Policy Options of the Bengkalis Regional Government in Handling the National Disaster Covid-19 and Its Impact on Community Economic Growth

Yunelly Asra*, Adrian Irminda Pratama
Department of Commerce Administration
Politeknik Negeri Bengkalis
Bengkalis, Indonesia
*yunellyasra@gmail.com, adrianirmanda@gmail.com

Abstract—This research aims to identify possibility policy of the Bengkalis Regional Government in order to handle the economic impact during the national disaster pandemic Covid-19. The economic policy should be based on the assumption to find a balance between the safety and health of the community and the economy. This research method using qualitative descriptive approach and based on an extensive literature study, to obtain a theoretical basis that can be used to provide relevant information and design alternative policies to provide rational solutions. This policy is expected to be able to restore the economy and welfare of the community during the Covid-19 pandemic. The economic policy must ensure the basic principles in increasing economic growth such as production, distribution, and consumption during Covid-19 pandemic.

Keywords—covid 19, economic policy, national disaster

I. INTRODUCTION

Since the World Health Organization (WHO) declared Corona Virus Disease 2019 (Covid-19) as a global pandemic. Poses challenges for the world's leaders, economists, and policymakers. Many state governments have taken actions that have dramatically affected people's day-to-day lives. To slow the transmission and spread of the coronavirus, public health “social distancing” tactics have been widely implemented. Territories and even countries have been completely locked down, schools, universities, and public facilities are closed; and public events (including sporting events, concerts, and even weddings) are currently banned in most countries.

This pneumonia disease first occurred in Hubei province in Wuhan, China, at the end of December 2019 [1]. Currently, on August 10, 2020, around the world 10,929,904 patients were infected with a fatality rate of 3.67%, while in Indonesia there were recorded 125,396 total cases with a percentage of fatality rate reaching 4.56%.

These measures have not only affected people's daily lives, but have caused significant economic recessions in economies around the world. The stock market has fallen dramatically [2], economists consistently predict a violent economic recession [3].

The Covid-19 pandemic has disrupted economic activity around the world, (United Nations Conference for Trade and Development (UNCTAD), 2020 [4] state that the COVID-19 condition will result in a recession in several countries and reduce global economic growth to 2.5% in 2020. International Monetary Fund Managing Director state that in 2020 global will face recession that would be at least as bad as the downturn the financial crisis more than a decade ago followed by a recovery in 2021. The Central Bureau of Statistics (BPS) recorded Indonesia's economic growth in the quarter II of 2020 experienced a contraction of 5.32% (year on year) due to a contraction in the consumption sector of (-5.51%). This condition has been triggered since the government took a policy to implement large-scale social restrictions (PSBB) so as to limit the movement of people to run the wheels of the economy.

Not only is Indonesia as a whole feeling the impact of low economic growth, this condition is also felt in various regions in Indonesia. Bengkalis Regency, one of the regions in Indonesia, to be precise in Riau Province, is experiencing the implications of the Indonesian economic crisis due to the Covid-19 pandemic. The decline in PDRB in Bengkalis Regency is predicted to decrease between (2) - (4) % in the second quarter of 2020. This condition is caused by a decrease in consumption in various fields, both from household consumption, consumption of LNPR (Non-Profit Institutions Serving Households), and government consumption. This condition was exacerbated by the large number of workers who were laid off and sent home, which totalled 1,135 people (goriau.com).

Although it is included in one of the areas exposed to Covid-19 with a low-risk status in Indonesia. Bengkalis Regency Government needs to consider comprehensive policies in order to be a solution in saving the regional economy.
This paper contributes to the literature by exploring the proper economic policy for Bengkalis District to mitigate the economic crisis and downturn economic growth. The formulate economic policy should be based on the assumption to find a balance between the safety and health of the community and the economy.

