Increasing local economic values based on ecotourism in Semarang, Indonesia

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Abstract. Developing ecotourism area are challenged to also promote its local economic development. Local economic development focuses on the processes at the local level, enhancing the productive capacity of the workforce, local entrepreneurs and collaboration to increase value added and business competitiveness as well as regional competitiveness. Creating accessible market, supported governance system and wider partnership have been advocated as strategies for promoting ecotourism product and service values. In practice, the tone of strategies implemented in tourism area is vary aligning with their different success stories. However, little is known about the evidence of their relations. The study examines the relation between the capacities of governance system, market, partnership created and the additional value of ecotourism products and services. Each of them is represented by indicators with measure of performance score to understand the relation-patterns. Semi-structured in-depth interview with related actors and stakeholders was conducted in defining performance score for each indicator. Using Lerep and Tegalwaton Village located in Semarang District, Indonesia as case studies, the study shows that there is an association between the tone of strategies implemented in governance system, market, partnership created and additional value of ecotourism products and services. The methods used in this study can be used as guidance to portray the capacity of the current strategy to increase additional value of ecotourism products which is crucial for prioritizing program in developing ecotourism and local economic development.

1. Introduction

Government of Indonesia is currently focusing on sustainable local economic development based in the tourism sector. Tourism in Indonesia has more than doubled over the past decade, that 2017 saw over 15 million tourists visit the archipelago state. The tourism industry has flourished and become a major driver of the economy and a central feature of the government’s economic growth strategy [1]. To facilitate further growth, the Government is trying to replicate the success of Bali as a tourist destination in a number of other regions spread across Indonesia, and one of them is Central Java Province.

Indonesia is a largely rural country, where 56% of population live in the rural area [2]. In term of rural economic growth, government is trying to develop ecotourism in the villages. It is considered that rural areas have great potentials in traditional agricultural activity, unique life and culture, as well as ecology, natural beauty and wildlife [3,4]. The fast growing of tourism sector in Indonesia compares to the large size of the country, the tourism still has contributed little to local economy, particularly ecotourism in rural areas.
Despite being used as an instrument in rural development, the impact of ecotourism in improving rural livelihoods is not really being analyzed. It is argued that the link between ecotourism and the improvement of rural livelihoods is complex, and requires further debate [4]. Local Economic Development (LED) is the central focus in this research. Practicing LED means working directly to build up the economic capacity of a local area to improve its economic future. LED focus on the processes at the local level, enhancing the productive capacity of the workforce, local entrepreneurs and collaboration to increase value added and business competitiveness as well as regional competitiveness [5-7]. The aim of the research is to examine the relation between the capacities of governance system, market, partnership created and the additional value of ecotourism products and services. Analysis in this research focused to current practices of tourism value chain among communities with respect to LED.

2. Theoretical background
We put ecotourism in the LED perspective in this research that focus on how to build up the economic capacity toward increasing value added in the region. In this context, upgrading value chain of the local economy become very important. Trienekens and van Dijk [8] defined the options for value chain upgrading based on a number of cases in developing countries, distinguishing four different strategies: (1) upgrading through an increase of value added; (2) upgrading by improving market access; (3) upgrading through better value chain governance structure; and (4) upgrading through partnership.

Upgrading through an increase of value added can take various forms: upgrading of products, upgrading of process, functional upgrading and intersectoral upgrading. Product and process upgrading are most common in developing countries value chains. Upgrading of value added in products is always related to (potential) demands in a market. Process upgrading focuses on the one hand on upgrading the product, on the other hand on optimization of production and distribution process.

The aim to improve market access may imply upgrading of horizontal as well as vertical relationship focusing on taking part in the right market channel. Horizontal collaboration might result in intersectoral upgrading. It can be seen in the formation of producer associations. Upgrading vertical relationship should focus on being part of the right channel aiming the right market. Developing-countryst value chains are now increasingly trying to differentiate their market outlets which make them less dependent on their current customers. An important condition for upgrading is the consistent ability to meet standards as defined by the market.

