



**Tourism as a Tool for Poverty Alleviation Using
Value Chain Analysis:
A Case Study of Setiu Wetland, Terengganu,
Malaysia**

by

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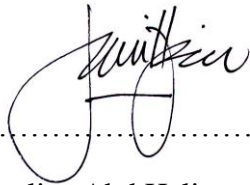
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Doctor of Philosophy

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STATEMENT OF ETHICAL CONDUCT

The research associated with this thesis abides by the International and Australian codes on human and animal experimentation, the guidelines by the Australian Government's Office of the Gene Technology Regulator and the rulings of the Safety, Ethics and Institutional Biosafety Committees of the University.

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CONFERENCE PAPERS ARISING FROM THE THESIS

Papers arising from this thesis were presented and published in the proceeding of the following conference:

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5. **Halim, Norhazliza** and Sofield, Trevor (2010). *Le tourisme au service de la reduction de la pauvreté en milieu rural. Etude de cas à Terengganu (Malaisie)*[Book Chapter]. In J. M. Breton (dir.), "Patrimoine, tourisme, environnement et développement durable (Europe-Afrique-Caraïbe-Amériques-Asie-Océanie)", Série "Iles et pays d'Outre-Mer", vol. 7, Paris, Ed. Karthala, pp. 57-81. [ISBN: 978-2-8111-04030]
6. **Halim, Norhazliza** and Sofield, Trevor (2009). *Mainstreaming Rural Poverty Alleviation through Tourism in Malaysia: Theoretical Study*. In Proceedings of International Conference on Sustainable and Alternative Tourism, Guilin, China, 11 – 13 July 2009. (CD-ROM publication without page number).

ABSTRACT

Tourism is widely acknowledged as a key economic sector that has the potential to contribute to national and local development and, more specifically, to serve as a mechanism to promote poverty alleviation and pro-poor development within a particular locality, especially in rural areas. However, even though the poverty alleviation strategies and programmes in Malaysia have been acclaimed as a success by United Nation Development Programme (UNDP), many problems and challenges remain– new forms of poverty, including single female-headed households, the rural elderly and unskilled workers, have emerged as a result of rapid economic growth.

As the focus of this dissertation is pro-poor tourism, though, it is the nature of linkages between tourism and the local economy that are critical – rather than just the aggregate size of the tourism sector. This research was undertaken in a protected area, Setiu Wetland, Terengganu, on the East Coast of Peninsular Malaysia, where there is a relatively high incidence of poverty. It contributes to the debate on the impacts of tourism on the poor by critically analysing the linkages in the value chains between the tourism sector and local economic activities. Value chain analysis allows the researcher to pinpoint who the poor are, where they are, and impediments and obstacles to their participation in the supply chain. This study will help to fill this gap in the literature by specifically considering this relationship using tourism value chain analysis for poverty alleviation. This research explores two sectors in the local economy – fishing and handicrafts – using value chain analysis to see to what extent they link into tourism development and to what extent they are able to contribute to poverty alleviation. The focus of the case study is on local poor people, but does not exclude other stakeholders. In this context, a case study methodology has been employed and a mix-method approach was chosen in which distribution of questionnaires to the local households especially the poor and tourists, and also interviews with key stakeholders i.e. the local government authority, NGOs, accommodation representatives, and value chain (fishing and handicrafts) actors at every level were conducted for the research.

The results indicate that the conceptual framework of Value Chain Analysis developed for this research suggests the following. Firstly, delivering poverty alleviation impact at scale means helping poor people engage with the tourism market directly and indirectly, especially with mainstream tourism rather than following the more orthodox approach of community based tourism ventures which invariably remain small and often fail to produce liveable incomes. This was generated from the analysis of mapping where the poor were involved and interacted in the tourism system. Evidence from the fieldwork revealed that the poor can benefit from tourism in the role of workers such as producers, (and in many cases of more than five product), and as owners of family-based tourism ventures. The success of the fishing and handicrafts supply chains in Setiu is due to an active private sector, supportive and progressive government policies, community cooperatives and service providers – a model for linking such sectors into tourism.

Secondly, is the identification of interventions/entry points to effectively apply tourism as a tool for rural poverty alleviation. This was developed based on the opportunities and constraints arising from value chain mapping that identified so-called ‘entry pressure points’ where factors in the two sectors could maximize the benefits that they could generate from their businesses. In this context upgrading the linkages between the two sectors (fisheries and handicrafts) and tourism-related demand is necessary as mainstreaming interventions. Value chain mapping also clearly identified, related gender issues and the role of women in Setiu Wetlands in the two supply chains. Among the poor in many societies and countries, women make a major contribution to family welfare and income: where value chain analysis contributes to our understanding of this common-place phenomenon is the way in which it is able to move from the generalized statement to specific measurements of their inputs.

As the first study of its kind in Malaysia, the application of value chain analysis to communities living in and around a Protected Area utilizing the wetlands resources to explore the linkages between the fisheries and handicrafts sectors to tourism, and challenging to some extent the orthodox approach to community based tourism and poverty alleviation, in effect breaks new ground both conceptually and empirically.

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ABBREVIATIONS

ADB	Asian Development Bank
AIZ	Aquaculture Industrial Zone
CBT	Community-based Tourism
CPI	Consumer Price Indices
CRT	Centre for Responsible Tourism
DFID	Department for International Development
ECER	East Cost Economic Region
EPRP	Export-Led Poverty Reduction Programme
ESD	Ecologically Sustainable Development
FAO	Fisheries and Aquaculture Organisation
GDP	Gross Domestic Product
HI	High Impact
HREC	Human Research Ethics Community
HSE	Health Safety Environment
IAZ	Intensive Aquaculture Zone
IFAD	International Fund for Agricultural Development
IIED	International Institute for Environment and Development
ITC	International Trade Centre
IUCN	International Union for the Conservation of Nature
JKKK	Jawatankuasa Ketua-Ketua Kampung (Heads of Villages Committee)
KUNITA	Kumpulan Isteri-Isteri Nelayan (Fishermen's Wives Group)
LKIM	Lembaga Kemajuan Ikan Malaysia (Fisheries Department of Malaysia)

LPP	Lembaga Persatuan Peladang (Farmers Organisation Authority)
MOCAT	Ministry of Arts, Culture and Tourism
MTPB	Malaysia Tourism Promotion Board
MOT	Ministry of Tourism
NEP	New Economic Policy
NTB	National Development Policy
NGO	Non-Government Organization
ODI	Overseas Development Institute
ODOI	One District One Product
PEWANIS	Persatuan Wanita Setiu (Setiu Women Association)
PLI	Poverty Line Income
PPI	Pro-Poor Income
PPCP	Public-Private-Community Partnership
PPT	Pro-Poor Tourism
RM	Ringgit Malaysia
RTMP	The Rural Tourism Master Plan
SEPU	State Economic Planning Unit
STAC	State Tourism Action Council
ST~EP	Sustainable Tourism Eliminating Programme
ST~ET	Sustainable Tourism for Eliminating Tourism
SNV	Stichting Nederlandse Vrijwilligers (Netherlands Development Organisation)
SWP	Setiu Wetland Park
TDCM	Tourist Development Corporation Malaysia
TESDEC	Terengganu Skills Development Centre

TIDE	Terengganu Institute of Design Excellence
UNDP	United Nations Development Programme
UN ESCAP	United Nations Economic and Social Commissions for Asia and the Pacific
UNWTO	United Nations World Trade Organizations
UNCTAD	United Nations Conference on Trade and Development
USP	Unique Selling Point
VCA	Value Chain Analysis
WWF	World Wildlife Fund
WTTC	World Travel and Tourism Council

CHAPTER 1

Introduction to the Research

1.1 INTRODUCTION

This thesis addresses key themes in the rural tourism development debate, particularly in terms of poor involvement in tourism-related activities especially in Malaysia and the use of value chain analysis to understand the involvement. This chapter provides an introduction to the research, beginning with the general background to the research area. This is followed by an explanation of the significance and rationale of the research and a general outline of the key themes that guided the research are highlighted briefly in the subsequent section. An overview of tourism and poverty in Malaysia has been emphasized and the objectives and research questions then specified. The structure of the research framework is illustrated in order to understand the whole thesis. Finally, the structure of thesis is outlined at the end of the chapter.

1.2 BACKGROUND OF RESEARCH AREA

The impact of tourism on poverty is a central concern for many developing countries (Ashley, Bennett & Roe, 1999; Bauer, Sofield, Webb, Batigg & De Lacy, 2002; Christie, 2002; Sharpley, 2002). The perspective where the literature views that tourism development in rural areas provides non-traditional opportunities to local communities living in and around the area to benefit (e.g. Simpson 2008; Ashley, Boyd, & Goodwin, 2000). However, there is little empirical evidence of the benefits that are derived from tourism initiatives to specific socio-economic groups (Sofield & Li, 2007; Scheyvens, 2007; Spenceley, Habyalimana, Tusabe, & Mariza, 2010). On the one hand, benefits to regional or national frameworks are clearly seen from the economic statistics. On the

other hand, benefits to specific groups such as the poor are inadequately identified and the scale of the benefits even less understood. This study explores the linkages between tourism developments, local communities especially the poor, and local economy activities that surround them through a case study into a wetland area in Malaysia using as the conceptual framework – Tourism Value Chain Analysis (TVCA), in order to analyze the linkages in the value chains between the tourism sectors and local economy activities.

Research up to the present has indicated that tourism can be used as a way of addressing poverty, not as a panacea but as a useful tool of development for poverty alleviation especially in developing countries (Chistie, 2002; Sofield et al., 2002; Sharpley, 2002). According to Ashley, Goodwin & McNab (2005: p.1), *“although tourism is a driver of economic growth and a major source of employment, there is potential for tourism to contribute more to local economies and to improve the livelihoods of poor people”*. It also can provide significant opportunities for community development through sustainable employment, income generation and poverty alleviation (Bauer et al., 2002; Sofield, De Lacy, Lipman & Daugherty, 2004). Yet often the position of tourism as an important stimulus to international and national economies is not fully recognized, and has only recently been recognized by some aid donors such as World Bank, United Nations Development Programme, and Asian Development Bank, a few international funding agencies like Overseas Development Institute and International Centre for Responsible Research, and some segments of the industry as an appropriate instrument for poverty reduction (Sofield et al., 2004).

This dissertation focuses on the economic linkages between tourism and local economy activities. It contributes to the debate on the impacts of tourism on the poor by critically analyzing the linkages in the value chains between the tourism sector and local economic producers. The first chapter of the dissertation introduces the rationale for the research topic; presents the research and the general chronology of the research key parameters; and sets out the research objectives and questions, as well as the overall structure of the dissertation.

1.3 SIGNIFICANCE AND RATIONALE OF THE RESEARCH

There are many studies about tourism development where tourism continues to be promoted as a vehicle for development via economic growth and employment. There are a number of studies which indicate that tourism development can contribute to poverty alleviation, and funding agencies and government have been eager to accept tourism as an agent of poverty alleviation, supporting age-old development strategies. However, tourism literature has only recently started to discuss the tourism-poverty nexus (Zhao and Ritchie, 2007, Scheyvens, 2007). The pioneering research by the International Institute for Environment and Development (IIED), Overseas Development Institute (ODI) and Centre for Responsible Tourism (CRT) in 1999 was the first to draw the attention of researchers towards the tourism-poverty nexus (Ashley et al., 1999; Goodwin, 1998). Since then, poverty alleviation through tourism has increasingly been considered in tourism programs, and has garnered significant support from development agencies, donors, governments and various tourism organizations (Scheyvens, 2009, Sofield et al., 2004, WTO, 2002). It is argued that tourism possesses certain pro poor characteristics, as determined in the literature (Bowden, 2005; Torres and Momsen, 2004; Ashley, Boyd & Goodwin, 2000; Ashley, Goodwin & Roe, 2001; Ashley, Roe & Goodwin, 2001; Sofield et al., 2004; Rogerson, 2006), yet there is a lot more to be done to integrate tourism and poverty especially in linking tourism and local economy opportunities.

In many developing countries, poverty is particularly wide-spread in rural areas where natural resources especially agriculture is a key source of living. According to Ashley and Maxwell (2001), rural development has been central to any development effort, but rural poverty persists: a new narrative is needed, where tourism becomes an important catalyst towards poverty alleviation. Academics have studied the tourism-local economic activities nexus from mainly two perspectives: First, an examination of tourism-agriculture linkages that primarily analyses the economic impacts of tourism on local producers and maintains that tourism revenues can alleviate rural poverty through local sourcing of food products (UNWTO, 2006; Mitchell and Ashley, 2007, 2009;

Sofield & Tamasese, 2011). A second perspective is a critical view that emphasizes tensions between tourism and agriculture in economic, social and environmental terms including leakages revenues and the reinforcement of existing inequalities (Brohman, 1996; Mowforth and Munt, 2003; Sofield, 2003; Torres and Momsen, 2005). However, all forms of economic activity should be considered in assessing value chain benefits to the poor. The linkages between rural resources particularly in agriculture and tourism are an obvious area for the application of value chain analysis. Pro-poor tourism recognizes that different types of tourism have different patterns of benefit flows to the poor with a specific focus on strengthening linkages with the local economy and local people within it (Mitchell and Faal, 2007).

Most of the previous studies looked at value chain analysis from the tourism destinations' point of view (Ashley, 2008; Mitchell and Ashley, 2007). The poor who take part in tourism activities such as accommodation, transportation, handicrafts and others (Mitchell and Faal, 2007; Ashley, 2006) have been addressed directly without concentrating the local economic activities which indirectly contribute through the supply side to tourism. The potential of tourism as a tool for poverty alleviation remains predominantly at the micro level and many current interventions cannot deliver impacts at a significant scale. Thus, ways to use tourism for poverty alleviation should be expanded and applicable to all forms of tourism including the indirect economic activities in the community particularly involving the poor, and tapping into existing major flows of tourists to an area or destination. This is based on what has been termed 'mainstreaming' linkages, combined with expansion away from a narrow focus on community resources as attractions to all kind of commodities and activities where the communities could benefit from tourism. These describe the mainstreaming linkage and expansion away from a narrow focus on community resources as attractions to a broader range of opportunities where the communities could benefits through tourism. This research will explore the tourism value chain approach to systematically develop an empirical understanding of this new area of investigation.

There are limited number of studies available in the area of tourism and poverty alleviation that contribute to the understanding of the linkages between tourism, poverty and value chain analysis, where such linkages contribute to the concept of 'Communities Benefiting through Tourism (CBtT)' (Xu, Sofield & Bao, 2008). This study will help to fill this gap in the literature by specifically considering this relationship using Tourism Value Chain Analysis that is applicable in mainstreaming for poverty alleviation. Attention to this gap in the research is intended to demonstrate the application of value chain analysis to supply in the tourism sector and also provide empirical evidence in approaching poverty alleviation. This research will therefore explore two sectors in the local economy – fishing and handicrafts – using value chain analysis to see to what extent they link into tourism development and to what extent they are able to contribute to poverty alleviation.

One of the main problems of past efforts at utilizing tourism for poverty alleviation is that unless a village had a resource of some sort that could become a tourist attraction (e.g. a waterfall, a pristine jungle, wildlife, or nice (preferably spectacular) natural physical features), that community was judged to lack tourism development potential and ignored. Linkages through the supply chain were disregarded and no attempts were made to identify non-attraction resources that could be utilized by the tourism industry for the benefit of the community concerned. For example, a deforested hill of granite under local land tenure could be cut and transformed into polished pavers for resorts, hotels and landscaping with appropriate low cost technology. This is possible if value chain analysis indicated that this source could be competitive with alternative, pre-existing sources of paving stones. In such a case the community might never see a tourist but its entrée into the monetized economy would be via the tourist dollar as it supplied material (granite pavers) for tourism infrastructure.

This doctoral research attempts to address this issue, which looks more closely at linkages between the tourism sector and local economic activities, analyzing the linkages in each of the value chains that are selected. It covers debate on how to expand the concept of pro-poor tourism, which so far has failed to deliver, often because it omits

strong private sector linkages. This study will explore the concept of the tourism value chain approach to assist in identifying opportunities that could extend the potential to involve communities in different supply chain, non-tourist business activities. It seeks to identify the critical component of TVCA, the potential problems associated with TVCA and some possible solutions that identify interventions most likely to produce tourism benefits for the local community. The focus will be extended into the linkages between local economic activities and the tourism sector where a community could benefit from tourism.

This research also attempted to understand the global implications of these issues in Malaysia's rural areas, as the researcher conducted the research as a case study in a selected area in Malaysia. The research also sought to map the flow of goods, services, money and benefits in the broader local economy in Setiu Wetland, Terengganu, Malaysia (see chapter 4 for a discussion of the study area), in order to understand:

- i. How poor people in the study area gain benefits from tourism activity;
- ii. What opportunities exist for increasing their participation and earning in different parts of the tourism value chain.

This study is focused on tourism's point of linkage with just two other sectors – fishing/aquaculture/fish products and handicrafts – in Setiu Wetland area, Terengganu, rather than looking at the full tourism value chain of the destination.

1.4 UNDERSTANDING KEY AREAS OF THE RESEARCH

The key areas of this research are the concepts of tourism, poverty and tourism value chain analysis. These concepts will be developed in more detail in the following chapter (refer chapter 2: Literature Review). The study will focus on communities, their main economic development, and their linkages with the tourism sector.

1.4.1 Tourism as a System

As Gunn & Var (2008, p.34) noted: *“Every part of tourism is related to every other part.”* Different tourist sectors within the tourism system play different roles. This particularly applies to alleviating local poverty under the principles of sustainable development. To understand how tourism can be a tool for poverty alleviation, it is essential to understand tourism as a system (Gunn and Var, 2002, Leiper, 2004, Mill and Morrison, 2002, Sofield et al., 2003) and to explore its multiplicity of backward and forward linkages into community (Sofield et.al., 2004; Sofield, 2007; Baggio, 2007)

Sofield et.al (2004) stated that treating tourism as a complex system illuminates the way in which backward and forward linkages could provide opportunities for poorer sections of communities to access benefits. In one hand, ‘backward linkages’ is an economic term that defines the way in which a flow of information, and/or material, and/or products and money moves between a company and its suppliers, creating a relationship of interdependence. On the other hand, ‘forward linkages’ refer to a distribution chain that connects a producer (e.g. a tour operator) with the customers (i.e. tourists). Tourists require a variety of goods and services in a particular destination, including accommodation, food and beverages, entertainment, local transport services, souvenirs, and so on. Tourism could offer more opportunities for backward linkages throughout the local economy than other industries (Sharpley, 2002), including both direct links, such as the expansion of the local farming industry to provide food for local hotels and restaurants (Telfer, 1996 cited in Sharpley, 2002) and indirect links, for example the construction industry. When tourism is approached as a system for sustainable development, it has the potential to deliver benefits – economic, social and environmental – in greater measure than many other sectors (Xu et al., 2008).

Once tourism is understood as a complex system, its capacity to be put to work as a positive tool for development and poverty alleviation is enhanced (Sofield et.al, 2004; Sofield and Mactaggart, 2005). Further discussion will be in Chapter 2.

1.4.2 Poverty

Poverty is not a static concept – perhaps poverty is hard to define because it is multi-dimensional. According to the Concise Oxford Dictionary, the adjective ‘poor’ means ‘lacking adequate money or means to live comfortably’. Poverty can be defined using both economic and non-economic approaches (Sultana, 2002 cited in Spenceley and Goodwin, 2007). The ‘economic’ approach incorporates concepts such as living standards, basic needs, inequality, subsistence, and the human development index. In recent years, poverty analyses have also included issues such as vulnerability, isolation, social exclusion, powerlessness, personal dignity, security, self-respect and ownership of assets (Sultana, 2002 cited in Spenceley and Goodwin, 2007). Poverty is not just viewed as only an economic phenomenon, but it is universally recognized as having social and political dimensions as well that exists in almost every generation of the community. Because of this, it has become a major ‘human’ problem including the economic, social, political and probably even religious and cultural realms.

The reference to the ownership of assets reflects a convergence of three emerging trends in approaching poverty alleviation, according to Boyce & Pastor (2001, p.1-2). They state that: *“The first is a new focus on creating and sustaining assets – including access to land, water, air, forests, and other natural resources – as a way to combat poverty.* The second trend they identify is *“an upsurge in community organizing and participating in planning projects and making public policies”* – a key asset of a community is this ‘social capital’, that is, the networks and ties that allow community members to work together to influence policy to improve their interests. The third trend *“is the growing recognition that improved environmental quality and economic growth can go together, especially for lower-income communities.”* This latter has been termed *“the new natural assets approach”* to poverty reduction and environmental protection by Boyce & Pastor, (2001, p.2). The World Bank (2000, p.1) states that *“lacking assets is both a cause and outcome of poverty”*. It regards access to micro-finance as a key tool in asset building and for the past decade has emphasized the need for such measures to assist in reducing poverty.

There is a need to implement a pro-poor approach to growth, which results in greater benefits to the poor than to the non-poor (Kakwani, 2003) in order to lead to considerable decrease in poverty levels (DFID, 2000) and inequality. The poor can benefit from pro-poor growth if their income is instantly improved because that growth takes place in the areas where they are mainly employed; agriculture, diversified rural business and informal sectors (Koutra, 2007: p.5). Sadeq (2002) argues that poverty should be tackled in an inclusive rather than a partial manner. There is an interrelationship between social and economic factors, the functioning of a society depends on a balance between the two, and a holistic approach to poverty alleviation would penetrate the root of the problem and potentially lead to sustainable development (Sadeq, 2002; Koutra, 2007).

Dao (2004) suggest that one possible explanation for this result may be that tourism would exert a more important impact on the reduction of rural poverty in those developing countries that are small (in terms of size of markets) and/or that offer many tourist services in rural areas. Aspects of this discussion are approached in greater detail in Chapter 2.

1.4.3 Tourism Value Chain Analysis

Originally, Value Chain Analysis (VCA) was used in the field of business management to identify and differentiate business components according to a series of value generating activities. Value Chain Analysis is also a tool that enables the identification of stakeholders along a chain of transactions, from production to consumption (Mitchell & Faal, 2007). In essence, the value chain describes *“the full range of activities, which are required to bring a product or services from conception to the final delivery to consumers”* (Kaplinsky, 2000: p.4; Kaplinsky & Morris, 2002). The term Value Chain Analysis refers to the fact that value is added to preliminary products through the combination with other resources (for example tools, manpower, knowledge and skills, other raw materials or preliminary products) (DFID, 2008).

The Value Chain Analysis has recently been applied to the tourism industry with appropriate adaptation, which to analyse the distribution of tourist expenditure from the original point of travel to the destination level (Ashley, Goodwin, & McNab, 2005; Ashley, 2006; Donovan, 2008; Mitchell and Faal, 2006; Mitchell & Phuc, 2007). A Value Chain Analysis (VCA) helps diagnose pro-poor impacts in supply chains and identify the best interventions. A VCA in tourism has helped to explain why the poor receive a bigger share of tourism in some destinations than in others (ODI, 2009). In essence, VCA will be used to measure the quantum and spread of economic benefits of tourism to the local economy at particular area. Aspects of this discussion that are relevant to tourism value chain analysis are approached in greater details in Chapter 2 and its approach to relevance with the research is explained in Chapter 3.

1.5 OVERVIEW OF TOURISM AND POVERTY BACKGROUND IN MALAYSIA

Tourism plays an important role in the economic development and potential opportunities to alleviate poverty in developing countries including Malaysia. Tourism has performed extremely well in the Malaysian economy and currently occupies second position in terms of foreign exchange earnings, providing an important source of income, employment and wealth to the country. Since the 1990s, tourism development in Malaysia has increased sharply. Tourism development has stimulated national economic growth. According to Tourism Malaysia, in 1998, there were 7.9 million tourists in Malaysia and in 2012, this figure became 25 million. In the same period, tourism revenue increased from ¹RM8.6 billion (USD2.8 billion) to RM62 billion (USD20 billion). Over the years, the number of direct jobs in the industry has been growing steadily. Tourism-related industries being a service industry and relatively labour intensive, accounted for almost 2.0 million jobs in 2011. Employment in the tourism-related industries registered a growth of 7.7% in 2011 as compared to 4.7% in 2010. In 2011, the share of employment in the related tourism industries was 16.4%

¹Ringgit Malaysia (RM); where RM100.00 equal to US\$31.02 (as of June 2014). The figures that follow throughout the thesis are all in Ringgit Malaysia (RM).

compared to the previous year's share of 15.6% (Tourism Malaysia, 2012). The tourism sector is generally regarded by government, business and labour as one of the key stimulants for economic growth, wealth creation and economic empowerment. Given a strong global tourism position and more developmental role, tourism in Malaysia has the potential to contribute to overall socio-economic development. The government has identified tourism as one of its thrusts as a sustainable and high-yield sector to reverse a sluggish economy, high unemployment and the lack of job creation (NKEA, 2011).

The overall incidence of poverty in Malaysia declined from 52.4% in 1970 to 1.7% in 2012 (EPU, 2012). The incidence of poverty in rural areas decreased from 11.9% in 2004 to 3.4% in 2012 (EPU, 2012). Despite the decrease in the incidence of poverty, poverty rates remain the highest in the predominantly rural areas of Malaysia (Wee, 2005) with 70.6% of total poor households in Malaysia, based on Poverty Line Income (PLI) of RM657 per month (Government of Malaysia, 2006) especially in the predominantly rural states of Kelantan, Terengganu, Kedah, Sabah and Sarawak (EPU, 2007). The overwhelming majority of the country's remaining poor are *Bumiputera* (indigenous people of Malaysia including Malay Aboriginal people), especially prominent are the indigenous communities (*Orang Asli*) in Sabah and Sarawak. Visaria (1981) cited in Hashim (1997) examined the economic and demographic characteristic of poor households, which found that poor household mainly consisted of agricultural workers, self-employed and family helpers, paddy farmers, fishermen, and workers involved in manufacturing activities (UNDP, 2010). Among rural households, agriculture and fisheries had the highest incidence of poverty, at 57% of total poor rural households in 2009 (UNDP, 2010).

As the second largest economic generator for the Malaysian economy, tourism has significantly contributed to the country's foreign exchange earnings and has created employment opportunities. Until recently, tourism has not been included as a tool for reducing either rural or urban poverty in Malaysia. Land development schemes for commercial agriculture have been the thrust of the government's poverty alleviation programmes for rural areas in the past. Lately however, rural development agencies have

included agro-tourism and homestay programmes as catalysts for poverty alleviation, albeit in an ad hoc manner. The Ministry of Tourism has always focused its tourism development plans on the wellbeing of the local community, to benefit from the growth of tourism encouraging local communities to participate in tourism related activities such as home-stay and handicraft activities. The main idea is to help supplement the household income of local community especially those located in rural areas so that they enjoy a better standard of living (Wee, 2005).

Malaysia has a focus on poverty alleviation in terms of national development planning, and in recent years the government has begun to focus on the potential of tourism to assist in meeting national objectives with an emphasis on rural tourism and poverty alleviation as a key goal. This focus has taken place in the context of the issue of poverty alleviation in Malaysia generally being given special attention, and is addressed directly in its development plans extending back to the 1970s when Government of Malaysia set an ambitious development goal of eradicating poverty (EPU, 2007; Wee, 2005). Since tourism is such a relatively significant sector in Malaysia, and eradicating rural poverty is also an important agenda for the country, it is crucial to explore how pro-poor tourism (PPT) initiatives can help to reduce poverty while boosting the tourism industry in Malaysia especially in rural areas.