II. LITERATURE REVIEW

A. The Origin of the Covid-19 and Situation Overview

Corona virus disease (COVID-19) is an infectious disease caused by a newly discovered corona virus. Corona virus disease 2019 (COVID-19) was discovered in Wuhan China, at the end of December 2019. The South Morning China Post (2020), stated that a 55-year-old man living in Hubei Province in China was likely the first person affected by COVID-19. The outbreak of the pathogen was localized to a regional seafood market in Wuhan, which was closed by local authorities on January 1st, 2020 [5], immediately after their declaration of an epidemiological alert. At that time, 41 people were already infected [5]. The first investigations concluded that the diseases were caused by a novel virus that can be transmitted person-to-person [6]. Subsequently, on January 30th, 2020, after an increased spread of the virus in China and its appearance in other parts of the world, the newly created emergency committee declared the new coronavirus a public health emergency of international concern [7], as local viral outbreaks could quickly spread worldwide in light of today’s international mobility [8].

The COVID-19 virus spreads primarily through droplets of saliva or discharge from the nose when an infected person coughs or sneezes, so it’s important that you also practice respiratory etiquette (for example, by coughing into a flexed elbow). At this time, there are no specific vaccines or treatments for COVID-19. However, there are many ongoing clinical trials evaluating potential treatments. WHO will continue to provide updated information as soon as clinical findings become available (Who.int).

The coronavirus COVID-19 is affecting 213 countries and territories around the world. The list of countries and territories and their continental regional classification is based on the United Nations Geoscheme. August 10, 2020, total cases around the world is 10,929,904 with a fatality rate of 3.67%.

The Figure 1 shows the 10 countries with the largest number of coronavirus cases in the world. USA is the country with the largest total cases, followed by Brazil, India, Russia, South Africa, Mexico, Peru, Colombia, Chile and Spain. Mexico recorded with the largest fatality rate up to 10.92% then followed by Spain with a fatality rate of 7.88%.

The total number of cases infected with the corona virus in Indonesia is 125,396 with a percentage of fatality rate reaching 4.56%. In Indonesia the total data on areas with a high risk level or red zone in Indonesia to 22 or 4.28%, while the number with a moderate risk level was 223 or 43.39%, then with a low risk level there were around 195 regions or 37.94% and the rest there were 74 regions or 14.4% that not cases or are not affected by Covid-19. The following is a map of the distribution of covid-19 in the territory of Indonesia (figure 2).

B. Global Economic Condition

Covid-19 has disrupted the world's supply chain and international trade, with nearly 100 countries closing and restricting products that enter their countries (imports) from various countries because they want to prevent the spread of Covid-19. Of course this causes economic growth in various countries to be disrupted, because every country in the world depends on each other from other countries [9].

COVID-19 cases are already eight or nine times larger than the number of SARS cases. At least what is necessary is one serious fact: this time, the countries hardest hit was G7 + China [9]. Data from WHO shows the medical records of the ten countries hardest hit by COVID-19 are almost identical to the list of the ten largest economies in the world (Iran and India are the exceptions). The US, China, Japan, Germany, Britain, France, and Italy are all in the top ten most affected by this disease [9]. The US, China, Japan, Germany, Korea and Italy, which are the biggest economic players in the world. When the 6 countries above were affected by Covid-19, it caused about 55% of the world's supply & demand (GDP) chain to be disrupted, then around 60% of world manufacturing was disrupted and finally 50% of world manufacturing exports were also hampered [9].

The most visible outcome of the COVID-19 crisis on financial markets is the effect on global stock markets (Baker et al., 2020). Global stock markets lost $ 6 trillion in value over the six days from Feb. 23 to 28, according to the S&P Dow Jones Index. Between February 20 and March 19, the S&P 500...
index fell 28% (from 3,373 to 2,409), the FTSE 250 index fell 41.3% (from 21,866 to 12,830), and the Nikkei fell 29% (from 23,479 to 16,552). In the same period, major international banks saw their share price decline, for example, Citigroup’s share price fell 49% (from US $ 78.22 to US $ 39.64), JP Morgan Chase’s share price fell 38% (from US $ 137.49 to US $ 85.30), and Barclays’ share price fell 52% (from £ 181.32 to £ 86.45) [10]. The corona virus crisis also affected a wide range of energy markets such as the coal, gas and renewable energy markets, but its impact on oil markets was more severe because it stopped the movement of people and goods, which led to a drastic decline in the demand for transport fuels [10]. Covid-19 threatens the survival of companies in all sectors and industries on a global scale [11].

