

Observing the Role of Local Governments in Bali in Stimulating the Business Sector

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ABSTRACT

During the Covid-19 pandemic, the economic situation of Bali declined sharply. As foreign tourists suddenly did not go to Bali, we disastrously affected locals mainly engaged in tourism and tourism-related industry. They tend to look for alternative jobs, mainly in the informal sectors, to ensure their survival in a pandemic situation. Some of them changed their work by creating startup entrepreneurs in the form of micro and small businesses. People are curious about how the government, especially the local government, can solve this problem in a health emergency and economic crisis. This paper aims to analyze the role of the local governments in Bali in encouraging and stimulating people to generate income to survive during and after the pandemic. Specifically, this paper evaluates the normative contents of law and regulation related to economic improvement and observes the dynamic adjustment of technical policies issued by local government. It is designed as normative legal research that applies a statutory approach. It collects relevant legal documents and reports as well as scientific analysis provided in journal articles. This paper suggests that local governments in Bali have complied with national law and regulation when addressing the issues related to the pandemic and have also issued policies and creating programs that are in line with the national policy and schemes. Bali's local governments faced uncertainty and dilemma when responding to the economic problem arising from the Covid-19 pandemic. The gradual decrease of regional revenue entails that local governments in Bali have to rely on the national government's economic policies, schemes, and programs.

Keywords: Local government, Business sector, Covid-19 pandemic, Law and policy, Bali.

1. INTRODUCTION

The tourism situation undeniably affects the macroeconomics situation in Bali. In 2019, the tourism sector contributed 78 percent to Bali's economy, compared to the agricultural sector, which only contributed 14.5 percent.[1] In line with the restriction policy activities due to the Covid-19 pandemic, open unemployment increased from 1.57% in August 2019 to 5.63% in August 2020. [2] More than 52% of the Balinese economy depends on tourism activities, and for the first time in history, Bali's economic growth experienced the deepest contraction, currently reaching 12 percent.[3] Therefore, this pandemic has had a significant economic impact on the Balinese people.

The role of local governments in Bali has become essential. From a theoretical perspective, the local government deals with matters concerning the people living in the particular locality representing the microscopic local interests. The local government

occupies a critical position to directly affect the daily lives of individuals in the region by giving services necessary for civilized life. Under a framework of decentralization, local governments received a transfer of authority and fund management to perform public service to the public. In Indonesia, decentralization is combined with other authorities such as regional autonomy, deconcentration, and co-administration.[4]

The Ministry of Home Affairs, a national minister responsible for implementing local governance, encouraged various efforts in terms of policies and regulations for local governments. It emphasizes the synchronization of various policies at the national government level in handling the Covid-19 pandemic, and national economic recovery in the regions, as the basis for policies taken by regions in carrying out their authority optimally.[5]

In addressing this issue, the Government of Bali Province adopts some regulations and policies in line with the national law and directions. Regulation of Bali

Province Governor No. 15 of 2020 concerning the Policy Package for the Acceleration of Handling Corona Virus Disease 2019 (Covid-19) in Bali Province provides a legal framework that handles health aspects and impacts to the economy and Balinese people. Further, in July 2020, Regulation of Bali Province Governor No.46 of 2020 declared a 'new normal' in implementing discipline and enforcement of health protocols to prevent and control the pandemic. In the context of economics, this regulation aims to restore various aspects of socio-economic life productively and safely to reduce the psychological impact of the community due to the pandemic. This governor regulation also obliged business entities that carry out business activities in various economic fields to carry out socialization and education to increase the obedience of the health protocol, prevent Covid-19, and enforce discipline on the behavior of people who are at risk of transmitting Covid-19.

This paper analyzes the role of local governments in Bali in encouraging and stimulating business in the region during and after the pandemic. It evaluates the normative contents of the law and regulation related to economic improvement and observes the policy of local governments in response to the dynamic situation of the pandemic.

2. METHOD

The paper is designed as normative legal research that applies a statutory approach. It collects relevant legal documents and reports and scientific analysis provided in journal articles and website contents. The legal sources and resources are analyzed descriptively.