This study is undertaken to highlight the plight of poor communities in the vicinity of rural areas and tourist attractions in a selected rural area of Malaysia namely Setiu Wetland, and to suggest strategies for harnessing the potential of tourism as a stimulant for socio-economic development within these communities. This could be realised by increasing opportunities for their meaningful involvement in the tourism industry through linkages with their local economy activities and their involvement in decision-making and empowerment. Aspects of this discussion that are relevant to Malaysia are approached in greater detail in Chapter 4 in explaining the background of tourism and poverty in Malaysia and Setiu Wetland as the case study.

1.6 RESEARCH OBJECTIVES

Before the research objectives are outlined, the essential assumption must be addressed, that is that the poor should benefit from tourism development. The present study aimed to clarify how to foster linkages between the tourism sector and other community activities for a pro-poor tourism strategy through tourism value chain analysis and then to recommend directions to effectively apply tourism as a tool for rural poverty alleviation.

Under this overarching aim, there were three main objectives:

1. To understand the linkages between tourism, the local economy and local communities in ways that expand economic benefits and opportunities for poor people with a view to alleviating poverty, i.e. to explore the relationship between rural tourism and rural poverty alleviation with a view to: Investigating linkages between existing local activities and the tourism industry which could be utilized as sources of supply for the tourism sector in Setiu Wetland.
2. Assessing the involvement of the value chain actors and nodes in Setiu Wetland i.e. the local economic activities involved by the poor, and related factors that enable and/or constrain the application of tourism as a tool for rural poverty alleviation in the research area using selected supply chain of local economic activities.
3. To identify strategies and interventions utilizing tourism value chain analysis that introduce new prospects or strengthen existing opportunities for contributing to economic growth and poverty alleviation, especially involving the poor and disadvantaged gender groups.

1.7 RESEARCH PROBLEMS, RESEARCH QUESTIONS AND RESEARCH APPROACHES

1.7.1 Research Problems

Tourism continues to be promoted as a vehicle for development via economic growth, as one element that could contribute to the recently specified development goal of poverty alleviation included in the United Nations' Millennium Development Goals (MDGs). There is widespread interest in the ideas of pro-poor tourism, where it seems reasonable that tourism in some way does contribute to alleviate poverty, especially in rural areas, but relatively little quantitative information is available on the earnings of the poor either 'directly'² or 'indirectly'³ from the tourism industry. The potential of tourism to deliver such benefits to alleviate poverty such as in the Pro-Poor Tourism (PPT) framework introduced by the Overseas Development Institute (see Ashley et al, 2000; Ashley et al, 2001; Goodwin, 2000) and ST~EP, Sustainable Tourism ~ Eliminating Poverty as a United Nation World Tourism Organisation (UNWTO) project (see Sofield, De Lacy, Bauer, Moore & Daugherty, 2003; Sofield et al, 2004) clearly dwarfs many other approaches yet has been explored in a less-than-systematic fashion (Bauer et al., 2002; Sofield et al., 2004). The relationship between tourism and poverty, and the inherent processes by which tourism can monetize the livelihoods of impoverished communities remains unclear. There is a lack of analysis of how different types of tourism or specific products can offer opportunities to the poor.

Tourism in rural areas in many cases is one of the more economically viable and environmentally sustainable alternatives for the productive use of agricultural land, compared with such consumptive activities as mining, hunting, and logging. Although the vast majority of Malaysia's tourism businesses like hotels, resorts, lodges and restaurants' purchase agricultural supplies that are produced within the country, there is little effort to increase direct purchases from local farmers, or help farmers to develop

²In this research, 'directly' is understood where the poor engage in tourism activities, such as providing them with employment in the tourism industry.

³'Indirectly' means where the poor engage in other local economic sectors which are identified as having some dealings, e.g. supplying a resource, material or service, to tourism businesses.

their production specifically to exploit the tourism market, or develop agri-based tourism products. Yet agricultural linkages are one of the main ways that local communities can benefit from tourism (Ashley et al., 2005).

Linking tourism and other local economic activities does not feature prominently in prescriptions now being articulated despite the fact that agriculture is the principal livelihood of most local people in rural areas being targeted for pro-poor development (Torres and Momsen, 2004). There is clearly an urgent need to understand how this linkage may be facilitated and give greater prominence to tourism value chain analysis since this approach can help to identify where to make interventions that will increase linkages within the local economy and create more opportunities for local people to gain benefits from tourism. In this context, tourism has the potential to be used as a vehicle to deliver socio-economic benefits directly to communities especially in rural and remote areas, as consumers in the tourism industry travel directly to the product (Bauer et al., 2002; Sofield et.al, 2004; Xu et al., 2008).

One of the common ‘problems’ with much of the work so far on poverty alleviation and Community Based Tourism as the entry point for reducing poverty is that a community is targeted for intervention without undertaking a prior supply chain or value chain analysis. Due to a lack of case studies, examples, models or theories on tourism value chain analysis and mainstreaming tourism to alleviate rural poverty, there is a commensurate lack of consensus on methodological approaches to tourism and poverty alleviation resulting in a relatively limited and fragmented understanding, of the relationship between tourism and rural poverty alleviation (both in the literature and on the part of tourism and rural poverty stakeholders). This limitation has obviously inhibited the development of mechanisms and techniques to optimally utilise tourism, as a tool for rural poverty alleviation although VCA and the concept of Community Benefitting through Tourism (CBtT) (Xu et al., 2008) which also offers ways to address the matter.

In identifying the above research problems, this study argues that assessing the impact of tourism on local communities is relevant in many developing countries marked by wide-spread rural poverty.

1.7.2 Research Questions

The empirical analysis of the tourism-local economy activities linkages and their impact on local community especially the poor are therefore relevant in the Setiu Wetland, Malaysia context. However, the research seeks to answer three (3) questions in order to achieve the research objectives.

1. How does tourism link with the local community in ways that expand economic benefits and opportunities for poor people and in relation to alleviate poverty in Setiu Wetland?
 - a) What is the magnitude of benefits from the tourism system such as tourists and accommodation sector that affects local community particularly the poor?
 - b) What are the implications of government roles, policies and strategies benefiting the local community, particularly related with the tourism and poverty alleviation?
2. What will be appropriate linkages to understand how to expand the opportunities that might be possible to bring a community into the tourism system and the monetized economy in Setiu Wetland using the Value Chain Analysis?
 - a) What entry points⁴ can be suggested to effectively apply the tourism value chain analysis in the case study area of Setiu Wetland, Malaysia?
 - b) What are the opportunities and constraints for the rural poor in Setiu Wetland to achieve the aim of poverty alleviation via selected value chain analysis?

⁴Entry points refer to the area or activity in which intervention efforts are initially directed. In this research, the entry points refer to the local economy activities surroundings especially the poor and its linkages with tourism.

3. What recommendations can be suggested to effectively apply the tourism value chain analysis as a tool for rural poverty alleviation in the case study of Setiu Wetland, Terengganu, Malaysia?

1.7.3 Research Approaches

This research employed a descriptive approach to systematically develop a pragmatic understanding of this new perspective of investigation (tourism and rural poverty alleviation). Value Chain Analysis (VCA) was adopted because it provides a holistic and systematic approach to identify opportunities and linkages that might be possible to involve a poor community in some wealth-generating aspect of the tourism industry. This analysis was applied to tourism and other local economic activities in order to analyse the main factors that affect a local community's economic value and the relationship between these two sectors. In conjunction with this, the TVCA 'Nine Steps' approach adapted from the Tourism-led Poverty Reduction Programme (TPRP) developed by the United Nations International Trade Centre (ITC), Geneva, in conjunction with the UK based Overseas Development Institute (ODI), was tested out on selected local economy sectors in order to determine how and to what extent they link in with tourism.

A multidimensional approach was adopted in pursuing the strands of this research. A comprehensive library search of the existing body of literature covered such areas as development theory. Review of literature is organised around several intersecting bodies of knowledge and other relevant areas, to determine how other scholars have investigated the research problem. Additionally, a case study as a research area was used which means findings will be most relevant to the participants of the chosen research area. This descriptive research is bounded within the case of Setiu Wetland, Terengganu in Malaysia which situated in the East Coast of Peninsular Malaysia. In this study, several traditional fishing villages in Setiu Wetland were used as an instrumental case

study, as purposely selected to examine linkages between tourism activities and the socio economic circumstances of rural poor.

This research investigation collected and analyzed data using mix-method approach, as both quantitative and qualitative methods of data collection and analysis were used in the attempts to answer the research questions. The combination of these approaches can improve the validity of the research and enhance the research findings (Finn, Elliott-White & Walton, 2000). The characteristics, strength and weaknesses of these approaches underline the relevance and importance in conducting research in this area. This research also utilized structured interviews, semi-structured in depth face-to-face interviews and participant observation in assessing the linkages between the tourism sectors and local activities (e.g. accommodation, restaurants, travel agencies, handicrafts, and local economic activities), local community, CBT and local government in order to flesh out details of the tourism value chain analysis in Setiu Wetland. Further discussion on the research methodology will be in Chapter 3.

Table 1.1 Shows the relations between research objectives, research questions and the research methods that were implemented in this study.

Table 1.1: Research Objectives, Research Questions and Research Methods

Research Objectives (RO)	Research Questions (RQ)	Research Methods (RM)
RO1: To understand the linkages between tourism, the local economy and local communities in ways that expand economic benefits and opportunities for poor people with a view to alleviating poverty, i.e. to explore the relationship between rural tourism and rural poverty alleviation with a view to: Investigating linkages between existing local activities and the tourism industry which could be utilized as sources of supply for the tourism sector in Setiu Wetland.	RQ1: How does tourism link with the local community in ways that expand economic benefits and opportunities for poor people and in relation to alleviate poverty in Setiu Wetland? - What is the magnitude of benefits from the tourism system such as tourists and accommodation sector that affects local community particularly the poor? - What are the implications of government roles, policies and strategies benefiting the local community, particularly related with the tourism and poverty alleviation?	RM1: Implementation of TVCA by applying the social mapping process of the core actors and sectors (i.e: poor households, tourists, tourism services such as accommodation and tour operator) in order to analyze what benefits from tourism affect local communities and to identify the implications of government policies and strategies towards poverty alleviation.

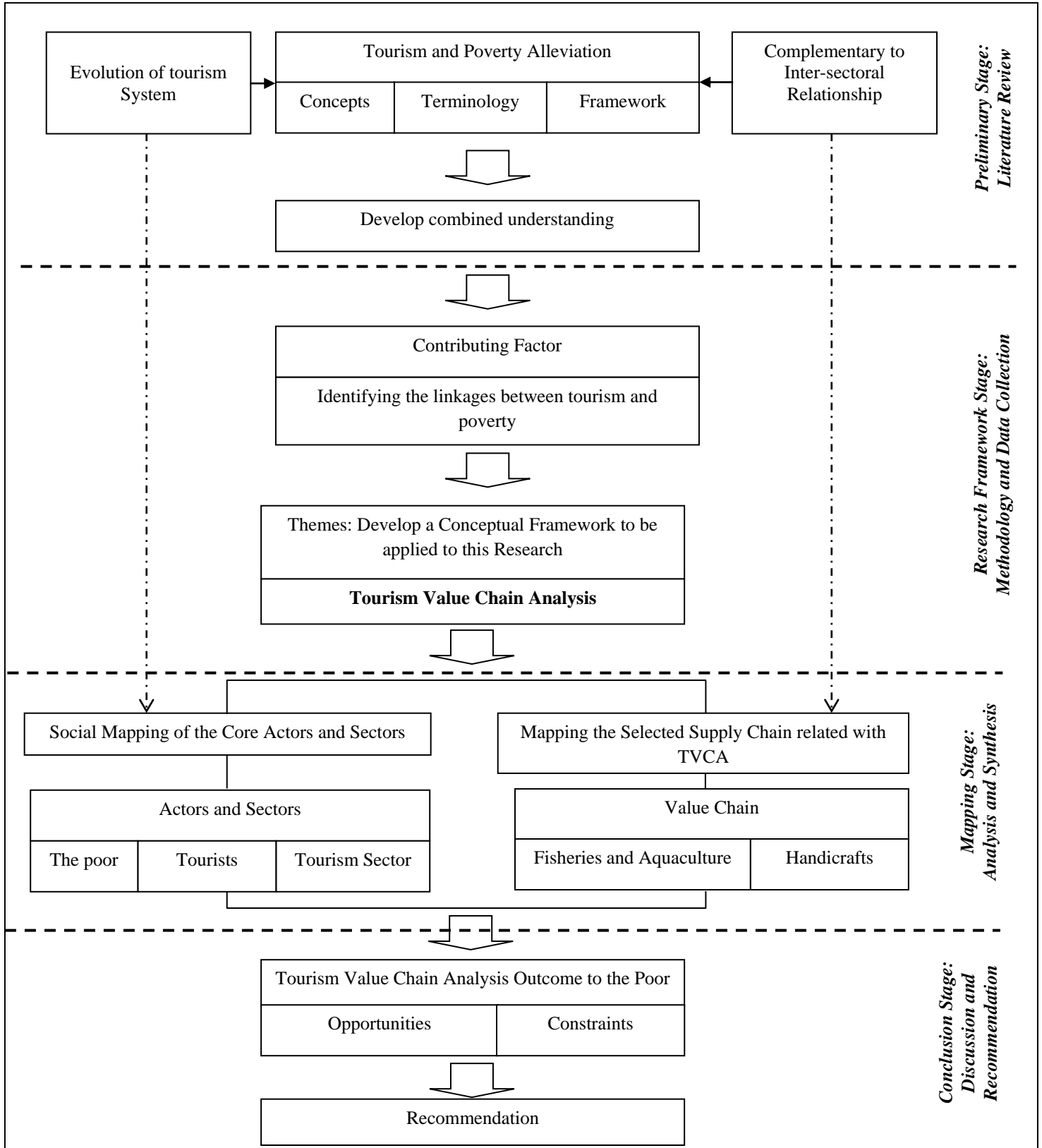
<p>RO2: Assessing the involvement of the value chain actors and nodes in Setiu Wetland i.e. the local economic activities involved by the poor and related factors that enable and/or constrain the application of tourism as a tool for rural poverty alleviation in the research area using selected supply chains of local economic activities.</p>	<p>RQ2: What will be appropriate linkages to understand how to expand the opportunities that might be possible to bring a community into the tourism system and the monetized economy in Setiu Wetland using the Value Chain Analysis?</p> <ul style="list-style-type: none"> - What entry points can be suggested to effectively apply the tourism value chain analysis in the case study area of Setiu Wetland, Malaysia? - What are the opportunities and constraints for the rural poor in Setiu Wetland to achieve the aim of poverty alleviation via selected value chain analysis? 	<p>RM2: Mapping the selected supply chain (i.e. the local economic sectors that might be possible to bring the poor into tourism) using VCA, which includes the actors, core processes, product flows, and value at different levels of the value chain.</p>
<p>RO3: To identify strategies and interventions utilizing tourism value chain analysis that introduce new prospects or strengthen existing opportunities for contributing to economic growth and poverty alleviation, especially involving the poor and disadvantaged gender groups.</p>	<p>RQ3: What recommendations can be suggested to effectively apply tourism value chain analysis as a tool for rural poverty alleviation in the case study of Setiu Wetland, Terengganu, Malaysia?</p>	<p>RM3: Using TVCA outputs in identifying the opportunities and constraints of each value chain, then proposing possible interventions related to poverty alleviation.</p>

1.8 THEORETICAL FRAMEWORK FOR THE RESEARCH

Figure 1.1 is an illustration of the conceptual research framework. Its content and structure arise out of deliberate, comprehensive consideration of a wide range of related literature, combined with theoretical constructs. The pro-poor tourism literature provides a broad framework to understand and apply tourism for poverty alleviation. The aim is to use the knowledge developed from the literature on tourism for poverty alleviation, rural poverty and value chain analysis, to identify and develop a theoretical framework for this research, which will help to address the research problem, answer the questions and develop the research approaches.

There are four stages involved in developing the theoretical framework which are the preliminary stage, research framework stage, mapping stage and conclusion stage. Preliminary stage involved the literature review on tourism and poverty alleviation including the terminology, concept and framework, supported with the evolution of reviewed literatures of tourism as a system and the theory of inter-sectoral relationship. These categories of literature review contributed to develop the understanding of theoretical support for the research to address the research question and objectives of this study. The research framework stage involved the methodology and collection of data through both primary and secondary resources. This has been identified with the contributing factors in following the linkages between tourism and poverty which later contributed to the conceptual framework to be applied in this research using the adapted tourism value chain analysis. The mapping stage involved the analysis and synthesis of the application of the VCA. The value chain mapping has been divided into two phases: mapping the core actors and sectors – the poor, tourist, and tourism sector; and mapping the selected supply chains re the TVCA (i) fisheries/aquaculture/fish product and (ii) handicrafts. Finally, the conclusion stage encompasses discussion and recommendations of the research related to improve future economic sustainability at study area. It also identified gaps that require interventions which along the opportunities and constraints spectrum. Towards the end of the study, a value chain analysis model could be applied to analyse the linkages of inter-sectoral activities and tourism in a given area or destination.

Figure 1.1: Theoretical Research Framework



1.9 STRUCTURE OF THE DISSERTATION

This section presents an overview of the structure of this dissertation. The thesis is organised in seven (7) chapters, which are as follows:

Chapter 1 introduces the research questions and structure of the thesis. It justifies the need for this research, spells out the research objectives, research problem and the research questions, presents an overview of the approaches applied to answer the research questions, presents the research framework and provides an overview of how the thesis is organised.

Chapter 2 presents the literature review on tourism for poverty alleviation, and tourism value chain analysis which combine to provide necessary background on the conceptual framework of this study in order to understand the linkages between tourism sectors and local economic activities in rural areas. It also identifies the existing level of knowledge in the field and points to the gaps in the literature. It first highlights the significance of tourism as a system and further describes the main components of rural tourism since it is the entry point of this study and the relationship with community asset building. The discussion then revolves on the link between tourism development and poverty alleviation and examines the concepts of pro-poor tourism and value chain analysis framework in and the context of inter-sectoral linkages.

Chapter 3 presents the methodological framework for the research. Initially, it highlights the nature of the research which is an exploration research – where aim to explore the linkages between tourism and local activities using the implementation of value chain analysis. This is followed with the discussion on the use of value chain analysis in the research, and on the details of each methodological used for the mix-method approach in data collection and analysis in this study. Finally, it also discusses the manner in which the data from each different methodology is triangulated to prevent biasness and improve the validity of the research findings.

Chapter 4 provides background to the social and economic situation of the case study area, Setiu Wetland, Terengganu, Malaysia; a general introduction to tourism development in Malaysia; and its relation to rural poverty in the country. Then it justifies selection of the case area.

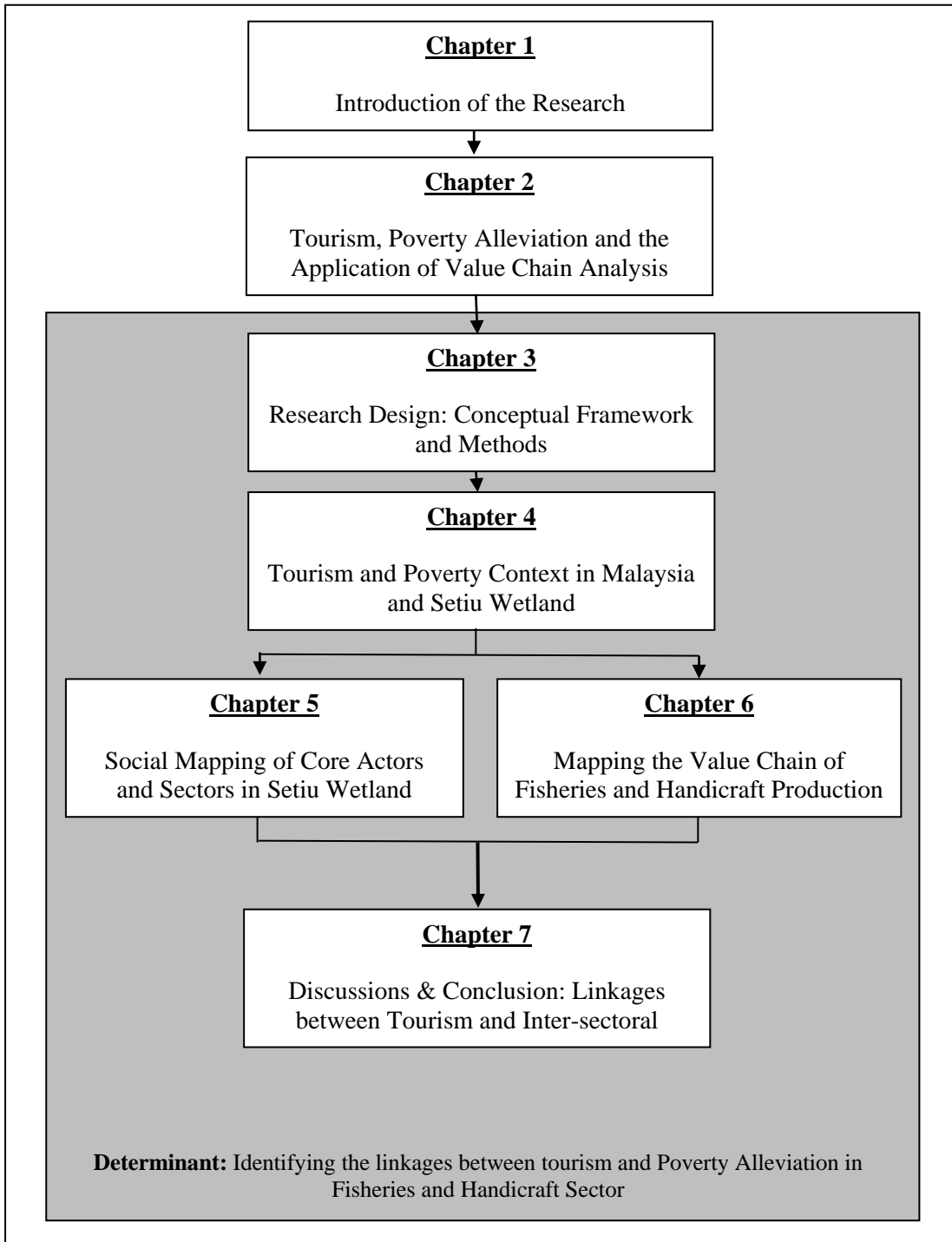
Chapter 5 presents the case study results. It provides details of the main actors involve in the study: the local community, tourism sector operators, the policy makers and the tourist. This chapter analyses the linkages between tourism and the local community, tourist spending structure in the local economy, and the effects of the tourism sector on local households.

Chapter 6 maps the adopted tourism value chain with two main sectors: Fisheries and aquaculture, and handicrafts. This chapter covers the core processes involved, the relationship between the actors and functions. It also summarizes the implications of the value chain to specific community groups such as women and the poor.

Chapter 7 synthesises the findings based on the integration of the analysis in chapter 5 and 6 utilised in this study. This also reflects the literatures that have been reviewed in chapter 2. This chapter also summarises the whole research to reflect the research contribution to the body of knowledge and the implication of this thesis to the related research and practices. It answers all the research questions and objectives asked in the first chapter by summarising the key discussions from relevant chapters. Lastly, it offers recommendation for the research and ideas for further research.

Figure 1.2 is a flow chart that summaries the overall structure of the study and serves as a general reference and guide to this thesis.

Figure 1.2: Summary of Thesis Structure



CHAPTER 2

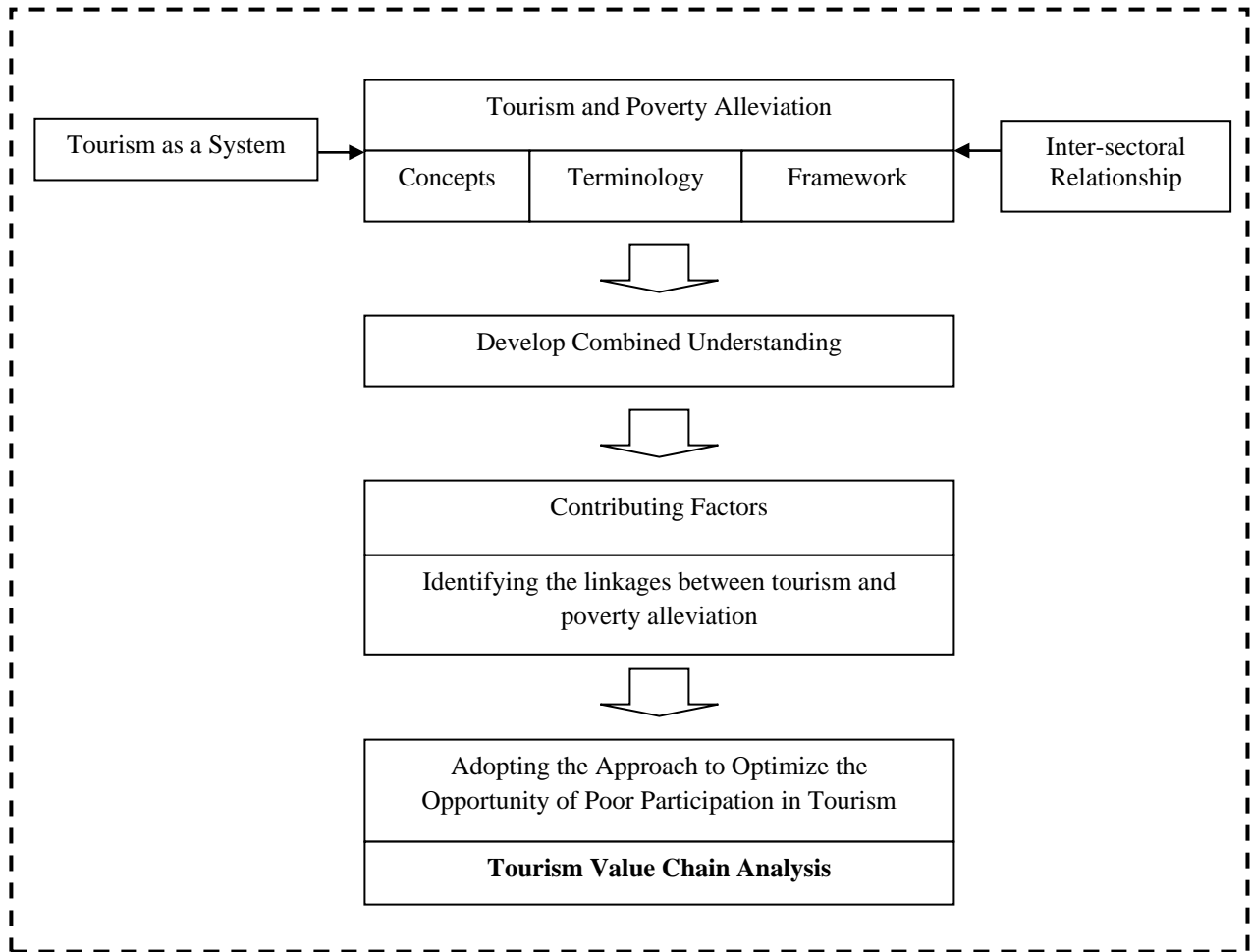
Tourism, Poverty Alleviation and the Application of Value Chain Analysis: Literature Review

2.1 INTRODUCTION

In the academic literature recently, tourism development and poverty alleviation have gained much attention by researchers. However, examining the links between these two indicators through the application of value chain analysis has been subjected to only limited study. This chapter presents a review of literature relevant to the current contribution of existing research into tourism development's role in alleviating poverty, which will help to set the background of this research by covering relevant concepts: the relationship between tourism and poverty alleviation, the link between rural tourism and rural poverty and the application of Tourism Value Chain Analysis.

