditure-efficiency policy, particularly where the government has granted exemptions to several strategic ministries and institutions, most notably the Indonesian National Police (*Kepolisian Negara Republik Indonesia* or Polri) and the Ministry of Defense. Rather than experiencing budget reductions, both institutions received substantial additional allocations.[14] The Indonesian National Police, for instance, received an additional IDR 11.9 trillion on top of its initial allocation of IDR 126.6 trillion, while the Ministry of Defense received an additional IDR 81.2 trillion on top of its initial allocation of IDR 166.3 trillion.[15] This situation indicates a degree of inconsistency in the implementation of the efficiency principle when measured

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[11] BEM KM GEO UGM (2025) *G.I.S Februari: Efisiensi anggaran: antara harapan dan realita*. bem.geo.ugm.ac.id, 27 Februari. Tersedia pada: https://bem.geo.ugm.ac.id/2025/02/27/g-i-s-februari-efisiensi-anggaran-antara-harapan-dan-realita/ (Diakses: 20 Maret 2026).

[12] BEM Fakultas Geografi UGM (2025) *G.I.S Februari: Efisiensi anggaran: antara harapan dan realita*. BEM Fakultas Geografi Universitas Gadjah Mada, 27 Februari. Tersedia pada: https://bem.geo.ugm.ac.id/2025/02/27/g-i-s-februari-efisiensi-anggaran-antara-harapan-dan-realita/ (Diakses: 20 Maret 2026).

[13] Yaputra, H. dan Hantoro, J. (2025) *Soal kabinet gemuk, Prabowo: kalau banyak orang hebat, kenapa?* Tempo, 25 Februari. Tersedia pada: https://www.tempo.co/politik/soal-kabinet-gemuk-prabowo-kalau-banyak-orang-hebat-kenapa--1212112 (Diakses: 20 Maret 2026).

[14] Siswanto, D. (2025) *16 K/L tak kena pemotongan anggaran di 2025, ada DPR hingga kepolisian*. Kontan.co.id, 31 Januari. Tersedia pada: https://nasional.kontan.co.id/news/16-kl-tak-kena-pemotongan-anggaran-di-2025-ada-dpr-hingga-kepolisian (Diakses: 20 Maret 2026).

[15] CNBC Indonesia (2025) *Berubah! Ini 15 kementerian/lembaga dengan anggaran terbesar di 2025*. CNBC Indonesia, 6 Juli. Tersedia pada: https://www.cnbcindonesia.com/news/20250706232123-4-646722/berubah-ini-15-kementerianlembaga-dengan-anggaran-terbesar-di-2025 (Diakses: 20 Maret 2026).

against the original objective of controlling public expenditure and optimizing the allocation of fiscal resources.[16]

The issue becomes even more problematic when part of these additional allocations is directed toward expenditures regarded as non-essential, including the procurement of batons and tactical glasses by the Indonesian National Police, valued at approximately IDR 454 billion, as well as the procurement of military clothing and accessories by the Ministry of Defense and the Indonesian Armed Forces, amounting to approximately IDR 2 trillion.[17]At the same time, several strategic sectors directly related to the fulfillment of citizens' basic rights experienced significant budget reductions. The Ministry of Public Works, for example, experienced a reduction of IDR 37.24 trillion from its initial allocation of IDR 111 trillion before subsequently receiving a limited additional allocation.[18] Similarly, the Ministry of Health saw its budget decrease from IDR 105.6 trillion to IDR 86 trillion,[19] while the Ministry of Higher Education, Science, and Technology experienced a reduction of IDR 4.8 trillion from its initial allocation of IDR 57.7 trillion.[20]

From the perspective of public finance law, this imbalance warrants careful examination because fiscal efficiency is not merely a matter of reducing the overall volume of government expenditure, but also concerns the priority, effectiveness, proportionality, and accountability of APBN allocations. When sectors directly associated with the fulfillment of citizens' basic needs experience substantial budget reductions while particular institutions receive significant increases in funding, questions arise concerning the consistency of fiscal policy with the principles of efficiency and the public interest. Accordingly, before an expansion of the APBN deficit is considered as a solution to constrained fiscal space, it is necessary to assess whether such fiscal pressures genuinely cannot be addressed through the reallocation and optimization of existing budgetary resources.

In the education sector in particular, these budget reductions have the potential to exacerbate structural problems concerning the fulfillment of the constitutional mandate on education financing. Over the past three years, the realization of education expenditure has continued to face challenges in ensuring that budgetary allocations formally categorized as education spending genuinely reflect the constitutional requirement to allocate at least 20% of the State Budget (APBN) to education. Although the government has formally maintained that the 20% threshold has been fulfilled, several studies indicate that the composition of education expenditure continues to include various forms of spending that are not

[16] Ibid

[17]Kresna, M. (2025) *Pak Prabowo, efisiensi ndasmu*. Project Multatuli, 24 Februari. Tersedia pada: https://projectmultatuli.org/pak-prabowo-efisiensi-ndasmu/ (Diakses: 20 Maret 2026)./

[18] Arini, H. C. (2025) *Blak-blakan Menteri PU soal dampak besar efisiensi anggaran*. detikFinance, 10 Juli. Tersedia pada: https://finance.detik.com/infrastruktur/d-8004092/blakblakan-menteri-pu-soal-dampak-besar-efisiensi-anggaran (Diakses: 20 Maret 2026).

[19] Himpunan Mahasiswa Perencanaan Wilayah dan Kota (HIMAPERSA) Universitas Muhammadiyah Semarang (2025) *Kajian: Dampak pemotongan anggaran Kemenkes terhadap layanan kesehatan*. HIMAPERSA UNIMUS, April. Tersedia pada: https://himapersa.unimus.ac.id/wp-content/uploads/2025/04/Kajian-dampak-pemotongan-dana-kemenkes.pdf (Diakses: 20 Maret 2026).

[20] Kompas.id (2025) *Anggaran Kemendiktisaintek dipangkas Rp 22,5 triliun*. Kompas.id. Tersedia pada: https://www.kompas.id/artikel/anggaran-kemendiktisaintek-dipangkas-rp-225-triliun (Diakses: 20 Maret 2026).

directly oriented toward improving access, equity, or the quality of education. These include personnel expenditure and administratively oriented budget transfers. This situation raises a substantive question as to whether the formal fulfillment of the 20% allocation requirement has effectively translated into improvements in the quality of educational services and the realization of citizens' constitutional right to education.

The issue of education budget allocation becomes increasingly complex when a substantial portion of such expenditure is allocated to finance the Free Nutritious Meals (*Makan Bergizi Gratis* or MBG) program, amounting to approximately IDR 335 trillion. This allocation has even become the subject of a constitutional dispute currently under examination by the Constitutional Court of the Republic of Indonesia.[21] The petitioners have challenged the method of calculating and realizing education expenditure within the State Budget (APBN), arguing that the existing approach may be inconsistent with the constitutional mandate. In the case, the petitioners contend that classifying various expenditure items as part of the education budget may obscure the substantive purpose of the constitutional mandate, namely, to ensure the availability of adequate funding to improve access to, the quality of, and equitable provision of education for the public.[22] Accordingly, the issue concerns not merely the technical aspects of budget classification and calculation, but also the constitutional dimension of the state's obligation to guarantee the fulfillment of the right to education. This issue becomes even more significant when considered alongside the state's broader obligation to ensure the fulfillment of other fundamental rights, including the rights to health and public services. These obligations derive from several constitutional provisions, including Article 28H paragraph (1), Article 28C paragraph (1), Article 31 paragraph (4), and Article 34 paragraph (3) of the 1945 Constitution of the Republic of Indonesia.

Within the context of this study, these circumstances demonstrate the importance of considering the internal dimensions of the government's fiscal pressures. Pressure on the APBN cannot be attributed entirely to *external shocks*, such as rising energy prices and geopolitical uncertainty, but is also influenced by domestic policy choices concerning the prioritization, structure, and effectiveness of public expenditure. Therefore, before an expansion of the APBN deficit is positioned as a solution to constrained fiscal space, the efficiency and rationality of existing government expenditure allocations must first be critically evaluated.

The aforementioned problems in public financial management ultimately raise a critical question concerning the legitimacy of using a Government Regulation in Lieu of Law (*Peraturan Pemerintah Pengganti Undang-Undang* or *Perppu*) as an instrument to increase the APBN deficit ceiling. If the fiscal pressures confronting the state are not solely attributable to external factors, such as global economic crises, geopolitical instability, or surging energy prices, but are also influenced by

[21] BBC News Indonesia (2026) *Anggaran MBG Rp335 triliun digugat ke MK karena "memakan" sepertiga dana pendidikan*. BBC News Indonesia. Tersedia pada: https://www.bbc.com/indonesia/articles/cn42dl7wykpo (Diakses: 20 Maret 2026).

[22] Mahkamah Konstitusi Republik Indonesia (2026) *Menyoal konstitusionalitas MBG "potong" anggaran pendidikan dalam APBN 2026*. Mahkamah Konstitusi RI, 5 Februari. Tersedia pada: https://www.mkri.id/berita/menyoal-konstitusionalitas-mbg-%E2%80%9Cpotong%E2%80%9D-anggaran-pendidikan-dalam-apbn-2026--24536 (Diakses: 20 Maret 2026).

weaknesses in fiscal governance and budgetary inefficiencies arising from the government's own domestic policies, questions inevitably arise concerning the nature of the emergency invoked as the basis for issuing the *Perppu*. Under such circumstances, part of the alleged fiscal emergency may potentially constitute a consequence of the government's own policy choices, which this study conceptualizes as *self-inflicted urgency*.

