



International
Labour
Organization

Local Economic Development



In 2008, the people of Malang and Pasuruan, two districts in the second largest Indonesian province of East Java, have been invited to join in a local economic development (LED) process. Through the Job Opportunities for Youth (JOY) project funded by the Netherlands-ILO Cooperation Programme (NICP), members of the communities involved have participated actively to the development of their region. These members, organized through LED forums, represent their localities and engage in a participative dialogue which involves government, the private sector, civil societies, farmers, academia, bankers and more.



In just over a year after they were launched, LED forums have shown their ability to create tangible results and promote an alternative development approach, easily adaptable and replicable. The stories compiled in this booklet portray people, activities and events which have had a positive economic impact on Malang and Pasuruan and have opened more opportunities for jobs – especially for the youth.

Bromo Festival:

Linking young farmers to agribusiness leaders



The LED Forums in Tutur (Pasuruan) and Poncokusomo (Malang) identified agriculture and tourism as sectors ripe for economic growth. These districts surround the famous Mount Bromo and consist mostly of local farmers producing fruits (such as apples), vegetables, tropical plants, flowers and milk. Despite their proximity to Mount Bromo, however, passing tourists have mostly overlooked these poor communities en route to major attractions. The LED Forums changed this pattern by making agro-tourism the focus of their local economic development initiatives.

Following short study tours to Yogyakarta and Malaysia to see agro tourism initiatives first hand, the LED Forum in Tutur was inspired to host an agrofestival to promote local produce and tourism. Hosted in May 2009, the Bromo Agrofestival consisted of a wide range of stalls displaying fruits, vegetables, livestock and flower displays from nearby villages. These displays were complimented by a range of cultural exhibitions and entertainment events including a photo exhibition, family competitions and traditional dancing and singing shows.

With the support of the local government to advertise the event, the Agrofestival became a stage for villages in Pasuruan to demonstrate their potential to become agro tourism destinations to over 1,000 local and international visitors. New opportunities for economic growth in the region were born.

Some successes to date:

- 1 - Following the Bromo Agrofestival, the Government of East Java announced it would launch a large agribusiness market, 'Pasar Induk Agribisnis', in Sidoarjo (East Java) in 2010. Its management has offered a dedicated space within its 10-hectare block for agricultural products from Tutar.
- 2 - A Japanese company, Valor, has created export deals for vegetable commodities with local farmers in Tutar. Valor's investment in vegetable exports has led to the formation of a cooperative with over 1000 local vegetable farmers from 3 sub-districts in Pasuruan to work collectively to produce and export 8 container loads of carrots, pumpkins and parsnips per week to Japan. The farmers are expecting their partnership with Valor will lead to increased productivity and competitiveness as a result of training provided by Valor in modern methods and technologies and cleaner production processes. Valor intends to increase and expand its orders to include a wide range of vegetables in the near future.
- 3 - Exposure at the Agrofestival to the successful dairy cooperative based in Tutar and its activities and services to members prompted over 200 farmers in the nearby village of Ngembal to trade their beef cattle for dairy cows. A new collecting point for milk has now been established in the village.
- 4 - The Local and Regional Governments are supporting the development of a comprehensive master plan to help to redefining the shape of tourism development in the Bromo area.



Following the success of the Bromo Agrofestival, the Poncokusumo LED Forum took the initiative to host a similar event in Malang, the "Bromo-Semeru-Tengger festival" in December 2009.

Condido:

Boosting the cut flower industry in Pasuruan



With agriculture and agribusiness identified as key to the LED interventions in Pasuruan, Masuda, the Secretary of the LED Forum in Tutar and manager of a local flower association, Condido, was keen for the Forum to be involved in activities to facilitate the growth of the local floriculture sector. For many years, Tutar has produced a range of flowers and plants for local

buyers, however, Masuda felt that this market could be expanded.

The LED Forum facilitated an introduction to the Dutch association of retired professionals called PUM in April 2008. Following two visits from PUM experts and participation in a short study tour to the Netherlands, Masuda has managed to speed up the process to produce new products and dramatically reduce the damage rate of seedlings. Now only 2-5% of his seedlings are wasted in each production line in comparison to the 30% he used to lose using old technologies.



Masuda's flower production processes and ability to market to a larger audience have significantly improved. "Going to the Netherlands to meet experts and learn about modern production methods was invaluable. We now know how to use new technologies to improve the quality of our seeds and cuttings."

Having participated in flower trade show events in Rotterdam, Masuda has also been able to establish business links with international buyers and wholesalers. In December 2009, Condido will export 10,000 seedlings including orchids and banana plantlets to the Netherlands as an initial trial. It is expected that within 4 months Masuda will begin coordinating exports of 100,000 tropical plant seedlings per week to the Netherlands. SEDACO, an international buyer from the Netherlands, has committed itself to provide on-going technical assistance to Masuda and his staff to meet quota demands in the future.

In the short term, this substantial business expansion will create over 20 new employment and training opportunities for young school graduates in Pasuruan. "Many young and inexperienced people are finding it hard to find jobs locally. We hope this growth will be able to provide more opportunities to our young people to stay and work in the area."



CU Sawiran:

Financing a greener growth in East Java

Access to small loans with low interest for agriculture, trade or business development can be difficult for rural people with few assets or fluctuating income. It was for these reasons that Kokok Budianto (Budi)



helped initiate the launch of a small Credit Union—Credit Union Sawiran—in Pasuruan in 1997 to support such communities to develop individual business plans and assist their local development. Starting with just 15 million rupiah (USD \$1,500), 50 members and a branch office in Tutur, Sawiran began to positively impact on people's lives and promote greater chances for local economic development. However, Budi's Credit Union lacked the capacity and resources to meet the volume of demands by local citizens for access to finance.

