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# Local Economic Development Strategy (PEL) Based on Coffee Farming Using a Hexagonal Approach in the Ermera District of República Democrática De Timor-Leste (RDTL)

*Caetano C. Correia<sup>a\*</sup>, Cristino Gusmao<sup>b</sup>*<sup>a</sup> Universidade Da Paz, Manleuna, Timor Leste\*email: <sup>a</sup>samlac\_234@yahoo.com

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## ABSTRACT

Local economic development as one of the regional development strategies in RDTL needs to be considered as an alternative policy. The led scheme requires active cooperation between the government sector - private sector - NGO - community. Timor coffee is one of the leading products of Timor Leste at this time. The development of LED based on coffee agricultural products can be used as an alternative to poverty alleviation in Timor Leste. The development of Timor Coffee based on LED requires a strong commitment from all stakeholders, especially in building the nation and local branding.

## 1. Introduction

The coffee plant is not native to Timor-Leste but was introduced by the Portuguese in the mid-18th century with the Arabica and Robusta types. However, its development only began in the 1870s with various programs such as building nursery centers, processing, distributing seeds to farmers.

Coffee began to contribute as an important source of income for farmers and their families several years later, namely the late 1970s and became one of the export commodities needed at that time. Meanwhile, the main buyers of coffee from the community are Chinese traders and also European traders. In 1956, Hibrido de Timor coffee became famous throughout the world because it is a variety resulting from a natural cross between the Arabica Typika and Robusta types which has special characteristics, namely a coffee variety that is resistant to leaf rust disease (Hemilia Vast).

Coffee is Timor-Leste's favorite export commodity outside of gas and oil. Timor-Leste as a tropical country has potential and opportunities in the development of organic coffee, especially Arabica coffee. Things that really support the development of coffee in this new country are the climate conditions, soil type, topography and altitude above sea level which are suitable for coffee plants. Coffee is a plant that grows in almost all districts in Timor-Leste, however there are only 6 districts that are coffee production centers, because they have a large area compared to other districts. In these six production centers, various facilities have long been built, such as medium and large scale grinding coffee processing facilities, nursery centers, while in districts that are not production centers only household scale processing facilities are provided. In the census year in 2004, conducted by the National Directorate of Environment (NDE), Timor-Leste's coffee area was 60,435 hectares with an average production of 200 kilograms (green beans) per hectare. Ermera Regency is the largest production center, namely 17,943 ha or around 29 percent of the total area.

In recent years, coffee plantation areas have continued to decline despite various efforts made by the government, cooperatives and non-governmental organizations. There was a significant decrease in area, this happened because there were several districts that were not included in the production center category so they were not a priority in development and were not taken into account. The impact is that coffee production in this area tends to decline even though there are various efforts that are still being made by the government, such as free distribution of coffee seeds and shelters, construction of a nursery and processing center for glondong coffee, rehabilitation, replanting and extension activities by extension workers.

The fluctuating development of coffee prices in the world has a real impact on farmer-level coffee prices. Several important factors that influence the price of coffee on the world market are consumption, distribution and quality in addition to global issues such as healthy products, sustainable agriculture and environmental friendliness. Good and stable coffee prices can be a very good motivation for farmers in their efforts to increase the production and quality of their coffee. On the other hand, if the price of coffee declines or falls drastically, farmers usually abandon their coffee plantations and switch to other farming businesses. Thus, good price stability needs to be realized in order to guarantee good quantity and quality of coffee for consumers in a sustainable manner.

The understanding of organic coffee is nothing but coffee that is produced with little or no use of inorganic fertilizers and pesticides. Traditionally known as the use of low input, the use of human power in management, including harvesting. Basically, organic coffee farming not only does not use inputs, especially inorganic materials or materials, but also must consider other factors such as natural methods for controlling erosion on sloping land, pruning coffee, maintenance, controlling weeds and providing organic materials such as compost. and mulch.