From the perspective of public finance law, such circumstances give rise to complex legal and policy implications. The issue concerns not only the accountability and effectiveness of APBN management but also the legitimacy of the President's exercise of emergency powers, the credibility of fiscal policy in the eyes of investors and financial markets, and the state's capacity to ensure the fulfillment of citizens' constitutional rights. Moreover, the use of a *Perppu* to alter the APBN deficit ceiling carries broader implications because it may modify the fiscal-discipline parameters previously established by statute. Accordingly, any effort to expand fiscal space must be assessed through a careful balance between the need for an effective response to economic crises and the constitutional principles of legality, accountability, and prudence in public financial management.

Against this background, an examination of the legitimacy of using a *Perppu* to increase the APBN deficit ceiling is essential. This study seeks to assess both the economic rationale underlying the proposed expansion of the deficit and the constitutional legitimacy of employing a *Perppu* under Article 22 of the 1945 Constitution, particularly in relation to the constitutional requirement of *"compelling urgency"* (*hal ihwal kegentingan yang memaksa*). Accordingly, this study formulates the following two research questions:

1. What is the economic rationale for increasing the APBN deficit ceiling from the perspective of economics and public finance law?
2. Does the use of a Government Regulation in Lieu of Law (*Perppu*) to increase the APBN deficit ceiling beyond 3% satisfy the constitutional requirement of *"compelling urgency"* as stipulated in Article 22 of the 1945 Constitution and interpreted through Constitutional Court Decision No. 138/PUU-VII/2009?

RESEARCH METHOD

This study employs a normative juridical legal research method, which is directed toward identifying, examining, and analyzing relevant legal rules, legal principles, and legal doctrines in order to formulate legal prescriptions concerning what the law ought to be (*das sollen*).[23] The study adopts a statutory approach (*statute approach*) and a conceptual approach (*conceptual approach*).[24] The statutory approach is employed to examine the normative framework governing public financial management, the APBN deficit ceiling, and the President's constitutional authority to issue a Government Regulation in Lieu of Law (*Peraturan Pemerintah Pengganti Undang-Undang* or *Perppu*). Meanwhile, the conceptual approach is used to examine legal concepts relating to fiscal discipline, emergency powers, and the constitutional requirement of *"compelling urgency"* (*hal ihwal kegentingan yang memaksa*).

[23] Marzuki, P. M. (2005) *Penelitian hukum*. Jakarta: Kencana.
[24] *Ibid.,* hlm 93-95.

To address the identified legal issues and formulate prescriptions concerning the law as it ought to be, this study relies on a systematic examination of primary and secondary legal materials. The use of these materials is intended not merely to identify the applicable legal provisions but also to construct a normative legal argument concerning the constitutional and statutory legitimacy of expanding the APBN deficit ceiling through a Government Regulation in Lieu of Law (*Perppu*). Primary legal materials consist of legislation, legislative records, constitutional provisions, relevant judicial decisions, and other authoritative legal instruments governing state finance, budgetary policy, and the issuance of *Perppu*. Particular attention is given to the 1945 Constitution, Law No. 17 of 2003 on State Finance, relevant amendments to the statutory framework governing the APBN, and Constitutional Court decisions concerning the interpretation and application of the "compelling urgency" requirement under Article 22 of the 1945 Constitution.

RESULTS AND DISCUSSION

The Dynamics of Increasing the APBN Deficit Ceiling Beyond 3% and Its Implications for State Financial Stability

In the first quarter of 2026, Indonesia's macroeconomic landscape and fiscal position faced increasingly complex pressures. One of the most prominent issues emerging in the public discourse was the proposal to relax or expand the State Budget (*Anggaran Pendapatan dan Belanja Negara* or APBN) deficit ceiling beyond the statutory threshold of 3% of Gross Domestic Product (GDP). .[25] This discourse emerged amid multiple pressures on the fundamentals of the national economy, arising not only from geopolitical escalation in the Middle East and its implications for the stability of global energy supply chains, but also from the continued depreciation of the Indonesian Rupiah against the United States Dollar and structural pressures on domestic tax revenues, which experienced contraction.[26] Between February 27 and March 9, 2026, global oil prices also exhibited significant volatility, serving as one of the key indicators of the impact of geopolitical instability on the global economy. These price movements reflected mounting pressures in international energy markets, which could subsequently affect energy import costs, domestic price stability, and Indonesia's APBN position. The development of global oil prices during this period is presented in the following figure.

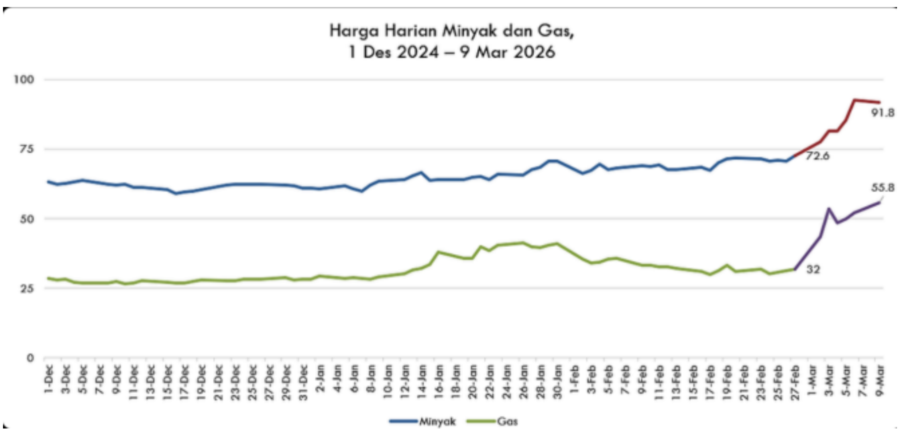
The interaction of these factors potentially constrained the government's fiscal space while simultaneously increasing the state's financing requirements :[27]

Figure 1. Global Oil and Gas Price Movements Following the Escalation of the Iran–United States Conflict

[25] Kompas.com (2026) *Wacana defisit APBN di atas 3 persen mencuat, Said Abdullah: pemerintah belum….* Kompas.com, 13 Maret. Tersedia pada: https://nasional.kompas.com/read/2026/03/13/16593191/wacana-defisit-apbn-di-atas-3-persen-mencuat-said-abdullah-pemerintah-belum (Diakses: 20 Maret 2026).

[26]Institute for Development of Economics and Finance (INDEF) (2025) *Penerimaan tersendat, defisit melesat*. Macroeconomics and Finance Brief Update, 17 Maret. Tersedia pada: https://indef.or.id/wp-content/uploads/2025/03/Brief-Update-Maret-2025-MACFIN-INDEF.pdf (Diakses: 20 Maret 2026).

[27] Investing.com (2026) *Crude oil WTI futures interactive chart*. Investing.com. Tersedia pada: https://id.investing.com/commodities/crude-oil-advanced-chart (Diakses: 20 Maret 2026).



Source: Investing.com. "Crude Oil WTI Futures Interactive Chart."

Based on these data, the price of Brent crude oil increased to US$91.8 per barrel, representing an increase of approximately 27%, while gas prices surged to €55.8 per MWh, reflecting an increase of approximately 74%.[28] These increases demonstrate that geopolitical escalation and disruptions to critical energy trade routes can have direct consequences for volatility in global energy markets. This situation is particularly significant for Indonesia given its substantial dependence on imported energy. According to data from Statistics Indonesia (BPS, 2026), the cumulative value of Indonesia's oil and gas imports in January 2026 reached US$891.8 million. Although the nominal value of bilateral trade between Indonesia and Iran was relatively insignificant, amounting to approximately US$0.42 million, Indonesia's dependence on energy supplies from other Middle Eastern countries remains substantial. This is reflected in the value of oil and gas imports from Saudi Arabia, amounting to US$267.4 million (8.84%), and the United Arab Emirates (UAE), amounting to US$200.6 million (6.34%), followed by Oman at US$67.9 million and Qatar at US$1.8 million.[29] This vulnerability is further compounded by the limited capacity of alternative infrastructure that could substitute for energy transportation routes through the Strait of Hormuz. Based on the data employed in this study, overland pipeline networks operated by Saudi Arabia and the United Arab Emirates have a substitution capacity of approximately 4.2 million barrels per day, compared with total crude oil production of approximately 20 million barrels per day.[30] Accordingly, these alternative routes would be capable of replacing only a limited portion of the oil volumes affected by disruptions in the Strait of Hormuz. This condition demonstrates that disruption or blockade of the Strait of Hormuz is

[28] Lembaga Penyelidikan Ekonomi dan Masyarakat (LPEM) FEB Universitas Indonesia (2026) *Dampak perang Iran-AS terhadap perekonomian Indonesia*. LPEM FEB UI, 13 Maret. Tersedia pada: https://lpem.org/dampak-perang-iran-as-terhadap-perekonomian-indonesia/ (Diakses: 20 Maret 2026).

[29] Djailani, M. F. dan Muflih, F. F. (2026) *BPS pantau dampak perang AS-Israel vs Iran ke perdagangan RI*. Suara.com, 2 Maret. Tersedia pada: https://www.suara.com/bisnis/2026/03/02/164611/bps-pantau-dampak-perang-as-israel-vs-iran-ke-perdagangan-ri (Diakses: 20 Maret 2026).