This review also explains the key issues and debates, identifying research gaps and developing an appropriate framework to conduct the research. This chapter aims to demonstrate the level of knowledge in the area of tourism for poverty alleviation and identify issues that need research attention. This will then help to develop a summary framework of literature review for this research (see figure 2.1) and reflects the contributions to this study made by each area of the literature.

Figure 2.1: Summary of Literature Review



Evolution of Tourism System and Inter-sectoral Relationship

There is a need to explore the evolution of tourism and inter-sectoral relationship in light of their contribution to reach an understanding of the concept of pro poor tourism. In order to explore motivations behind the wave of interest in PPT, this section will indicate ways in which the relationship between tourism and local economic development which have all in some way contributed to the growth of PPT concept (Scheyvens, 2007). This also describes the tourism industry's main components and their relationships from the demand and supply perspectives in stressing the role of tourism supply as the product of tourists consumptions proposed in the 'Tourism System' (Ryan, 2003)

Tourism and Poverty Alleviation

In order to understand the relationship between tourism and poverty alleviation, it is best to understand the concept, terminology and framework, which underpin the theoretical basis of PPT and also being the convergent point of the whole framework in this research as discussed by Ashley et.al (2000, 2002, & 2006); Goodwin (1998 & 2000); Sofield et.al (2004); Scheyvens, (2007 & 2009).

Tourism Value Chain Analysis

In order to investigate how much tourism activities contribute to the local economy, tourism value chain analysis is proposed as a useful tool for a destination to examine economic activities in the communities which link up with the tourism sector (Gollub, Hosier & Woo, 2004; Spenceley et.al, 2007 & 2010; Mitchell et.al, 2006 & 2007)

Stakeholders

The pro-poor tourism approach applies across the tourism sector, government agencies and to private sectors and most importantly the poor (Goodwin, 2005). In this research, the poor are those in Setiu Wetland, Terengganu, Malaysia. It identifies the key players in tourism industry at both the macro and micro levels and the importance of integrating their ideologies in the policies and practices of the sitting in rural area of Setiu.

2.2 TOURISM AS A SYSTEM

According to Sofield (2005), tourism needs to be understood not in the narrow sense of an industry or even a conglomerate of different business sectors but as a system. It is integrated not only into the private sector as businesses but as a service industry linked into most other sectors of the economy (Sofield et.al, 2004); into the community at both the broad and local levels; into government through policy, planning, infrastructure (e.g. transport and communications) and regulatory requirements; into the bio-physical environment which in many countries is a major resource for tourism; and into the international arena (Gunn and Var, 2008). However, because tourism is often seen

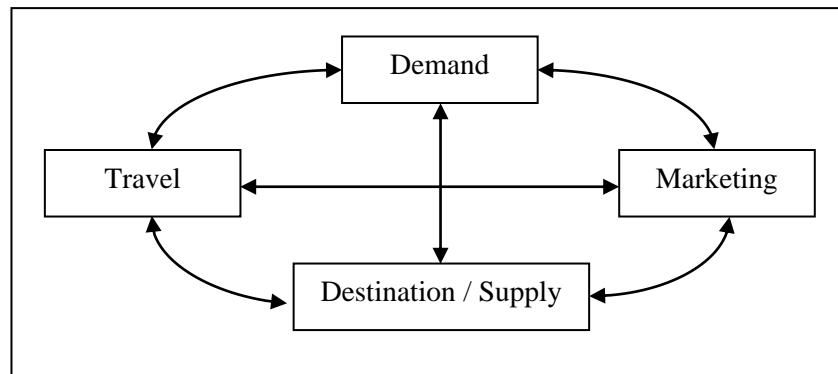
narrowly as a commercial private sector undertaking, it has not always been accepted as a 'serious' agency for contributing to development. Its collection of backward and forward linkages into all other areas of economic activity, into society and culture, into agriculture and manufacturing industry, and into the environment and into government, are often ignored.

In pursuing the aim of utilising tourism as a tool for poverty alleviation, it is essential to understand tourism as a system. At the Ottawa Conference in 1991, the World Tourism Organization (WTO) defined tourism as comprising *"the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes"* (Renaud, 2011: p.16). Tourism is a socio-economic phenomenon comprised of the activities and experiences of tourists and visitors away from their home environment which are serviced by the travel and tourism industries and host destinations. However, Tourism is not simply an "industry" composed only of enterprises in areas such as accommodation, natural and cultural attractions, but it is a "system" (Gunn & Var, 2002: p.6; Leiper, 1995; Sofield et.al, 2004). Leiper (2009) and Simpson (2007) stated that the researchers started to talk about tourism as a system since in early 1990s (see for example Gunn, 1979; Leiper, 1990, and Gunn, 1994). Gunn & Var, (2002) stated that *"No matter how it is labeled or described, tourism is not only made up of hotels, airlines, or the so-called tourist industry but rather a system of major components linked together in an intimate and interdependent relationship"*. Sofield et al. (2004) described tourism as a system is "like a bowl of noodles" which as each of the noodles has multi-faceted contact with other strands of noodles, so the tourism system consists of thousands of different businesses, activities and ventures that all inter-relate with each other in many different ways. Today, there is a widespread acceptance that tourism is not an industry, but a system.

Leiper (1990) believed that a tourism system consisted of five elements: human element (tourist), three geographical regions (traveller generating region, transit route and tourist destination region), and one industry element (the travel and tourism services). Although he included the tourists as the demand side, he failed to include the local communities,

and other businesses and organizations affected by tourism (Mill and Morrison, 1998). Mill and Morrison (1998) provided a more comprehensive view of a tourism system to capture “the big picture” of it. They created a tourism system model which includes four major components: demand, travel, destination and marketing, and all four components link each other (refer Figure 2.2).

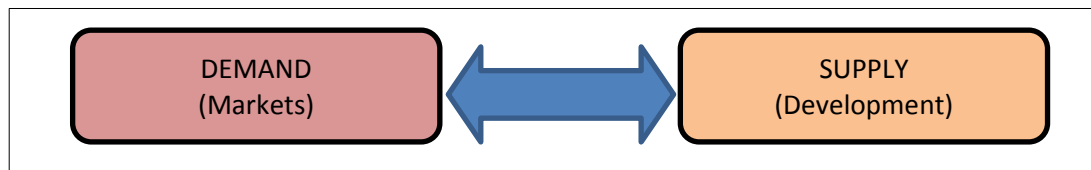
Figure 2.2: The Economical Components of Tourism



Source: Mill and Morrison, 1998

Tourism as a system can be described in terms of supply and demand where any tourism planning should strive for a balance between demands (market) and supply (development) (Gunn, 1994; UNESCAP, 2003) (refer figure 2.3). Any individual sector or industry cannot run tourism without support and cooperation from other sectors or industries. Furthermore, the context of the supply and demand sides needs to be carefully monitored and managed, such as ecological, political, social, cultural and other factors in the external and internal environments of the visitor demand, and destination supply components must be carefully consider (UNESCAP, 2003).

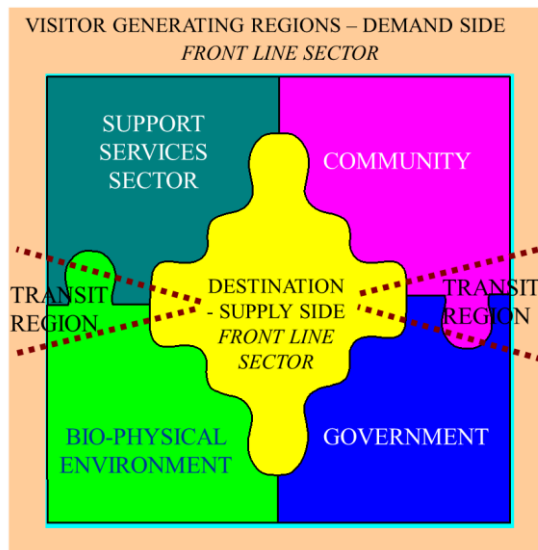
Figure 2.3: Demand and Supply Balance



Source: Gunn, 1994

This conceptual model shows the tourism system structure. Although it is too general for empirical tourism analysis, it is an important basis within the literature on tourism as a system. Sofield et al. (2004) suggested that, there are seven structures in the tourism system (figure 2.4): Visitor Generating Regions (demand side), The Destination (Supply side), The Transit Region (modes of transportation), the Support Services Sector (backward and forward linkages from businesses providing goods and services to the frontline operators), Government, Bio-Physical Environment (tourism resources and attractions) and the Community.

Figure 2.4: Tourism as a System – Framework of Components



Source: Sofield et al. (2004)

Tourism is a dynamic system that assimilates various components in its development and makes it critical to scan the external and internal environments of the destination (UNESCAP, 2003). Tourism also composes a complex system due to many factors and sectors which link to the provision of the tourist experience and the generation of tourism revenues and markets (UNESCAP, 2003; Jamieson, Goodwin & Edmunds, 2004). It is essential to recognise that one small part of tourism, such as changes in the market references or an occurrence of a natural disaster can upset the rest of the system and end up with the so-called ‘butterfly effect’ (Sofield et al., 2004, Sofield, 2007). Looking further into tourism as a system, it is integrated not only into the private sector

as businesses but as a service industry linked into more sectors of the economy than virtually any other area of economic activity (Sofield et.al, 2004). Thus, when tourism has been viewed as a tool for poverty alleviation, the relationship beyond the front line sector could be translated where multiplicity of opportunities are involved. Subsequently, these linkages are an important basis of thinking in this study.

2.3 RURAL POVERTY

In order to understand the linkages between tourism and poverty alleviation, it is significant to realize the dimensions of poverty. This will give some key points of poverty that may determine and reflect the relationship between tourism development and poverty alleviation.

According to World Bank (2001), poverty primarily as an outcome, involving social and political processes that interact with and reinforce each other in ways that can cause, create, reinforce or address deprivation and easily be reflected in people's lives: *"Poverty is a lack of income and assets to attain basic necessities of life such as food, shelter, clothing, and acceptable levels of health and education"* (World Bank, 2001: p.34). Nam, Huang & Sherraden (2008) and Jamieson et.al (2004) describe the lack of assets as a lack of good health, skills necessary for employment, land/housing, and access to basic infrastructure, savings or access to credit, social assets such as network of contacts and reciprocal obligations, which can be called on in time of need.

There are many indicators frequently used to measure poverty. These include: per-capita GNP, number of people living under a given poverty line, various integrated indices that usually combine a measure of incomes distributed below the poverty line with GNP growth, food security index and basic needs index (Shepherd, 1998). However, the World Bank has introduced an important indicator of income poverty – US\$1 per capita per day (World Bank, 2001), which is now commonly used in poverty research throughout the world.

IFAD (2001) estimates that 75% of the 1.2 billion people living on less than one dollar a day live and work in rural areas. Rural poor mostly are: 1) those who live in remote areas, have higher child/adult ratios, work in insecure and low-income jobs and belong to ethnic minorities; and 2) smallholder farmers who live in low-fertility regions and are dependent on uncertain rainfall (Sadeq, 2002). Their survival depends on subsistence crops, and sometimes on livestock (IFAD, 2001). The rural environment, a diminishing global resource, provides us with increasingly important setting for tourism. Tourist receipts do play a statistically significant role in the alleviation of rural poverty in developing countries, even though the magnitude of the impact of this variable is quite small. A one-million dollar increase in tourist receipts is expected to reduce the fraction of the rural population who are poor by only one-hundredth of a percent (Dao, 2004).

According to Adjei, Arun & Hossain (2009), a key characteristic of poor people all over the world is that they lack assets in the form of education and healthcare, savings and insurance products, as well as physical collateral that can be used to secure loans and household durables. Evidence of the importance of asset building for poverty reduction cannot be over emphasized. There is plentiful empirical literature to support the role assets that can play in changing the livelihood of poor people. According to Moser (1998), there is a strong relationship between vulnerability and asset ownership, which is of operational significance.

2.3.1 Rural Poverty in Developing Countries

Meanwhile, poverty in developing countries is an important issue worldwide. Poverty can be explained and measured from many dimensions such as historic, economic, natural and socio-political (Shepherd, 1998). Those who live in conditions of poverty lack a wide range of economic and other resources, and may be described as ‘poor’. However, it is important to note that these deficiencies are just primary causes of poverty, which are often realized at community and individual levels. There are more causes, which can be observed at national and regional levels such as economic growth,

inequality of income distribution and instability in governance (DFID, 2000). While at the national level, poverty can be measured in terms of Gross Domestic Product (GDP), at the local level, poverty could be measured in the level or lack of income, informal employment, land tenure for housing, infrastructure, and so forth (IFAD, 2001).

According to World Bank (2007) figures, 75% of poor people in developing countries live in rural areas: among them, many are small-scale farmers (Narayanan & Gulati, 2002) and farm-related activities remain central to most rural livelihoods (Vorley, 2002). Given the challenge of rural poverty at hand, it is argued that the potential ways in which tourism may stimulate local economic activities are worth exploring.

This research accepts the traditional view of poverty as “*encompassing not only material deprivation (measured by appropriate concepts of income or consumption) but also achievements in education and health*” (World Bank 2001: p.15). The initial step of defining who counts as ‘the poor’ is usually a challenge, and affects the whole process. For example, using the international poverty line (US\$1 per person per day) often implies that all non-managerial staff count as poor (Ashley, Mitchell & Spenceley, 2009). However, Malaysia’s national poverty line (RM657 per month) would exclude many of the semi-skilled participants in the industry from being relevant to the target group. The question for this study was not focussing on ‘who is poor’, but who were the potential target groups for the researcher. Thus, the focus of this thesis is income poverty and taking into consideration those in semi-skilled workers.

2.3.2 Asset Building to Alleviate Poverty

International development assistance agencies refer to “asset building” to alleviate poverty. Typically these include assets such as skills that are marketable, economic resources, and social supports. For example, the Ford Foundation (2002, p.1-2) describes assets as:

- a) *Financial holdings of low-income people*, such as savings, homeownership, and equity in a business; and philanthropic capital, which is composed of financial resources that are assembled in permanent endowments from and for poor communities.
- b) *Natural resources*, such as forests, wildlife, land, and livestock that can provide communities with sustainable livelihoods and that are often of significant cultural value; and environmental services, such as a forest's role in the cleansing, recycling and renewal of the air and water that sustain human life.
- c) *Social bonds and community relations* that comprise the social capital and civic culture of a place that can break down the isolation of the poor, as well as the webs of interpersonal and intergenerational relationships that individuals need as a base of security and support.
- d) *Human assets* such as the marketable skills that allow low-income people to obtain and retain employment that pays living wages; and comprehensive reproductive health, which affects people's capacity to work, overcome poverty, and lead satisfying lives.

The words of Yunus (2006) who was a recipient of the Nobel Peace Prize for his work on micro-financing for the poor in Bangladesh are relevant:-

“Removal or reduction of poverty must be a continuous process of asset creation, so that the asset base of a poor family becomes stronger at each economic cycle, enabling them to earn, invest, and save more and more. A poor person cannot ensure a larger share of return for their work because their initial economic base is paper-thin. Only when one can gradually build up an asset base can one command a better share for one's work.” (Yunus, 2006: p.3)

2.3.3 Agriculture and Aquaculture – Key Component of Rural Poverty Alleviation

According to FAO (2005), agriculture refers to the production of food, fibre and other goods through farming and forestry. Agriculture and aquaculture accounts for 55% of employment in developing countries smallholder farming and is the main source of livelihood for most rural poor (FAO 2005: p.61; Ashley et al., 2009). Despite increasing industrialization globally, agriculture is still the mainstay of the economies and engine of economic growth for a majority of the developing countries. It is important to realise that smallholder agriculture is a key component, but not the only component, of reducing poverty in different environments in developing countries. It should be noted that ‘agriculture’ extends to the way in which some non-food products, such as fibres, wood, shells, bones, horns and seed pods, may be used by poor households, especially women, in the production of clothing (weaving) and handicrafts (including ethnic decorative items) that may value add to the raw materials.

2.4 LINK BETWEEN TOURISM DEVELOPMENT AND POVERTY ALLEVIATION

Before being able to demonstrate systematically the contribution of tourism to poverty alleviation, it is crucial to show how the industry is linked to the wider context of poverty alleviation. Poverty alleviation refers to a situation where specific dimensions/manifestations of poverty are systematically reduced resulting in improved living conditions over the short and long term. In poverty alleviation, the traditional approach of development as well as tourism mainly relied on “trickle-down development” which was the dominant development thinking in the 1950s and 1960s (Kakwani and Pernia, 2000, Telfer, 2005, Sharpley, 2002). Spenceley (2008: p.288), with reference to communities in Africa that are involved in tourism, suggested that they are typified by a number of commonalities such as:

- a) Being relatively remote from national centers of learning, economy and industry;
- b) Constrained by poor infrastructure such as roads, electricity and water;
- c) Economically poor, with little or no capital for investment in the tourism industry;
- d) Inexperienced and under-skilled at developing and managing tourism enterprises, or working with tourists;
- e) Rich in distinctive cultures and histories firmly rooted in the local area; and
- f) Largely dependent on local natural resources such as wildlife, medical plants and trees.

According to Kakwani & Pernia (2000: p.2), *‘....the benefits of economic growth go to the rich first, then in the second round the poor begin to benefit when the rich start spending their gains. Thus, the poor benefit from economic growth only indirectly through a vertical flow from the rich.’* When it became clear that economic growth often did not ‘trickle down’ to benefit the poor (Scheyvens, 2009), numerous studies tried to adopt explicitly critical perspectives (Hasan Khan, 2001), which from work in the 1970s, led to major re-thinking away from the idea that tourism automatically led to poverty alleviation (see e.g: de Kadt, 1979; Nash 1977; Smith, 1977; Scheyvens, 2009). Leclercq (2010) also argued that this “trickle-down effect” is inadequate in ensuring that the benefits of tourism reach those most in need and that a proactive interventionist approach is needed. Hence his initiative with the UN International Trade Centre in launching the Tourism-Led Poverty Reduction Programme that focused on value chain analysis to identify ways to link impoverished communities into mainstream pre-existing tourism flows (ITC, 2006a, 2006b).

As seen from the significance of this research in chapter 1, it is more evident that economic growth generated by tourism pleads the case for tourism to be an important tool for development and, to an extent, as a tool for poverty alleviation. But, taking into consideration the constantly expanding scope of development theory and the approaches to poverty alleviation, more recent initiatives have had a sharper focus on poverty

alleviation through tourism, such as the Overseas Development Institute's formulation of the "Pro-Poor Tourism" (PPT) approach (see www.propoortourism.org.uk). Other agencies such as the UN World Tourism Organization have used the term "Sustainable Tourism for Eliminating Poverty" (ST-EP) (Sofield et al., 2004), which brought together a set of core principles and strategies that focus on tourism's contribution to poverty alleviation through a range of channels: direct effects, such as employment; indirect effects, such as selling goods and services; and induced effects, such as local wage increases (Mitchell and Ashley, 2007).

The main point here is that while interest in tourism as a tool for 'development' started in the 1970s (Harrison and Schipani, 2007), the concentration on its role in alleviating poverty emerged only in the late 1990s and since then, the concept 'pro-poor tourism' has moved from development theory to a more holistic approach, beyond the so-called 'triple bottom line' for sustainability and has quickly become a recognized tool especially when practiced by community-based organizations under 'responsible tourism'.

2.4.1 Terminology

The terminology of tourism for poverty alleviation first emerged in the literature in late 1990s, in an attempt to underpin the theoretical basis of PPT, when an ODI-led research team separated tourism for poverty alleviation from merely being a tourism impact study, where poverty alleviation is a side effect of the various forms of tourism, to being an approach for developing and managing tourism to specifically alleviate poverty. It was this series of research and experience that coined the term "Pro Poor Tourism" (Chok, Macbeth & Warren, 2007; Scheyvens, 2007). Since then, the term has been used by international organisations and aid agencies like Asian Development Bank (ADB) and in academic research (Bowden, 2005, Hamzah, 2004). These scholars present critical analyses of the tourism-poverty nexus and place it in perspective of existing work on tourism and development.

According to Meyer (2003), the term was first challenged by field researchers who were involved in the ODI case studies on pro poor tourism. *“The terminology was criticised for deriving too much from the development domain, with little appeal for consumers and governments. It was also criticised that the term was too much based on a western use and definition of poverty, with limited regard to local definitions”* (Meyer, 2003: p.6). Meyer also pointed out that the term “Pro Poor Tourism” was a major obstacle in selling the approach, although the terminology was accepted by the researchers and the stakeholders in the community. Sofield, et al. (2004) consider the term pro poor tourism as pejorative and alienating towards tourism managers, investors and tourists, and they draw attention to other synonymous terms like “tourism as a tool for poverty reduction/alleviation” and “Sustainable Tourism for Eliminating Poverty” (ST~EP), which is a term preferred by the UN-WTO. Jamieson (2003) interchangeably uses the terms “poverty alleviation through sustainable tourism” in an attempt to narrow down the complexities associated with the term PPT.

Conceptual issues associated with Poor Tourism (PPT) moves beyond creating a new niche product as the emergence of ecotourism or community-based tourism has previously done. On the contrary, it is applicable to any type of tourism and presents a new approach to tourism development and management (Ashley, 2002: p.18). A good way to comprehend the concept of PPT is to compare and differentiate it from other alternative forms of tourism, such as sustainable tourism, ecotourism, community-based tourism, fair trade tourism and responsible tourism (Scheyvens, 2002, Mowforth and Munt, 2003; Chok, Mcbeth & Warren, 2007; Nadkarni, 2008). This means that PPT certainly has considerable overlaps with all of these terms, but at the same time there are also important differences.

Alternative or new forms of tourism have come into existence in response to criticism about the social, environmental and economic impacts of conventional, mass tourism and partly due to other factors such as increasing numbers of sophisticated and aware tourists and socio-economic trends in the developed countries (where most international tourism is generated) (Mowforth and Munt, 2003; Scheyvens, 2002; Hasan Khan, 2001).

These alternative or new forms of tourism are attempts to create socially, environmentally, economically and culturally sensitive tourism which contributes to the well-being and development of the local people and destinations (Scheyvens, 2002; Mowforth and Munt, 2003). Even though each form is defined by different authors, they have common principles which are more or less based on the principles of sustainable development which include socio-economic and environmental concerns to satisfy the needs of the present generation without compromising the needs of the future generations (Telfer, 2005; Scheyvens, 2002; Goeldner and Ritchie, 2006).

Sustainable Tourism (ST)

Sustainable Tourism advocates the triple bottom line of economic, social and environmental sustainability in all tourism developments at any destination (Spenceley, 2010). It takes the well-being of host communities into consideration – but merely as ‘a means to the end of sustainability’ (Ashley et al., 1999: p.2). It is about tourism itself which is supposed to remain sustainable, a fact that fundamentally involves the conservation and preservation of any resources upon which it relies (Deloitte and Touche, 1999). It is also about the understanding of socio-economic and socio-cultural impacts from tourism to the hosts in order to keep their willingness and desire to continually support the activities. Sustainable tourism was introduced in line with the philosophy of PPT. However, environmental conservation is still considered the main focus of the sustainable tourism concept. In contrast to this sustainability emphasis, PPT places poverty at the centre. It is about expanding the opportunities of the poor and increasing their net benefits, but a safe and healthy environment, is only one aspect of many.

Ecotourism

The concept of ecotourism is fuzzier as it is used in many contexts to describe rather different types of tourism based on natural resources. It is primarily concerned with the preservation of the bio-physical environment, fuelled by the post-Rio conservation lobby. WWF International (2010: p.2) stated that ecotourism requires ‘*a proactive approach that seeks to mitigate the negative and enhance the positive impacts of nature*

tourism'. Therefore, ecotourism sets a major highlight on the natural environment and its conservation before it considers desires of visitors, and recent study aimed at ensuring that communities living around the visited areas benefit from visitation (Barkin, 2003). 'Ecotourism' has generated an enormous amount of material and the tourism industry per se may be said to have rushed to adopt the term because of perceived marketing benefits (such as *The International Ecotourism Society*). Compared to PPT with its people-centred poverty focus, the well-being of the locals is mainly instrumental to the greater goal of environmental protection (Barkin, 2003).

Academics have had a field day with the concept and publications from papers to books to entire journals (such as the *Journal of Ecotourism* published by Elsevier) have mushroomed, while globally tertiary courses in ecotourism have also proliferated (Fennell & Dowling, 2003). Academia has been in the forefront of formulating ecotourism accreditation schemes in an attempt to regulate its use to 'genuine' ecotourism enterprises (Higham, 2007). But with more than 50 definitions, in the absence of strict parameters and quality controls, and no legal capacity to challenge the use of the term by any entity, virtually every business in whatever area of tourism, from mega cruise ships to ocean kayaking in the outer islands of Fiji, from multi-storey city hotels to small island resorts, from snowmobile safaris in Alaska to trekking tours in the Himalayas, have labelled themselves 'green' environmentally-friendly ecotourism ventures (Weaver & Lawton, 2007).

Since industry and marketers have begun to label anything remotely connected with nature as ecotourism, the original concept has been devalued in the eyes of many academics, industry players. The positive potential of ecotourism has been severely degraded in many ventures by the negative effects of so-called "Ecotourism Lite" or "fake" ecotourism. In an attempt to deal with some of the discrepancies Weaver (2001) distinguished between 'soft' and 'hard' tourism. He also argued (2002) that hard ecotourism was a useful tool for development in peripheral regions and held the capacity to make a significant contribution to reducing poverty because it entailed integrating local communities into its operations rather than marginalizing them.

Fair Trade Tourism

This concept was introduced in attempt to address one of the main reasons for the exploitation of Third World resources – cheap imports from the developing world - to sustain the affluent Western way of life i.e. unfair trade practices (Mitchell, 2010). It seeks to create social, cultural and economic benefits for the local people at the destination and minimise leakages by establishing strong First World/Third World consultation structures and transparency arrangements which involve open trading operations (such as social accounting), ecologically sustainability, and respect for the human rights. Fair trade refers to the concept where it attempts to connect the producers and the consumers economically, politically and psychologically through the creation of ‘the moral economy’ (Goodman, 2004). The moral economy describes volunteer action taken by some people concerned with the social equity in trading, especially with reference to producers in developing countries in order to improve trading conditions and promote sustainability as well. Hence, this approach is suitable for integrating it with other alternatives to improve the trading conditions between the developing countries network. However, the actual implementation mechanisms to benefit the poor communities in the Third World are still hazy (Goodman, 2004).

The original purpose of fair trade was to be a model of civic coordination in managing the trade through a labelling strategy that is reinforced by market coordination (Renard, 2003). Hence, this situation clearly shows that the fair trade had been given the opportunity for poor traders to label up their product in the international level (Goodman, 2004).

Fair trade tourism is therefore, both a marketing tool as well as a niche product in circumstances where it benefits from the existence of a trademark. The goals of its practical application are quite similar to PPT, to ensure there are greater benefits to disadvantaged people, even though its emphasis is still different with more importance attributed to intangible relationships between these people and the industry (Raihan and Razzaque, 2008). Nevertheless, it could also be used as an approach to tourism. Mitchell and Shepherd (2006) argued that it is identified with an exclusive certification process

that leads to a niche product with considerable marketing options where PPT is largely rejecting due to its claim to non-exclusiveness and its applicability to any kind of tourism.