C. Indonesia Economy Condition

Indonesia’s economy contracted 5.32% (y-o-y) by the end of the second quarter of 2020 the Indonesia Central Statistics Agency reported, deeper than the government’s earlier prediction of between 4.3 and 4.8%. Among industries, the transportation and warehousing sector saw the most severe downturn in economic activity, having dropped 30.84% (y-o-y), followed by the accommodation and food and beverages sector, with a contraction of 22.02%. Among household consumption, restaurants and hotels saw the deepest cut, at minus 16.53%. (BPS, indonesien.ahk.de)

The Central Statistics Agency recorded an inflation of 0.98% (year-to-date) or 1.54% inflation (year-on-year) due to a 0.10% deflation at the end of July 2020, the weakest in the last two decades. The main contributor to the drop in prices were the food, drinks and tobacco category of expenses, followed by the transportation sector. (BPS, indonesien.ahk.de)

Indonesia’s Purchasing Manager’s Index (PMI) for the manufacturing sector rose again to 46.9 as of July 2020 from 39.1 in June 2020. Minister of Industry Agus Gumiwang Kartasasmita said the 7.8-point increase showed that, despite the COVID-19 pandemic, the country’s manufacturing has managed to continue to grow and was slowly rebounding from the initial shock at the start of the pandemic. (Kemeperin.go.id, indonesien.ahk.de)

D. Indonesia Government Action

The Indonesian government has taken numerous measures to respond to the COVID-19 pandemic. As follows: (indonesien.ahk.de)

- President Joko Widodo has issued Government Regulation No. 43/2020 on the Amendment to Government Regulation No. 23/2020 on the Execution of the National Economic Recovery (PEN) program in the Event of Supporting State Financial Policies in Mitigating the COVID-19 Pandemic and/or Other Threats to the National Economy and/or the Stability of the Financial System as Well as in Saving the National Economy.

- President Joko Widodo has issued Presidential Instruction No. 6/2020 on the Intensification of Discipline and Enforcement of Health Protocol Laws in the Prevention and Mitigation of COVID-19. The document instructs all ministers, the COVID-19 task force, law enforcement apparatuses, as well as governors, regents and mayors, to take all necessary measures to intensify their efforts in preventing further COVID-19 infections in their respective jurisdictions. The document further allows the necessary funding for these efforts to be taken from the state budget.

- The Ministry of Finance has issued Minister of Finance Regulation No. 98/PMK.08/2020 on the procedures to obtain Government Guarantee for Corporate Business through the appointed Guaranteeing Institutions in carrying out the National Economic Recovery program. The regulation officially appoints the Indonesia Export Financing Institution (LPEI) and the Indonesia Infrastructure Insurance company (PII) as the government’s guaranteeing institutions, further laying out the requirements needed from corporations to receive a government’s guarantee.

- The Ministry of Finance has issued Minister of Finance Regulation No. 96/PMK.010/2020 on the amendment to Minister of Finance Regulation No. 11/PMK.010/2020 on the implementation of Government Regulation No. 78/2019 on Income Tax Facilitation for Investment in Certain Business Fields and/or Certain Regions. The regulation effectively gives the Indonesia Investment Coordinating Board (BKPM) the authority to determine the eligibility of companies for the tax allowance as the application must now be done through the BKPM’s Online Single Submission (OSS) system. This regulation comes into effect starting August 10, 2020.

- Bank Indonesia has issued BI Regulation No. 22/10/PIBI/2020 and BI Board of Governors Council Regulation No. 22/19/PAD/2020 on Statutory Reserves Requirements (GWM) for banks in Rupiah and Foreign currencies. The regulations allow banks that are able to fulfill a daily and average GWM of 1.5% per year to receive the central bank’s checking (giro) services with a limit of 3% of the bank’s third-party funds. This regulation was issued to maintain economic and financial system stability amidst the COVID-19 pandemic.