## **2. Method**

This scientific article is the result of thought, so it will explain the presentation of the writing organization. The writing will begin with an explanation of PEL and hexagonal PEL. In the analysis and discussion results section, the implementation of PEL so far, the obstacles and challenges of implementing PEL, will be explained. At the end of the discussion, we will explain the stages of implementing PEL in Ermera District, RDTL.

Delegating authority from the central government in economic development, regional governments are required to play an active role from the community and the private sector to work together in optimizing the region's superior potential. Therefore, strengthening government capacity

at the level of development planning requires the participation of local communities and the private sector. So that local economic development becomes one of the government's concepts in improving the welfare of local communities and improving the regional economy.

Local economic development is essentially a process with a partnership pattern implemented by the local government, community and business sector in optimizing the potential that exists in the region by creating new job opportunities with the aim of increasing economic activity for the benefit and welfare of the regional community. Local economic development represents a change in the actors and activities associated with economic development [1].

It can be concluded that local economic development is an economic development process where cooperation between stakeholders (government, private, communities) play an active role in managing local resources to create jobs and provide a stimulus for economic growth in their region.

Local economic development aims to increase the value of communities and regions, as well as empower local people, local industry and local government. Implementation of accelerated local economic development through involving the government, business world, local communities and civil society organizations in a participatory process so that partnership processes are built and developed, increasing the number of employment opportunities for local communities, realizing increased community income, growing economic development, reducing unemployment, reducing poverty levels and creating independent economic resilience for local communities.

According to Blakely, the success of local economic development can be seen from several indicators, namely:

1. Expanding opportunities for small communities in employment and business opportunities;
2. Expansion for the community to increase income;
3. Empowerment of micro and small business institutions in the production and marketing process;
4. Institutional empowerment of partnership networks between government, private sector and local communities.

### 3. Results and Discussion

#### Result

The main aspects of Local Economic Development (LED) can generally be divided into 6 parts (hexagonal), namely: (1) target groups, (2) location factors, (3) synergy and policy focus, (4) sustainable development, (5) governance, and (6) management processes. Clearly, the main aspects (hexagonal) of Local Economic Development (PEL) can be seen in Figure 1.



Fig. 1. Hexagonal Local Economic Development

The Local Economic Development target group consists of: (1) Outside investors; requires regulations regarding ease of investment, information on business prospects, business and legal capacity, security, business opportunity campaigns, investment service centers and consultancies. (2) Local Business Actors; requires capital facilitation, promotion of SME products to expand the market, improvement of technology, management and local business institutions. (3) New Business Actors; requires facilitation of entrepreneurship training, mentoring and monitoring, incentives, speed of processing permits.

Location factors in local economic development consist of: (1) Tangible location factors; such as road network conditions, access to sea and air ports, transportation facilities, communications infrastructure, energy infrastructure, wages, skilled workforce, educated workforce, local financial institutions, and credit. (2) Intangible location factors for the business world; such as the role and policies of local government, image, industrial chain, opportunities for collaboration, research institutions, one-stop integrated licensing services, job opportunities for local workers vs. immigrants. (3) Intangible location factors for individuals; includes the quality of housing, environment, educational facilities, health services, social facilities and public facilities.

In order for Local Economic Development to run well, there needs to be synergy and policy focus, especially in terms of (1) Economic Expansion. Policies that can be implemented are investment, regional promotion, business competition, SME empowerment. Increasing the role of Regional Companies, developing business networks, labor market information, developing expertise/skills. (2) Community Empowerment and Community Development. Policies that can be implemented are community empowerment based on partnerships with the business world (through the Corporate Social Responsibility - CSR program), and participatory poverty reduction. (3) Urban Area Development. Policies that can be implemented are the development of industrial areas, growth centers in rural and urban areas, improvement of residential environments, cooperation between regions, LED spatial planning, business networks between centers, sustainable industrial systems (linkage of raw materials, production, processing).

Local economic development is based on a sustainable development approach which takes into account three aspects, namely: (1) Economy: Development of supporting industries, number of companies with Business Plans, number of companies carrying out product and market development innovations. (2) Social: PEL's contribution to the welfare of local communities, PEL and local customs/institutions. (3) Environment: Implementation of Environmental Impact Problem Analysis (AMDAL), waste management and recycling, Natural Resource conservation policies.