[30] Widdershoven, C. (2026) *The UAE's energy playbook is paying off amid global turmoil*. OilPrice.com, 12 Maret. Tersedia pada: https://oilprice.com/Energy/Crude-Oil/The-UAEs-Energy-Playbook-Is-Paying-Off-Amid-Global-Turmoil.html (Diakses: 20 Maret 2026).

not merely a regional geopolitical concern but has the potential to generate systemic consequences for global energy supply stability and, indirectly, for Indonesia's energy security and fiscal stability.

Since the escalation of geopolitical tensions on February 18, 2026, Indonesia's domestic financial markets have come under increasing pressure, as reflected in foreign capital outflows from the bond market amounting to US$0.41 billion through March 6, 2026. These pressures also contributed to depreciation of the Indonesian Rupiah, which temporarily weakened to approximately IDR17,000 per US dollar on March 9, 2026, before subsequently stabilizing at around IDR16,974 per US dollar.[31]Since the escalation of geopolitical tensions on February 18, 2026, Indonesia's domestic financial markets have come under increasing pressure, as reflected in foreign capital outflows from the bond market amounting to US$0.41 billion through March 6, 2026. These pressures also contributed to depreciation of the Indonesian Rupiah, which temporarily weakened to approximately IDR17,000 per US dollar on March 9, 2026, before subsequently stabilizing at around IDR16,974 per US dollar.[32]

Against this backdrop, the policy discourse concerning the possibility of exceeding the APBN deficit ceiling has developed along two principal lines of thought. On the one hand, some economic policymakers argue that external pressures, particularly the potential surge in global oil prices, require greater fiscal flexibility to enable the government to safeguard household purchasing power through increased energy subsidies and compensation. From this perspective, expanding fiscal space may function as a *countercyclical* instrument to mitigate the effects of external shocks on the domestic economy.[33] On the other hand, an opposing perspective emphasizes the importance of maintaining fiscal discipline by preserving the 3% of GDP deficit ceiling as a *fiscal rule* designed to safeguard macroeconomic stability and the sustainability of public finances. This approach maintains that fiscal pressures should first be addressed through the optimization and efficiency of government expenditure, the reduction of budgetary leakages, and tighter control over new borrowing that does not generate productive economic benefits. Accordingly, the debate ultimately reflects a tension between two competing but policy-relevant considerations: fiscal flexibility in responding to external shocks and consistency with the principles of fiscal discipline and sustainability.[34]

The second perspective emphasizes the importance of maintaining compliance with the fiscal constraints established within the legal framework

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[31] Lembaga Penyelidikan Ekonomi dan Masyarakat (LPEM) FEB Universitas Indonesia (2026) *Dampak perang Iran-AS terhadap perekonomian Indonesia*. LPEM FEB UI, 13 Maret. Tersedia pada: https://lpem.org/dampak-perang-iran-as-terhadap-perekonomian-indonesia/ (Diakses: 20 Maret 2026).

[32] Ibid

[33] DDTCNews (2026) *Ada gejolak geopolitik, DPR usulkan 4 strategi jaga stabilitas APBN*. DDTCNews, 14 Maret. Tersedia pada: https://news.ddtc.co.id/berita/nasional/1818008/ada-gejolak-geopolitik-dpr-usulkan-4-strategi-jaga-stabilitas-apbn (Diakses: 20 Maret 2026).

[34] Dewi, M. F. (2026) *Pemerintah siapkan Perppu, ubah batas defisit APBN lewati 3% PDB*. Bloomberg Technoz, Maret. Tersedia pada: https://www.bloombergtechnoz.com/detail-news/102888/pemerintah-siapkan-perppu-ubah-batas-defisit-apbn-lewati-3-pdb (Diakses: 20 Maret 2026).

governing public finance. In this context, Law No. 25 of 1999 on Fiscal Balance between the Central and Regional Governments and Law No. 17 of 2003 on State Finance constitute part of the normative framework governing budget deficits and financing. Article 12 of Law No. 17 of 2003 essentially provides that where the budget is projected to incur a deficit, the government must determine the sources of financing required to cover such deficit in the State Budget Law. Conversely, where the budget is projected to generate a surplus, the Central Government may submit a proposed plan for the utilization of the budget surplus to the House of Representatives.

> *"The Elucidation of Article 12 paragraph (3) further stipulates that the budget deficit is subject to a maximum ceiling of 3% of Gross Domestic Product (GDP), while the amount of borrowing is limited to a maximum of 60% of GDP. These limitations essentially function as a fiscal rule by establishing quantitative parameters for maintaining fiscal discipline and sustainability. Accordingly, the deficit ceiling should not be regarded merely as an administrative figure in the preparation of the State Budget, but rather as a legal instrument that constrains the government's discretion in deficit financing while providing greater certainty regarding the direction of national fiscal policy."*

Compliance with the APBN deficit ceiling also carries broader economic implications. Consistent adherence to these fiscal constraints may provide a strong and transparent signal to global financial markets, institutional investors, and credit-rating agencies that Indonesia's fiscal authorities maintain an institutional commitment to medium- and long-term fiscal sustainability. Such compliance may ultimately strengthen the credibility of fiscal policy, preserve investor confidence, and mitigate the risk of excessive debt accumulation that could constrain the government's fiscal space in the future.[35]

Under increasingly constrained fiscal space, a comprehensive evaluation of the structure and effectiveness of public expenditure has become unavoidable. Several programs with substantial budgetary allocations warrant critical assessment to ensure that each item of public expenditure demonstrates a level of effectiveness, productivity, and urgency commensurate with its fiscal burden. One program particularly relevant to this context is the Free Nutritious Meals (*Makan Bergizi Gratis* or MBG) program, which is projected to absorb approximately IDR 335 trillion in 2026, equivalent to around 8.72% of total government expenditure. In addition, expenditure on energy subsidies and compensation is estimated at approximately IDR 381 trillion, or around 9.92% of total government expenditure.[36] he magnitude of these two expenditure categories indicates that a substantial portion of Indonesia's fiscal space is committed to programs carrying significant fiscal implications, thereby necessitating a comprehensive assessment of their effectiveness and prioritization within the broader fiscal policy framework.

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[35] DDTCNews (2026) *Ada gejolak global, DPR ingatkan defisit APBN harus dijaga rendah*. DDTCNews, 13 Maret. Tersedia pada: https://news.ddtc.co.id/berita/nasional/1817985/ada-gejolak-global-dpr-ingatkan-defisit-apbn-harus-dijaga-rendah (Diakses: 20 Maret 2026).

[36] Kompas.id (2026) *Kemenkeu sampaikan alasan anggaran MBG melonjak meski serapan rendah*. Kompas.id. Tersedia pada: https://www.kompas.id/artikel/kemenkeu-sampaikan-alasan-anggaran-mbg-melonjak-meski-serapan-rendah (Diakses: 20 Maret 2026).

Beyond the MBG program, another populist policy requiring scrutiny is the Merah Putih Village Cooperatives (*Koperasi Desa Merah Putih* or KDMP) program. The program has been supported by substantial financing, reportedly amounting to approximately IDR 550 trillion in total, consisting of approximately IDR 250 trillion through state-owned banks (*Himbara*) and IDR 300 trillion through the People's Business Credit (*Kredit Usaha Rakyat* or KUR) scheme.[37] In 2026, the Village Fund (*Dana Desa*) ceiling was set at IDR 60.57 trillion, of which approximately 58.03%, or IDR 34.57 trillion, was required to be allocated to KDMP pursuant to Minister of Finance Regulation No. 7 of 2026 on the Management of Village Funds for Fiscal Year 2026. The scale of these allocations demonstrates that Indonesia's fiscal policy faces not only the problem of limited fiscal resources but also the challenge of determining expenditure priorities among various strategic and populist programs.[38]

A further contradiction can be observed in the implementation of the government's expenditure-efficiency policy, which appears to have been applied unevenly. Although the government announced comprehensive expenditure-saving measures as an effort to optimize the utilization of public funds, several ministries and government institutions were exempted from the budget-cutting policy. In 2025, 16 ministries and government institutions were reportedly exempted from budget reductions, including the Indonesian National Police (*Kepolisian Negara Republik Indonesia* or Polri) and the Ministry of Defense. Rather than experiencing reductions as part of efforts to create fiscal space for potential crises, the Indonesian National Police received an additional IDR 11.9 trillion, bringing its allocation to approximately IDR 126.6 trillion. Meanwhile, the Ministry of Defense received an additional IDR 81.2 trillion, bringing its total allocation to approximately IDR 166.3 trillion, representing an increase of approximately 48% compared with its allocation under the 2025 State Budget.[39] These developments reveal a more fundamental issue concerning the consistency of the government's expenditure-efficiency policy and fiscal priorities. If constrained fiscal space is invoked as one of the grounds for considering an expansion of the APBN deficit, the structure of public expenditure should first be subjected to a comprehensive evaluation. Questions concerning program effectiveness, expenditure urgency, allocation proportionality, and the possibility of budgetary reallocation are therefore essential in determining whether an increase in the deficit constitutes a genuinely unavoidable fiscal necessity or whether sufficient room remains for optimizing expenditure through internal reallocation and efficiency measures.