Bair and Gereffi [9] defined the modern market-oriented have the tendency to become shorter as intermediaries between producers and down-stream parties become superfluous because of the emergence of direct trading relationship between large producer (or producer group) and downstream parties. This means the development towards more integrated governance structures in these chains. It includes establishing long-term (formal) contracts or going for vertical integration. Quality standards and certification are in particular relevant for business relationship are often included in the contract. Quality standards can be used in every governance relationship, from spot market to vertical integration [10]. Social capital also becomes important for better value chain governance structure. Lu et al. [11] finds that producers with tighter social relationship with other economic actors in the value chain tend to be more successful. Other studies focus on the role of clusters in upgrading value chain. Product and process upgrading may be strongly supported by knowledge and technology in related industry in the cluster. Collaboration among actors can support innovation and upgrading process in the cluster [12,13].

Upgrading value can only be achieved through partnership: private-private, public-private, public-public. Related actors can facilitate upgrading process either by providing technological, organizational, political and educational support or by changing the cultural discourse in general [8].

3. Research methods
In this research we investigate four different strategies for ecotourism value chain upgrading as defined in the previous section. We examine current practices of ecotourism value chain among local
communities, and identify what potential to provide conditions for upgrading value chain leading to higher value products and services (see the conceptual framework in figure 1).

This research discusses the value chain of community-based tourism in the rural areas in Indonesia. Rural community-based may incorporate natural attractions including scenery, topography, waterways, vegetation, wildlife, and cultural heritage; and activities like crop cultivation, traditional culture, and environmental education. This is a form of sustainable / ecotourism that the dependence of tourism on natural resources, in which there is an interrelationship of elements: economy, ecology, cross-cultural and international relations [14].

Two tourist villages in Semarang District of Central Java Province were selected for case study. These are Lerep Village located in the slope of Ungaran mountain, and the second was Tegalwaton Village located around Senjoyo spring water area. Criteria for selecting the villages where they are located in rural area in Semarang District, that they possess areas in which ecotourism activities took place, and that each of existing business model. Studying the cases in two places provide a mean of comparison for each area on the conceptual framework outlined above.

Based on the framework, the data required was related to information on the type of value chain upgrading existing in the villages, the level of fulfillment of each strategy studied, as well as the extent to which provided conditions for upgrading in the ecotourism value chain. Data was collected using semi-structured in-depth interview with related actors and stakeholders. There are totally 20 stakeholders interviewed include: village government (2 people), village members as ecotourism...
operators (8 people), district government representative (3 people), provincial government representative (1 people), tour agent operator (2 people), hotel and restaurant operator (2 people), and NGOs (2 people). Observation in the research sites further facilitated access to information as visual evidence of the existing value chain. During research, stakeholders were always willing to participate and share information. Result collected from interviews are presented in a table showing the performance of each village relative to each other in terms of fulfilling variable of value chain and improving condition for upgrading. Rankings were made based on stakeholder perceptions. For each village a ranking of HIGH, MEDIUM, or LOW was given for all variables tested according to stakeholder perceptions.

4. Results and discussion
Recently, some villages in Semarang District have benefited from tourism by developing community base ecotourism. Semarang District is located in Java Island, the most populated region in Indonesia where over 140 million people live in the island. Urban areas in the island become big market for tourism including ecotourism. Rural areas are usually cheaper for tourists can enjoy natural atmosphere far from the congestion. Moreover, tourists have an opportunity to experience the culture of communities living there. Villages use their areas for ecotourism activities and receive economic and social benefits for people.