3. THE COLLAPSE OF TOURISM

Statistics reveal the extreme decrease of the international visitors to Bali before the pandemic and after the pandemic outbreak, as indicated by the number of monthly foreign tourists by airport entrance. As a comparison, 438.928 international tourists visited Bali in May 2019, while in May 2020, only 34 persons, and in May 2021, only eight persons.[6] The outbreak of Covid-19 has hit the hotel occupancy in Bali horribly, while famous tourism destinations have to close temporarily.[7]

The local governments have made various efforts to attract visitors to Bali. Based on the direction and permission of the Minister of Health and the Minister of Tourism and Creative Economy, the Bali Province in March 2021 determined three tourist areas in Bali, namely Sanur in Denpasar City, ITDC Nusa Dua in Badung Regency, and Ubud in Gianyar Regency, to be protected zones from Covid-19 disease or called as 'green areas.' They provide the Covid-19 vaccine to all tourism sector workers and local communities in these covid-free

corridors to restore the tourism industry in Bali, in line with the Covid-19 free travel scheme.[8] To handle the pandemic, the government targeted 2.996.060 people to be vaccinated. According to the Health Office of Bali Province, until 2 July 2021, there are 2.276.758 people (75,99 %) who have been given first step vaccination; some 748.548 (24, 98%) given second step vaccination; and 100% on the green zones.[9]

Bali is not the only region that faces the problem. Almost all regions in Indonesia and in other countries that very much rely on tourism were also affected. For example, In California, the United States of America, significant declines in travel and tourism likely have impacted transient occupancy tax revenue.[10] Tourism can also be a significant "driver" of the local economy and thereby substantially impact a local government's revenue collections.[11]

In many cities, regions, and countries, tourism plays a critical role as a strategic pillar of the economy's gross domestic product. It has become a key driver of cultural and socio-economic progress and creates millions of job opportunities within the travel industry.[12]

4. ECURING THE LOCAL ECONOMY

Local governments have redistributed their regional revenue and expenditure budget to focus on solving health and economic issues. Besides, local governments have also received and utilized funds from the national government. The only problem is how to ensure that the funds will not be misused. For example, eight apparatus of the Buleleng regency tourism office were accused of corruption of the National Economic Recovery fund in a trial at the Denpasar Corruption Court.[13] The following sections discuss the role of local governments in the fields of investment, cooperatives and micro, small, and medium enterprises, and tourism, and also analyze social safety net programs during the pandemic.

4.1 Investment

Investment indeed plays a vital role in the development of a region as well as generates economics. In order to ease the investment in the region, the Minister of Home Affairs issued Circular No. 903/145/SJ dated 12 January 2021, expecting the willingness of the investor to bring capital to the region. At the national level, a national economic growth target of five percent in 2021 requires IDR 5.800-5.900 trillion of investment to support the recovery.[14]

There is no guarantee how Bali would assist the achievement of the national investment target. Reflecting data released by the Indonesian Investment Coordinating Board, investment in Bali in 2020 decreased around 31 percent from the previous year.[15] Investments in the tourism sector in Bali seem to be no longer the mainstay.[16] In 2021 there is an opportunity to increase

investment along with several new projects, such as the construction of toll roads, hotels, ports, railways, and the arrangement of tourist destinations and other types of non-building investments. This investment projection is based on increased investor optimism after the implementation of the Covid-19 vaccination program.[17]

4.2 Tourism Industry

Hospitality industries need to apply business model innovation to ensure their survival and recovery during the pandemic.[18] Indonesian hotel and restaurant association noted that around 125 to 150 restaurants were closed per month, and hundreds of thousands of workers from that sector were laid off from October 2020 to February 2021. The Association then encourages the government to provide grants, relaxation of land and building taxes, and abolishing restaurant taxes.[19] As an example of how this issue is addressed in Bali, Badung Regency has granted a reduction or abolition of administrative sanctions for hotel, restaurant, and entertainment taxes through Regulation of Badung Regent No. 27 of 2020.

It was evident that local governments rely on the national government to assist the improvement of the tourism sector in Bali. The Indonesian Minister of Tourism and Creative Economy in Circular No. 2 of 2020 prioritized maintaining the economic resilience of the tourism sector and the national creative economy, especially to put maximum efforts to prevent dismissal. In October 2020, the ministry launched a program, 'We Love Bali,' as an educational campaign to implement health protocols based on cleanliness, healthy, safety, environment (CHSE). Since the issuance of the policy to open Bali tourism to local (Bali) and domestic (Indonesian) tourists, the wheels of the economy have started to move again.[20]

The national government granted a tourism sector incentive in a total IDR 3.3 trillion, to be used for economic recovery in the tourism sector, divided 70% for tourism businesses and 30% for local governments. As described in the letter from the Minister of Finance of the Republic of Indonesia No: S-244/MK.7/2020 dated October 12, 2020, the tourism grant was given to 101 regencies/cities in Indonesia in which some IDR 1.183 trillion (36,4%) was granted to 8 regencies and one city in Bali Province.[21]

In its press release on 20 May 2021, the Coordinating Ministry for Maritime Affairs launched a program called "Work from Bali" (WFB) for its State Civil Apparatus and apparatus of the seven ministries/agencies under the coordination of the ministry. This program aimed to increase the confidence of domestic tourists to visit Bali, giving a multiplier effect (direct, indirect, or induced impacts) for the local economy in Bali.

