



Local Economic Development in Indonesia



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Partnerships for tourism development

Pulau Weh is a small tropical island with only 25,000 permanent residents. While modest in size, it fosters amazing economic opportunities. A positive investment climate and an environment full of business incentives have led to a growing real estate market, with investors flowing in and infrastructure projects in the making. This positive trend is a result of a right set of circumstances and the inception of an LED program focused on tourism, which has enhanced linkages between the local private and public sectors.

Project Facts

Title:
Tourism Development in Pulau Weh

Duration:
2005-2008

Implementation:
ILO Indonesia

Donors:
Government of Finland and UNDP-ERTR (Aceh Emergency Response and Transitional Recovery)

Partners:
City of Sabang, Ministry of Planning, Ministry of Tourism, Private Sector

Location:
Weh Island, Aceh province, Sumatra, Indonesia.

Objectives:
Enhancing the economic development of Pulau Weh

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In 2005, a local economic development programme was initiated to respond to the livelihood crisis faced by the survivors of the 2004 tsunami. Several districts were selected, including Sabang, located on the island of Weh, because of its natural beauty and rich underwater world, making it a perfect diving destination and thus prone to **tourism development**.

To ascertain the interest of the population in conducting tourism activities and for them to gain ownership of the idea, the LED intervention started in 2006 with a **participative brainstorming exercise** to identify practical actions to realize economic opportunities on the island. This helped members of the private and public sector as well as local NGOs to focus on the development of this industry.



It was the first time for such **private-public partnership** to be established and it gave a clear indication that both sectors could achieve more by working together. At the end of the exercise, a list of priority items was established. It included the construction of tourist trails for better access to secluded yet magnificent parts of the island, the production of vocational and business management training courses, and the elaboration of marketing material for the promotion of the island.



Following a Memorandum of Understanding with the local Ministry of Planning and in close coordination with the Department of Tourism, these recommendations were carried forward. The construction of the tourist trails was the opportunity to provide **vocational skills trainings** to local construction workers; diving trainings offered a chance for young local recruits to become diving instructors, and a brochure and posters were developed to present to the world the charms and beauties of Pulau Weh.

The local economic development process, however, was not exempt of challenges. While the private-public partnership was working, certain unease seemed to appear: not everyone was convinced of the economic potential of the island for tourism development. Infrastructure was regarded as an obstacle, as only a few hotel rooms were considered of an acceptable standard for foreign tourists; access to the island was limited by a lack of international flights or vessels serving the region, and moreover, the island lied in a region synonymous to war, following years of conflict and danger, as a tsunami had just claimed 160,000 lives.

In other words, it was turning quite difficult to physically **envision tourism development** in a place where the three basic elements for this sector's growth were lacking: 1) Security (or the perception of), 2) Ease of access, and 3) Availability of infrastructure.

A decision had to be made and the question was straightforward: would it be better to stop the process? Or would it be worth attempting to realize at least one of the initiatives proposed, hoping it would have a positive impact on the others? The latter option was selected, and despite the open skepticism of many, a list of the “top ten reasons to operate an international flight to Banda Aceh” was designed and presented to executives of Air Asia in Kuala Lumpur in February 2007, who understood immediately the existence of a **business opportunity** and agreed to consider adding this route to their network. After 8 months of negotiations with the Governor's Office, the first flight from Kuala Lumpur to Banda Aceh was launched in November 2007. It was the first international carrier to land in the province in more than 12 years.

This fact created momentum, added legitimacy to the LED work plan and granted the opportunity of **planning ahead** in what was perceived as an economic revolution in the making. The next step of the program was to build on the private-public partnership. To do so, a large workshop was organized to prepare a “3-year strategic plan for tourism development”. It involved the presence of an international expert in tourism and it marked the beginning of the unconditional support from the newly elected Mayor.

This workshop and the strategic plan which emerged from it, clearly indicated the op-

portunities ahead. It unveiled that with the Air Asia deal in the making, Pulau Weh alone could count on a significant amount of additional revenues, and this was just the beginning: the strategic plan also depicted a list of jobs to be created and it prompted investors to visit the island.

At the ‘Sumatra Travel Fair’ in Medan, the capital of the province of North Sumatra, a wonderful opportunity was created to promote Pulau Weh and to distribute the brochures and posters that resulted from the participatory exercise. Subsequently, interested investors participating at the show, including those from the Tourism Board of Malaysia, Indonesia and Thailand, visited Pulau Weh and attended to the presentation of the strategic plan at the Ministry of Planning in Banda Aceh. More investors later joined on an exploration mission to Sabang and leased the largest hotel of the island, to make it a modern and well-managed property.

They were leading in fact a succession of investors who are flowing into Pulau Weh until this day and who are greatly responsible for the growing of the real estate market.

Meanwhile, the LED program was running out of time and money. Having heard of the constitution of the strategic plan for tourism development, UNDP offered to finance the extension of a second phase to conduct training-related activities but mostly to respond to the recommendation No. 1 of the plan: the creation of Pulau Weh-Sabang Tourism Association (PWSTA).

The principle of the association was that it would be private sector-led and yet supported by the local government. By the first week of its creation, it counted more than 50 members. Its goal is to put the name of Pulau Weh on the world map of tourism and provide services to the local population so that it is better prepared to face the upcom-





ing “tourism wave”.

PWSTA was formally launched on January 2008 with its own budget, staff, office and a visitor’s center. Its planned activities also include the provision of technical support to the local Ministry of Tourism. PWSTA aims to work for the people of Weh, provide them with training and support, such as a course for local entrepreneurs to transform their houses into “home stays” or “bed and breakfasts”, in order to provide jobs to many and to respond effectively to the lack of infrastructure. Empowering local men and women in Pulau Weh and capacity building at the local level is crucial to work in coordination with, rather than in subordination to, foreign investors.

Lessons learned

Private public partnerships do work.

Members of the private and public sector could work in harmony for as long as a clear separation of responsibilities could be defined. The strategic planning workshop helped to coordinate efforts and allocate responsibilities, while the creation of PWSTA established a sustainable relationship between both sectors.

Change can happen very fast and can surprise the most skeptics.

With the right process in place, LED initiatives may lead to drastic changes. The LED mechanisms are orchestrated by independent management units which enjoy a positive perception from the stakeholders with whom they interact, mainly because their objective fits everyone’s best interest. Had it not been for the presence of this independent structure, it may have taken a longer time to achieve the results in the course of the project.

Positive events lead to other positive events

The process strategically opted to draw a list of activities to be conducted in its early stages. The completion of these activities helped the initiative gain legitimacy and it also contributed to spreading the word that change was actually happening. This provided momentum and convinced investors and donors of the advantages of being involved.

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