Tourism through different niche markets is increasingly seen and promoted as a means of addressing poverty. However, tourism will only support local livelihoods if the inherently unfair terms of trade are addressed, local communities are able to retain control of tourism development, and a means of marketing and distribution is found that is not dominated by any international corporation based in the developed world (Raihan and Razzaque, 2008). A fair trade holiday is one where the local community benefits from tourism so that local people gain employment, local restaurants gain custom and the money spent remains in the local economy. The implications of fair trade in the local economic supply chain in Setiu Wetland (the case study area) will be seen as a potential to be connected internally or domestically within Malaysia, where the principle of fair trade could be applied to affluent domestic consumers who could pay more for a quality products from the area.

Responsible Tourism

Responsible tourism is related to sustainability and can be regarded as behaviour. It is more than a form of tourism because it represents an approach to engage with the stakeholders for example the tourist, a business, and the locals at the destination. Generally, responsible tourism is underpinned by three fundamental principles which are environmental, social and economic (Baillie et al., 2002). It offers a way to benefit local communities and reduce poverty and minimize ecological impacts (Medina, 2005). In such a way, it emphasizes that all stakeholders are responsible for the kind of tourism they develop or engage in. Whilst different groups will see responsibility in different ways, the shared understanding is that responsible tourism should entail an improvement in tourism. Tourism should become 'better' as a result of the responsible tourism approach (Goodwin, 2005).

Responsible Tourism is another umbrella term for a 'supposedly more caring, aware form of tourism' (Simmons, 1994: p.61). It can take a variety of forms, for example as the basis of commercial partnerships and thereby shaping the way that individual companies do their business. Responsible tourism is like PPT, not another niche product because all forms of tourism can be more responsible. Responsible tourism has overlaps with PPT in the way that it is also used as a conceptual basis for a type of tourism that is more beneficial to a host destination (Goodwin, 2000). But the addressees of the concept are different. While PPT focuses entirely on poor people benefiting from tourism, responsible tourism aims at changing the tourists and the tourism industry with its myriad of private companies (Goodwin, 2002). Responsible Tourism is an aspiration that can be realized in different ways in different originating markets and in the diverse destinations of the world (Goodwin, 2002). Therefore, it is applicable anywhere in the world and not only in countries with a great amount of poverty.

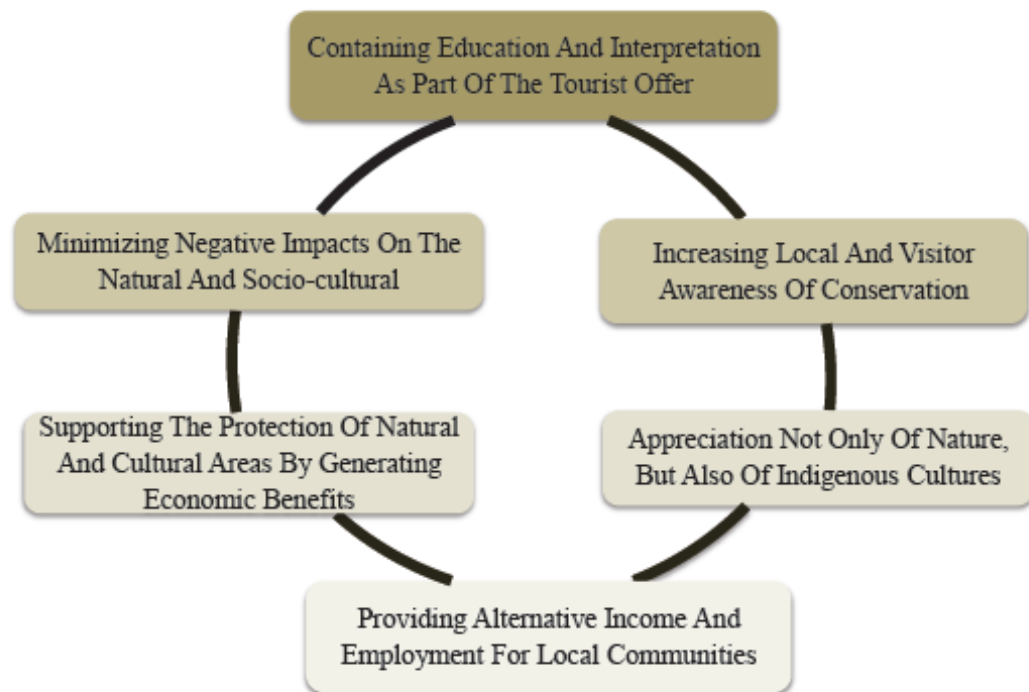
As stated earlier, this concept has a potential to address poverty in rural areas especially where it is defined as tourism that involves visiting impoverished areas (Mekawy, 2012). This may happen when responsible tourism is planned with the local people and at the same time provide opportunities for them to engage in their own economic/business activities. In such circumstances, local people have the potential to take on the role of the tour operator for the tourist. For that reason, it may be possible to provide more rewarding holiday experiences for guests whilst enabling local communities to enjoy a better quality of life while conserving the natural environment.

Although all forms of new and alternative tourism as well as mass tourism contribute to development of nations, destinations and communities, they do not focus on poverty alleviation and do not differentiate between the well-off and the poor, except for those forms which are specifically developed with a poverty alleviation focus. Jafari (2001) argues that while alternative forms of tourism such as ecotourism, responsible tourism and sustainable tourism are well-intentioned, they account for only a small proportion of the total tourism product (Spenceley, 2008; Scheyvens, 2009) and will never be able to replace mass tourism.

Community-Based Tourism (CBT)

Community Based Tourism (CBT) actually refers to another form of sustainable tourism programme that represents an alternative to much mass tourism as it gives the community the opportunity to escape from the hegemonic grasp of tour operators at the national level (Sharpley, 2002). In its ideal form this concept also encompasses local empowerment where it attempts to develop tourism based on the desires and goals of the community for their own satisfaction (Sharpley, 2002). CBT usually offers tourists opportunities to choose their own experience related to the local people and the communities activities (Sin & Minca, 2014). Some general characteristics highlighted by UNEP and UNWTO (2005) are as in figure 2.5.

Figure 2.5: General Characteristics of CBT



Source: UNEP and UNWTO, 2005

Community Based Tourism is a trialectic, that is, when tourism is combined with community a new, third, entity emerges. Communities use tourism as a development tool and tourism activities rely very much on communities. Most of the academic and practical research shows that CBT so defined is a niche market and only covers a limited segment of community tourism (Harrison and Schipani, 2007; Jamieson and Sunalai, 2008; Lopez-Guzman, Borges & Cerezo, 2011). CBT is a niche product that aims at empowering local people to become involved in tourism at a community level. On one hand, they have substantial responsibility for the development, management and control of the offered products. On the other hand, they should attain significant benefits for their own well-being. As Nair, Mohamad & Hamzah (2009) stated that CBT products are most often small-scale projects that focus on assets of the communities, including local culture, traditions and lifestyles, as well as the natural surroundings. Community-based initiatives are often not successful because of factors ranging from the lack of business skills of community members to the lack of connections to mainstream tourism enterprises (Nadkarni, 2008; Scheyvens, 2010; Sofield, 2011).

CBT most commonly refers to communities which engage in “front line operations” that incorporate direct interface with tourists, such as homestays and lodges, small eco-tours, guide and porter services for local tours/treks, cultural performances for fee paying visitors, teahouses, refreshment kiosks and restaurants, and souvenir/handicraft outlets (Xu et al., 2008; Sofield et.al, 2004). These are usually co-located within the residential boundaries of a community, or in close proximity adjacent to the community. CBT usually pursues similar goals to PPT. However, PPT goes beyond this by providing a holistic approach to any type of tourism development and CBT remains focus on specific area or product. It is used as a potential strategy for poverty reduction through tourism. But it restricts itself to particular initiatives at community level and targets specific segments of the industry. By common definition of CBT, it tends to be small such as SMEs owned either by the community on a cooperative basis, or by families and/or individuals within the community.

However, another aspect of the definition involves a set of activities related to the value chains of tourism operations and the capacity to harness community resources and labor to provide goods and services for existing tourism businesses may also be considered (Xu et al, 2008). In certain situations, some communities may have no direct interaction with tourists and may be physically distant from tourist operations. Yet, through the supply chain they may be dependent upon tourism for their income by providing an item or product needed by say, resorts e.g. forest ferns for landscaping (Sofield, 2011) translated this indirect interaction between community and tourism as “Communities Benefiting through Tourism” or CBtT which reflects the potential to involve communities in literally hundreds of different businesses activities named as “the Secondary or Support Sector of the Tourism System” (Sofield et.al, 2002; Sofield et al., 2004; Xu et.al, 2008). This approach forms an important part of the basis for this research, where CBtT offers possibilities of tapping into mass tourism with economies of scale that have the potential to make very significant contributions to poverty alleviation on a magnitude that will tend to be much greater than more traditional CBT activities.

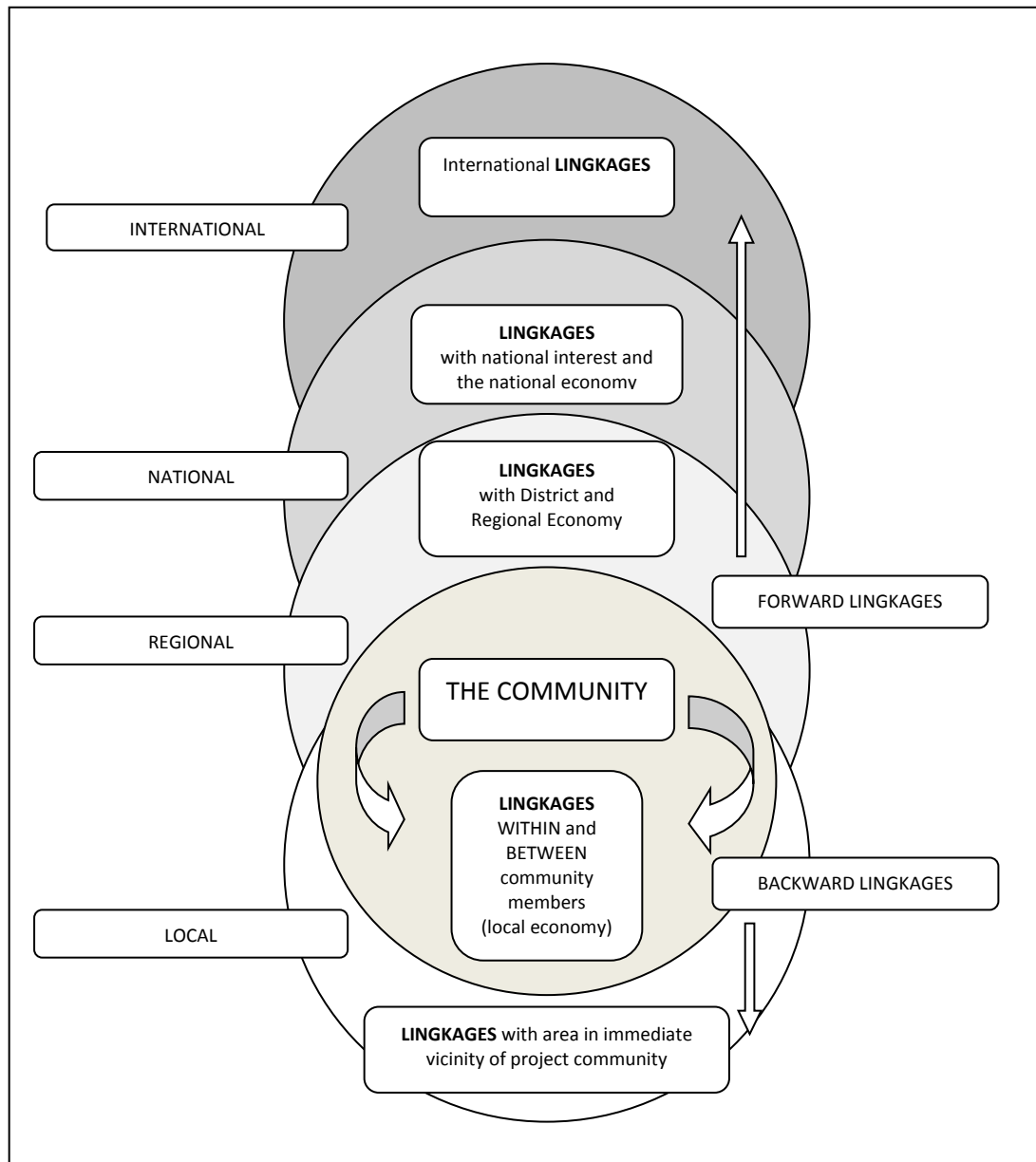
It is arguable that most Community based tourism indicate a close relationship between tourism and community. Communities use tourism as a development tool and tourism activities rely very much on communities. Community based tourism refers to the ecotourism, rural tourism, village tourism, and etc. However, it needs to be understood that often community based tourism is only defined in a niche market and only covers a limited segment of community (Xu et.al, 2008). It is also suggested to fully use the tourism development opportunities to achieve sustainable tourism and responsible tourism, where a broader and wider scope of community tourism has been considered in this research namely Community Benefiting through Tourism (CBtT) (Xu et.al, 2008).

2.4.2 Framework

Since tourism is a system of many inter-related sectors it contributes significantly to a broad based framework where it becomes a major generator of income and employment. Conceptually, and as a corollary to consideration of tourism as a complex system, it is necessary to integrate tourism development into community development holistically for poverty alleviation (Sofield et.al, 2004). Without holistic integration as a framework, there is a risk that tourism development may be viewed as an end in itself instead of as one vehicle to reduce poverty and assist in attitudinal change especially related with environment and conservation (Sofield & Bhandari, 1998; Sofield et.al, 2004). Treating tourism as a complex system could increase the backward and forward linkage opportunities for poorer sections of communities and for intervention in a wider range of enterprises. By working in the area of backward linkages in activities, it is possible to identify the points of ingress for development assistance aimed at alleviating poverty. In some countries it is feasible to work with the frontline tourism sector (those ventures which deal directly with visitors, such as a trekking lodge), but in others, more opportunities may exist in the support services sector (e.g. growing orchids at the village level for Thai Airways) (Sofield et.al, 2004; Xu et.al, 2008).

According to Sofield et.al (2004), tourism as a system extends well beyond the delivery of tourism products and is a significant economic factor in traditional aid sectors such as agriculture, where tourism can increase productivity through sale of local products to tourism businesses and/or tourists. It also encompasses the informal sector where opportunities for poorer segments of populations such as women and indigenous minority may exist. Rather than leading to a 'static standpoint', the framework of integration between tourism development and community development for poverty alleviation using the backward and forward linkages, provides a dynamic way to proceed with understanding how tourism functions (see Figure 2.6).

Figure 2.6: Framework of Backward and Forward Linkages in Tourism and Intersectoral Activities



Source: Sofield et.al., 2004

Any study of tourism potential has to take into account the location of the site in terms of all parts of the system, which incorporate the assessment of community, social capital, ownership of or access to resources (including land, traditional culture, local leadership, entrepreneurial capabilities and so forth). In the context of backward

linkages, Mitchell & Coles (2011) suggested that the capacity for tourism to create new economic inter-relationships among and between community members, and with households in the immediate geographical vicinity of participating settlements (activities, ventures and services which are required to support tourism) need to be identified. In the context of forward linkages, new beneficial partnerships are essential if community based tourism is to succeed e.g. to market the village destinations and products both domestically and internationally through national tour companies (Sofield et.al, 2004).

2.5 GOVERNANCE, TOURISM AND POVERTY ALLEVIATION

Governance is a process whereby societies or organizations make important decisions to determine whom they involve in the process and how they render account (Graham, Amos and Plumtre, 2003). According to Hall (2011), governance has witnessed a changing dynamic in the tourism policy literature: since the 1990s, there has been a gradual shift in approach from the notion of government to that of governance (Beaumont & Dredge, 2010; Yuksel, Bramwell, & Yuksel, 2005; Hall, 2011; Hall, 2014). This shift has extremely significant implications for sustainable tourism, given that it influences such factors as the relationships between policy actors, the capacity of the state to act, the selection of policy instruments and indicators and, potentially, even the definition of policy problems (e.g. Bramwell & Sharman, 2005; Wesley & Pforr, 2010; Hall, 2011). In this context, Stoker (1998, p.18) noted that: *“The value of the governance perspective rests in its capacity to provide a framework for understanding changing processes of governing.”*

Understanding how the institutional arrangements of governance are conceptualized is important because it determines the ways in which the state acts in the tourism policy arena and therefore selects instruments and indicators that are used to achieve policy goals. (Note that ‘the state’ is increasingly interpreted in a very broad sense, so that it

can in fact mean any form of ‘government’ such as how a community governs itself, or how an institution formulates its rules and regulations based on its value system.). Once it was considered that power and authority were vested in governments largely to the exclusion of others (traditional top-down decision-making and management), contemporary notions of governance encompass an understanding that a range of stakeholders participate in decision-making. This underlies a shift to a more network-based system of negotiations and exchange rather than a hierarchical process (Salskov-Iversen, Krause Hansen, & Bislev, 2008). How the institutional arrangements of governance are conceptualized is important because it determines the ways in which stakeholders interact in the different policy arenas and therefore exposes instruments and indicators that are used to achieve policy goals in all areas.

Based on United Nations Development Program (2007), Governance has three spheres: political, economic and administrative.

- a) Political governance is the process of decision-making that determines policy.
- b) Economic governance concerns the processes whereby economic decisions are made.
- c) Administrative governance is the system that implements law and policy.

All three are intertwined and dependent upon each other (UNDP, 2007). Expanding on these three areas, Ruhanen, Scott, Ritchie and Tkaczynski (2010: p.3) report on the governance dimensions used most frequently in the literature and refer to the ten criteria framework of the UNDP (2007), for good governance:

- a) *Public participation*: all people should have a voice in decision-making, either directly or through legitimate intermediate institutions that represent their interests.
- b) *Consensus orientation*: the ability to mediate differing interests to reach a broad consensus on what is in the best interest of the group.
- c) *Strategic vision*: looking constructively towards the future, with consideration of the historical, cultural and social complexities of each situation.

- d) *Responsiveness*: when institutions and processes try to serve all stakeholders using a proactive manner regarding complaints and criticism.
- e) *Effectiveness*: the capacity to realize organizational objectives.
- f) *Efficiency*: making the best use of resources or the capability of acting or producing effectively with a minimum amount or quantity of waste, expense or unnecessary effort.
- g) *Accountability*: officials answer to stakeholders on the disposal of their owners and duties, act on criticisms or requirements made of them and accept responsibility for failure, incompetence or deceit.
- h) *Transparency*: sharing of information and acting in an open manner.
- i) *Equity*: just treatment, requiring that similar cases be treated in similar ways.
- j) *Rule of law*: legal frameworks being fair and enforced impartially. (Usually, this will require an independent judiciary and a strong legislative regime for the rule of law that transcend political interference)

From the protected area management point of view, good governance will be achieved when all the above criteria are present and successfully implemented within a specific management model (Graham, Amos and Plumptre, 2003), while concurrently carrying out the two main goals that protected areas pursue: the conservation of natural and cultural resources, and the provision of education and recreation services through visitation and tourism (Eagles & McCool, 2002). In this context, Graham et. al (2003, p.2-3) in their work on parks define governance as: *“the interactions among structures, processes and traditions that determine how power and responsibilities are exercised, how decisions are taken, and how citizens or other stakeholders have their say. Fundamentally, it is about power, relationships and accountability: who has influence, who decides, and how decision-makers are held accountable”*

Governance has assumed importance as researchers have sought to understand how the state can best act to mediate contemporary tourism-related social, economic, political

and environmental policy problems at a time when the role of the state has itself changed, given the dominance of neo-liberal policy discourse in many developed countries (Jessop, 2002; Hall 2011). Definitions tend to suggest recognition of these changes in political practices because of, amongst other things: 1) increasing globalization; 2) the rise of networks that cross the public–private divide; 3) the marketization and privatization of the state; and 4) increasing institutional fragmentation (Pierre & Peters, 2005; Hall 2011). Neo-liberalism, in which governments use a variety of forms to shift responsibilities formerly accepted as central to achieve ‘the public good’ into the market and allow market forces to determine outcomes, may be seen as a reflection of these shifting values (Fazekas, 2011).

A key element of change has been the growth of new supranational policy structures and multi-level scales of governance which have led to: 1) a geo-political focus especially with respect to e.g. the European Union and ASEAN; 2) understanding the influence of supranational organizations in tourism governance, such as the United Nations World Tourism Organization (UNWTO), the United Nations Environment Programme (UNEP), the World Trade Organization (WTO), the World Bank/International Monetary Fund (IMF) / Asian Development Bank (ADB); and 3) the role of global non-governmental organizations such as The Conservation Society (TCS), the International Ecotourism Society (TIES) and the World Wildlife Fund (WWF), etc (Hall, 2005 & 2011).

Drawing on the political science literature, Hall (2011: p.438-439) developed a typology of governance with four major ‘domains’ or governance structures in the governance literature: hierarchies - state authorities, supranational agencies; and markets (the private sector, marketization and privatization); and non-hierarchical actors – networks (public/private partnerships) and communities (see Figure 2.7). These types characterize different modes of policy formulation, decision making and implementation of those policies and decisions where hierarchical governance demonstrates the greatest degree of state or public intervention and market governance the least (Hultman & Hall, 2013).

Figure 2.7: Framework of Governance Typology

STEERING MODES	ACTORS	
	<i>Public actors</i>	<i>Private actors</i>
<i>Hierarchical top-down</i>	HIERARCHIES Nation state and supranational institutions	MARKETS Marketization & privatization of state instruments
<i>Non- hierarchical</i>	NETWORKS Public/private partnerships	COMMUNITIES Private/private Partnerships, Communities

Source: After Hall, 2011

- a) *Hierarchical*: Government remains significant because of the continued role of the state in international relations, the development of institutions that enforce international and supra-national law and the ongoing importance of legislation and regulation as part of the exercise of state control (Russell, Lafferty, & Loudon, 2008). “Governance conducted by and through vertically integrated state structures is an idealized model of democratic government and the public bureaucracy” (Pierre & Peters, 2005, p.15), and provides the “traditional” model of state governance. This approach has been lessened by changes in the state environment, globalization and the reach of international organizations, and the growth of the political powers of the local state. Supranational bodies such as the United Nations and its many technical agencies, the European Community, ASEAN and others whose membership is restricted to governments, fit within this type.

- b) *Markets:* The use of markets as a governance mechanism has been in political vogue since the mid-1980s (Pierre & Peters, 2000), including with respect to the corporatization and privatization of tourism functions that had previously been the domain of the state (Dredge & Jenkins, 2007; Hall, 2008, 2011) e.g. many NTOs are now a public/private sector partnership; and many airlines that were once state owned airlines have been wholly or partly privatized.

The contemporary focus on the role of the market is associated with the influence of neo-liberal political/economic philosophy on considerations of the appropriate level of state intervention in socio-economic systems (Harvey, 2005), as noted above. The market has come to be seen as everything Big Government is not; it is believed by some to be the most efficient and just allocative mechanism available since it does not allow for politics to allocate resources where they are not employed in the most efficient way (Pierre & Peters, 2000, p.18-19 in Hall 2011). The counter argument is that the market is a poor structure for achieving ‘public good’ outcomes, since profit is its main driver. The advent of the ‘triple bottom line’ and ‘Corporate Social Responsibility’ (CSR) are attempts to use moral suasion to achieve public good outcomes, with varying degrees of success since their take-up by companies is voluntary.

The decision by the state to allow the market to act as a form of governance does not mean that government ceases to influence the market, however. Rather, instead of using imposed regulatory mechanisms, government may seek to use other forms of intervention, such as financial incentives, education and even the potential for future intervention, to encourage the tourism industry to move in particular directions, often via self-regulation. Nevertheless, the failure to achieve desirable outcomes as a result of self-regulation, market failure and the limits of the market as a form of governance has increasingly been recognized, especially concerning the equity of policy outcomes and the achievement of more sustainable forms of tourism (Gossling & Hall, 2008). The Global Financial Crisis (GFC) increased

disenchantment and skepticism with the market as a sound approach to governance.

- c) *Networks*: The concept of networks and public–private partnerships in particular, has received considerable attention in tourism policy and planning because of the ways in which they may facilitate coordination of public and private interests and resources (Beaumont & Dredge, 2010). Policy networks vary widely with respect to their degree of cohesion, ranging from “sub-governments”, “iron triangles” and coherent policy communities through to issue-specific coalitions. In the United States politics, the “iron triangle” comprises the policy-making relationship among the congressional committees, the bureaucracy, and interest groups (Hayden, 2002), and this term has been applied to other strong networks). Nevertheless, despite such variability in their organization, network governance is often considered as a “middle way” or “third way” between hierarchical and market approaches to tourism governance (Scott, Cooper & Baggio, 2008 cited in Hall, 2011). However, the extent to which networks may act to serve self-interest rather than a larger collective interest poses major challenges for their utility as a policy instrument (Chakrabarty & Bhattacharya, 2008; Dredge, 2006; Hall, 1999 & 2011).
- d) *Community*: The fourth type of governance is that of governance as communities. This approach is very much influenced by communitarianism and demands for more direct citizen involvement in governance. Communitarianism proposes that large-scale government should be replaced by smaller spatial units of governing that are closer to the “community” (Etzioni, 1993, 1995, & 1998 cited in Hall 2011). In addition to the communitarian focus on the development of more appropriate scales of governance, the communities’ framework also builds on traditions of deliberative and direct democracy. The former (communitarianism) focused on improving mechanisms for greater direct public involvement in policymaking through enhancing debate and dialogue, while the latter (‘direct democracy’) sought similar objectives via measures such as citizen-initiated

referenda. All three dimensions of governance as communities highlight the importance of public participation in public policymaking (Pierre & Peters, 2000). Although the framework has been criticized as being overly idealistic and exaggerating the benefits of perceived consensus (Hall, 2008), community participation and even control over planning and decision-making remain an important issue in tourism planning and policymaking (Bramwell & Sharman, 1999; Sofield, 2003; Dredge & Jenkins, 2007; Hall, 2011).

In considering the contribution of tourism in poverty alleviation, governance is seen as the fundamental building block for development because it cuts across all parts of the development agenda and all aspects of private sector and aid investment (Sofield et.al. 2004). Tourism industry could built a major partnership with governments, as recognized by the WTO ST~EP initiatives. Effective governance ensures that sound fiscal, monetary, and trade policies are instituted to create an environment for private sector development (Sofield et.al, 2004).

2.6 MAINSTREAMING PRO-POOR TOURISM

Mainstreaming means integrating or including actions related to conservation and sustainable tools in strategies relating to production sectors of tourism (Torres and Momsen, 2004). Mainstreaming might also refer to including tourism considerations in poverty reduction plans and national sustainable development plans. By mainstreaming, either tourism into sectoral strategies, or/and plans and programmes, it could recognize the crucial role that tourism benefits into human well-being.

Tourism is a system impacting on several sectors that can generate substantial inflows of foreign exchange, complementing primary exports and as such stimulates a wide range of economic opportunities that impact on many sectors including transport, communications, infrastructure, education, security, health, immigration, customs, accommodation, agriculture and culture (UNWTO, 2002; Ashley et.al, 2009; Spenceley,

Ashley & de Kock, 2009). The concept of pro-poor tourism also stresses the importance of integrating pro-poor approaches into mainstream tourism rather than focusing exclusively on specialty niche markets such as ecotourism, community tourism and ethnic tourism (Torres & Momsen, 2004). However, pro-poor tourism still remains predominantly at the micro level where current interventions cannot deliver impacts at a significant scale (Goodwin, 2005). Therefore, it is argued that tourism for poverty alleviation should be expanded and applicable in mainstream (mass) tourism. Its aim to transform the way tourism is done worldwide, by promoting sustainability through clear policies, successful projects, the sharing of knowledge and experience, building awareness and capacity for more effective planning and implementation of sustainable tourism policies and projects (Goodwin, 2005). Thus, effective tourism strategies can create sustainable income which generating opportunities and provide employment needed to the large numbers of semi-skilled or unskilled workers.