In addition to the Free Nutritious Meals (*Makan Bergizi Gratis* or MBG) program, the Merah Putih Village Cooperatives (*Koperasi Desa Merah Putih* or KDMP) constitute another government priority program receiving substantial financial support. The program's total financing is projected to reach approximately

[37] Komite Pemantauan Pelaksanaan Otonomi Daerah (KPPOD) (2026) *Polemik penggunaan dana desa untuk Koperasi Merah Putih masih berlanjut*. KPPOD, 19 Februari. Tersedia pada: https://www.kppod.org/berita/view?id=1568 (Diakses: 20 Maret 2026).

[38] JPNN.com (2026) *PMK 7 Tahun 2026: 58% dana desa untuk Koperasi Merah Putih*. JPNN.com, 18 Februari. Tersedia pada: https://www.jpnn.com/news/pmk-7-tahun-2026-58-dana-desa-untuk-koperasi-merah-putih (Diakses: 20 Maret 2026).

[39] BBC News Indonesia (2024) *"Kabinet gemuk" Prabowo-Gibran: siapa saja para menteri, buah dari politik balas jasa?* BBC News Indonesia, 21 Oktober. Tersedia pada: https://www.bbc.com/indonesia/articles/cr4xgkz2l3ro (Diakses: 20 Maret 2026).

IDR 550 trillion, consisting of IDR 250 trillion through Himbara state-owned banks and IDR 300 trillion through the People's Business Credit (*Kredit Usaha Rakyat* or KUR) scheme. In 2026, the Village Fund (*Dana Desa*) ceiling was set at IDR 60.57 trillion, of which 58.03%, or approximately IDR 34.57 trillion, was allocated to support KDMP pursuant to Minister of Finance Regulation No. 7 of 2026 on the Management of Village Funds for Fiscal Year 2026. The substantial scale of this allocation indicates that KDMP constitutes an important component of the government's fiscal policy that warrants consideration in assessing the effectiveness, prioritization, and sustainability of public expenditure amid increasingly constrained fiscal space.

Aggregate fiscal data as of January 31, 2026, indicate a relatively significant fiscal deficit at the beginning of the fiscal year, amounting to IDR 54.6 trillion.[40]This development reflects a notable imbalance between government expenditure and revenue. Government expenditure increased by approximately 25% year-on-year, reaching IDR 227.3 trillion, driven in part by the accelerated disbursement of several government programs, including IDR 19.5 trillion in social assistance expenditure, as well as increased bureaucratic spending. Meanwhile, state revenue during the same period amounted to only IDR 172.7 trillion, remaining insufficient to offset the rapid expansion of government expenditure.[41] Although net tax revenue began to recover in February 2026, reaching IDR 245.1 trillion, with the increase largely supported by a 97.4% growth in Value Added Tax (VAT) revenue, this development did not automatically resolve the structural pressures on the expenditure side. The relatively rapid pace of government spending continued to place pressure on the government's available fiscal space. Accordingly, the fiscal challenge lies not merely in the state's capacity to increase revenue, but also in the government's ability to control expenditure growth and ensure that each expenditure item is supported by an adequate economic justification and generates public benefits proportionate to the fiscal resources committed.[42]

Trillions of rupiah potentially allocated to less productive expenditures, such as the procurement of shoes, raincoats, and tactical glasses, could instead be considered for reallocation as a fiscal buffer or emergency reserve to respond to economic pressures arising from the Iran–United States geopolitical crisis. From a fiscal law and policy perspective, the issue is not merely the magnitude of expenditure, but also its opportunity cost and the quality of fiscal prioritization in the allocation of APBN resources. As fiscal space becomes increasingly constrained, expenditures lacking a high degree of urgency may reduce the government's capacity to maintain sufficient fiscal space to respond to unforeseen economic

[40] Kementerian Keuangan Republik Indonesia (2026) *Kinerja APBN Januari 2026 solid, pendapatan tumbuh 9,5% dan belanja terakselerasi 25,7%*. Kementerian Keuangan RI, 23 Februari. Tersedia pada: https://www.kemenkeu.go.id/informasi-publik/publikasi/berita-utama/Kinerja-APBN-Januari-2026-Solid (Diakses: 20 Maret 2026).

[41] Bisnis.com (2026) *Didorong MBG, belanja pemerintah tumbuh 25,7% pada Januari 2026*. Bisnis.com, 23 Februari. Tersedia pada: https://ekonomi.bisnis.com/read/20260223/10/1954970/didorong-mbg-belanja-pemerintah-tumbuh-257-pada-januari-2026 (Diakses: 20 Maret 2026).

[42]Ikatan Konsultan Pajak Indonesia (IKPI) (2026) *Pajak melonjak 30,7%, penerimaan negara Januari 2026 capai Rp172,7 triliun*. IKPI, 23 Februari. Tersedia pada: https://ikpi.or.id/pajak-melonjak-307-penerimaan-negara-januari-2026-capai-rp1727-triliun/ (Diakses: 20 Maret 2026).

shocks.This issue becomes particularly significant when considered in relation to the possibility of exceeding the 3% deficit ceiling without adequate economic grounds and legal justification. An expansion of the deficit that is not supported by arguments that are rational, transparent, and reasonably acceptable to market participants may generate ripple effects on national macroeconomic stability. Accordingly, an increase in the fiscal deficit should not be viewed merely as an instrument for securing additional financing capacity, but must also be assessed in terms of its implications for fiscal policy credibility, debt sustainability, and market perceptions of the government's capacity to manage public finances.

First, the potential deterioration of the sovereign credit rating. International credit-rating agencies such as S&P Global Ratings, Fitch Ratings, and Moody's Investors Service regard fiscal discipline and the sustainability of government debt policies as important factors in assessing a country's creditworthiness. Accordingly, increasing the APBN deficit beyond 3% is not merely a matter of altering a fiscal figure; rather, it may function as a policy signal to international markets concerning the direction of public financial management. If an expansion of the deficit is perceived as indicating an increasing government reliance on debt financing to fund routine and operational expenditure, rather than productive activities that support long-term economic growth, perceptions of Indonesia's fiscal credibility may come under pressure.[43]This issue becomes particularly relevant when considered against the developments in Indonesia's credit assessment in March 2026, as discussed in this study. The change in the credit outlook from stable to negative by international credit-rating agencies indicates that perceptions of Indonesia's fiscal and economic risks warrant serious attention. Under such circumstances, expanding the deficit through a *Perppu* without clear parameters and robust justification could reinforce market perceptions of increasing fiscal risk and, ultimately, affect the government's borrowing costs.[44]

Second, Capital Outflows and Exchange Rate Depreciation: A breach of the fiscal deficit ceiling may be interpreted as an indication of weakened fiscal management and reduced confidence in the government's capacity to maintain macroeconomic stability. Such developments may increase inflation expectations and heighten concerns regarding currency depreciation, potentially triggering substantial foreign capital outflows. Under the pessimistic scenario projected by the Coordinating Ministry for Economic Affairs for 2026, the combined pressure arising from an expanding fiscal deficit—projected to reach 4.06%—and capital outflows could place significant downward pressure on the Indonesian Rupiah, potentially resulting in depreciation to approximately IDR17,500 per US dollar.[45] The

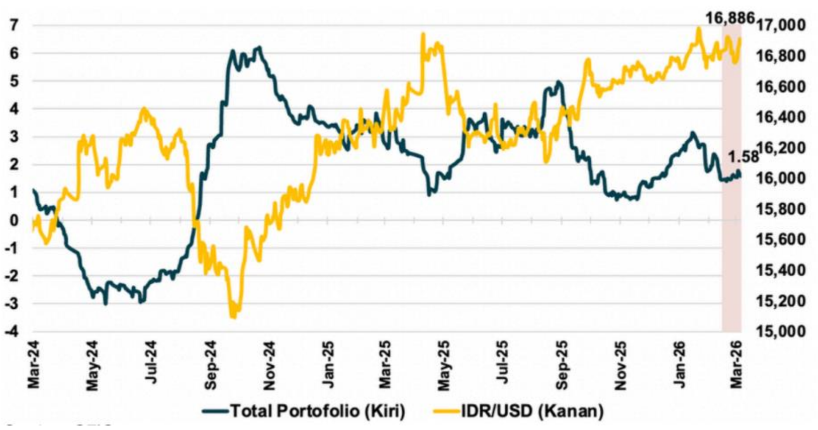
[43] Tim Riset Bloomberg Technoz (2026) *Defisit fiskal: respons pasar dan implikasi terhadap ekonomi*. Bloomberg Technoz, 9 Januari. Tersedia pada: https://www.bloombergtechnoz.com/detail-news/95900/defisit-fiskal-respons-pasar-dan-implikasi-terhadap-ekonomi (Diakses: 20 Maret 2026).

[44] Kompas.id (2026) *Mengapa fiskal jadi sorotan Moody's, Fitch, dan S&P?* Kompas.id. Tersedia pada: https://www.kompas.id/artikel/mengapa-fiskal-jadi-sorotan-moodys-fitch-dan-sp (Diakses: 20 Maret 2026).

[45] Mawangi, G. T. (2026) *Menko Airlangga Hartarto usul Perppu, antisipasi defisit APBN lampaui 3 persen*. ANTARA News, 13 Maret. Tersedia pada: https://megapolitan.antaranews.com/berita/512518/menko-airlangga-hartarto-usul-perppu-antisipasi-defisit-apbn-lampaui-3-persen (Diakses: 20 Maret 2026).

accumulated inflows of foreign capital into Indonesia's portfolio market are presented below

Figure 2. Cumulative Portfolio Capital Inflows and the IDR/USD Exchange Rate



Source: CEIC Data. "Indonesia Policy Rate." *CEIC Data*.