Lerep Village and Tegalwaton Village, where located in rural area in Semarang District, established ecotourism activities for additional local business since around five years ago. In 2019, there were around 4,000 domestic visitors and 20 foreign visitors to Lerep Village, and around 5,400 domestic visitors and 50 foreign visitors to Tegalwaton Village. This number has continued to increase in comparison with the numbers in the preceding years. In this year, there were around 1,700 tourists stay overnight at homestay or guesthouses in Lerep Village, and around 250 tourists stay overnight at homestay in Tegalwaton Village. Mostly visitors to these two villages come by groups (i.e. students, youth, institutional) which arranged by tour companies or their group leader. The following table 1 describes those overviews.

| Table 1. Overview of tourist villages |
|--------------------------------------|
| **Lerep Village**                   | **Tegalwaton Village**              |
| Population                           | 10,209 people                       | 4,166 people                       |
| Area                                 | 6.82 sq km                          | 3.47 sq km                         |
| Local economic basis (livelihood)    | Farming and livestock (local products: paddy, coffee, clove, durian, dairy milk, poultry) | Farming and livestock (local products: paddy, fruits, coconut sugar, poultry) |
| Number of tourist visit (2019)      | 4,000 domestic tourists             | 5,400 domestic tourists            |
| Tourist stay overnight (2019)       | 20 foreign tourists                 | 50 foreign tourists                |
| Attraction                           | 1,700 tourists                      | 250 tourists                       |
| Mountain scenery, waterfall, agroforest, paddy field, outbound, traditional music and dance, culinary, local culture event, home industry | Natural spring water, agroforest, paddy field, outbound, animals, traditional music and dance, culinary, local culture event, home industry |
| Facility                             | Hall, open theater, tourist vehicles, homestay (60 guesthouses) | Camping ground, open theater, horse race track, hall, homestay (4 guesthouses) |
| Promotion strategy                   | Website, brochure, social media, active participation of village leader in government forum, collaboration with NGOs, conducting special event (culinary market) | Brochure, social media, collaboration with teacher/school association, university, direct selling to target groups |

Source: field study (February, 2020).
As shown in the conceptual framework, different strategies in ecotourism value chain upgrading in Semarang District, which will now be discussed. Table 2 shows the extent to which variable in each village contributed to upgrading of the community members’ products and services.

In term of increasing value added, the level of product upgrading in Lerep and Tegalwaton is equal in MEDIUM level. Both villages currently are trying to improve their tourism attractions and facilities. The villages owned facilities such as camping ground, horse race track and water reservoir which attracted some tourists in the village. This can therefore be classified as functional upgrading, that was higher in Tegalwaton than Lerep case. As this is a new sector of work for local community this upgrading can be classified as intersectoral upgrading. We found some sectors related with ecotourism in Lerep such as coffee cultivation, dairy milk livestock, crackers production, and durian plantation. This was higher than Tegalwaton that had fewer intersectoral linkages.

The aim to improve market access may imply upgrading of horizontal as well as vertical relationship focusing on taking part in the right market channel [8]. Lerep community actively involved in the forum or network of tourism actors in Semarang District and Central Java Province. This can therefore be classified as horizontal collaboration. By joining horizontal collaboration, Lerep community promote their products as well as get opportunity involving capacity building from local government and related associations. Upgrading vertical relationship focus on being part of the right channel aiming the right market. In this context, Lerep conducted cooperation with local NGO BINTARI, Japanese NGO Friends of Earth and the Ministry of Environment for climate change adaptation program in the village. This cooperation since 2007 has attracted many visitors to Lerep for study visit and created activities on ecotourism. Lerep village leader, Mr. Sumaryadi, was very active promoting his village in the forum of villages leader in national level. This effort resulted several studies visit of ecotourism actors from other regions in Indonesia. Meanwhile, Tegalwaton focused on making relationship with teacher and school association in the region as targeted market. In term of upgrading quality standards as defined by the market, Lerep has improved their hospitality in services. They involved some training to improve hospitality such as training on guiding tourist, managing homestay or guesthouse, and culinary.