CU Sawiran now has 11 branches in five districts (Probolinggo, Pasuruan, Malang, Batu and Blitar) and over 7,000 members. With the start of the LED process, linkages were made with microfinance banks and investors. As such, the Rabobank Foundation agreed to disburse a USD \$400,000 preferential loan to the Credit Union, to deepen their presence in rural areas. This support will also serve to assist farmers in the scope of a large biogas programme implemented by HIVOS and introduced to the region with the suggestion of the LED forums.



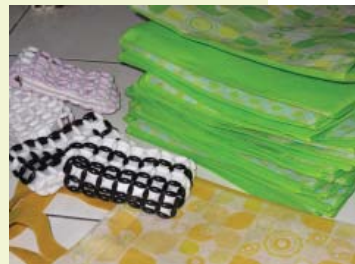
Souvenirs Production:

Launch of a young enterprise

Following training sessions on trade fair management and market display skills to prepare community members for their involvement in the Bromo Agrofestival in May 2009, a young entrepreneur, Luluk Masluchah was inspired to establish a small souvenir business in Tutar.

Without start-up capital to purchase machinery, Luluk and her small team improvised by borrowing sewing machines and equipment from family and friends. As a result of their exposure to local buyers and businesses at the Bromo Agrofestival, their souvenir business, Embeon Productions, is now steadily growing.

Hand-crafted souvenir samples are on exhibition in Surabaya and buyers are beginning to place substantive orders. In the month of October, Luluk received an order to make 600 bags and 250 purses. Embeon's six staff members create a range of original handbags, handicrafts, textiles, jewellery and ornaments.



Launch of the Biogas sector:

Green jobs for green growth

The cost of fuel can be very high in Indonesia – both in economic and environmental terms. It is especially costly for villagers living in the mountainous areas of Pasuruan and Malang. Here, families will either pay the increasingly high prices for LPG and electricity supplied by nearby cities or women will walk for up to 8 hours a week to collect wood from forests and cart it home on their backs. Burning traditional fuels at home also exposes women and young children to smoke and makes them prone to respiratory and eye ailments.

A feasibility study coordinated by the Dutch organization SNV for a pilot biogas programme was to take place in selected provinces of Indonesia. This initiative prompted the LED forums in Malang and Pasuruan to suggest the inclusion of their localities in the study. As a result, the biogas programme – a cooperation between the Indonesian and the Netherlands government – was adopted with an agreement to be extended to 6 provinces. Given their large local dairy industries, the LED Forums successfully presented their districts as ideal to be the pilot area for the Dutch-funded 6 million Euro biogas project in Indonesia. This project will establish 8,000 domestic biogas systems in East Java by 2012.

Though it will cost local farmers 6,500,000 rupiah (USD 650) on average to establish a home based biogas operation, the project will provide a subsidy of 2 million rupiah (USD 250)

Biogas production mechanisms depend on the availability of fresh dung to generate fuel. Therefore ownership of 2-3 cows per household to provide continuous flows of biogas is essential.

Biogas is a CO₂ or renewable source of energy and the slurry created from the process can be collected and used as organic fertiliser. This fertiliser is environmentally friendly, provides savings to farmers who would ordinarily purchase chemical fertilisers put, improves the quality and size of crop yields by up to 40% and generates cleaner milk from cows.



and local financial providers including farmers' cooperatives, local banks and also CU Sawiran in Pasuruan and Malang will provide credit to villagers to cover the remainder of the costs. In the long term, families could save up to 206,000 rupiah (USD 20) per month by using biogas instead of traditional forms of fuel.

The project has already trained 23 local farmers on the setting up of biodigesters and plans to create 25 biogas domes in ten villages in Tutar before the end of the year. Another 400 families in Pasuruan and Malang are ready to install a biogas system early next year. As the project grows, it will continue to create green jobs and educate communities on sustainable fuel consumption.



NTIC:

Creating a tourism center at village level



Tourism development is key to the LED interventions in East Java. Strategic alliances have been established between the LED Forums and the Provincial Tourism Board of East Java, the National Association of Tour Operators (ASITA) and the Ministry of Tourism to encourage greater tourism in Pasuruan and Malang districts.

At the local level, Rudi Cahyono, a young man fromTutur - Nongkojajar, has created a local tourism centre – the Nongkojajar Tourism Information Centre (NTIC) to encourage and support local tourism development and training.

Since it was established in May 2009, Rudi has already hosted over 200 local and overseas tourists, including a group of 50 people from Singapore and 35 from Malaysia through his Centre. These groups stayed overnight in village homestays (a homestay training program had been facilitated by the JOY project earlier in the year) and visited local attractions including coffee farms, dairy farming operations and fruits and vegetable farms. The local strawberry and apple farms have been especially popular among tour groups.

Rudi has also created some package of agro-tourism tours with farmers and producers from the region. Local radio stations have been involved in advertising the centre's services and tour brochures can be found in hotels and tourist information centres in East Java.

As plans for greater tourism promotion and expansion are already underway, many youths are being encouraged to produce and market local foods and souvenirs to tourists. A PUM senior expert will return to NTIC in early 2010 to provide advanced training on tourism management and planning. Rudi has also begun English language classes to improve his communication skills.