Governance is a very important pillar, especially in relation to strengthening partnerships or cooperation between government, the business world and civil society. Public sector reform and organizational development are expected to strengthen partnerships between government and the business world. (1) Partnership between the Government and the Business World. The partnership is to build infrastructure, promotion and trade, and business financing. (2) Public Sector Reform. These reforms include reform of the incentive system for Regional Government officials, restructuring of government organizations, and public service procedures. (3) Organizational Development. For example, developing industrial associations through strengthening and clarifying status, roles and benefits for members.

The management process, planning, implementation and monitoring and evaluation processes in Local Economic Development are carried out by involving all key stakeholders, because Local Economic Development is a multi-process stakeholders. (1) Participatory diagnosis; includes analysis and mapping of economic potential, mapping of regional competitiveness, mapping of local political conditions, and identification of stakeholders. (2) Participatory planning and implementation; includes the use of diagnosis results for planning, number of stakeholders in the planning process, synchronization (sectoral and spatial) in LED planning, and conformity of implementation with planning. (3) Participatory Monitoring and Evaluation (Monev); includes stakeholder involvement in

the preparation of indicators and the money process, frequency of self-evaluation and problem solving discussions, use of money results to improve planning.

## Discussion

Local Economic Development (PEL) as a Development Program in the 2011-2030 Strategic Development Plan (SDP). LED as a sectoral - centralized project, there is no complete and clear concept about LED (based on a clear theoretical framework). This results in differences in understanding/perception, confusion at the implementing level in the field, and LED "projects" are not well coordinated. This condition is caused by a lack of involvement of the community and the business world as key stakeholders, high dependence on the Central Government, and a lack of regional ownership and commitment, so that sustainability is lacking.

In its implementation, the Local Economic Development program experienced several obstacles. These obstacles are caused by understanding the role of government and the principles of governance (decentralization, de concentration, co-administration tasks), and limited funds. Limited funds are caused by limited state/regional financial capacity and PEL is still a matter of regional choice, so it is less of a priority than mandatory matters.

To overcome the obstacles above, creative and innovative thinking (entrepreneurial governance) is needed. This thinking can overcome problems related to limited insight and managerial capacity of HR which results in "problematic" regulations in the field of Taxes and Levies. Another obstacle that occurs is that LED has not yet become an integral part of the regional development planning system.

Challenges that must be faced by local governments for Local Economic Development (PEL) include changing mindsets, increasing coordination and synchronization, and increasing regional capacity. Changes in mindset can be carried out with an approach and orientation from top-down, centralized to bottom-up, participatory, local initiative. Changes were also made by changing the mindset from Central projects to Regional development programs and activities. Increasing regional capacity (Capacity Development) is carried out in the areas of: (a) analysis and planning of regional economic development, (b) regional financial management, especially in order to be able to manage public expenditure (expenditure) effectively and efficiently, (c) management of cooperation between regions and between regions with third parties and abroad.

The stages of developing a local economy based on coffee farming in the Ermera district, RDTL, require at least 2 things, namely: (1) Building Commitment, and (2) Building national and local branding. Strong commitment from all key stakeholders is needed to start building with the PEL concept. Strong commitment is manifested in the form of programs/activities and adequate budgets every year over a long period of time. Strong leadership is very necessary in building this commitment. Apart from that, it is also necessary to build a strong commitment between the government, business world, society, academics and civil society organizations (NGOs) in LED.

The problem currently occurring is that globalization has caused the goods and services offered to be relatively the same in design, quality, price and so on. Therefore, something unique and different is needed to increase competitive advantage. The definition of nation/local branding is the formation of an image (internally and externally) for a country or region or several regions based on positive and relevant values and perceptions. The main actors in local branding are strategy makers and the business world.

According to Anholt (2005) there are 6 factors that influence national branding, namely: exports, tourism, governance, investment and immigration, culture and heritage, and people. Therefore, Anholt calls it the Hexagonal Nation Brand. Schematically in figure 2.