Based on the graph above, the Indonesian Rupiah depreciated against the United States Dollar in March 2026, with the depreciation ranging from approximately 0.46% to 1.37%. This development coincided with a decline in cumulative capital inflows into Indonesia's portfolio investment market. The depreciation of the Rupiah, accompanied by reduced capital inflows, indicates increasing pressure on domestic financial market stability, particularly amid heightened global uncertainty and growing perceptions of risk surrounding the Indonesian economy.

Third, rising financing costs and interest burdens. To finance the additional funding requirements arising from an expansion of the APBN deficit, the government would need to increase the issuance of Government Securities (*Surat Berharga Negara* or SBN). A substantial increase in SBN issuance, particularly when accompanied by a higher macroeconomic risk premium, may place upward pressure on the yields required by investors. Under the fundamental principle of *supply and demand*, an increase in the supply of government bonds that is not matched by sufficient demand may require the government to offer higher yields to attract investors. This condition would consequently increase government financing costs and amplify interest-payment obligations within the APBN. Under the government's projected scenario, these pressures could push SBN yields as high as 7.2%.[46] Accordingly, an expansion of the fiscal deficit would not merely generate additional financing requirements in the short term but could also produce medium-term fiscal consequences through higher debt-servicing costs and a further contraction of fiscal space in subsequent years.

The Institute for Development of Economics and Finance (INDEF) and the Center of Economic and Law Studies (CELIOS) have explicitly recommended that the

[46] Bisnis.com (2026) *Risiko lonjakan yield SBN dan beban bunga utang imbas outlook negatif Fitch*. Bisnis.com, 5 Maret. Tersedia pada: https://ekonomi.bisnis.com/read/20260305/10/1958078/risiko-lonjakan-yield-sbn-dan-beban-bunga-utang-imbas-outlook-negatif-fitch (Diakses: 20 Maret 2026).

government rationalize and improve the efficiency of the budget allocation for the Free Nutritious Meals (*Makan Bergizi Gratis* or MBG) program, rather than pursuing an expansion of the fiscal deficit ceiling as a shortcut to addressing constrained fiscal space. This approach places greater emphasis on expenditure optimization and budgetary reallocation as a more prudent policy alternative to increasing financing requirements through deficit expansion, which may further increase public debt burdens and constrain fiscal space in subsequent periods. From this perspective, adjusting programs with substantial budgetary allocations but with identifiable opportunities for efficiency could serve as a fiscal buffer for responding to economic shocks without immediately altering the fiscal-discipline parameters established under the prevailing legal framework. .[47]Against this background, the author calculates the potential for budgetary reallocation as an alternative policy instrument for creating additional fiscal space in response to the ongoing economic shock. Such reallocation should be directed toward expenditure items with relatively lower levels of urgency and productivity, while maintaining the continuity of priority programs and ensuring the fulfillment of citizens' basic needs. On this basis, the author proposes several adjustments to selected APBN expenditure items as follows:

Table 2. Recommendations for the 2026 State Budget (APBN) Reallocation Policy

Source of Budgetary Efficiency (Governance Issue)	**Estimated Available Allocation**	**Emergency Reallocation Scenario (*Shock Absorber*)**	**Budgetary Requirement**	**Macroeconomic Impact**
Postponement of the Free Nutritious Meals (MBG) Program	IDR 335.0 trillion	Injection into the social safety net through Direct Cash Assistance (BLT) of IDR 500,000 per month for eight months for the bottom 50% of the population	IDR 396 trillion	The reallocation of the MBG budget could be directed toward strengthening the purchasing power of low-income groups and providing direct social protection during periods of economic shock.
Reduction of Non-Essential Procurement for Law Enforcement and Security Institutions	IDR 49.66 trillion	Strengthening the energy subsidy buffer through support for Pertamina's cash flow to contain	IDR 49.66 trillion (fully reallocated)	Reducing inflationary transmission through *administered prices*, mitigating pressure on logistics costs,

[47] Simamora, N. (2026) *Ekonom sarankan pemerintah efisiensi anggaran MBG ketimbang kerek defisit fiskal*. Kontan.co.id, 15 Maret. Tersedia pada: https://nasional.kontan.co.id/news/ekonom-sarankan-pemerintah-efisiensi-anggaran-mbg-ketimbang-kerek-defisit-fiskal (Diakses: 20 Maret 2026).

(Ministry of Defense, Indonesian National Police, and Attorney General's Office)		increases in retail prices of Pertalite and Solar diesel fuel		and reducing the scope for less productive project expenditures.
Cancellation of the Merah Putih Village Cooperatives Program	IDR 550.0 trillion	Restoration of the pure Village Fund by returning the allocation to labor-intensive rural stimulus programs and Village BLT without the bureaucratic cooperative mechanism	IDR 550.0 trillion (returned to villages)	Increasing the direct circulation of funds at the village-community level and strengthening local economic resilience in response to economic shocks.

Source: Compiled and processed by the author from various sources.

Based on the matrix presented in Table 2, the structured adjustment of non-critical expenditure items, together with the postponement or reallocation of programs carrying substantial fiscal allocations, demonstrates the existence of potential internal fiscal space that could be mobilized to respond to external macroeconomic shocks. Accordingly, pressure on the APBN does not necessarily require the government to expand the fiscal deficit ceiling beyond 3% of GDP. Instead, budget optimization, efficiency, and reallocation may first be utilized as shock absorbers to create additional fiscal space without altering the prevailing *fiscal rule*.

From an academic perspective, however, this conclusion is more appropriately framed as "reducing the technical urgency" rather than *"eliminating the urgency."* The feasibility of budgetary reallocation must still be assessed in light of legal constraints, existing budgetary commitments, program effectiveness, and implementation capacity. This formulation is methodologically more appropriate for a normative juridical study because it avoids asserting that all financing requirements arising from an *external shock* can automatically be addressed through budgetary reallocation.

Juridical Analysis of Increasing the APBN Deficit Ceiling through the Issuance of a Perppu and the Constitutional Interpretation of "Compelling Urgency"

In seeking to provide legal legitimacy for the proposed increase of the APBN deficit beyond the 3% of GDP threshold, a normative issue arises because this ceiling is expressly established within the framework of Article 12 of Law No. 17 of 2003 on State Finance.

> *"Article 12 (3) Where the budget is projected to incur a deficit, the sources of financing to cover such deficit shall be determined in the Law on the State*

> *Budget. (4) Where the budget is projected to generate a surplus, the Central Government may submit a plan for the utilization of the budget surplus to the House of Representatives."*

Article 12 paragraphs (3) and (4) provide that, where the budget is projected to incur a deficit, the sources of financing required to cover such deficit shall be determined in the State Budget Law, whereas where the budget is projected to generate a surplus, the Central Government may submit a proposal concerning the utilization of such surplus to the House of Representatives. Furthermore, the Elucidation of Article 12 paragraph (3) stipulates that the budget deficit shall be limited to a maximum of 3% of GDP, while the amount of government borrowing shall be limited to a maximum of 60% of GDP. Accordingly, increasing the deficit beyond this threshold cannot, in principle, be undertaken merely through an ordinary fiscal policy measure because it would conflict with a statutory limitation established by law. Within this context, Coordinating Minister for Economic Affairs Airlangga Hartarto has proposed that an increase in the APBN deficit ceiling be legitimized through the issuance of a Government Regulation in Lieu of Law (*Peraturan Pemerintah Pengganti Undang-Undang* or Perppu). The use of a *Perppu* in this context is significant because the instrument possesses substantive legal force equivalent to that of a statute, while allowing the President to enact it without following the ordinary legislative procedure, subject to the existence of specific constitutional circumstances that justify its issuance.

Accordingly, increasing the deficit beyond this threshold cannot, in principle, be undertaken merely through an ordinary fiscal policy measure because it would conflict with a statutory limitation established by law. Within this context, Coordinating Minister for Economic Affairs Airlangga Hartarto has proposed that an increase in the APBN deficit ceiling be legitimized through the issuance of a Government Regulation in Lieu of Law (*Peraturan Pemerintah Pengganti Undang-Undang* or Perppu). The use of a *Perppu* in this context is significant because the instrument possesses substantive legal force equivalent to that of a statute, while allowing the President to enact it without following the ordinary legislative procedure, subject to the existence of specific constitutional circumstances that justify its issuance. .[48] Within Indonesia's constitutional system, a *Perppu* constitutes an extraordinary legal instrument granted to the President to respond to circumstances requiring immediate normative action. Its constitutional basis is found in Article 22 paragraph (1) of the 1945 Constitution, which provides:

> *"(1) In the event of compelling urgency, the President shall have the right to stipulate a Government Regulation in Lieu of Law. (2) Such Government Regulation shall obtain the approval of the House of Representatives at its next session."*

Accordingly, the central legal issue does not merely concern whether a *Perppu* may formally be used to amend the statutory framework governing the APBN deficit ceiling. The more fundamental question is whether the economic and fiscal circumstances underlying its issuance can be constitutionally classified as a "compelling urgency" (*hal ihwal kegentingan yang memaksa*) within the meaning of

[48]Jurnal Yudisial (2023) *Pembatasan ihwal kegentingan yang memaksa dalam pembentukan Perppu*. Jurnal Yudisial, Komisi Yudisial Republik Indonesia, 29 Desember. Tersedia pada: https://jurnal.komisiyudisial.go.id/jy/id/article/view/649 (Diakses: 20 Maret 2026).