- The Indonesian government has launched its credit program for manpower-intensive companies affected by the COVID-19 pandemic. Up to Rp 1 trillion (roughly US$68.7 bn) are available per company, though only companies with more than 300 employees and a high-multiplier effect are eligible. Companies within the tourism, automotive, textile, footwear, electronics, furniture and paper sectors are given priority. The government will be working with 15 private banks to distribute the loan. Furthermore, the Indonesian Export
Financing Institution (LPEI) and Indonesia Eximbank will act as the government’s guarantor in this program.

- The Ministry of Health has issued the fifth revision of the Guidelines to prevent and control COVID-19, which includes new terminologies for patients stipulated in Minister of Health Decree No. 413/2020 as well as the latest epidemiological control methods the government has adopted in accordance with the WHO’s latest guidelines.

- President Joko Widodo has signed another Government Regulation mandating the creation of a task force to manage the government’s National Economic Recovery Program (PEN). The task force, to be coordinated by the Coordinating Minister of the Economy Airlangga Hartarto, with the implementation of the task force’s policy to be led by Minister of State-Owned Enterprises Erick Thohir, must ensure that the government’s PEN programs have the intended effect of saving the nation’s economy by continually monitoring the day-to-day development of the government’s economic policies in relation to the existing health crisis caused by the COVID-19 pandemic.

- The Indonesian government has extended the fiscal stimulus period in relation to tax incentives to December 2020 from previously September 2020. According to Minister of Finance Regulation No. 86/PMK.03/2020 on tax incentives for taxpayers affected by COVID-19, taxpayers working in 1,189 categories of industries and companies that obtain import facilities for export purposes are eligible for Article 21 Income Tax (PPh) incentives. The regulation also extends the Article 22 import tax exemption for companies in bonded logistic zones, as well as the incentives.

- The Indonesian government is reportedly planning on issuing cash assistance to workers that are making less than Rp 5 million (around US$34.4) a month. This translates to a budget of about Rp 31.2 trillion for some estimated 13 million Indonesian eligible for the cash assistance. This program is among several other plans announced by Finance Minister Sri Mulyani regarding an additional Rp 70.6 trillion allocated for social assistance slated to be distributed in the September to December 2020 period under the government’s National Economic Recovery (PEN) program.

- Bengkalis Regional Head (Bengkalis Regent) issued Bengkalis Regent Regulation Number 39 of 2020 concerning the implementation of large-scale social restrictions in Handling Corona Virus Disease 2019 in Bengkalis Regency. The regulation signed on May 15, 2020, is a follow-up to the Governor of Riau Regulation Number 27 of 2020, dated May 14, 2020. The policy is a guide for implementing PSBB in order to accelerate the handling of Covid-19 in Bengkalis Regency. First, to limit certain activities and movement of people and or goods in suppressing the spread of COVID-19. Second, increasing anticipation for the escalation of the spread of COVID-19. Third, strengthen efforts to deal with health due to COVID-19. Fourth, addressing the social and economic impacts of the spread of COVID-19 in this area.

- Policies in socio-economic, first, the Bengkalis district government provided direct cash assistance to 34,277 family heads (KK) in the poor category of people who were affected by Covid-19. Second, the Bengkalis district government provided direct cash assistance to village communities in 136 villages for 16,596 Beneficiary Families (KPM) with a total budget of Rp9,957,600,000. Third, the Bengkalis district government gave 44,192 Cheap Groceries Packages that have been distributed by the Bengkalis Department of Industry and Industry in 11 Districts in Bengkalis Regency. This program aims to reduce the burden on families who cannot afford the Covid-19 pandemic.