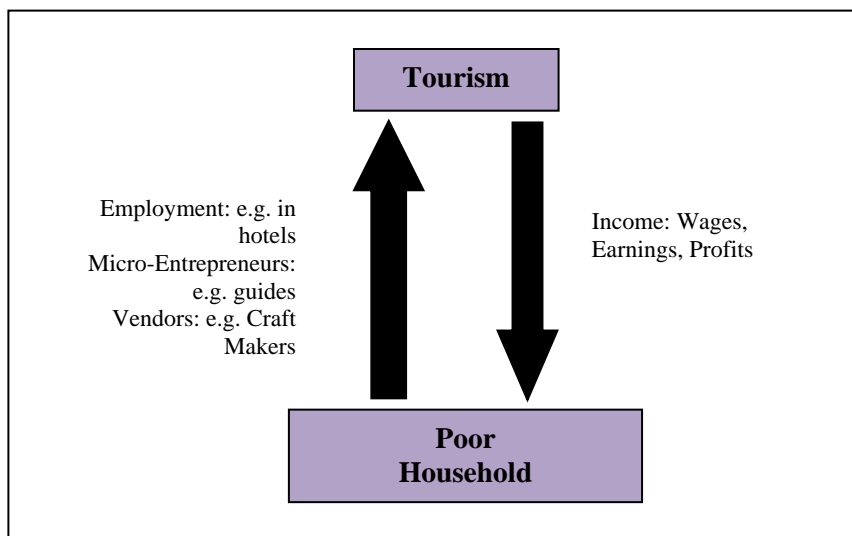
One challenge is to ‘mainstream’ PPT so that it is a business approach across the industry, rather than a niche market even though the difficulty of promoting pro-poor tourism in mass tourism sites is recognized (Ashley et al., 2000). Pro-poor tourism which means ‘doing business differently, whether the business is a large beach resort or a luxury wilderness lodge’ (Ashley and Haysom, 2006: p.266) involves more than just small, medium and micro enterprises. Torres and Momsen (2004) argue that success will require targeted research to explore in depth the interface between mass tourism and the poor; the potential for and obstacles to creating linkages between tourism and locally produced goods and services; and the feasibility of partnerships and joint ventures involving the poor. Humphrey (2000: p.22-29) lists some aspects which are important for a supply chain especially the producer in order to participate in a mainstream market:

- a) *Export readiness.* Producers are usually already active in the domestic market and have established the information and understanding of the destination market needs.
- b) *Achieving international product standards.* For the buyers, the quality and consistency of a product are important, which the producers have to satisfy.

- c) *Market linkages*. The producers need to find appropriate buyers and create close arrangements and relationship with these buyers.

Mainstreaming in this research context means that linkages between tourism developments with poverty alleviation should be included in wider poverty alleviation programmes including all parts of development. It is implied that PPT can be applied on a large scale rather than a piecemeal micro enterprise approach. All forms of economic activity should be considered in assessing value chain benefits to the poor. As indicated by Ashley, Mitchell & Spenceley (2008) and highlighted in the earlier chapter, there are two main routes by which tourism affects poverty. The first is through direct earning of cash income from their participation in tourism and related sectors. Secondly is through indirect earnings when the poor participate in other sectors that supply to front line tourism businesses (see figure 2.8 and 2.9).

Figure 2.8: Direct Economic Participation of Poor People in Tourism

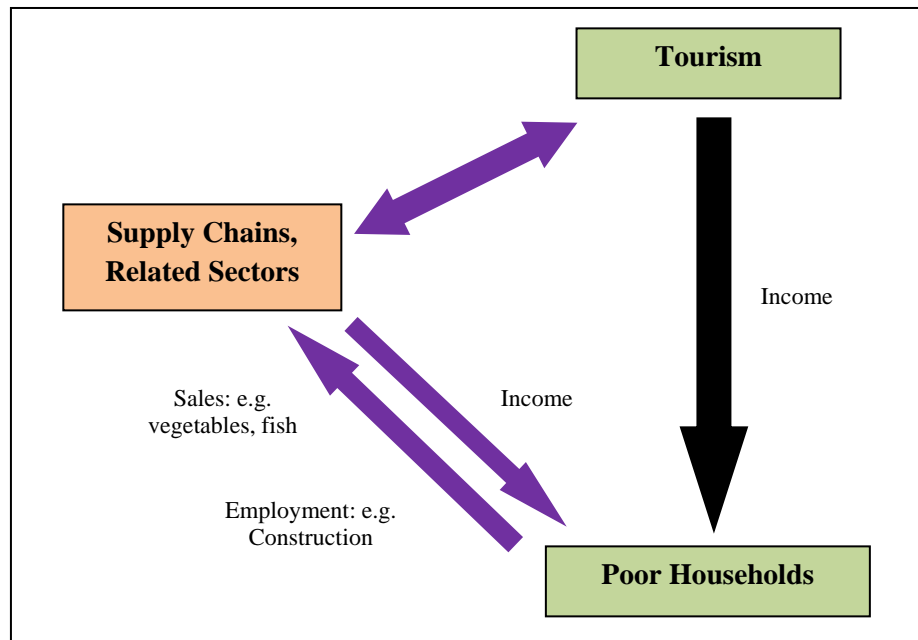


Source: After Mitchell and Ashley, 2008 in ITC, 2009

Figure 2.8 shows that direct participation in tourism is when poor people provide goods and services to the tourists. Most of the poor work in tourism industry particularly in a hotel or restaurant, sell crafts in front of the hotel, run rickshaws or boat for tourists, or host them in their village.

On the other hand, figure 2.9 shows the indirect participation by the poor people where they work in the sectors that supply the tourism sector. The poor may grow and sell vegetables that are served up in tourist hotels, or work for the construction industry or soft furnishing sector that supply the hotels.

Figure 2.9: Indirect Participation in Supply Chain and Direct Participation in Tourism



Source: After Mitchell and Ashley, 2008 in ITC, 2009

This research agrees with the need for a more nuanced picture of the factors that influence the linkages in the tourism sector with the other economic activities. In doing so, it takes a holistic view of the tourism-local economic activities, adopts a micro-level analysis of value chains between the tourism sector and local economic producers.

There are several examples where targeted interventions of poor communities that are geographically close to existing mass tourism destinations have been able to participate in that tourism activity and benefit from the wealth generated by thousands of visitors without the communities themselves actually initiating development; e.g. the Bahia Coconut Coast resort destination in Brazil (see Box 2.1), an economic corridor initiated in 2003 (Ashley, Mitchell & Spenceley, 2009).

Box 2.1: Mainstreaming Bahia Coconut Coast, Brazil

The Brazilian Inclusive Tourism (IT) project, launched late 2003, aims to improve the livelihood of communities of thousands of people by involving them in the supply and value chains of tourism resorts in Bahia, which combined have more than 33,000 beds. Communities have been able to share in the benefits from the huge growth in hotels constructed along this stretch of coast, with the local unemployment rate having now fallen from 30% to less than 5%.

Value Chain analysis revealed opportunities for the resorts to cut costs and at the same time involve the marginalized local communities in their operations to mutual benefit. By 2008, through a partnership with ten resorts, capacity building activities resulted in 2000 local people employed in non-labouring jobs. 500 local farmers are now involved in a Cooperative, using 5 tonnes of organic waste generated by 20 resorts each day for fertilizer, improving production and reliability of supplies to the resorts. At the same time the recycling of the waste has had a significant environmental impact. 390 women have established a cooperative, operating out of a handicrafts and cultural centre provided by ten resorts in the centre of the resort city. Increases in income have been substantial: monthly incomes for the 390 local women artisans have raised from US\$40 to US\$250. As a result of the replication phase with an additional ten hotels/resorts now under way it is estimated that an additional 2,172 direct jobs for locals and 1,216 indirect jobs for locals will be created while local revenues will grow from zero to a respectable level in certain sectors and increase by around 100% in the agriculture sector.

Source: Ashley et.al, 2009

The Bahia case study provides an example of companies operating in mainstream destinations and integrating local communities into their operations by direct, specifically targeted, pro-active interventions aimed at poverty alleviation, not through the passive so-called 'trickle-down effect' nor through ownership of tourism resources. Rather, the economic future of several thousand individuals and households has been secured by harnessing the spent from thousands of tourists in the resorts and associated businesses - employment opportunities and markets for farms products and handicrafts

have been created on a scale that would not be possible with orthodox CBT micro ventures. This has been termed ‘mainstreaming’ for community based poverty alleviation and the International Trade Centre (ITC) initiated and defined projects in this area as ‘inclusive tourism’.

The International Trade Centre (ITC) defines the partnership between all sector tourism industry and local community as “Inclusive Tourism”, where inclusive tourism is ‘a means’ of tourism development that fosters links and interaction between the many different actors in the tourism industry, forms partnerships with the private sector, stimulates the local economy (Spenceley, Ashley & de Kock, 2009) and promotes the integration of women and active involvement of local communities’ (ITC, 2006b: p.2). It aims to improve the livelihood of communities of thousands of people by involving them in the tourism value chains of tourism resorts and one such example of this is in Bahia (ITC, 2006) which emphasizes sustainability, taking environmental, social and economic factors into account’.

2.7 VALUE CHAIN ANALYSIS FRAMEWORK

Value Chain Analysis (VCA) is the basis framework of references for this research, which provide a clearer understanding in its implementation towards linkages between tourism and intersectoral activities in Setiu Wetland, Malaysia for rural poverty alleviation. Apart from that, it will also specifically apply VCA in tourism and explore how it may help to explain why the poor receive a bigger share of tourism in some supply chains than in others (Mitchell & Ashley, 2009).

The concept of the value chain was used in the 1960’s and the 1970s by analysts charting a path of development for mineral exporting economies (Girvan, 1987 cited in Kaplinsky, 2000). These applications revealed value chain analysis as having the potential concept to resolve economic issues especially at the international level. VCA has been advancing since the end of the last millennium as one of the most-used

methods in scrutinizing economic development (Kaplinsky and Morris, 2002). The term “value” refers to the fact that each activity in the chain adds value to the final product. The value additions can be calculated in order to see how much accrues to each link along the chain (McCormick, 2007: p.28). On the other hand, the term “chain” suggests a focus on vertical relationships between each actor from the suppliers to the buyers and the movement of the good or service from producer to consumer (Gibbon & Ponte, 2005: p.77). In this case, Stamm (2004: p.9) supports the view that it implies the analysis of a linear process.

Originally, the concept of value chain analysis was described by Porter (1985) in business management to separate businesses into a series of value-generating activities where a value chain comprises a sequence of activities found to be common to a wide range of firms. However, among the most commonly cited definitions of value chain is that from Kaplinsky and Morris (2002: p.80), who define it as *“the full range of activities which are required to bring a product or service from conception, through the different phases of production (involving a combination of physical transformation and the input of various producer services), and delivery to final consumers.”*

Humphrey (2004) suggested that value chains do not solely focus on processes which take place within a single organization/actor, but involve networks of cooperating organizations/actors, different firms located in various places and linked together in a chain. Each link in the chain adds a certain amount of value to the final product. Since value chains do not merely focus on the physical transformations of inputs within one firm, they offer the possibility of capturing economic returns that can be found in different links in the value chain. According to Rylance, Spenceley, Mitchell, and Leturque (2009) and Spenceley (2009 & 2010) describe Value Chain Analysis as the interrelationship between a range of functional activities, service providers, customers, supporting institutions and supply chains. They allow representation of financial returns from a sequence of reproductive processes along the supply chain. German Technical Cooperation (2007: p.8) in its Value Links Manual defines value chain as *“.... an economic system”* that can be described as:

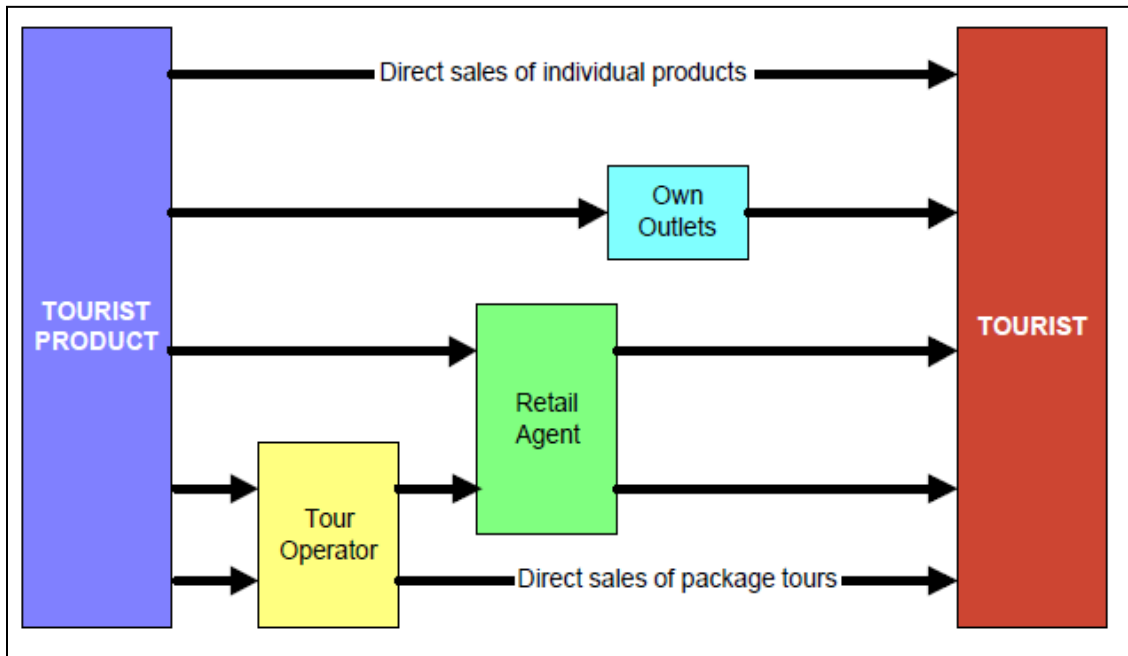
- a) *A sequence of related business activities (functions)* – from the provision of specific inputs for a particular product to primary production, transformation and marketing, up to the final sale of the particular product to the consumer;
- b) *A set of enterprises (operators)* – that performs these functions, i.e. the producers, processors, traders and distributors of a particular product. The enterprises are linked by a series of business transactions in which the product is passed on from primary producers to the end customers.
- c) *A business model for a particular commercial product* – which allows customers to be reached by a particular technology and a particular way of coordinating production and marketing between several enterprises.”

In this research, the concept of Value Chain is used to assess the economic performance of a chain in a particular sector, giving attention to the local poor who are participants in the chain, where linkages, collaboration and coordination of activities within and between the chains are crucial. This will then help to develop the methodological framework for this research which will be elaborated in chapter 3.

2.7.1 Significance of Intra-Sectoral Linkages in Tourism Setting

Poon (1993) adapted Porter’s value chain concept to the tourism industry where tourism is a service and it cannot be stored. The production and consumption of tourism services is usually simultaneous and takes place at a specific geographic location which is the tourist destination (Ashley and Mitchell, 2007), and it may or may not be sold far away in another country (Travers, 2007). Cooper et al. (2008) described the distribution channel whereby tourists could purchase their travel products in different ways (see Figure 2.10). These distribution channels are important to understand how tourists and the tourism product could be engaged in the system, and value chain analysis can be used to explain these linkages (see Figure 2.11).

Figure 2.10: Distribution Channels in Tourism

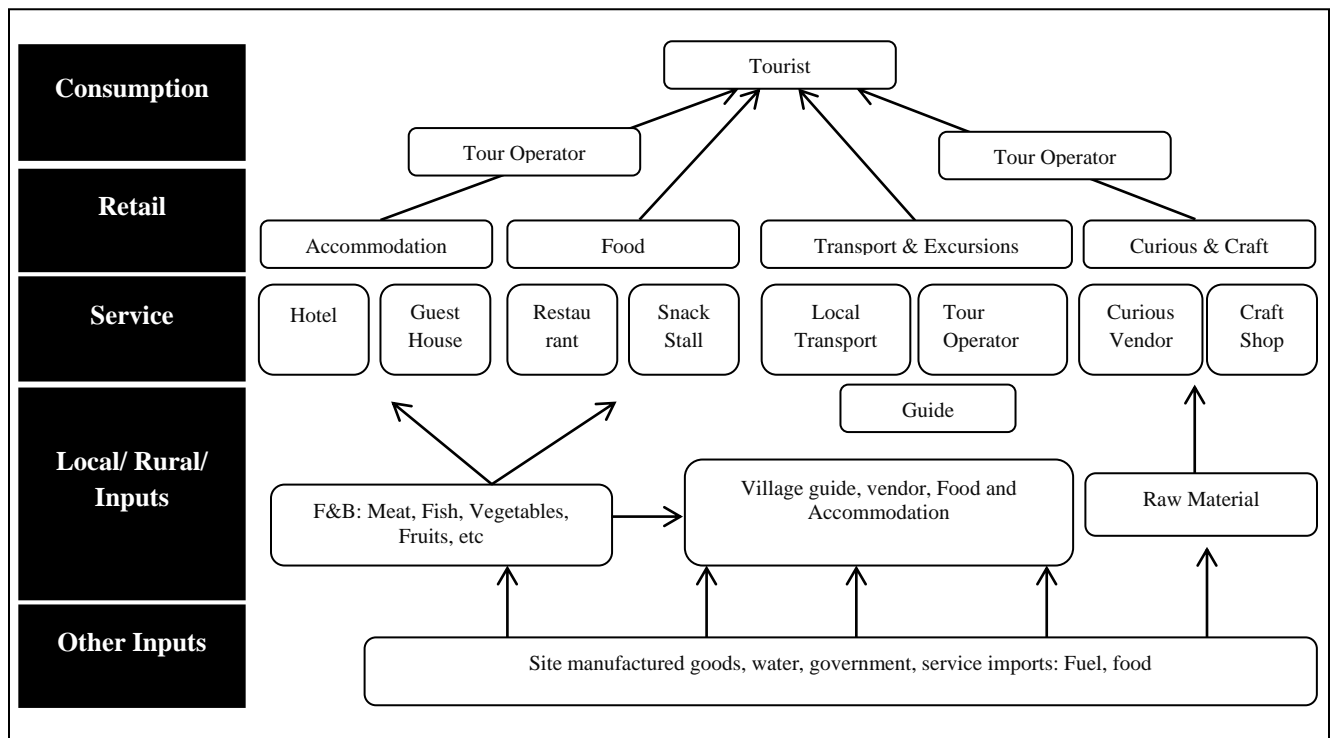


Source: After Cooper et al., 2008

The distribution channels in tourism involve the supply side (tourist product) which includes attractions, activities, amenities, accommodation; and the demand side (what tourists want).

Ashley's (2006) experience with applying value chain analysis to tourism led her to emphasize four sub-chains or nodes as having greater prospects for using the concept for identifying ways to reach out to poor people at tourist destinations as: Accommodation (Hotels, Lodging, Homestay); Food (Restaurants, Intermediaries, Farmers); Excursions (Tour Operators, Transports, Communication); and Handicraft (Producers, Vendors). Most other tourism-oriented researchers and consultants have followed suit and workshops on TVCA are now based around these four nodes (Spenceley, Sofield & Li, 2010). These nodes can be represented differently in contrasting destinations since they tend to be universally present (Mitchell and Le Chi, 2007; Ashley et.al, 2009).

Figure 2.11: Value Chain Framework in Tourism Destination

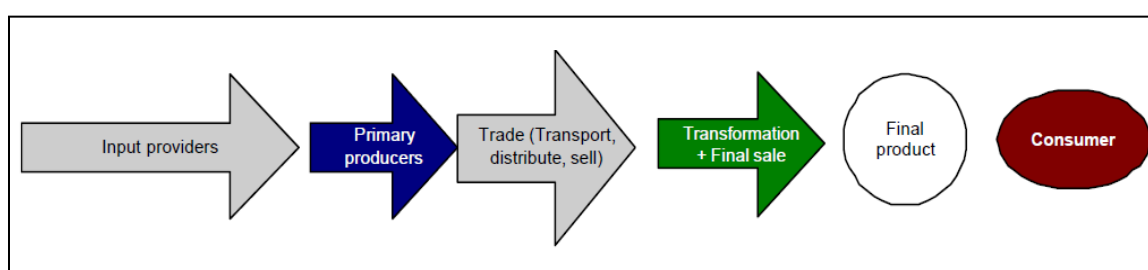


Source: Adapted from Ashley, 2006

The importance of VCA and the consideration of intra-sectoral linkages have become the central focus on economic aspects of tourism and poverty. ‘Local linkages’ is shorthand for a variety of ways in which well-established businesses (corporate and medium-sized businesses) can build economic links with micro-entrepreneurs, small enterprises, and residents in their local economy (UNESCAP, 2003). Meyer (2006) called them intra-sectoral linkages and emphasized that a tourist business’s links with other sectors can stimulate spending and multiplier effects in the local economy. Private business, large and small, has a critical role to play in poverty alleviation. Rylance et.al. (2009) stated that for tourism, the value chain is a combination of services (accommodation, catering, entertainment, transport), in which commodities play an important role (e.g. agricultural products, fisheries products, craft etc.), many of which occur near-simultaneously within the tourist destination.

There has been much recent interest in the mapping of the chain of goods and services that are provided for tourists (for example ITC, 2006; ODI, 2009; DFID, 2008; Donovan, 2008; Slob & Wilde, 2006; Mitchell & Faal, 2007), from their primary inputs to final consumption, and in consideration of how tourism supply chains cross different economic sectors in which the linkages can be occurring within the tourism sector (e.g. accommodation, excursions, transportation etc) or intra – sectoral (e.g. chefs buying vegetables from farmers) (see Figure 2.12).

Figure 2.12: A Supply Chain Framework



Source: Adapted from Ashley et.al, 2009

By applying the findings of value chain analysis, interventions can be identified to aid growth and increase pro-poor benefits as well as reduce poverty through tourism activities. It can identify productivity gaps that may be approached by repositioning a process along the value chain, as well as moving a process to a position of a greater value. In terms of poverty alleviation the idea is to find a way to allow a product or process to be completed by a poor community in such a way that it can compete, perhaps on quality, perhaps on price.

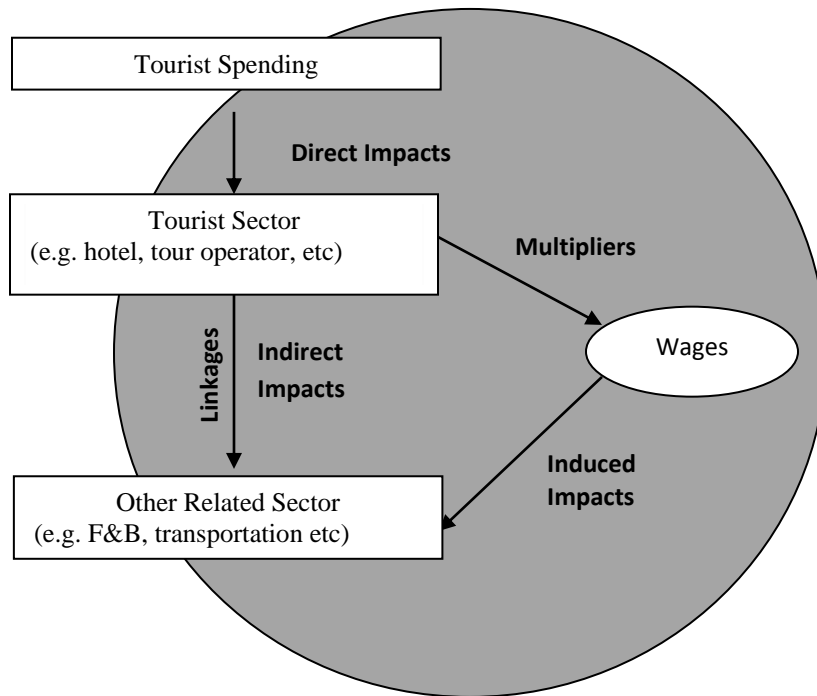
The more general economic development aspects are also potentially very beneficial as tourism encourages entrepreneurial activity, provides widespread possibilities for other industries to create inter-sectoral linkages along the supply chain, ranging from formal sector businesses to the informal sector and also community associations. Small entrepreneurs have two options to benefit from tourism. First, they can sell their products or services directly to tourists. This can include, among many others, the sale of souvenirs or fruits, as well as the supply of services by guides or porters. Second, they

also have the opportunity to exploit the extensive needs of the major industry players for diverse goods and services along a complex supply chain (Mitchell & Faal, 2007). Potential areas of involvement include the supply of agricultural products, food processing, various light manufacturing industries, transport services, or distribution services. This way, the cross-sectoral linkages of tourism have a flow-through or catalytic effect on the economy as a whole (Roe, Ashley, Page & Meyer, 2004).

The tourism value chain is comprised of the suppliers of all goods and services that go into the delivery of tourism products to consumers. The fact is that in tourism, the market (tourists) moves to the product (destination). In the academic literature, VCA is only a recent newcomer to discussions about tourist destinations aimed at estimating the value of total tourist expenditure and disaggregating this into the different functional areas (i.e. accommodation, food and beverages, shopping, transport, excursions, retail, travel agent and tour operator, etc) where spending takes place (Goodwin, 2004; Meyer, 2006; ITC, 2009). Much of the research and publications have been established by the Overseas Development Institute (ODI), the Netherlands Development Programme (SNV), and International Trade Centre (ITC) (Spenceley & Meyer, 2012) and the 'value' in each functional area is then assessed to estimate the proportion that accrues to different participants and whether there are barriers to entry or other constraints on the returns to the poor when participating in the value chain (Ashley & Mitchell, 2007).

Figure 2.13 shows tourist expenditure within a destination and its distribution in the Value Chain. The linkages as defined by Mitchell and Page (2006) are the inter-relationships that a tourist business can build with the other sectors in the local economy to stimulate spending and multiplier effects. These linkages can occur within the tourism sector (e.g. excursions) or inter-sectoral (e.g. hoteliers buying food from the agricultural sector and beverage from manufactures) (Mitchell & Faal, 2007). Essentially, the linkages can result in direct impacts such as wages and also indirect impacts to the other sectors like agriculture and manufacturing in the form of supplying food, laundry services, transportation, souvenirs and others.