Article 22 paragraph (1) of the 1945 Constitution. [49] In other words, it is necessary to distinguish between the government's need for greater fiscal flexibility and the fulfillment of the constitutional conditions objectively required to justify the President's exercise of extraordinary legislative authority.[50] The government's authority to issue legal regulations is grounded in the legal principle of *presumptio iustae causa*, under which governmental actions are presumed to be lawful and legitimate unless and until annulled by the competent authority.[51] The Constitutional Court has further affirmed that once a *Perppu* is promulgated, it immediately gives rise to a new legal norm possessing binding force and legal effect equivalent to that of a statute. Consequently, the legal status of a *Perppu* does not place its substantive provisions beyond constitutional scrutiny. Rather, the contents of a *Perppu* may be subjected to material judicial review (*judicial review*) before the Constitutional Court to determine whether the norms contained therein are consistent with the 1945 Constitution and do not violate constitutional principles.[52]

The proposal to enact a *Perppu* to increase the APBN deficit ceiling beyond 3% may be understood as an attempt to restore the degree of executive flexibility previously exercised by the government during the management of the COVID-19 pandemic. Through the issuance of *Perppu* during that period, the government was able to implement social assistance programs, finance the health sector, relax APBN constraints, and adjust budgetary allocations with greater flexibility.[53] The extraordinary fiscal measures also included emergency incentives for Income Tax (PPh) and Value Added Tax (VAT), as well as exemptions from import duties for certain commodities considered critical to supporting national export activities.[54] Nevertheless, the use of such an extraordinary legal instrument must ultimately remain grounded in the highest constitutional framework governing the issuance of a Government Regulation in Lieu of Law (*Peraturan Pemerintah Pengganti Undang-Undang* or *Perppu*), as stipulated in Article 22 paragraph (1) of the 1945 Constitution. The provision expressly requires the existence of circumstances constituting "compelling urgency" (*hal ihwal kegentingan yang memaksa*) as a constitutional prerequisite before such extraordinary authority may be exercised.

[49] BBC News Indonesia (2023) *Enam pasal Perppu Cipta Kerja dinilai ciptakan "ketidakpastian hukum": penentuan upah minimum hingga pekerja alih daya*. BBC News Indonesia, 4 Januari. Tersedia pada: https://www.bbc.com/indonesia/articles/c893j8qdwj9o (Diakses: 20 Maret 2026).

[50] Jurnal Yudisial (2023) *Pembatasan ihwal kegentingan yang memaksa dalam pembentukan Perppu*. Jurnal Yudisial, Komisi Yudisial Republik Indonesia, 29 Desember. Tersedia pada: https://jurnal.komisiyudisial.go.id/jy/id/article/view/649 (Diakses: 20 Maret 2026).

[51] Shara, M. C. P. (2022) *Kebijakan countercyclical sebagai upaya kesejahteraan masyarakat*. Jurnal Hukum & Pembangunan, 52(1). Tersedia pada: https://scholarhub.ui.ac.id/jhp/vol52/iss1/3/ (Diakses: 20 Maret 2026).

[52] Mahkamah Konstitusi Republik Indonesia. *Putusan Nomor 23/PUU-XVIII/2020*. Jakarta: Mahkamah Konstitusi Republik Indonesia, 2020. https://mkri.id/public/content/persidangan/putusan/putusan_mkri_6889.pdf

[53] Direktorat Jenderal Perimbangan Keuangan, Kementerian Keuangan Republik Indonesia (2020) *Perppu Nomor 1 Tahun 2020 tentang kebijakan keuangan negara dan stabilitas sistem keuangan untuk penanganan pandemi corona*. DJPK Kemenkeu, 1 April. Tersedia pada: https://djpk.kemenkeu.go.id/?p=14929 (Diakses: 20 Maret 2026).

[54] Avisena, M. I. R. (2026) *Airlangga usul Perppu defisit APBN di atas 3 persen jika konflik Timur Tengah memburuk*. Media Indonesia, 14 Maret. Tersedia pada: https://mediaindonesia.com/ekonomi/870325/airlangga-usul-perppu-defisit-apbn-di-atas-3-persen-jika-konflik-timur-tengah-memburuk (Diakses: 20 Maret 2026).

Accordingly, the experience of fiscal flexibility during the COVID-19 pandemic cannot, by itself, establish sufficient grounds for issuing a new *Perppu*. The constitutional justification must instead be assessed independently against the factual circumstances prevailing at the time of its issuance and the constitutional parameters governing *"compelling urgency."*.[55]

The most authoritative and constitutionally grounded interpretation of the limitations governing the meaning and application of the phrase "compelling urgency" (*hal ihwal kegentingan yang memaksa*) can be found in Constitutional Court Decision No. 138/PUU-VII/2009. Through this decision, the Constitutional Court provided a more structured and constitutionally accountable framework for the exercise of emergency legislative powers by establishing three objective and cumulative parameters that serve as legally binding criteria for the President in determining whether a particular circumstance constitutes a legitimate basis for issuing a *Perppu*. These parameters consist of the following three aspects :[56]

1. Urgent Need: There must be a critical circumstance involving an urgent need to respond to and resolve a substantial legal problem expeditiously.
2. Legal Vacuum and Inadequacy of Existing Norms: The legislation required to respond to the crisis must not yet exist, thereby creating a legal vacuum. Alternatively, where relevant legislation already exists, the existing legal instrument must be demonstrably inadequate to address the crisis or resolve the prevailing legal impasse.
3. Time Constraints of the Ordinary Legislative Procedure: The legal vacuum or inadequacy of the existing regulatory framework must be such that it cannot be addressed through the enactment of new legislation under the ordinary legislative process between the President and the House of Representatives, given that such a process would require considerable time.

The proposal to increase the APBN deficit ceiling through a *Perppu* requires a comprehensive examination against the three parameters established by the Constitutional Court. First, the parameter of "urgent legal necessity": the distortion of the emergency condition and the phenomenon of *self-inflicted urgency*. As demonstrated in the preceding analysis of empirical economic dynamics, the principal factors threatening to push the APBN deficit beyond its statutory ceiling do not originate exclusively from external shocks, such as the increasing burden of fuel subsidies resulting from higher international oil prices. Rather, a substantial part of the fiscal pressure may also be associated with domestic fiscal governance and expenditure-management decisions. In this regard, the allocation of substantial fiscal resources to sectors and programs whose urgency and effectiveness remain subject to question warrants closer scrutiny. These include an expansive cabinet structure, significant increases—amounting to hundreds of trillions of rupiah—in military and police procurement, including procurement quantities that have been

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[55] Liba, Y., Badu, L. W. dan Arief, S. A. (2026) *Tindak pidana pencabulan anak di wilayah hukum Polres Boalemo dalam perspektif kriminologi dan penegakan hukum*. Journal of Contemporary Law Studies, 3(2), hlm. 161–174. Tersedia pada: https://journal.pubmedia.id/index.php/lawstudies/article/download/2896/3111/10422 (Diakses: 20 Maret 2026).

[56] Mahkamah Konstitusi Republik Indonesia (2009) *Putusan Mahkamah Konstitusi Nomor 138/PUU-VII/2009*. Jakarta: Mahkamah Konstitusi, hlm. 19.

criticized as disproportionate to actual institutional requirements, as well as the implementation of the MBG and Merah Putih Village Cooperatives programs. Such policies may generate substantial operational and fiscal commitments, particularly where the scale of expenditure is not demonstrably grounded in objectively established needs or supported by an adequate cost-benefit analysis. Consequently, the existence of external economic shocks cannot automatically be equated with the existence of a constitutional emergency justifying the issuance of a *Perppu*. The relevant question is whether the resulting fiscal pressure is genuinely unavoidable and cannot reasonably be addressed through the reallocation, rationalization, and optimization of existing expenditure. Where fiscal constraints are materially aggravated by discretionary domestic spending choices, the invocation of *"compelling urgency"* may raise the issue of self-inflicted urgency—that is, an emergency condition that is partly generated or intensified by the government's own fiscal policies. This distinction is crucial in determining whether the first constitutional parameter established by the Constitutional Court is genuinely satisfied.