Conceptually the business development towards more integrated governance structures in value chains. In this area, Lerep was higher than Tegalwaton case. Lerep village government concern to develop ecotourism in the village by established special enterprise that collaborate with community group, and allocated significant investment for infrastructure. Better value chain governance structure in Lerep also being supported by social capital in the community. From interview with some villagers, Mr. Sumaryadi the leader was very trustworthy to encourage local community to work together for their village. This was in line with literature that producers with tighter social relationship with other economic actors in the value chain tend to be more successful [11].

| Variable | Lerep Village | Tegalwaton Village |
|----------|---------------|-------------------|
| 1. Increase of value added: | Ranking | Note | Ranking | Note |
| 1.1. Product upgrading (quality of product) | MEDIUM | Making attractive places, making special events | MEDIUM | Natural spring water already exist, improving facilities |
| 1.2. Functional upgrading (adapting new function) | MEDIUM | Water reservoir for tourist activity | HIGH | Camping ground attracts students, horse race event |
| 1.3. Intersectoral upgrading (production/service in different sector) | HIGH | Coffee cultivation, dairy milk livestock, crackers production, durian plantation | MEDIUM | Coconut sugar and crackers production |
| 2. Improving market access: | MEDIUM | Link to district tourism forum | LOW | - |

Table 2. Ecotourism value chain upgrading.
Table 2. Cont.

| 2.2. Vertical relationship | HIGH | Partnership with NGOs and village leader forum in national level | MEDIUM | Link to teacher and school association, and university |
|----------------------------|------|---------------------------------------------------------------|--------|--------------------------------------------------|
| 2.3. Quality standards     | MEDIUM | Introduce hospitality in services | LOW | - |
| 3. Better value chain governance structure: | | | | |
| 3.1. Integrated governance | HIGH | Established special enterprise collaborate with community group, significant investment | MEDIUM | Established management of operators Participation of youth group |
| 3.2. Social capital        | HIGH | Supportive and participation of local community, effective leadership | MEDIUM | Participation of youth group |
| 3.3. Role of cluster       | MEDIUM | Link to district tourism forum, getting capacity building from cluster | LOW | - |
| 4. Partnership:            | | | | |
| 4.1. Beneficial partnership| HIGH | Partnership with wide-range organizations in national-international level | MEDIUM | Partnership with target groups of market |

Source: Interview with stakeholders (February-March, 2020)

In the context of collaboration, role of cluster and beneficial partnership can be discussed together. Both Lerep and Tegalwaton were being a part of tourism cluster in Semarang District. The different was Lerep more active involving many activities and creating partnership within the cluster than Tegalwaton. Lerep showed their partnership in wide-range organizations reaching national and international level. Product and process upgrading may be strongly supported by knowledge in related industry in the cluster, such as capacity building and promotion. Collaboration among actors can support innovation and upgrading process in the cluster [12,13].

5. Conclusion
The extent to which conditions for value chain upgrading are improved depends on the current level of local development. The higher capacities of individuals, community, business groups and local government is able to tap into opportunities by upgrading value chain. Our findings conclude as follows:

- Establishing linkages with other actors and business within the sector, within the village in term of social capital, and outside (local-national-international) of the partnership is very important.
- Upgrading through an increase of value added, improving market access, better value chain governance structure can be collaborated with partnership.
- In tourism sector, it is important for upgrading quality standards as defined by the market, thus the villages should improve their product and hospitality in services.
- In the rural governance context, the village leader’s trust is important to encourage local community to work together that in line with tighter social relationship with other economic actors tend to be more successful for local economy.

The findings above indicate that partnership become a key element to provide conditions for upgrading ecotourism value chain leading to higher value products and services. The partnership which meet ground rules for collaboration and transfer of knowledge to the community will have the greatest positive outcome for local economic development. Upgrading through an increase of value added, improving market access, better value chain governance structure can be collaborated with partnership. This model should allow access to organization or to the mobilization of social capital has the greatest institutional impact, such as encouraging good governance and sustainable practices.
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