4.3 Cooperatives and Micro, Small, and Middle Enterprises

Due to uncertain business situations, industries rely on stimulus packages and interventions by the government to continue their productivity.[22] The government policy of physical distancing made people stay at home and do not go out shopping to meet their daily needs. It impacts the existence of micro, small and medium enterprises (MSMEs) that mainly depend on the selling of essential products of the society.[23]

Article 12 (2)(k) Law 23/2014 determines that the local government has the authority to deal with cooperatives and small and medium-sized enterprises. In March 2020, the Minister of Home Affairs issued a circular No. 440/2436/SJ that requests the head of regions strengthening the community's economy through the provision of incentives/stimulus in the form of reducing or eliminating regional taxes and levies for business actors, including MSMEs in the regions to avoid production declines and mass work termination.

One of the recent national schemes is a Fund Assistance Program for Entrepreneurs by the Indonesian Ministry of Cooperatives and Small and Medium Enterprises. Through this program, Entrepreneurs who have business ideas and business startups whose business capacity has the potential to be developed can be given funding assistance of a maximum IDR seven million. In executing this national program, local governments, through the apparatus of Cooperatives and Small and Medium Enterprises Office to, among others, verify the proposal and recommend the nomination of the beneficiaries.

The Association of Indonesian State-owned banks expressed its commitment to support the economy in the Bali Province through lending to the MSMEs sector, especially for debtors whose businesses are hampered by the Covid-19 pandemic. The credit distribution is expected to be used as working capital and additional investment.[24]

Reflecting on the difficulty of managing regional finance during the pandemic, the Bali Provincial House of Representatives encourages the Bali Provincial Government to support the MSMEs sector and the creative economy that may include the capacity development of new entrepreneurs through training. It is expected that the quantity of MSMEs increases, which impacts the availability of job opportunities.[25]

4.4 Social Safety Nets

The Indonesian Minister of Home Affairs and the Minister of Finance concluded a Join Decree No. 119/2813/SJ and No. 177/KMK/2020 that enables budget differences resulting from the adjustment of regional income and expenditure adjustments to be used to fund the provision of social safety nets through the provision

of social assistance to the poor who have decreased purchasing power. In addition, the budget differences can also be used to deal with economic impacts, mainly to keep the sustainability of business in the regions, among others, through the empowerment of micro, small and medium enterprises and cooperatives to restore and stimulate economic activity in the regions. In addition, it is also directed that heads of regions prioritize the use of the budget to apply the 'cash for work' method in the implementation of infrastructure development or improvement.

As previously explained in the introduction part of this paper, a Policy Package for the Acceleration of Handling Corona Virus Disease 2019 (COVID-19) was stipulated by the Governor of Bali through Regulation No. 15 of 2020. It provides a legal framework that handles health aspects and impacts on the economy and Balinese people.

This policy package covers a social safety net that aims to ensure the survival of meeting the minimum basic needs for formal sector workers who have been terminated and laid off without receiving wages. The most related policy on the business sector in this policy package is the stimulus assistance to support the survival/business of the following five business categories: (1) informal business actors; (2) small and medium industry; (3) micro, small and medium enterprises; (4) cooperatives, and (5) print media and online media. The first category of informal business actors includes traditional stalls; Street vendors, cadgers; traveling merchants; home industry; craftsmen; small machine workshops; conventional/online motorcycle taxis; fisherman; stock farmer; and daily workers. To decrease the number of students drop out, the Governor of Bali provides cash social assistance to support education financing at the elementary, junior high, high school, and private university levels, directed to those who fund the students. However, the job has been terminated, laid off, or lost of income.

5. ECURING THE LOCAL ECONOMY

The previous description has shown, or at least indicated, how local governments in Bali have complied with national law and regulation when addressing the economic matters resulting from the pandemic. The local governments have also issued policies and created programs in line with the national policy and schemes.

In response to the economic problem arising from the Covid-19 pandemic, local governments in Bali faced uncertainty and dilemma. There is no guarantee that the tourism industry will improve anytime soon, not even by the end of 2021. Investment as a sector that generates jobs and income seems potentially developed only in the non-tourism sector. The social security net provided by the local government will undoubtedly have a limit. It

depends on the gradually decreasing regional revenue. Therefore, Bali will rely a lot on the national government's economic policies, schemes, and programs.

The only sector that can be supervised and assisted by local governments is cooperatives and micro, small, and middle enterprises. These sectors work hand in hand with society, responding to people's basic needs, occupying informal sectors, and creating job innovation. Proven for their resilience in the past global economic crisis, cooperatives, and micro, small, and medium enterprises will run effectively during and after the pandemic. In this regard, local governments may play a vital role in enacting regulation that simplifies the establishment and the implementation of business of these sectors and issuing a policy that aims to add the capital, enhance the capacity building, open the access, and expand the market.

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