Second, the criteria concerning the absence of an urgent need and the time constraints inherent in the ordinary legislative procedure are not satisfied. The argument that rising global oil prices and escalating geopolitical tensions in the Middle East necessarily require the adoption of a *Perppu* is not entirely convincing. The projected expansion of the fiscal deficit and the decline in state revenues constitute aggregate fiscal developments that can be periodically monitored, assessed, and anticipated through constitutionally established mechanisms, particularly the Amended State Budget (*Anggaran Pendapatan dan Belanja Negara Perubahan* or APBN-P). Indonesia's constitutional practice in public financial management has, in fact, provided a legal mechanism for adjusting the State Budget during the course of a fiscal year. This mechanism is expressly recognized under Article 27 paragraphs (3), (4), and (5) of Law No. 17 of 2003 on State Finance, which provides that:

> *"(1) The Central Government shall prepare a Report on the Realization of the First Semester of the State Budget (APBN) and a prognosis for the following 6 (six) months. (2) The report referred to in paragraph (1) shall be submitted to the House of Representatives no later than the end of July of the relevant fiscal year, to be jointly discussed by the House of Representatives and the Central Government. (3) Adjustments to the APBN in accordance with economic developments and/or changes in circumstances shall be jointly discussed by the House of Representatives and the Central Government in the context of preparing an estimate of amendments to the APBN for the relevant fiscal year where: (a) macroeconomic developments are inconsistent with the assumptions used in the APBN; (b) there are changes to the fundamental elements of fiscal policy; (c) circumstances require budgetary reallocations between organizational units, activities, and types of expenditure; or (d) circumstances require the use of the previous year's budget surplus to finance the current budget. (4) In an emergency, the Government may make expenditures for which no budget allocation has yet been provided, which shall subsequently be proposed in the draft amended APBN and/or reported in the Budget Realization Report. (5) The Central Government shall submit a draft*

> *law concerning Amendments to the APBN for the relevant fiscal year, based on the changes referred to in paragraph (3), for approval by the House of Representatives before the relevant fiscal year ends. "*

Based on these legal provisions, the Indonesian legal framework already provides a mechanism for responding to macroeconomic volatility occurring during the fiscal year, namely through the amendment of the State Budget (*Anggaran Pendapatan dan Belanja Negara Perubahan* or APBN-P). The State Finance Law expressly accommodates circumstances involving changes in economic and fiscal conditions during the implementation of the budget. In particular, Article 27 paragraph (4) of Law No. 17 of 2003 on State Finance explicitly provides that:

> *"In an emergency, the Government may make expenditures for which no budget allocation has yet been provided, which shall subsequently be proposed in the draft amendment to the State Budget (APBN) .."*

This provision therefore provides a legal basis for the government to adjust fiscal policy and reallocate budgetary resources in response to changing circumstances during the fiscal year, without necessarily resorting to the extraordinary mechanism of a *Perppu*.

The APBN-P mechanism is triggered when certain changes or circumstances arise during the fiscal year, as provided under Article 27 of Law No. 17 of 2003 on State Finance. These circumstances include the following :[57]

1. Changes in the macroeconomic assumptions used by the government in formulating the initial APBN;
2. Changes in APBN targets that are deemed unrealistic or difficult to achieve;
3. Urgent expenditure requirements; and/or
4. Other economic emergency circumstances.

Accordingly, the government retains a measured degree of fiscal maneuverability through the Amended State Budget (*Anggaran Pendapatan dan Belanja Negara Perubahan* or APBN-P) without necessarily increasing the 3% deficit ceiling through the issuance of a *Perppu*. The legal framework established under Article 27 of Law No. 17 of 2003 on State Finance provides a comprehensive procedural mechanism for the formulation and adoption of an APBN-P. First, the process begins with the evaluation of the First-Semester Budget Realization Report and the preparation of a fiscal prognosis, as provided under paragraphs (1) and (2). These instruments provide an empirical basis for assessing deviations from the original macroeconomic assumptions, including fluctuations in crude oil prices and exchange rates. Subsequently, the normative framework under paragraph (3) facilitates budgetary adjustments and reallocations, including expenditure-efficiency measures that reduce non-priority spending and potentially redirect fiscal resources toward social protection and additional energy subsidies. Ultimately, these adjustments may culminate in the submission of a Draft Law on Amendments to the State Budget (RUU APBN-P) pursuant to paragraph (5), which is subsequently deliberated with the House of Representatives. Through this mechanism, the government may respond to economic emergencies while maintaining the principles of transparency, accountability, and parliamentary oversight over public

[57] Kementerian Keuangan Republik Indonesia (2026) *Anggaran Pendapatan dan Belanja Negara (APBN) 2026*. Tersedia pada: https://anggaran.kemenkeu.go.id/api/Medias/af919f5e-092b-4680-8662-658f831faacd (Diakses: 20 Maret 2026), hlm. 44.

expenditure. Consequently, the existence of an APBN-P mechanism raises an important constitutional question concerning the necessity of resorting to a *Perppu*: where the fiscal pressures in question can reasonably be addressed through the ordinary statutory mechanism for amending the APBN, the justification for invoking the extraordinary constitutional authority under Article 22 of the 1945 Constitution becomes substantially more difficult to establish.

The proposed amendment to the State Budget should not be pursued solely through a *Perppu*, but should instead involve the House of Representatives (DPR) as the representative institution of the people. This requirement is constitutionally grounded in Article 20A paragraph (1) of the 1945 Constitution of the Republic of Indonesia, which provides:

> *"The House of Representatives shall have legislative, budgetary, and oversight functions. "*

Furthermore, the DPR's obligation to exercise its budgetary function as a mechanism for overseeing the State Budget is also reflected in Article 70 of Law No. 17 of 2014 on the MPR, DPR, DPD, and DPRD (MD3 Law), which expressly grants the DPR authority in the formulation and oversight of the State Budget, including the approval of the government's fiscal policies. This provision is grounded in the fundamental principle that public finances ultimately belong to the people, and therefore their allocation and utilization must obtain the approval of the people's representatives.[58] The requirement that the utilization of public funds must obtain the approval of the people is further reinforced by Article 23 paragraph (1) of the 1945 Constitution of the Republic of Indonesia, which provides :

> *"The State Budget as a manifestation of the management of state finances shall be stipulated annually by law and implemented in an open and accountable manner for the greatest prosperity of the people "*

This provision establishes a constitutional basis for parliamentary participation, transparency, and accountability in the management of public finances. Consequently, any substantial adjustment to the structure of the APBN, particularly one involving a significant expansion of the fiscal deficit, should be subject to the constitutional budgetary function of the DPR and should not circumvent the principle of legislative approval through the unilateral exercise of executive emergency powers.

The elucidation of Article 23 of the 1945 Constitution recognizes the DPR's budgetary right (*hak begrooting*), under which the DPR holds a stronger constitutional position than the Government in determining state revenues and expenditures. From a legal-philosophical perspective, this framework reflects the principle that popular sovereignty constitutes a fundamental basis of state financial management, with the DPR serving as the institutional representation of the people in exercising control over public finances.[59] Accordingly, increasing the APBN deficit ceiling beyond 3% through a *Perppu* raises significant constitutional concerns because it may circumvent the DPR's budgetary function and weaken the principle of checks and balances in the management of state finances. The unilateral alteration of a fundamental fiscal parameter by the executive, without prior

[58] M. Riawan Tjandra, *Hukum Keuangan Negara* (Jakarta: Grasindo, 2006).

[59] Mahkamah Konstitusi Republik Indonesia. *Putusan Mahkamah Konstitusi Nomor 128/PUU-VII/2009*. Jakarta: Mahkamah Konstitusi, 2009.

parliamentary approval, could potentially diminish the DPR's constitutional role as a representative institution responsible for scrutinizing and approving government fiscal policy. Therefore, the use of a *Perppu* to expand the deficit ceiling must be carefully assessed not only from the perspective of Article 22 of the 1945 Constitution concerning *"compelling urgency"*, but also in conjunction with Article 23 and the constitutional principle of parliamentary control over public finance.

Based on the foregoing analysis, the author argues that the Amended State Budget (*Anggaran Pendapatan dan Belanja Negara Perubahan* or APBN-P) constitutes a more appropriate and effective mechanism than the issuance of a *Perppu* for responding to fiscal pressures during the ongoing fiscal year. This position is based on the following considerations:

1. Preserving the existing fiscal parameters. The APBN-P allows the government to adjust budgetary allocations within the ongoing fiscal year without necessarily altering the fundamental fiscal parameters established under the State Finance Law, including the statutory framework governing fiscal discipline.
2. Maintaining parliamentary oversight. The APBN-P preserves the DPR's constitutional budgetary function (*fungsi anggaran*) by requiring legislative involvement in the adjustment of the State Budget. This mechanism therefore maintains the principles of accountability, transparency, and checks and balances in public financial management.
3. Preserving Indonesia's macroeconomic credibility. Resorting to an APBN-P rather than unilaterally expanding the statutory deficit ceiling through a *Perppu* may strengthen the credibility and predictability of Indonesia's fiscal policy in the eyes of international investors and financial markets. Maintaining the existing *fiscal rule* while utilizing the legally available budget-adjustment mechanism may provide a stronger signal of Indonesia's commitment to fiscal discipline and long-term fiscal sustainability.

The existence of the aforementioned budget-adjustment mechanism demonstrates that the ordinary legislative procedure remains available to the government as a lawful alternative for accommodating and responding to economic shocks arising from the Iran–United States conflict. This circumstance indicates that the Constitutional Court's criterion concerning the "inability to pursue the ordinary legislative procedure" is not satisfied. Consequently, the availability of the APBN-P mechanism substantially weakens the constitutional justification for issuing a *Perppu* to increase the APBN deficit ceiling. Adjustments to the State Budget during the fiscal year are, in fact, not unprecedented in Indonesia's fiscal practice. For example, in 2016, Finance Minister Sri Mulyani adjusted the government's expenditure target following substantial deviations in state revenues and expenditures. The initial government expenditure allocation of approximately IDR 2,095.7 trillion under the 2016 APBN was subsequently subject to a significant adjustment, with expenditure reductions implemented to respond to the changing fiscal outlook.[60] The principal objective of the adjustment was to maintain macroeconomic stability as well as investor expectations and confidence, thereby

[60] Kompas.id (2026) *Sri Mulyani dan jebakan APBN perubahan*. Kompas.id. Tersedia pada: https://www.kompas.id/artikel/sri-mulyani-dan-jebakan-apbn-perubahan (Diakses: 20 Maret 2026).

preserving the attractiveness of Indonesia as a destination for investment and business expansion.[61] This precedent demonstrates that fiscal authorities possess established legal and institutional mechanisms to respond to significant changes in economic conditions without necessarily resorting to extraordinary constitutional instruments. Accordingly, the government may consider reallocating budgetary resources from less productive or non-essential populist programs toward more urgent fiscal interventions that directly benefit communities affected by increases in oil and gas prices. Such an approach would allow the government to respond to external economic shocks while simultaneously preserving fiscal discipline, parliamentary oversight, and the constitutional framework governing the State Budget.