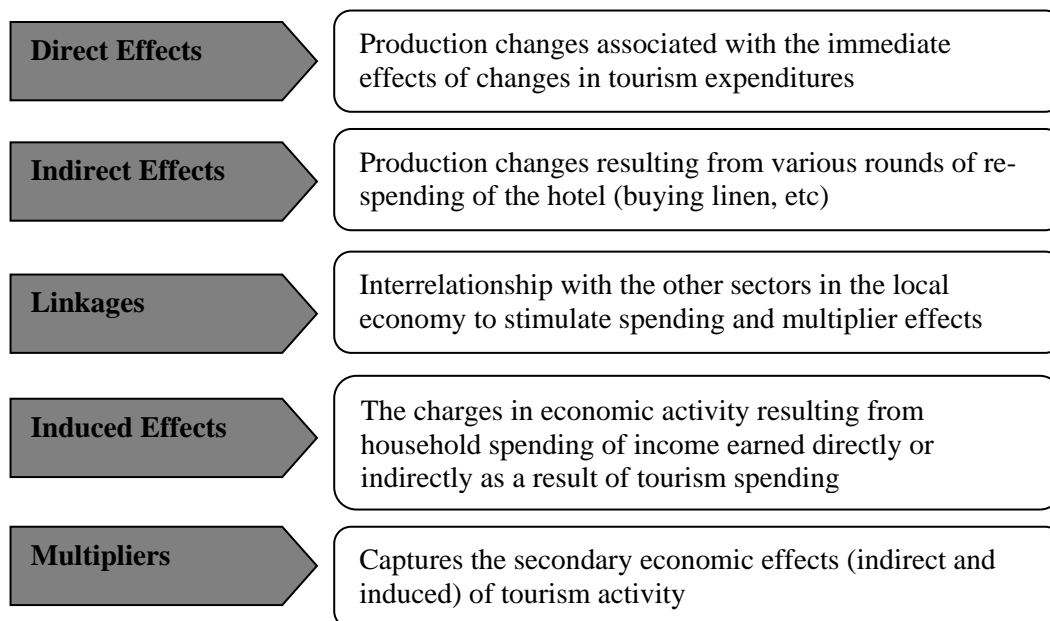
Figure 2.13: Linkages between the Sectors



Source: Adapted from Mitchell & Page, 2006

In order to investigate how much tourism activities contribute to local economy, the tourism value chain approach is proposed in this research as a concept to examine the economic activities in a destination which may identify the linkages between sectors (Gollub, Hosier & Woo, 2004). Figure 2.14 provides an explanation for each of the links. Fundamentally, the linkages can have direct effects such as wages, and also indirect affects such as cash incomes from other sectors like agriculture, fisheries, handicraft and manufacturing in the form of supplying food, laundry services, transportations, souvenirs and others, which therefore go to the centre of this research.

Figure 2.14: Description of each component in Value Chain Analysis



Source: adapted from ODI, 2009

This research takes into account some of the lessons learnt from Tourism Value Chain case studies in other parts of the world. Mitchell and Ashley (2007) summaries six findings from tourism value chain studies in different destinations. Mitchell and Coles (2011) also discusses a few case studies particularly related with agriculture with lessons that can be applied in this research in attempts to strengthen linkages between the tourism and other sectors.

There is a rich literature on ‘pro-poor’ tourism studies that have been executed in Africa and Asia financed by the UK Development Cooperation i.e. Overseas Development Institute (ODI), the World Bank, the Netherlands Development Programme (SNV) and the International Trade Centre (ITC) (Ashley and Mitchell, 2007; Ashley and Mitchell, 2008), which highlight the financial impacts of tourism for poverty alleviation. However, using the mainstream value chain approach which underlines the direct, indirect and dynamic tourism income effects for the poor, not many researchers highlight the significance of indirect linkages between tourism and inter-sectoral activities (Mitchell and Phuc, 2007). Usually, most research and studies tend only to

consider financial benefits from tourism through activities directly related to tourism, such as from employees in hotels, tourist guides, or from artisans selling crafts to tourists. However, VCA expands the scope of research to explore indirect impacts from other economic sectors, such as from farmers who provide food or from entrepreneurs providing transport, maintenance and other support services to the tourism industry. Table 2.1 presents the case studies from various destination that shows the linkages between tourism and other economic sectors using value chain analysis.

Table 2.1: Lesson Learnt from Tourism Value Chain Studies.

Destination	Main Purpose	Main Findings
<i>Laos</i> Local economic mapping of tourism in Luang Prabang (Ashley, 2006)	Identify opportunities for further pro-poor intervention. (see Box 2)	Total direct and indirect earnings of the poor equate to 27% of tourist expenditure. Earnings via the food chain are largest, crafts are second. These indirect linkages between tourism and the poor are much more significant than those arising from workers directly employed in the tourist sector. Recommendations included deepening agricultural supply chains, maintaining crafts as a destination highlight, and re-orienting rural excursions towards income-earning opportunities for residents.
<i>Gambia</i> Holiday package tourism and the poor (Mitchell and Faal, 2006 and 2007)	Assess tourism poverty linkages in The Gambia and advise on how to enhance pro-poor impacts	Over half of total tourist expenditure is spent in the Gambia – of which about 14% is earned by the poor (mainly via craft sales, food supply and hotel jobs). Higher-than expected linkages result from high out-of-pocket expenditure and a supportive informal sector business association. It was recommended to strengthen local food supply chain, work to maintain a vibrant craft sector and improve the business environment.

Destination	Main Purpose	Main Findings
<i>Vietnam</i> Participatory Tourism Value Chain Analysis in Da Nang, Central Vietnam (Mitchell and Phuc, 2007)	Participatory analysis of the tourism value chain to create jobs and reduce poverty	<p>About 26% of the tourism expenditure at the destination flows to poor people in the local economy. Three beneficiary groups capture about one-third of the pro-poor benefits each: direct tourist sector employees (hotels, restaurants); tourist sector enterprises (taxis, massage workers, guides); and local crafters and farmers.</p> <p>Recommendations include encouraging upmarket beach resort development and longer visits. These will benefit poor the most, although strengthening local linkages will have additional beneficial impact.</p>
<i>Ethiopia</i> Value chain analysis of Cultural Heritage Tourism (GDS, 2006), and Strategies Recommendation for Pro-Poor Tourism (Mann, 2006)	To propose a viable strategy for growing tourism while supporting government goals for poverty alleviation.	<p>Weak and shallow supply chains due to multiple constraints. Low discretionary spending is due to the low quality of goods for sale; difficulties in accessing foreign exchange facilities; and lack of availability of appropriate goods and services.</p> <p>Recommendations include reform in the legal and regulatory environment; a small matching grant fund focused on tourism-SMEs; skills development; and new mechanisms for accessing markets such as www.worldhotel-link.com.</p>
<i>Mozambique</i> Assessment of Tourism Value Chains (FIAS and OECD, 2006)	To examine constraints and challenges and increase share of value added in tourism	<p>Competitiveness barriers across a range of products (fly-in, self-drive) were identified. Recommendations to tackle them include: overhaul of visa and transport systems, investment in marketing, enhanced support for investors, promotion of business tourism, and other marketing investments.</p>
<i>Sri Lanka</i> Tourism sector VCA (Carl Bro, 2007)	To identify options for improving productivity in the SME tourism sector and design enterprise support.	<p>Weaknesses in the value chain that constrain SMEs include limited communication with government, weaknesses in market development, lack of training and absence of modern business systems.</p> <p>Recommendations to increase entrepreneurship, productivity and standards in the SME sector include support to business and technical skills, and re-establishing the security situation.</p>

Destination	Main Purpose	Main Findings
<i>Samoa</i> Tourism Led Poverty Reduction Programmes (Sofield and Tamasese,2011)	To assess leakages of the Food and beverages supply chain in Samoa and identify ways to increase linkages between the hotel / hospitality sector and the local agricultural sector.	The size of the tourist market is that tourists in fact represent two very distinct markets with very different patterns of consumption and expenditure – 60% visitor stays at private accommodation as Visiting Friends and Relatives (VFR). It may be possible to systematise the hotel/accommodation purchasing and build new points and greater efficiencies into the existing situation with more farmers directly engaged in the process because of regular bulk purchasing.

Source: Mitchell and Ashley, 2007; Sofield and Tamasese, 2011

As mentioned in Chapter 1, although VCA is being increasingly used by tourism researchers and donor agencies abroad, its application in Malaysia is in its infancy, and has yet to be implemented in tourism destination. Therefore the lessons learnt from other case studies would be to map linkages between the tourism settings and intersectoral activities within the case study area for this research. In order to do that, the whole chain should be examined instead of focusing on isolated community based tourism projects or processes. Further discussion will be elaborated in Chapter 3 on how VCA would be able to use as an approach to measure the linkages between tourism and intersectoral activities in the case study area.

2.7.2 Pro-Poor Value Chain Approach

The Pro-Poor Value Chains approach concentrates specifically on mapping the participation of the poor (Rylance et al, 2009). This view is supported by Spenceley (2010): one of the '*truisms*' of tourism is that it can be used as a tool to reduce poverty in destinations. However, aside from direct employment, there are often limited indirect benefits such as from procurement of goods and services, unless there is an active

program to strengthen value chain linkages for the poor or to create ‘inclusive businesses’ (Spenceley, 2010). Donovan (2008) supported the argument in describing how a change in the operation of the value chain can give potential benefits for the poor in three different ways: 1) Increased access to the tourism value chain to more poor people, thus creating new entrants, for example expanding sub-sectors of the chain or the total sector size; 2) Increased income for existing poor participants in tourism such as in helping them to upgrade to new, more profitable activities; and 3) Increased non-financial benefits to poor households, for example greater gender equity.

Initially, the Overseas Development Institute focused on helping the poor benefit from improved agricultural activities through its research (ODI, 2006) and adopted value chain analysis in addressing performance of the poor related to agricultural activities. Through its projects, ODI has gathered valuable findings which show that performance and benefits along a production chain can be significantly improved when the value chain is upgraded as a whole. Realizing the potential of VCA, ODI and other organizations (e.g. Department for International Development (DFID), Netherlands Development Programme (SNV), United Nations Development Programme (UNDP), Asian Development Bank, World Bank, and USAID) have expanded the application of VCA to measure the performance of tourism activities.

Pro-poor tourism recognizes that different types of tourism have different patterns of benefit flows to the poor with a specific focus on strengthening linkages with the local economy and local people within it (Mitchell & Faal, 2006). When value chain analysis is used, it should be able to describe the tourism system economy, its revenue streams and beneficiaries, in particular the poor. The poor, as individuals and communities, are generally keen to get involved, reckoning on potential benefits. Goodwin (2007) noted that there are two principles that will make an intervention more attractive: 1) Employment of one member of a household in a tourism enterprise, which can make a significant contribution to the economic security of the household, without creating dependency; 2) the poor are generally not in a position to take risks – opportunities

requiring low levels of investment, and based on existing livelihood assets, are more likely to be attractive to them and provide sustainable incomes.

2.7.3 Agricultural Linkages with Tourism

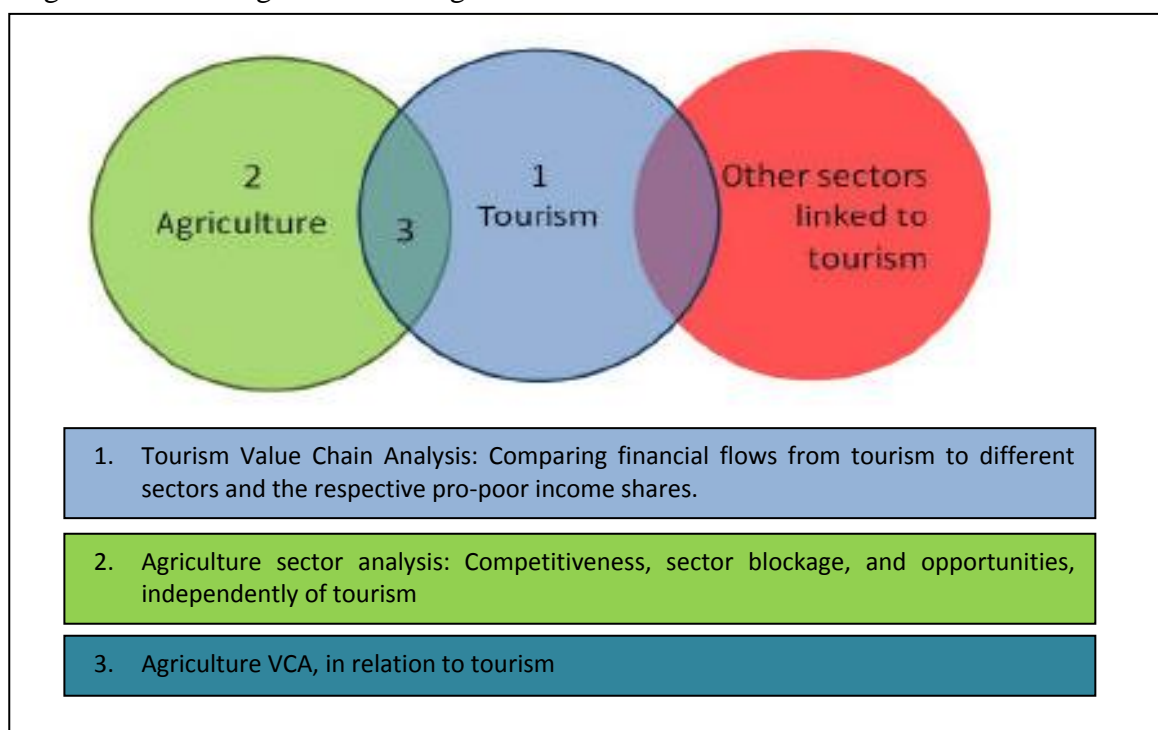
Studies have shown that there are linkages between tourism activities and local agriculture (Ashley and Haysom, 2005; Ashley, 2008; ODI, 2009; Sofield and Tamasese, 2011; Spenceley et.al, 2009; Torres, 2002; Pillay and Rogerson, 2013). As argued by Berno (2011), there has been little attention in the tourism literature to consider the relationship between agriculture and tourism. The most significant available studies on agriculture-tourism linkages include Samoa, Bolivia, Mexico, Fiji, South Africa and the Caribbean (Berno, 2011; Rueegg, 2009; Pillay and Rogerson, 2013; Telfer and Wall, 1996, 2000; Torres, 2002, 2003; Toress and Momsen, 2004, 2011; Sofield and Tamasese, 2011). Since agriculture is often the principal sector for employment in many developing countries especially rural poor, and tourism offers additional opportunities for income generation, it is important to adapt the agriculture sectors so that the tourism enterprises are able and willing to source production locally and the poor communities can benefit from the tourist dollar (Spenceley et.al, 2009; Spenceley, 2010). Linkages between agriculture and tourism not only result in higher levels of economic retention but also can contribute significantly to the philosophy of sustainable tourism (Berno, 2011; Pillay and Rogerson, 2013).

According to Ashley & Mitchell (2007), most research has focused on product value chains, including agricultural commodities and industrial clusters. Undertaking VCA in a tourist destination requires estimating the value of total tourist expenditure and disaggregating this into the different functional areas (i.e. accommodation, food and beverages, shopping, transport, excursions, etc.) where spending takes place. The 'value' in each functional area is then assessed to estimate the proportion that accrues to different participants and whether there are barriers to entry or other constraints on the returns to those participating in the value chain. Therefore, in this context it is necessary

to link the current agriculture sector value chain analysis to be expanded to encompass forms of agri-tourism and the potential for linkages into rural community poverty alleviation (Sofield, 2005). The capacity of destinations to capture gains from tourism growth depends critically upon the local linkages in value chains (Christian, Fernandez-Stark, Ahmed & Gereffi, 2011). With particular reference to developing countries, the maximization of tourism's potential impact to the well-being of local communities requires consolidation of economic linkages (Rueegg, 2009; Scheyvens, 2011).

Box 2.2, Box 2.3 and some case study in table 2.1 provide examples for these linkages. Figure 2.15 shows the agricultural linkages with tourism and the key analysis involved in this relationship, which is further discussed in chapter 5 and 6 in related to this research.

Figure 2.15: Linkages Between Agriculture And Tourism



Source: ITC, 2009

Box 2.2: Relationship between Tourism and Agriculture Value Chain in Luang Prabang

A pro-poor value chain diagnostic in Luang Prabang estimated that around \$3 million of the \$7 million spent by tourists per year on food and beverage was reaching semi-skilled and un-skilled groups. It concluded that this was the largest component of pro-poor income, and also a key area for further expansion. However, it could not distinguish further between the income accruing to market vendors, meat producers, fish sellers, or fruit and vegetable growers, so was of limited value in assessing which poor could be assisted through what intervention. Another analysis in Rwanda faced a similar problem, identifying food purchases by city hotels as potentially the most important flow, but the question of whether and how the poor could access this food chain was the most important determinant of pro-poor impact.

By contrast, a value chain diagnostic study in Ethiopia included a food supply chain specialist, and explored the issue of fish supplies to hotels. Without this specialist, the researchers would be able to estimate the quantity and cost of fish purchased by hotels from the first tier of suppliers, where the price averages \$3.7/kg. But they would know little about how much actors in different nodes of the supply chain received. However, a sector specialist enabled the team to work upstream through a number of chain actors before getting back to the 2,000 fishermen who typically receive \$1/kg for their catch – landed in Lake Chamo some 400km south of Addis.

Understanding this chain was essential to understanding the capture of pro-poor income. Most of the intermediaries between the hotel purchaser and the fishermen are not ‘poor’ and so only about 27% of hotel fish purchase costs should be classified as pro-poor income.

Source: Ashley, 2006a

Box 2.3: Sandals Resorts, Jamaica – Success in Sourcing Local Food from Farmers

The Sandals Group is a large all-inclusive resort chain with properties in Jamaica, Bahamas, St. Lucia and Antigua. With 6,000 employees, Sandals is one of the largest employers in the Caribbean. Their approach to developing agricultural supply linkages has been quite distinctive, going beyond just increasing their own demand for local products. Sandals' Farmer Programme in Jamaica began in 1996, with the aim of developing good working relationships between farmers and hotels by improving the quality of produce, developing proper pricing arrangements, and improving communications between farmers and hotels. Thus the initiative works across supply, demand and marketing.

Key elements of the approach include: 1) A farmer extension officer, funded by Sandals, who works directly with farmers on improving production; 2) Collaboration with various other organisations, particularly on agricultural support, including the Rural Agricultural Development Authority (RADA) and Continuing Education Program in Agricultural Technology (CEPAT); 3) Management teams from the hotels visit farmers, holding and attending workshop days with them to discuss quality and marketing procedures. Farmers visit the hotels to see how their products are being utilised and why Sandal's specifications are important; 4) A focus on improving pricing and contractual arrangements concerning volumes to be traded

Problems have also been encountered. The initial problems for farmers were: 1) Problems relating to production (e.g. lack of water supply; lack of packing material); and 2) Problems relating to sale of the produce (e.g. inconsistent supply orders; lack of communication). Despite initial problems, progress has been made. The project began with ten farmers supplying two hotels, but now involves 80 farmers across the island. Within three years sales have risen from US\$60,000 to \$3.3 million. Farmers' income has increased and is more reliable, while hotels have gained from a wider variety of good quality local produce and cost savings. The programme has now been expanded to St Lucia and Antigua.

Source: Lengefeld and Stewart, 2004

Based on Telfer and Wall (2000), the benefits of tourism to a destination can be enhanced by expanding the backward economic linkages through increasing the amount of local foods used by the tourism industry such as at restaurants and hotels. Strengthening and enhancing linkages between agriculture and tourism presents significant opportunities in order to stimulate local production, retaining tourism earnings in the locale and improving the distribution of economic benefits of tourism to rural poor (Torres, 2003). Trejos and Chiang (2009) stated that the development of linkages in community-based tourism is an important part in maximise the benefits of tourism development for rural communities, and where feasible, agriculture.

2.7.4 Components and Steps of VCA

Value chain analysis is a useful way of organising “a chaotic reality” (Ashley & Mitchell, 2008, p.3) and beginning to see the linkages between different firms and actors of the economy. This is the case, even if a value chain approach will not form part of the subsequent analysis. Mitchell & Le Chi (2007) and Ashley et.al. (2009) stated that the key components of a tourism value chain which includes four main components:

- a) *The key tourism ‘nodes’ of the value chain with greatest potential for reaching the poor:* Including accommodation, food, entertainment, shopping, excursions and transport. These nodes can be represented differently in contrasting destinations where most destination have accommodation, food, shopping and excursions, however sometimes local transport could be included in the excursions’ group, and occasionally entertainment has been separately analysed from excursions.
- b) *Direct service providers:* Establishing an inventory of who are the direct service providers in a destination is one of the most critical first actions in a value chain analysis. If this is not done thoroughly, data gathering exercises, such as a sample of hotels, can be undermined by lack of representation. Even worse, it

may be possible to miss out on a whole category of tourism service providers, like guides or ground handlers.

- c) *Tourism support institutions*: these are the organisations that create (or fail to create) the enabling environment within which the tourist sector functions.
- d) *Non-tourism sector*: Tourist demand normally has impacts on the local economy well beyond the hotels, restaurants and tour buses that constitute the ‘tourist sector’ in the national accounts. Mapping the value chain helps to get a clear understanding for which bits of the non-tourism destination economy are driven by tourist demand, such as construction of tourist assets, crafts and food supply chains.

With reference to the literature reviewed, few studies and research outlined the elements of ‘what to do’ in pro-poor value chain assessment. Ashley et.al (2009), Ashley (2012) and ITC proposed eleven steps which are divided in three different phases (Table 3.1).

Table 2.2: The steps involve in Pro-Poor Value Chain Analysis

Phase	Step	Description
Phase 1 Diagnosis	Step 1	Preparation
	Step 2	Map the big picture: enterprises and other actors in the tourism sector, links between them, demand and supply data, and the pertinent context.
	Step 3	Map where the poor do and do not participate.
	Step 4	Conduct fieldwork interviews in each node of the chain, with tourists and service providers including current and potential participants.
	Step 5	Track revenue flows and pro-poor income and estimate how expenditure flows through the chain and how much accrues to the poor. Consider their returns and factors that enable or inhibit earnings.
Phase 2 Identify and Appraise Opportunity	Step 6	Identify where in the tourism value chain to seek change: which node or nodes?
	Step 7	Analysis of strategies: undertake a SWOT analysis to analyse internal and external factors influencing project outcomes.
	Step 8	Analyse blockages, options and partners in the nodes selected, to generate a long list of possible interventions.
	Step 9	Prioritise projects on the basis of their impact and feasibility.
Phase 3 Programming	Step 10	Project idea: to give a clear and logical statement of the project set-up including a tentative budget and time frame.
	Step 11	Project programming.

Source: Ashley et.al, 2009; ODI, 2009

This opportunity study aims to show how to identify viable interventions so that practitioners could promote poverty alleviation. It is a tourism-led poverty reduction approach to development which fosters links and interaction between different actors in the tourism industry which stimulates the local economy, integrates women and stresses the involvement of local communities (Leclercq, 2009).

2.8 RESEARCH WAYPOINT ON UNDERSTANDING TOURISM-POVERTY LINKAGES

Generally, in this chapter, studies on tourism development, poverty issues and rural areas, especially in developing countries, have been reviewed and the related terms used in this research have been refined with reference to the existing definitions discussed in the literature. Special attention was given to tourism effects on local communities regarding economic, socio-cultural and environmental dimensions. The literature review so far has identified that tourism development can contribute positively to economic growth, social-cultural change and even nature conservation in the local communities, although some negative impacts occur. Throughout the reviewed literature, it has been identified that it is important to address how to adapt tourism value chain analysis in mainstreaming rural poverty alleviation endeavours.

Strengthening linkages between tourism and the local economy is one of the most effective ways to promote pro-poor tourism because it directly engages with building linkages between the tourism sector and the poor people (Mitchell and Faal, 2006). The best way to help the poor is to have a value added tourism in which there are many linkages, an approach which aims to actually enhance the relationship between tourism and the poor itself and this is where tourism value chain analysis enters the scene as an enabling tool.

In summary, it can be said that the value chain analysis framework when applied to tourism can be effective in determining the linkages between the industry and local economic activities that can be used for poverty alleviation. This approach is based on

pro poor growth principles, on a holistic understanding of development and poverty. There is as yet limited literature on this aspect of VCA because of a relative lack of academic input (probably less than 20 tourism academics world-wide are actively engaged in the field of VCA), so this research will attempt to explore and scope out this innovative approach which in many ways is still in the process of being empirically tested and tends to be contentious and prescriptive. However, it brings together several important concepts useful to develop and manage tourism for poverty alleviation. On the one hand, the literature shows that tourism for poverty alleviation efforts mainly put the onus of poverty alleviation on the tourism industry and tourism policies. On the other hand, the linkages between rural resources particularly in local economic activities such as agriculture and tourism nexus are an obvious area for the application of value chain analysis.

This literature review confirms that the combination of mainstreaming, value chain analysis and local linkages related to tourism for poverty alleviation is not fully tested in rural areas. Strengthening linkages between tourism and the local economy is one of the most effective ways to promote pro-poor tourism because it directly engages with building the linkages between the tourism sector and the poor (Mitchell and Faal, 2006). Thus, it is concluded that a better way to help the poor is to have a value added tourism in which there are many linkages, an approach which aims to actually enhance the relationship between tourism and the poor themselves and this is related to tourism value chain analysis, which will be the centre of the conceptual framework in this research explained in the next chapter.

CHAPTER 3

Research Design: Conceptual Framework and Methods

3.1 INTRODUCTION

This chapter describes the research design of this study to explore the relationship between tourism and rural poverty alleviation. The research will adapt Value Chain Analysis in order to define and/or expand opportunities to bring community activities into the earning powers of tourism.

The aim of this chapter is to help in addressing the research objectives and answer research question 1 and 2 (see chapter 1). In order to do so, the chapter begins with an outline of Tourism Value Chain Analysis (TVCA) as the major conceptual framework for this research. The different processes for undertaking a value chain analysis that were introduced by ITC and DFID in 2008 and 2009 are assessed for relevance to a Malaysian rural context, and adaptations suggested. The rationale for the application of the TVCA in the study area of Setiu Wetland is also discussed,

3.2 NATURE OF THE RESEARCH

According to Veal (1997), research consists of two important elements. The first is ‘finding out’ what is happening and what is the situation. The second is ‘explaining’ how do things happen, why do they happen the way they do, and what causes the different phenomenon. In relation to this, Stebbins (2001) categorizes types of research based on their function, which are:

- a) *Exploratory research* – finding out and seeks to discover the range of issues and concepts within the area of investigation.

- b) *Explanatory research* – explaining how or why things are as they are and using this to predict.
- c) *Evaluative research* – arising from the need to make judgements on the success or effectiveness of policies and programmes.

Among Stebbin's (2001) three approaches, the exploratory approach is considered most appropriate to this research. As Stebbin (2001: p.3) stated that exploratory in the social sciences is defined as, "[A] broad-ranging, purposive, systematic, pre-arranged undertaking designed to maximize the discovery of generalisations leading to description and understanding of a particular area in social life". Research can bring up a whole range of related issues, and it is important to focus on the central questions and findings from exploratory research can be used to develop a more extensive research endeavour. The skill in using exploratory research is to be flexible in looking for data and open-mindedness about where to find it (Stebbins 2001). This research can be reflected as exploratory research because the understanding of tourism for rural poverty alleviation using value chain analysis to discover the linkages between them is still in a relatively early stage and has received little systematic empirical scrutiny with the exception of just a small number including Ashley, Spenceley, Mitchell, Roe, Faal, Coles, and etc. (see chapter 1 and 2).

This research seeks to fill a gap in the understanding that exists concerning the economic linkages between tourism development, poverty issues and rural development using tourism value chain analysis by applying it to appropriate local economic sectors which affect the Setiu Wetland community. Value Chain Analysis (VCA) is a recognized methodology for examining all relevant activities and processes, and filters out those which have a critical relevance for improving competitive performance. While the application of VCA is common in agriculture and the manufacturing industry, it is worth nothing that there is by comparison only limited research available on the application of VCA in the tourism area.