III. RESEARCH METHODOLOGY

This research uses a qualitative descriptive approach and based on an extensive literature study. The purpose of this literature review is to obtain a theoretical basis that can support solving the problem being studied. In addition, literature reviews can be used to provide relevant information and design alternative policies to provide rational solutions that are usually handled by the government. Literature reviews generally contain theoretical descriptions, findings, and other research materials obtained from various sources to serve as the basis for research. The concepts and theories used are based on available literature, especially from scientific journals, research publications on economic policy during the Covid-19 pandemic, government regulations, laws, government response to Covid-19.

IV. RESEARCH DISCUSSION

Analysis of policy options provided in this study is expected to be more focused on reducing the short-term economic impacts faced by the community due to Covid-19 and keeping economic activities running when a pandemic occurs. While the medium-term policy is carried out by minimizing recession by focusing on reducing pressure from the supply side (supply shocks). Ensuring companies operate immediately, maintaining sustainability in the logistics sector for raw materials for companies and SMEs as well as for public
consumption. These are some economic policy options that can be suggested to the local government of Bengkalis Regency:

- First economic strategy option is Bengkalis Regency Government can still open shopping centres such as plazas, markets, retail and supermarkets, restaurants / restaurants but with very strict health protocols. The government needs to place supervisors such as the police, civil service police units, the Indonesian national army and others who guard every entrance and activity in the shopping centre. The supervision is carried out such as requiring customers who want to enter the shopping centre to wear a mask and before entering, they must wash their hands that have been provided. Subsequent supervision, maintaining activities in shopping centres to continue to carry out health protocols in preventing Covid-19. With this policy, it is hoped that the wheels of the economy can run and be felt by the community in general and by SMEs in particular.

- Bengkalis Regency Government needs to know the parties affected by the economy during the Covid-19 pandemic such as Workers, households, SMEs and companies. In order to reduce the economic impact faced by the community, the government can focus on the people who will be most affected. Such as blue-collar workers, workers with daily wages or very low wages, young workers, workers in the informal sector, the unemployed, job seekers, and also self-employed people [12]. These workers need financial support because of the economic uncertainty they face. Policy options that can be made by the government are to use pre-owned programs (e.g. Family Hope Program, Non-Cash Food Program Assistance or provide unconditional cash transfers [12]. With this policy, it is hoped that the value of public consumption will be maintained and the community can still meet their daily needs so that indicators of economic growth can be maintained. In times of crisis the government has to spend money to provide assistance and expenditure so that the economy can run well. In contrast to companies strategic to response crisis, companies must carry out a strategy of Retrenchment [13] to reduce costs, assets, products, product lines, and overhead in times of crisis [14].

- Special attention to industries that have difficulty paying credit/instalments (credit constraints), especially MSMEs and industries that have been most affected by the economic downturn in recent times (handicraft business, textile business, restaurant/restauran business, hotel, industry entertainment, and gig-economy business) [12]. The main thing that must be paid attention by the government is to ensure that these sectors do not go out of business when the economy is running as before. Assistance for the industrial sector can be in the form of debt or grants. If Government choose to provide debt, the government can collect the debt when the company is able to pay it after crisis. If Government choose to provide a grant, government should pay attention on the rule of managing money according to laws and regulations and capability of government money.

- Then the policy for the salary financing scheme for workers in companies that choose to stop operating but remain alive or not go bankrupt. The government and companies are expected to cooperate in financing workers' salaries, this is done to overcome layoffs. For companies that choose to continue operating, the government needs to carry out supporting information and awareness campaigns and hygiene procedures for these companies with the aim of preventing the spread of covid-19 and continuing to encourage production activities for economic growth. (ILO). With this policy, it is hoped that there will be no increase in the number of unemployed and can help workers earn income during the Covid-19 pandemic.

- Strengthening the agricultural sector. Strengthening the agricultural sector is the right stimulus and has a great opportunity to become an economic buffer in the era of the Covid-19 pandemic. Bogor Agricultural University said that the urgency of the policy to prioritize agriculture, more than 70 percent is very much needed. This research is conducted using a recursive dynamic Computable General Equity (CGE) approach. Apart from being able to meet the final needs (final demand) for households, it is also an input for other sectors and Micro, Small and Medium Enterprises (MSMEs) which are engaged in processed food. With this policy, it is hoped that the food needs of the community can be fulfilled and people are not worried about their food needs during the Covid-19 pandemic. Then, people can continue to carry out consumption activities.