The failure to satisfy the constitutional requirement of "compelling urgency" (*hal ihwal kegentingan yang memaksa*) in the issuance of a *Perppu* concerning an increase in the APBN deficit ceiling may give rise to significant constitutional risks, particularly the possibility that the instrument could subsequently be annulled by the Constitutional Court. This issue is particularly important because the President's authority to issue a *Perppu* is not absolute, but is subject to the objective constitutional parameters established by the Constitutional Court in Decision No. 138/PUU-VII/2009. Under these parameters, the issuance of a *Perppu* requires, cumulatively, (1) an urgent need to resolve a legal problem expeditiously; (2) the existence of a legal vacuum or the inadequacy of the existing statutory framework to address the circumstances; and (3) the impossibility of resolving the matter through the ordinary legislative procedure because such a process would require a considerable amount of time. Accordingly, where the government still possesses adequate legal and institutional mechanisms such as the APBN-P to address fiscal pressures during the ongoing fiscal year, the constitutional justification for resorting to the extraordinary mechanism of a *Perppu* becomes substantially weaker.[62]

The practical application of this principle can be observed in Constitutional Court Decision No. 1-2/PUU-XII/2014, concerning the judicial review of Law No. 4 of 2014, which enacted *Perppu* No. 1 of 2013 amending the Constitutional Court Law. In that decision, the Constitutional Court held that the statute enacting the *Perppu* was inconsistent with the 1945 Constitution and therefore had no binding legal force. [63]This decision reinforces the principle that the existence of "compelling urgency" (*hal ihwal kegentingan yang memaksa*) cannot be established solely on the basis of the President's subjective assessment. Rather, the circumstances invoked as the basis for issuing a *Perppu* must be capable of being demonstrated through objective, rational, and proportionate considerations. Consequently, presidential discretion in exercising emergency legislative authority remains subject to constitutional scrutiny and must be supported by circumstances that objectively justify the necessity of departing from the ordinary legislative process.

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[61] Ibid

[62] Hsb, Ali Marwan. "Kegentingan yang Memaksa dalam Pembentukan Peraturan Pemerintah Pengganti Undang-Undang." *Jurnal Legislasi Indonesia* 14, no. 1 (2017): 109–122. Accessed May 26, 2026. https://e-jurnal.peraturan.go.id/index.php/jli/article/view/71

[63] Mahkamah Konstitusi Republik Indonesia. Putusan Mahkamah Konstitusi Nomor 1-2/PUU-XII/2014. Diputuskan 13 Februari 2014. Accessed May 26, 2026.

Accordingly, if a *Perppu* seeking to increase the APBN deficit ceiling fails to demonstrate the existence of a genuinely compelling constitutional necessity, the instrument may be vulnerable to constitutional challenge before the Constitutional Court. The risk of annulment would not be confined to the sphere of constitutional law but could also generate significant economic uncertainty. This is because the APBN deficit ceiling is directly connected to the legitimacy of public financing, fiscal policy, government securities issuance, investor confidence, and financial market stability. If the legal basis for increasing the deficit were subsequently declared unconstitutional, the government's fiscal policy could lose its normative certainty, potentially undermining the credibility of the APBN and weakening public and market confidence in the government's approach to public financial management. Such uncertainty could also complicate the government's financing strategy, particularly where additional borrowing or the issuance of government securities has been undertaken on the basis of the challenged legal framework. Consequently, the constitutional validity of the *Perppu* would have implications extending beyond the legality of the instrument itself, encompassing the broader legal certainty, credibility, and sustainability of Indonesia's fiscal policy.

Based on the criteria established by the Constitutional Court, as outlined above, an increase in the APBN deficit does not, in substantive terms, satisfy the requirement of an actual and objectively demonstrable emergency and therefore fails to meet the constitutional qualification of "compelling urgency" (*hal ihwal kegentingan yang memaksa*). The Constitutional Court has further affirmed that once a *Perppu* is promulgated, it immediately gives rise to a new legal norm possessing binding force and legal effect equivalent to that of a statute. The legal consequence of this status is that the substantive provisions of a *Perppu* are not immune from legal scrutiny; rather, they may be subject to material judicial review (*judicial review*) before the Constitutional Court against the 1945 Constitution of the Republic of Indonesia to ensure that they do not contravene constitutional principles. Furthermore, the Constitutional Court has emphasized that although the issuance of a *Perppu* constitutes a constitutional prerogative of the President, such discretion is not absolute and cannot be exercised arbitrarily or dictatorially. Executive authority must be grounded in rational and compelling reasons, supported by objective factual circumstances, and capable of being logically justified to the public and subjected to constitutional scrutiny by the House of Representatives at its subsequent session. This principle is consistent with Article 22 paragraph (3) of the 1945 Constitution of the Republic of Indonesia, which provides that where a *Perppu* is not approved by the House of Representatives during its consideration, the *Perppu* must be revoked .[64]

Furthermore, the discourse surrounding the issuance of a *Perppu* to expand the APBN deficit as an instrument of "emergency rescue" contains a fundamental conceptual fallacy, namely the assumption that such a measure would necessarily constitute a temporary measure. From the perspective of political economy and constitutional governance, an increase in the APBN deficit ceiling may generate structural and potentially lasting changes in the state's fiscal governance,

[64] Huda, N. (2010) *Pengujian Perppu oleh Mahkamah Konstitusi sekaligus dihadapkan pada prerogatif konstitusi*. Jurnal Konstitusi, 7(5), hlm. 73–92. Tersedia pada: https://doi.org/10.31078/jk754 (Diakses: 20 Maret 2026).

particularly if the *Perppu* is subsequently approved by the House of Representatives in the following session. Once approved and incorporated into the statutory framework, the increased deficit ceiling could become institutionalized as a new benchmark of fiscal normality and subsequently influence the fiscal architecture adopted by future administrations.

This issue is particularly relevant to Montesquieu's caution, as cited by C. K. Allen, concerning the formulation of legislation under conditions requiring rapid action. In such circumstances, legislative and policy-makers should confine themselves, as far as possible, to matters that are real and presently occurring, rather than relying excessively on analogies, assumptions, or conjectures concerning circumstances that have not yet materialized. This approach is particularly significant when extraordinary legislative instruments are employed because the urgency underlying such instruments must be grounded in objectively verifiable circumstances rather than speculative projections.[65]

Accordingly, the exercise of emergency legislative authority should not be based primarily on assumptions, speculation, or projections concerning hypothetical future conditions. Rather, it must be supported by concrete and objectively demonstrable circumstances that establish the necessity for immediate governmental intervention. This principle is particularly important in the context of fiscal policy because altering a statutory deficit ceiling may produce consequences extending well beyond the immediate economic circumstances that purportedly justify the measure. The use of a *Perppu* should therefore remain narrowly confined to genuinely urgent and actual circumstances, while avoiding regulatory interventions that could generate extensive and prolonged public controversy without a sufficiently established factual and constitutional basis.

CONCLUSION

From both economic and legal perspectives, the proposal to increase the APBN deficit ceiling beyond 3% through a Perppu cannot be fully justified solely as a response to external pressures. Admittedly, global geopolitical escalation, particularly the Iran–United States conflict and disruptions in the Strait of Hormuz, has exerted significant pressure on energy prices and Indonesia's fiscal stability. Nevertheless, the empirical analysis demonstrates that fiscal pressures on the APBN also originate from domestic structural problems, including inefficiencies in public expenditure, an expansive bureaucratic structure, and the allocation of substantial fiscal resources to populist programs whose productivity and effectiveness remain subject to question. These circumstances indicate the existence of a phenomenon of self-inflicted urgency, whereby part of the fiscal emergency is generated or exacerbated by the government's own policy choices rather than arising exclusively from external shocks.

From the perspective of constitutional law, the use of a Perppu to increase the APBN deficit ceiling does not satisfy the constitutional requirement of "compelling urgency" (*hal ihwal kegentingan yang memaksa*) as interpreted by the Constitutional Court. This is primarily because a constitutionally and statutorily recognized alternative remains available through the Amended State Budget (Anggaran

[65] Kusumawijaya, P. M. F. (2005) *Gonjang-ganjing Perppu tentang penyeleksian ulang hakim agung*.

Pendapatan dan Belanja Negara Perubahan or APBN-P). This mechanism enables the government to adjust budgetary allocations and respond to economic shocks while maintaining the existing statutory fiscal framework and preserving the DPR's constitutional budgetary function. Accordingly, issuing a Perppu in this context may give rise to significant constitutional legitimacy concerns and potentially undermine the long-term fiscal discipline that constitutes one of the foundations of national economic stability.

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