3.3 RESEARCH METHODOLOGY

3.3.1 Mixed-Method Approach

A mixed-method approach was used in this research, as both qualitative and quantitative methods of data collection and analyses were used to address the research questions. *“Mixed-method research is formally defined as the class of research where the researcher mixes or combines quantitative and qualitative research techniques, methods, approaches, concepts or language into a single study”*(Johnson and Onwuegbuzie 2004: p.17). The integration of qualitative and quantitative methods aims at combining the strengths and overcoming the weaknesses of both approaches.

Johnson and Onwuegbuzie, (2004: p.20-22) distinguish two major types of mixed methods research: a mixed-model design, whereby qualitative and quantitative approaches are mixed within or across the various stages of the research process, and a mixed-method design, whereby an overall research study includes both a qualitative and quantitative phase. However, Mayring (2001) proposes four (4) possibilities of combining qualitative and quantitative research:

- a) *Exploratory or preliminary study model*: qualitative and quantitative methods are applied in sequential order; qualitative data collection is aimed at investigating a field, developing hypotheses and creating instruments for subsequent quantitative measurement or hypotheses testing;
- b) *Generalisation model*: a qualitative study is undertaken and completed, while in a second step this qualitative material is used for further quantitative analysis to derive both theory and generalizable results;
- c) *Elaboration model*: a quantitative study is first undertaken and completed, while in a second step a qualitative analysis is done to investigate and understand the results and the problem in-depth and derive new theoretical insights;

- d) *Triangulation model*: the research question is approached from several points of view applying several methods; both qualitative and quantitative procedures are combined in order to cross-validate or corroborate findings of the two approaches; the different methods applied remain autonomous, operating side-by-side, the meeting point being the issue under study (Mayring, 2001: p.21-25; Flick, 2006: p.265)

The use of mixed-method approach was chosen in this research as the most appropriate way to address the research questions and as a triangulated research strategy. Triangulation as described by Cohen, Manion and Morrison (2007, p.141), is '*the use of two or more data collection methods in the study of some aspect of human behavior*'. This design is been chosen because one data collection provides strengths to '*offset the weaknesses of the other data gathering methods*' (Creswell, 2005, p.514). This research used triangulation approach as an effective way of building cross-validation into research design by increasing the reliability of the data (Tellis, 1997). There are four basic types of triangulation which has been stated by Denzin, (1978):

- a) *Data triangulation*, using a variety of data sources in the study
- b) *Method triangulation*, using multiple methods to study a single problem, such as a combination of qualitative and quantitative methods;
- c) *Investigator triangulation*, using different researchers to look into the same data; and
- d) *Theoretical triangulation*, using multiple perspectives to interpret a single set of data.

Although triangulation is suggested for a multiple methods approach, if carried out '*without any cross linkages between and systematic planning of these collection methods, it is simply a multi-methodological approach with limited cross-validation of the results*' (Oppermann, 2000: p.141). Oppermann (2000) emphasizes a crucial component of triangulation which is that measures need to be interrelated, meaning they all have to relate to the same triangle in question. As a result, triangulation not merely

combines two or more methods, but involves careful consideration in terms of choice of methods (Jick, 1983) and designing the analysis structure (Oppermann, 2000).

Qualitative Approach

Most exploratory research is dominated by qualitative data (Stebbins, 2001) although it is criticized for overlooking canons of good science (Phillimore and Goodson, 2004). Its advantage however, is that the researcher probes the problems without having predetermined ideas about the research setting. This helps not only to define the information needed and the boundary of the problem, but also produces a wealth of detailed information about a much smaller number of people and cases. This can also help in interpreting the findings from a quantitative study, which generally follows qualitative exploration of a problem or phenomenon. Qualitative procedures provide a means to access and understand unquantifiable facts about actual people and their worlds and how people perceive things where case studies become more meaningful and in-depth with qualitative data (Yin, 2003b).

Literature on poverty studies and pro-poor tourism in rural areas (Meyer, 2003; Ashley, 2002; Ashley et al., 2000) has emphasized the relevance and importance of a qualitative approach in conducting research in these areas. However, combining the approach with quantitative data aiming to answer the research question of this study especially requires cross validation (Calvalho and White, 1997). Though this research is predominantly qualitative, some quantitative data also will be used to support an understanding of the scale or volume of tourism and poverty context in Setiu Wetland, Terengganu.

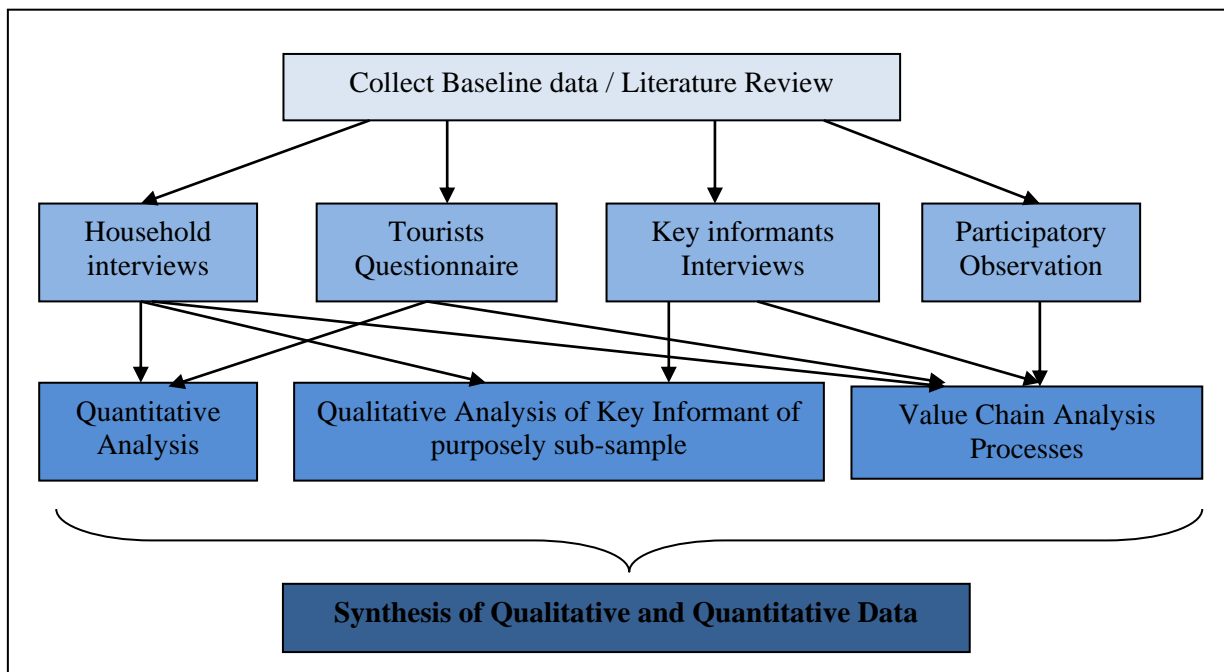
Quantitative Approach

According to Patton (1990), the advantage of a quantitative approach is that it makes it possible to measure the reactions of a large number of people to a limited set of questions, thus facilitating comparison and mathematical aggregation of data. This gives a broad, generalizable set of findings '*presented succinctly and parsimoniously*' (Patton, 1990:p.60). The weakness of the quantitative approach is that the research questionnaires are predetermined and the interviewee has to follow the rules designed by

the researcher. Understanding the deeper meaning behind responses and phenomena is restricted by this ritualized process. However, these weaknesses can be overcome by the combination of a qualitative and quantitative approach.

This research is an example of this combination of qualitative and quantitative approaches by utilizing: 1) a questionnaire-based survey among local communities and tourists who visit the area; and 2) undertaking expert or key-informant interviews (see figure 3.1).

Figure 3.1: Integrated Assessment Process for the Research



3.3.2 Case Study Research

Case study research is an all encompassing research method covering the logic of design, data collection methods and specific approaches to data analysis (Yin, 1994). A case study is a methodological choice where the desire is to understand complex social phenomena. It is an empirical inquiry where the case under study is not easily distinguishable from its context (Yin, 1994; Yin, 2003a; Finn, Elliott-White & Walton,

2000). It helps in detailed investigation and analysis of the context and the processes that are being researched (Yin, 2003a; Finn et al., 2000). Case studies provide richness and uniqueness in data as they help to gather knowledge from a number of direct and indirect sources. Nevertheless, case study research is not sampling research, where selecting cases must be done to maximise what can be learned in the period of time available for the study (Shih and Wen, 2005; Jamieson and Sunalai, 2008). According to Tellis (1997), a case study approach allows multi-perspective analyses. Generally, Yin (1994) suggests that a case study approach has four stages: 1) design of the case study, 2) conduct of the case study, 3) analysis of the case study evidence, and 4) the development of the conclusions, recommendations and implications

Case study research usually combines qualitative and quantitative data, though, depending on the case or the purpose of the research, either may be chosen to be the predominant form of data or enquiry (Stake, 2003, Yin, 2003a). It relies on multiple sources of evidence, and triangulation can be used to improve validity of data collection and analysis (Veal, 2006). According to Yin (2003b), identified some specific types of case studies: exploratory, explanatory, and descriptive. Exploratory cases are sometimes considered as a prelude to social research. The explanatory case studies may be used to identify causal relationships; and descriptive cases require a descriptive theory to be developed before starting the research. In all of the above types of case studies, there can be single-case or multiple-case applications. This study is more exploratory also because case studies can lead to serendipity, which can be a valid rationale of such research (Platt, 2006).

In view of these basic features of the case study approach, an instrumental case study is considered appropriate to fulfill the objectives of this research within which, operationally, the conceptual framework of value chain analysis was carried out.

Case Study Selection

It is important to highlight that the case study within a specific geographic area has been used widely in the existing literature of community based tourism or in relation to

tourism in the rural area. As discussed in the literature, every community-based tourism or/and rural tourism is unique and therefore any research that concerns community tourism should refer to a specific area as a case study (Beeton, 2005). As each rural area is unique, each has a different experience in handling tourism and therefore requires specific examination for that particular area. Therefore, a similar approach (in terms of focus for a specific rural area in developing countries) is also appropriate in the context of this research.

According to Ryan (1995: p.115), case studies are common in the tourism literature, especially when the concern is to describe the evolution of development variables such as *'descriptions of spatial change of destinations, the management of tourist flows ... or assessments of physical change due to tourist developments'*. In a broader social science perspective, where tourism research is also applied, Bromley (1986: p.7) refers to the case study as *'a general term widely used, especially in the social and behavioral sciences, to refer to the description and analysis of a particular entity (object, person, group, event, state, condition, process, or whatever)'*, in where *'such singular entities are usually natural occurrences within definable boundaries'*. Similarly, Creswell (1998: p.61) also refers to a case study as *'an exploration of a "bounded system" or a case (or multiple case) over time through detailed, in depth data collection'*. Therefore, compared to other research strategies, the case study is used for investigations in which the cases are relatively small, or sometimes just one, where the information to be gathered and analyzed is about a large number of features in that particular case (Hammersley & Gomm, 2000). Thus, it can be concluded that the case study is preferred when the research requires the understanding of the whole context of the phenomenon that has been studied.

This reflects the nature of this research, where the use of the case study approach as a research strategy will be able to provide an analysis of context and process involved in the phenomenon within the selected case study.

Since many rural areas are located in underdeveloped or impoverished areas, the economic development of local communities and the improvement of local residents' living standards are significant issues for sustainable development. Participation of local communities is seen as the key to successfully sustaining the development of tourism in rural areas of Malaysia. However, there is very low local participation in most of the tourism activities in these areas. Another important element is the low level of education of many local people. Because of poverty, there are only a few people with higher levels of education in local communities. This directly limits their ability to undertake jobs and activities that need more knowledge and skill. Usually, at the initial stage of tourism development, most jobs go to employees from outside of the area, because of their higher education.

An important part of instrumental casework is the selection of the case/s and, where necessary, selection of the cases within a case (Stake, 2003). Selection of the case or cases depends on the purpose of the research, objectives of the research, the researcher's familiarity or accessibility to the case and what opportunities it provides to learn from (Stake, 2003; Veal, 2006; Finn et al., 2000). In this context, the aim of the research is relevant to the purpose of using case study as a research strategy, which is to understand the linkages between tourism and local economic development and thus, making the case study approach more appropriate. This complexity of linkages is also relevant to different disciplinary perspectives as shown in the conceptual framework of the research (see chapter 1), based on the criteria of rural poverty, tourism development in rural areas, indicators of value chain analysis and case study research methodology. Hence, the research questions were examined within the geographical and jurisdictional boundaries of Setiu Wetland, Terengganu (which covers 10 villages) in the east coast of Peninsular Malaysia (see chapter 4 for more details on case study area).

The country of Malaysia was chosen as the location for the research based on several considerations (refer to Map 4.1 in chapter 4). It was listed in the top ten tourist destinations according to international visitor arrivals statistics in 2012 (UNWTO, 2012), and was amongst the first developing countries to define a 'National Poverty Line

Income' (PLI) (EPU, 2007), making it a very relevant location to pursue research on this topic. Setiu Wetland was selected as the instrumental case to be studied in this research, because the PLI identified it has significant pockets of poverty, and it is also a growing nature-based tourism destination with special attention from the local authority in targeting eco-tourists (ECERDC, 2010). Thus, this considered to have potential to study the effects of tourism on alleviating local poverty. On a personal note, Setiu Wetland was considered an appropriate case study area due to the researcher's familiarity with the area and professional network that could facilitate access to data, requiring care in avoiding potential bias due to researcher attachment to this area. Setiu Wetland is considered an appropriate case study because it has been identified by the state government as one of the poorest areas in Terengganu (Tourism Malaysia Terengganu, 2013). On the other hand, it has potential as a developing tourist attraction especially because of its agricultural, natural, heritage, and cultural resources that are largely untapped or neglected. Some of these are assets to which the poor have access (refer to chapter 4 in discussing in details on case study area).

Additionally, tourism has been an important catalyst in the creation of employment and income distribution for local communities in Malaysia. The Ministry of Tourism has always focused its tourism development plans on the well-being of the local community, to benefit from its growth (Wee, 2005). The Malaysian government has a clearly stated policy of embracing tourism as a means of poverty alleviation thus adding practical relevance to the case study site.

3.4 DATA COLLECTION

The data collection process for this exploratory, mixed-method, case study research was an adaptive, flexible approach with rigorous and focused emphasis on the research objectives (as per Yin, 2003b; Murray, et al., 2003; and Stebbins, 2001). Participatory research methods are useful in exploratory research and can help to unveil richer definitions of poverty. These methods provide more insight to causal processes and

provide more accuracy and depth on certain questions (Stebbins, 2001). However, inferences that can be made from data collected through participatory techniques are not usually generalizable to broader populations and the verification of information can be difficult (Calvalho and White, 1997). Three different participatory techniques were used in the collection of data in an extensive field survey where a set of methods was designed depending on different situations: questionnaire, semi-structured interviews, and the observations of the researcher, together with review of documents or archival data. For each method, guidelines were prepared.

3.4.1 Data Requirements

Defined by the main parameters of the research, the data requirements are broadly in the area of tourism and rural poverty in Setiu Wetland, Malaysia. More specifically, the data needs were guided by the research questions and the conceptual framework. According to the conceptual framework of this research, data was needed in four main areas:

- a) *The context* of rural poverty and tourism in Setiu Wetland, Malaysia: required social mapping process describing the context - data on trends and seasonality of poverty and tourism in the research area.
- b) *Elements in tourism value chain* of the local community especially the poor engaged in tourism activities and other economic activities in surrounding areas: this required data on what are the main sectors, how much and what were the effects of engaging in a tourism activity and the linkages between other economic activities (at an individual level), as perceived by the poor themselves.
- c) *Policies, institutions and processes* of tourism and poverty in local, national and even international level related with poverty alleviation and tourism development strategies; and if there were any special policies involved.
- d) *Required information* on the various organisations involved in managing tourism and poverty alleviation in Terengganu, their existing and potential roles and responsibilities, their relevant policies, plans and processes, their capacity

to undertake tourism for poverty alleviation activities, their willingness and commitment to undertake tourism for poverty reduction activities, their interactions with each other.

As Sells, Smith & Sprenkle (1995) pointed, research questions are usually ‘big’ and principled. How to operationalise such questions and sub-questions, primary data collection was crucial to answer the research questions in this study.

3.4.2 Data Sources

Both primary data and secondary data were collected. Primary data was collected from interviews, participant observations, and surveys, which revealed first-hand information for understanding the situation. Secondary data (documents, bureaucratic data and archival records generated by someone else: Veal, 2006, Jennings, 2001) was collected from published and some unpublished documents from libraries, public and private organizations and the internet.

As seen from the data requirements and the sources, it is evident that the research included a broad range of actors who often worked independently of each other, which made it difficult to gather every bit of information that could be relevant to this research. However with the help of detailed checklists the collection of the most relevant information related to the research was considered to have been gathered. Since this was a case study, it had the advantage of accessing multiple sources of evidence and cross-checking, known as triangulation. Data triangulation helped to address the complexities within an issue and to develop “converging lines of inquiry” (Yin, 2003b).

Interviews

Semi-structured interview outlines were prepared to target different groups: local village leaders, business managers, local government officials, and other related professionals and key informants. As the literature demonstrates, interviews are a source for gathering

rich, subjective and focused data (Berg, 2004) and insights into people's experiences, opinions, aspirations, attitudes and feelings (Patton, 2002). Semi-structured interviews provide the researcher an opportunity to establish rapport, gain trust and gather information on complex and sensitive issues, correct misunderstandings, carry out observations, identify respondent biases, provide advantages with respondents who have reading and language difficulties (Johnson, 2002). It help to probe further by allowing the researcher to ask follow up questions and useful to reach people who otherwise cannot be contacted via mail or phone and interviews have a higher response rate than mail out questionnaire (Jennings, 2001; Bah & Goodwin, 2003). Normally, a semi-structured interview is used to deal with complicated issues. It is an interview that is a combination of structured and unstructured questions. It includes a series of close and open questions to permit interviewees to express fully their opinions without constraint. It thus tends to derive much useful and real information by probing and following up on the unexpected issues which cannot be included in the checklist (Berg, 2004).

Thus, in the case of Setiu Wetland, semi-structured interviews were used to gauge informants' understanding of the tourism system and the economic development of the area and their role in it, and to investigate the tourism development, local poverty issues and their connections.

All outlines focused on the same research questions although they were asked from different perspectives and at different levels, based on the specific question list. No specific definition of "the poor" was given to interviewees. This was because it was considered impossible for respondents to easily measure "the poor" based on a specific definition. Since a perspective on such questions is to be sought, it was thought best to leave "the poor" defined by respondents themselves based on their viewpoints and their observation. The question was asked in both languages *Bahasa Melayu* and English since some of the respondents couldn't understand English well.

Questionnaire

Questionnaires were distributed for household surveys with local communities; the poor people especially those who were involved in the main economic activities such as agriculture, fisheries, aquaculture and handicrafts. This was important in order to understand their participation in local development. Other than that, another set of questionnaire was also distributed to international and domestic tourists in order to try to enumerate their cash flow to the study area. Since some target groups required both questionnaires and interview responses, a face-to-face administrated survey and interview was often conducted at the same time. Although examining tourist was not the focus of the study, it was deemed to provide valuable information essential to the study as multiple sources of information helps to build more thorough case in order to strengthen the study's results (Yin, 1989).

There were different forms of questions to be included in questionnaires. They included requests for information, tick-box categories, multiple choice, scales, ranking procedures, grids or tables, and open-ended questions (Gorard, 2003). In one hand, the questionnaires for the local households were translated into *Bahasa Melayu* since most of the local communities are Malay. On the other hand, the tourist questionnaires were prepared in both languages; English and *Bahasa Melayu* since it involved international and domestic tourists.

Participant Observations

Direct and participant observation (ethnographic fieldwork, in effect) also were used in this study, through activities such as roaming in local markets, staying in hotels and eating in restaurants or roadside food services, as well as participating in tours with groups of tourists organized by the only tour operator available in Setiu Wetland. These activities permitted an understanding of the tourism system operations and how the experience of tourist will affect the local economy. It should be noted that all observations are participant in nature, although of course they may vary significantly between passive and active interaction with a local community. Without any direct interaction, the very presence of an outsider may be sufficient to initiate a range of

responses and behavior from locals, such as avoidance, halting an activity or a conversation until the outsider is out of sight or earshot, removing objects or covering things up, etc. The anthropological and ethnographic literature accepted in the 1980's that there was no such methodology as 'non-participant observation' (the previously prevailing description of 'just observing without interacting') (Atkinson, 1992).

Secondary Data Collection

Documents and archives are important to corroborate evidence gathered from other sources, because they already exist and are often repositories of information that are stable, precise and quantitative (Yin, 1994). However, it can be outdated and limited and some such information must be approached with healthy skepticism. In this study, secondary documents and data included: statistical data on tourism, rural development and poverty status; planning and policy for tourism development; poverty alleviation strategies and programmes; and documents of projects initiated by governments and NGOs.

3.4.3 Sampling Design

As Gorard (2003: p.88) stated that "*A good sample is representative of the wider population, large and with a high participation rate*". In this study, the scientific procedure suggested in Gorard (2003) was considered in deciding the sample.

Choice of Economic Activities

Based on the fact that this study wanted to explore backward and forward linkages, as well as cooperation among the actors, the decision was taken to gather information on two main local economic activities where the poor are engaged (i.e. involving the transformation of raw material). This was done on the assumption of the probability of existence of linkages between local economic sectors, in this case, fisheries and handicrafts - and tourism development would be higher. In order not to bias the results, a pilot interview was conducted, where actors in the local communities and the tourism

sector were interviewed. In order to reduce a seasonality bias and to capture trends, the interviews comprised questions investigating changes over time.

Sample Selection

The literature identified that research in rural tourism and community tourism evolves mainly from local community, and is followed by the involvement of the private sector, NGOs and government. In relation to this, Gunn (2002) has identified four main groups of players in tourism and decision makers in tourism development. These are the local community, public sector (government), the business sector (private including tourist), and the non-profit sector (including NGOs representing local communities). As it was impossible for this study to cover all actors in the region and get all data, a representative sample was necessary to explore the relationships between local people and tourism development, and the local government as the key populations to be surveyed. There was a three-stage process of target group selection as mentioned by Ashley et.al. (2009):

- a) *Define the broad criteria for 'the poor'.* Criteria may include: people living on or under RM657 per month (based on the Malaysia PLI), those below the national poverty line, women, unskilled or semi-skilled workforce, those from homes without tin roofs, and so on. Samples therefore included lower income groups of local households or/and those who had been identified as poor household by the local government.
- b) *Identify particular target groups who meet the criteria.* The groups fall within the broad criteria, and their position in the value chain (or exclusion from it) implies a good chance that intervention will benefit them, at a significant scale. For example, these may be people who can provide products and services that are demanded by tourists and the private sector. In this case study, the particular target group for the value chain mapping were fisheries and handicrafts sector.
- c) *Determine the supporting key players.* The group fall within the criteria in policy makers such as local authority and national government, business contributors especially in related with tourism such as tourists and accommodation managers,

also the NGOs that involved directly or/and indirectly with the local development programmes.

Respondents in this research were selected at all levels of the relevant value chains. At the demand level, the accommodation, tour operators and restaurants were the selected research target where they featured clear tourist market characteristic such as higher price level and were responsible for much of the cash flows from tourists. At the intermediary level, interviews were conducted with the processing and distribution agents as well as with informal traders. Finally, at the supply level, interviewees were producers and suppliers of the raw material in rural communities and to minor degree in open markets (in this case they were the handicrafts producers and fishermen in the fisheries sectors).

Where possible, a snow-ball principle was used in selecting the interviewees along the value chain, starting with demand-level respondents. This method allows for informant triangulation, a technique that can be used to enhance trustworthiness in qualitative research as noted previously (Decrop, 2004). Finally, semi-structured interviews were being conducted with key informants from governmental and non-governmental institutions, where they were defined as outside observers of the value chains. According to Bryman (2001: p.324), the application of ‘snowball’ sampling is an applied method to be used *‘to contact groups of people for whom there is no sampling frame’*. In this context, there was no definitive target number of actors that represent each level of the value chain that had to be achieved when the fieldwork began, but the aim was that the total number of the respondents should represent most of the level in supply chain involved in two main economic sectors as well as the tourism planning and development in Setiu Wetland (refer chapter 6 for further details). As noted by Oppenheim (1992: p.68), *‘there can be no definitive answer’* to how many interviews should be conducted, *‘but quality, rather than quantity, should be the essential determinant of numbers’*. In addition, the effort to cover as many organizations as possible is also intended to reduce the issue of bias for the research by taking views from only one particular group of

organizations that are involved in policy making and decisions about tourism development and rural development for poverty alleviation.

Sample Size

Identification of sample size is crucial for all studies. If the sample is small, it might not reflect the real situation. If the sample is too large, it could increase greatly research costs. Therefore, it is important to identify a suitable scale of sample for each category. Given the expected coherence in household consumption and the limited diversity of activity in the fieldwork location, 300 heads of households, 136 international and domestic tourists, and 28 key informants from among accommodation managers, tour operator, actors in selected local economic sectors and institutions (local government and NGOs) were targeted. Table 3.1 indicates the sample selection, estimated sample frame and the sample used in the analysis with 90.35% response rate, achieved from the fieldworks surveys.

Table 3.1: List of Stakeholders Included in the Research

Sample Selection	Profile of Respondent	Estimated Population	Sample Frame	Sample Used in Analysis	Data Collection Technique
Head of household	Poor household (<RM1000/ USD298)	3,972	300	295	Questionnaire
Tourists	International and Domestic	19,424 (80% domestic and 20% international tourists)	136	96	Questionnaire
Accommodation Manager	All range of accommodation in the surrounding area including homestay	10	7	7	Semi-structured Interview
Key Informants of local authorities	Government and NGOs	9	9	9	Semi-structured Interview
Actors in Local Economic Sector	Involved in Fisheries and Handicrafts Sector	n/a	14	14	Semi-structured Interview
Total			466	421	

*n/a: not applicable

Source: Fieldwork, 2011

With the exception of the tourist survey, the sample frames of other respondent group were derived from seeking to access about 90% of the the estimated population of each

group (Turner, 2003). In reference to tourists, this was an opportunistic survey carried out over a limited period of time, hence the relatively small sample size constitutes a pilot survey only, so caution must be used in extrapolating findings to visitation as a whole. These sample sizes could be surveyed within the resources available for the study.

Methods of Survey

Based on the type of data collection techniques and the respondent groups, there was a few methods of survey that have been done. The questionnaires targeting local households were administered in a face-to-face interview, since the face-to-face delivery permitted a wide response and included those with low levels of literacy and those visually challenged (Gorard, 2003). Because of time limitation, a group of 4 research assistants with the tourism background were organized and trained to conduct door-to-door interviews. This allowed the investigators to spend considerable time (usually 20-30 minutes) with the household respondents and ensured completion of the full set of questions and immediate collection. Household respondents were able to understand the questions and answer in fully explanation from the investigator.

For tourist survey, the questionnaire was self-administered but with the assistance of the investigator if the question asked need more clarification. However, the presence of the investigator was less in order to create an atmosphere of trust, and perhaps leads to more truthful answers (Gorard, 2003), especially for questions related with trip expenditure at the case study area. The distribution of tourist questionnaire was done on peak season which there were maximum tourist arrival especially on school holidays and package tour. Besides, the researcher also tries to avoid doing the tourist survey on monsoon season (November to January). Questionnaires have been distributed at selected attraction sites such as beach, jetty and Mangrove Park. Not just that, the researcher distributed the questionnaires at the accommodation area especially at the lobby and restaurants in guest houses, hotels and resorts. For package tourists, the researcher has made arrangements with the tour operator and cooperated with the tour guide in order to get the maximum number of package tourists within the limited time available.