- Bengkalis Regency government needs to implement policies to strengthen the agricultural sector by ensuring the availability of agricultural inputs such as fertilizers, medicines, and agricultural infrastructure are also very necessary to ensure the operation of the agricultural sector. Social assistance policies, credit relaxation, credit interest subsidies for inputs in the agricultural sector can be one of the policy options for the Bengkalis Regency government. Innovations in digital-based agricultural production are an alternative choice when physical distancing is applied, such as greenhouses and open fields.

- In the livestock and fisheries sector, policies that can be carried out by the government are providing animal feed assistance, 1 livestock facilities and infrastructure, control of diseases and epidemics in livestock, assistance for fishing tools, and fishery facilities and infrastructure. Digital-based innovation can also be done in marketing, both for the agricultural sector, as well as for other food processing MSMEs. By carrying
out this policy, it is hoped that it will become an economic stimulus during the Covid-19 pandemic, then the availability (demand) of food for people in the era of the Covid-19 pandemic, with a large amount of agricultural products available to maintain the availability and stability of prices for agricultural products in the market. In addition, the food crop sector is also the basis for employment.

- Distribution or logistics channels are very vital in the movement of the economic wheels. In addition, logistical arrangements on several commodities are very important in the midst of the COVID-19 pandemic, such as medical equipment and foodstuffs. The disaster logistics protocol is of course an initial reference for logistics distribution, but it is different with the COVID19 pandemic which is considered a non-natural disaster. Logistics distribution is closely related to the mobilization of logistics service providers that are related to the process of shipping and storing goods, as well as from the starting point to the end point along the supply chain, including producers, distributors, retailers, to consumers. The business distribution chain that is interconnected with social interactions is one of the things that must be considered in the mitigation plan. In an area quarantine that limits social interactions or social movements, the logistical distribution needs to be given an exception.

![Logistic emergency covid framework](image)

Figure 3 depicts how the logistic Emergency framework, the mobilization of logistics service providers including producers, distributors, retailers, to consumers as well as from the starting point to the end point along the supply chain, starting from the domestic / international shipping process (relief supplier) to a warehouse. Then, from the warehouse to the business distribution chain (relief distribution chain) to the affected region where the goods distribution process end.

In maintaining the logistic distribution system during the Covid-19 pandemic, the Bengkalis Regency Government needed to establish procedures to keep it running well, one of the several procedures that must be carried out in logistics distribution is that the government needs to carry out sterilization by using disinfectants for commodities, logistics workers, and logistics equipment and equipment when the commodity arrives at the terminal or distribution centre. Then the goods brought must undergo a disinfectant or sterilization process before finally being distributed by courier operators to retailers or consumers. The application of using personal protective equipment (PPE) according to standards, such as masks, gloves, sterile uniforms, and hand sanitizers, must also be used for logistics workers.

V. CONCLUSION

This policy is expected to be able to restore the economy and welfare of the community during the Covid-19 pandemic. The government must ensure that the basic principles in increasing economic growth such as production, distribution, and consumption can work well in society. Policies by keeping economic activity moving by prioritizing standards for the prevention and spread of Covid-19 are very important in preventing a bigger economic impact. The government needs to provide incentives to people affected by the pandemic with the aim of increasing purchasing power and community survival so that they can survive during a pandemic with economic uncertainty. Then the provision of capital assistance for MSME players so that MSMEs can continue to carry out business activities and generate profits so that they can increase the amount of production value that helps increase the economy. Policies in cooperating with companies in a salary payment scheme for workers to overcome layoffs which will result in an increase in the number of unemployed. Strengthening the agricultural sector is one of the opportunities that can be taken to boost economic growth during a pandemic. Because according to the results of research, strengthening in the agricultural sector is needed during the Covid-19 pandemic. Policies to control distribution mobility can make the economy run smoothly and avoid the spread of covi-19.

REFERENCES