Tourism is one aspect that is very helpful in marketing national brands in the world, because tourism is a real visual embodiment of a country and can depict the image of a country. Good tourism management will have an impact on other performance of a country, for example investors will invest their capital in a country because they are interested in its tourism management.

In many developing countries, the products they sell often do not have brands. Therefore, branded exports have great potential in shaping the country's image in a sustainable manner. This governance element, especially regarding political intelligence, is the most difficult element to control. But this element has a strong impact on the other five hexagon elements.

This human element concerns all components of the population (not only diplomats, artists and politicians) who can become ambassadors for the country by bringing all the uniqueness and goodness of their country both at home and abroad. Many cases show that rapid growth in this century occurred because several regions became magnets for talent, investment and business activity. The right and strong regional brand can create positive preferences and place it on the list of regions worth paying attention to.

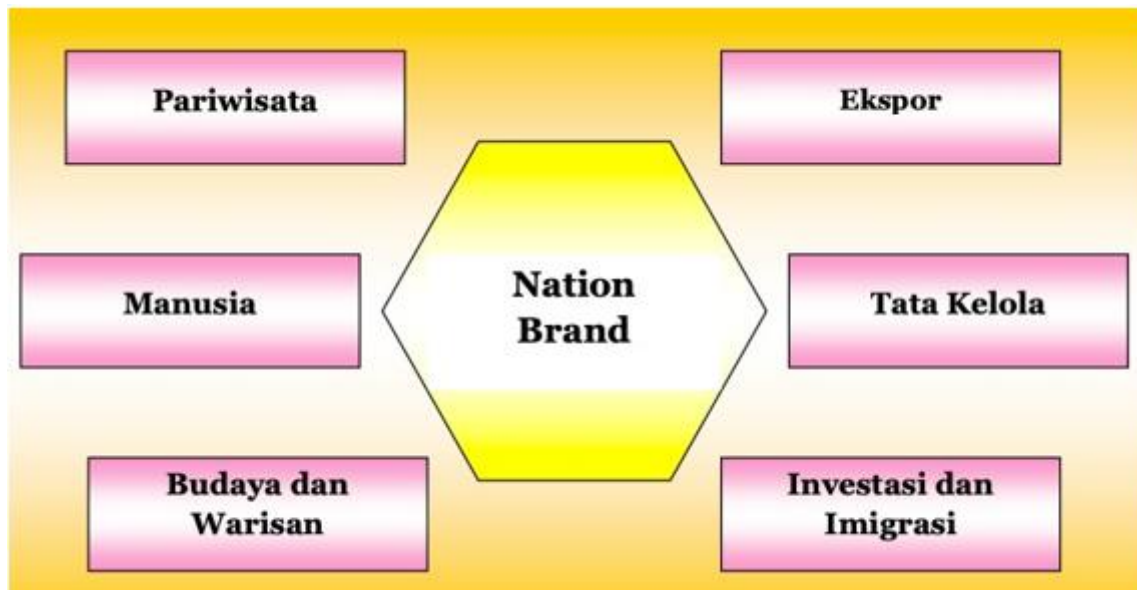


Fig. 2. Heksagonal Nation Brand

Culture and heritage are often well known but cannot be channeled efficiently into added sales value. This element offers a third dimension that conveys the image of wealth, dignity, trust and respect from other countries as well as the quality of life for those who live in it.

#### 4. Conclusions

Commitment to local economic development based on coffee farming in the Ermera district and its hinterland from key stakeholders is very necessary, considering that the local economic development process is a multi-stakeholder process and to achieve success requires quite a long time. To accelerate local economic development, you can also ask for help from donors, but it must be noted that donors must follow regional wishes, according to the grand local economic development strategy created, so it is not due to donors' wishes (donors driven). The development of the Ermera district area based on coffee farming is not something impossible as long as there is commitment from all key stakeholders and have the same ideals, namely improving the welfare of the people of the Ermera District area and sustainable regional economic development.

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