For other stakeholders involved in this research, face-to-face interview were conducted the accommodation managers, local authorities and key informants from the selected local economic sectors (fisheries and handicraft). The selection of the two local economic sectors is further explained in chapter 6.2. Since informant to be useful, they were ‘required’ to provide opinions on certain sensitive issues; it was essential for direct communication between researcher and the interviewee. Thus, being present, the researcher could observe, add field notes and ask additional related questions (Gorard, 2003). In this research, the interview is one of most important source of case study information because it targets the case study topic. The face-to-face interview can be controlled by the researcher and fully understood through interactive communication (Tellis, 1997).

3.4.4 Research Variables

Different variables were selected by the researcher to retrieve multi-dimensional information on research needs, and applied into four categories of different types of stakeholders (see Figure 3.2). To further explore the linkages between tourism sectors and other local economic activities, interviews with the key informants and local communities were expanded in order to capture the people’s sense of empowerment.

Figure 3.2: Research Variables in Value Chain Analysis of Setiu Wetland

Tourism Sector		Local Economic Sectors	Key Informants
(Tourist, Accommodation, and Restaurants)		(Fisheries and Handicrafts)	(Government and NGOs)
Accommodation Manager; Chefs; Staffs	International and Domestic Tourist	Local craftspeople, fishermen, aqua-culturists, middlemen, distributors, raw material suppliers,	Head of Village, WWF, ECER, Setiu District Office, Fisheries Dept (Lembaga Kemajuan Ikan Malaysia), etc
Variables: Jobs: <ul style="list-style-type: none">- Direct/Indirect jobs Income: <ul style="list-style-type: none">- Basic salaries scheme- Add-ons (i.e. training) Working conditions	Variables: <ul style="list-style-type: none">- Tourist Profile- Destination selection and motivation- Tourist expenditure on local products- Tourist spending behavior<ul style="list-style-type: none">o F&B,o Accommodationo Local handicrafts.o Activitieso Entertainmentso Souvenirs	Variables: Socio-economic condition <ul style="list-style-type: none">- Occupations, education level- Incidence of poverty Financial resources <ul style="list-style-type: none">- Income, type of earnings- Subsidiary / funding from institutional Tourism acceptance and expectation to gain from tourism linkages	Variables: Roles <ul style="list-style-type: none">- Government agencies- I/NGOs- Universities- Tourism industry Policies and Guidelines
Career options <ul style="list-style-type: none">- Housekeeping- Dining room and kitchen- Front desk- Supervision- Security- Etc. Purchase of goods and services <ul style="list-style-type: none">- Furniture, decorative- Housekeeping materials- Food and drinks- Guides- Transportation		Linkages with tourism <ul style="list-style-type: none">- Type of products- Earnings- Benefits Mapping the Value Chain: <ul style="list-style-type: none">- Core processes- Main actors- Value and knowledge	Partnership <ul style="list-style-type: none">- Capacity building- Funding- Marketing and Promotion- Networking- Integration approach

3.5 DATA ANALYSIS

The decision to use two distinctively different methods (i.e qualitative and quantitative methods) in the process resulted in two distinctive sets of data. Clearly, there needs to be two separate analyses within the process. This section intends to describe the approaches that will be taken in analysing these two sets of empirical data, and the process of merging the two analyses.

3.5.1 Statistical Analysis

Statistical analysis was used in this research to deal with numerical or discrete data. The quantitative data which was collected from the tourist and household distribution questionnaires formed the baseline for this analysis. All data was entered into a cluster of EXCEL databases. All analyses were carried out using SPSS 10.0 where Chi-square and t-tests were among the analysis that was used to assess whether the differences that emerged was significant. Bivariate correlation which calculates the correlation coefficients and other statistical analysis were also be applied where appropriate.

3.5.2 Content Analysis

Content Analysis is also referred as ‘thematic analysis’ (Gomm, 2004) or ‘Narrative Analysis’ (Punch, 2005). In this research, Content Analysis was used to deal with the qualitative data that collected based on interviews, observations and documents. This analysis was conducted in three steps i.e. data reduction, data display and conclusion drawing and verification. In this context, the pre-determined themes in the meaning of the whole text were determined, and then compared and contrasted between different respondents as well as seeking for causal relationships between various themes (Gomm, 2004; Jennings, 2001).

3.5.3 Value Chain Analysis as Research Analysis Tool

A significant reason why Value Chain Analysis is considered as an appropriate conceptual framework for this research is because it opens up to examination all relevant activities in local economic development which link to tourism and thus assists in identifying opportunities for poverty alleviation through a range of supply chains. Mitchell's & Coles' (2011: p.8) analysis of VCA studies revealed four important implications concerning the rural poor: 1) the external enabling environment has a significant impact on the viability of rural value chains; 2) rural poverty will not be reduced purely by the actions of public policy makers even though there are conducive agricultural, educational and environment policy being formulated for this purpose; 3) making significant progress in reducing rural poverty requires a response from low-income communities to engage with the market; and 4) the 'right road' and 'optimistic' scenarios suggest that enterprise combined with a supportive policy framework can halve the number of people living in poverty in rural areas within 20 years.

The application of VCA in tourism-related sectors has a clear objective in mind: the identification of processes and elements in the production of tourism facilities and services connected to other local economic sectors in the area need to be addressed in order to improve the capacity, competence and performance of the suppliers. VCA enables the systematic examination of the various phases of the production of tourism amenities and services or alternatively, of the consumption of these services. It helps to identify bottlenecks in particular sectors which needed to be addressed in order to map the extent to which they are linked to tourism both directly and indirectly and whether there may be avenues by which to improve the livelihood of the local community, especially the poor.

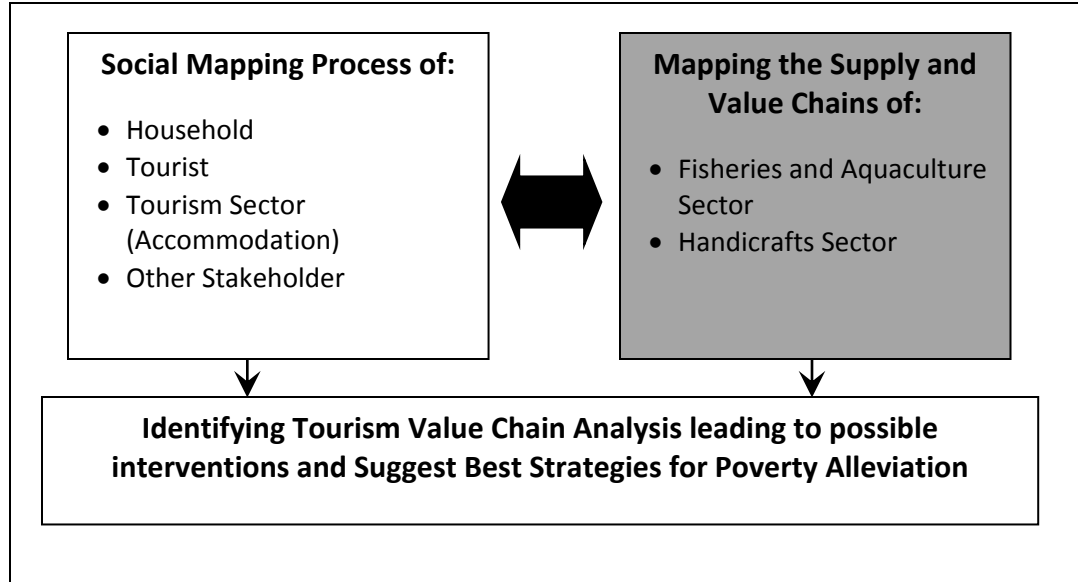
Although tourism researchers and donor agencies abroad are increasingly using VCA as a tool in tourism for poverty alleviation, its application in Malaysia is in its infancy where there was no prior research in this area. Therefore, the specific purpose of this research is to assess the economic performance of two selected chains which link with

tourism using VCA and look at the barriers and opportunities for strengthening links in the future. In essence, VCA will be used to measure the quantum and spread of economic benefits of tourism to the local economy at Setiu Wetland.

Based on an understanding of the components and steps of VCA (as discussed in 2.6.4) and based on the understanding of the nature of tourism as a system (as discussed in Chapter 2), this section interprets the essential features of VCA to suit the aim and objectives of this research, and also incorporates relevant additional details that are characteristic of the study area context.

In this research, VCA will be used as a tool to explore opportunities for the poor arising from fisheries and handicrafts activities, mapping the value chain of each of these two sectors, and synthesising the linkages with the tourism sector. In this research, these sectors were chosen based on a high level of involvement by the local poor as their main source of income, and observed as the main economic activities directly and indirectly linked into tourism. It illuminates what VCA can tell us about tourism as a tool for rural poverty alleviation, what were the appropriate entry points to apply VCA, and what modifications need to be considered to the VCA to help understand the relationship between tourism and poverty alleviation in a Malaysian rural context. It assessed income received by various factors involved in the two selected areas, fisheries and handicrafts and particularly income appropriation in the local community. It briefly discussed economic distribution in other service providers prior to arriving in the local community. Figure 3.3 illustrates the conceptual framework of adapted VCA for this research. The framework shows the steps that involved considering the VCA tools and steps explained by ITC, 2009 (refer chapter 5 and 6 for more detail) and also draws on the Manual for Poverty (M4P) which was launched by DFID in 2008.

Figure 3.3: Conceptual Framework of Value Chain Analysis in the Research



Source: Adapted after Ashley et.al, 2009.

The analysis framework of the research is divided into two main parts, namely: 1) Social mapping process of main actors and sectors; and 2) Mapping the value chain of main economic sectors. Findings from these two parts will help to identify opportunities and constraints for poverty-alleviating interventions.

3.6 LIMITATIONS OF THE RESEARCH

Before building the theoretical background for this study and looking at the results of the empirical research, it is worth considering some of the limitations that are explicit for this particular research. This research has limitations recognized to resource constraints, complexities of the parameters of the research and access to availability of data. However, throughout the research, attempts were made to minimize these limitations through systematic research design. The limitations of the research are explained below:

Complexities of the Research Parameters

The context of poverty and tourism linkage with other economic nodes into poverty are complex phenomenon and provide difficulties in setting boundaries and definitions, especially in defining poverty in different country with different economic and socio-culture background. However, in this research, the rural poverty were captured through the Poverty Line Income (PLI) set by the Government of Malaysia (case study country) as the baseline to analyse the ‘poor’ (refer to chapter 4 in describing the PLI). However, it is not possible to cover the entire tourism activities linkage with economic nodes in a rural area. Hence, as an appropriate exploratory research value chain analysis was used as a ground breaking approach to identify two types of local economic activities inter-related with tourism, namely the Fisheries and Aquaculture sector and the Handicrafts sector. Moreover, this research also was designed to evaluate only three main stakeholders (i.e. the poor, visitors, accommodation sector, and other stakeholders such as government and NGOs) which are strongly associated with the economic sectors stated above.

In the context of initial term of ‘PPT’, (see Chapter 2 quoting Meyer, 2003) difficulty was also experienced in its interpretation relative to this research. It sounded too negative for the stakeholders either from the tourism industry or poverty alleviation agencies. This research also experienced difficulty in translating the term PPT into the Malay language. Hence, during the fieldwork, elaborate phrases such as ‘tourism for poverty alleviation’ and ‘tourism as a tool to reduce poverty’ were used. As a result throughout this thesis the terms ‘tourism for poverty alleviation’ or ‘tourism as a tool to reduce poverty’ are used, unless referring to certain sources that use the specific terms of PPT or ST~EP.

Limitations of the Data

Stimulating relevant data from the government agencies, NGOs and private sector organisations in Setiu was quite a challenge since Setiu is just one small district in Terengganu, where-as most of the available data were only recorded at the state level. Moreover, data related to tourism and poverty in Setiu was not fully available at

different district or national level organisations and not fully available in every year. In some cases, only state level data were available. In some other cases, the officials contacted for data were unable to confirm the existence of or access to data. Some of the respondents especially with the private sector organizations could not provide the precise data since details were not recorded properly and some of them claimed that the data were highly confidential. Some of them were reluctant to reveal information for fear of business competition and misuse of information, even though the university approval ethical procedures were followed by the researcher (which meant that the respondents were given a written assurance that the information collected would be used only for the purpose of academic research and that strict confidentiality would be maintained). Some of the respondents gave only politically correct or appropriate responses, based on their personal opinion, which did not necessarily reflect the reality of the issues discussed.

Another issue faced was there was very little government data available on poor engaged in tourism or local economic activities' links with tourism. Although there were data provided by the Ministry of Tourism Malaysia on tourism and employment, they do not contain data on poor involvement in tourism and do not contain data at the district level. As far as the research is concerned, divergences in statistical data obtained from various sources are a common issue faced in any research. To overcome these issues related to data accessibility, availability and authenticity, strategies such as following the ethical procedures, data triangulation and content analysis were used.

Methodological Constraints

Among the methodological constraints in this research is using one case study and the ability of the research to make generalizations. However, to overcome this constraint, a case study which would represent other similar places was selected. Hence, because Setiu Wetland is characteristic of other rural areas with high statistical poverty rates but also has significant potential in tourism activities in common with many places in other developing countries, it was selected. In addition to that, only two local economic activities were chosen, which referred to the main sources of income of local poor in

Setiu Wetland. The fisheries and handicrafts sectors were selected because they represent the highest income source for the poor and demonstrate links with the tourism sector in most rural areas in many developing countries (refer to Chapter 6 for details).

Another limitation faced in methodological constraint was an opportunistic survey of visitors carried out over limited period of time for which only a small number of tourists (n=96) could be questioned. With restricted time and distance constraints, the potential to obtain a larger sample size was reduced; hence the relatively small sample size constitutes a pilot survey was derived (refer to sub-chapter 3.4.3). However, to overcome with this issue related with small sample size to represent the estimated population size, strategies such as additional set of interview questions was carried out specifically to cover certain variables in answering the research questions i.e tourist expenditure and spending behaviour on local products (refer to figure 3.2).

Resource and Time Constraints

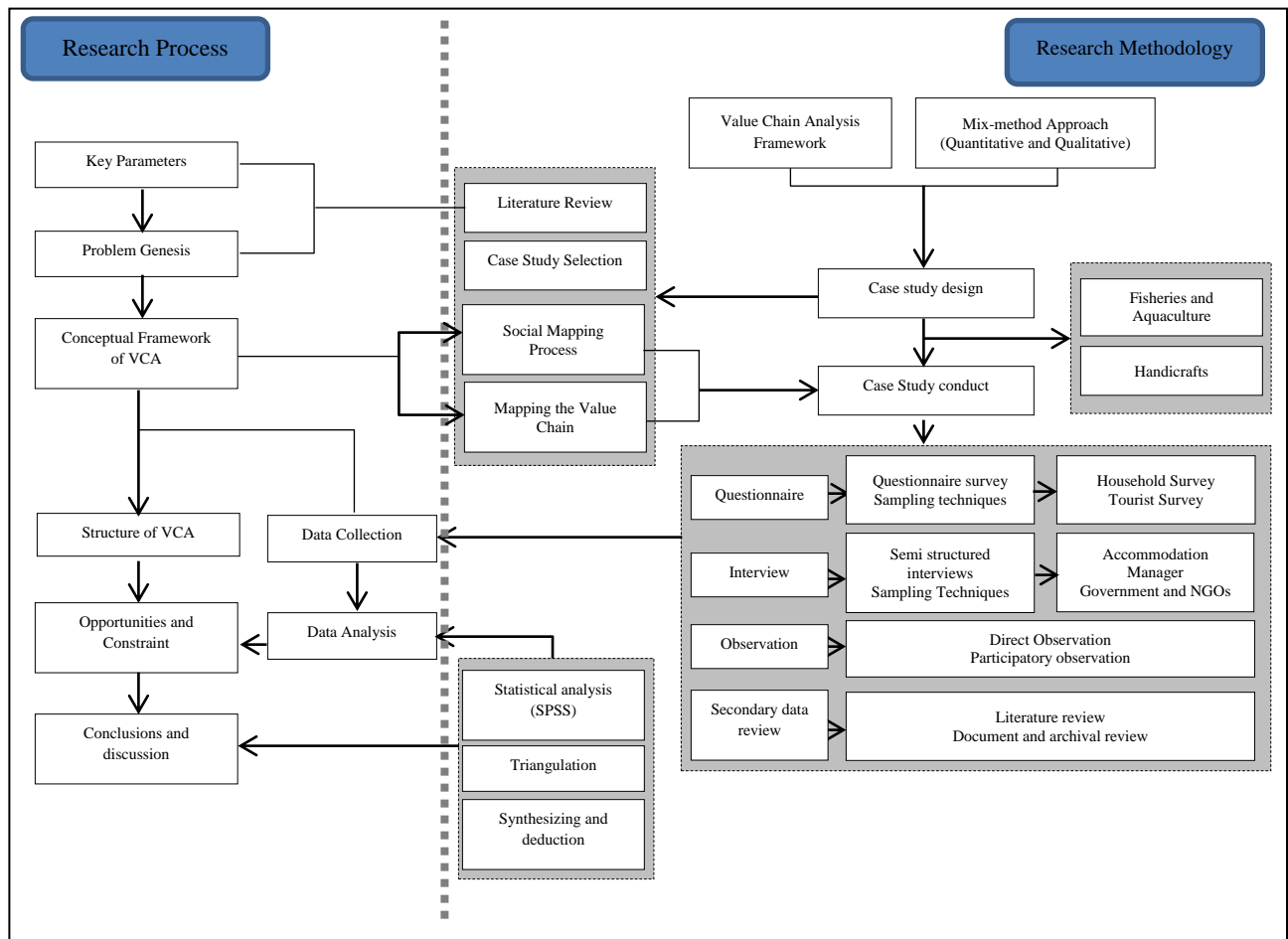
Time available to undertake this research and financial costs associated with overseas travel to the case study area, limited the research to one rural area in Malaysia and a focus on two local economic nodes to represent the pro-poor supply chains. Apart from that, fieldwork data collection was largely limited to the year 2011 when the researcher gather the primary data in study area, with the translation and interpretation constraints of the data from local language (*Malay*) to English. However, supplementary data, especially from secondary resources, continued to be gathered as it became available (e.g. most statistic on tourism visitation).

3.7 RESEARCH WAYPOINT OF THE RESEARCH DESIGN

The overall methodology that was used in this research is presented in figure 3.4. The nature of this research was to explore the complicated relations between tourism and inter-sectoral activities focussing on poverty alleviation. The use of mix-method (combination of qualitative and quantitative method) was used to analyse the complex

situation in Setiu Wetland, which as implemented in the case study area was seen as being the most appropriate.

Figure 3.4: Structure of the Research Methodology



This chapter has presented the methodological underpinnings of this research, designed to ensure that the research aims could be achieved in a systematic, ethical and reliable manner. The chapter shows the way in which the research design was justifiably tailored to answer the research questions. In summary, the study of tourism as a tool for poverty alleviation demonstrates that value chain analysis has received limited systematic empirical scrutiny, and so this research used an exploratory approach to methodically uncover and understand linkages. In this sense, the research was both inductive and deductive, where the deductive element came from the usage of VCA as the conceptual

framework and the inductive element came from the intention to uncover new ideas and observations in the areas of mainstreaming tourism for rural poverty.

A well-designed case study methodology and its disciplined application was considered as leading to greater understanding of the relationship between tourism economic flows and benefits to the poor. This chapter thus provides a platform to tie the conceptual framework with the case study, which is done over the next chapters. The next chapter presents the case study area.

CHAPTER 4

Background of Tourism and Poverty Context in Malaysia and Setiu Wetland

4.1 INTRODUCTION TO MALAYSIA

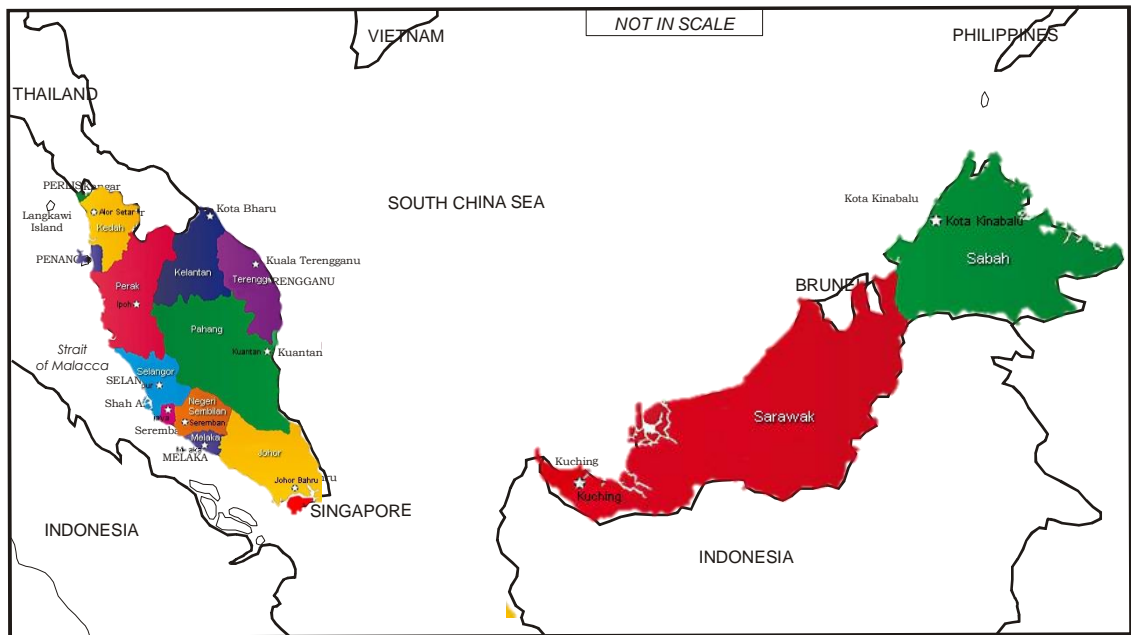
This chapter provides a brief background of tourism development and poverty issues in Malaysia. First, at the macro level, it highlights tourism growth in terms of tourists' arrivals and receipts and its significance to the Malaysian economy and Poverty Alleviation. Subsequently, it provides an overview of Malaysia's policies on poverty reduction through its successive Five Year Development Plans, to provide a broad context in which to delineate policy and action by the Ministry of Tourism to utilize tourism for poverty alleviation, and in particular its support for a national programme of community based tourism ventures.

Third, it examines the poverty level in Malaysia by outlining the incidence of poverty and progress in alleviating it. Finally, this chapter will describe the case study area: the Setiu Wetland, in Terengganu. Description of the natural resources, significant features, poverty issues, rural development and the nature of local involvement in tourism activities in the area will be discussed at the end of the chapter.

4.2 BACKGROUND OF MALAYSIA

Malaysia is located centrally within Southeast Asia. It covers a land area of 329,758 square kilometres. The country comprises 14 states and is divided into two regions: Peninsular Malaysia which consists of 11 states – Perlis, Kedah, Penang, Perak, Pahang, Selangor, Kelantan, Terengganu, Negeri Sembilan, Malacca, Federal Territory and Johor; and East Malaysia, which is situated on the island of Borneo and consists of another two states, Sabah and Sarawak (see Map 4.1) (Marzuki, 2010).

Map 4.1: Map of Malaysia



Currently, Malaysia has a population of over 25 million consisting of three main ethnic groups (Marzuki, 2010); 62% *Bumiputeras* (Malays including indigenous people called *Orang Asli*), 24% Chinese, and 8% Indians (EPU, 2010). The multi-cultural background combined with the natural attractions, economic and political stability has assisted the growth of the tourism industry in Malaysia. For example, the emphasis of its multiculturalism and cultural diversity representing the major civilizations in Asia as its tourism image is currently projected by promoting the tag line “*Malaysia, Truly Asia*” (Tourism Malaysia, 2012).

4.3 OVERVIEW OF TOURISM AND POVERTY IN MALAYSIA

4.3.1 Tourism Growth in Malaysia

Tourism was virtually unknown in Malaysia until the late 1960s. In the 1970s, the government's involvement in tourism development was initiated to accomplish several development objectives such as increasing foreign exchange earnings, increasing employment and income levels, fostering regional development, diversifying the economic base and increasing government revenue (Khalifah and Tahir, 1997). During this period, the emphasis was on the provision of basic tourism infrastructure, and the government played a central role and at times engaged as entrepreneur and guarantor for overseas investment (Jenkins, 1994).

Since the 1980s the Malaysian government has heavily promoted tourism and this strategy has garnered results, with the country seeing impressive growth in international tourist arrivals. Tourism has become an important source of foreign exchange for Malaysia, second to manufacturing (Tourism Malaysia, 2012). According to the WTTC estimates, travel and tourism generated RM37 billion in direct economic activity equivalent to 4.8% of GDP in 2006 (WTTC, 2006) and had direct employment of 1.7 million workers or approximately 16% of total employment in 2008 (Government of Malaysia, 2011). This industry effects positively on the Malaysian economy for increasing foreign exchange earnings, and employment opportunities (Bhuiyan et al., 2011). Even though Malaysia is a relatively new entrant into tourism activities as compared to its ASEAN neighbours, the industry has grown tremendously over the years. In 2000 Malaysia hosted 10,221,582 arrivals with receipts estimated at Ringgit 17,335.4 million (approx. US\$5.8 billion). By 2013 arrivals totaled 25.72 million and receipts had grown to RM65.44 billion (approx. US\$19.71 billion). Table 4.1 shows the international tourist arrivals and receipts to Malaysia from 2000 to 2013.

Table 4.1: International Tourist Arrivals and Tourist Receipts to Malaysia, 2000 - 2013

Year	International Arrivals	Receipts (RM million)
2000	10,221,582	17,335.4
2001	12,775,073	24,221.5
2002	13,292,010	25,781.1
2003	10,576,915	21,291.1
2004	15,703,406	29,651.4
2005	16,431,055	31,954.1
2006	17,546,863	36,271.1
2007	20,972,822	46,070.0
2008	22,052,488	49,561.2
2009	23,646,191	51,200.0
2010	24,638,211	56,545.1
2011	24,714,324	58,332.5
2012	25,031,254	60,612.4
2013	25,721,311	65,442.1

Source: Tourism Malaysia, 2013

This growth is even more impressive considering it took place in the midst of the global financial crisis. Although Malaysia is the second most popular tourist destination in Asia in terms of international tourist arrivals after China, it ranks only tenth in term of tourist receipts, a reflection of the fact that the majority of foreign tourists in Malaysia are from relatively low-yield neighboring markets (Hooi & Smyth, 2009; Lin and De Guzman, 2007). Details of the growth, trends, demographics and institutional structure of Malaysia's tourism sector from 1990 to 2012 may be found as Appendix I and II.

4.3.2 Poverty Incidence in Malaysia

The distribution of poverty in Malaysia is closely related to ethnic settlement patterns and industrial structures. Historically, the three main ethnic communities in Malaysia, the majority *Bumiputera* (Malays and other indigenous groups), Chinese and Indians communities, were separated geographically and occupationally by the British colonial government. The *Bumiputera* community largely resides along the coasts and rural villages whereas the Chinese and Indians reside along the western coastal plains around the agricultural estates and urban areas. Previous research evidenced that high

incidences of poverty were found mainly in Sabah, North Peninsular Malaysia (Kedah and Perlis) and the East Peninsular Malaysia (Terengganu and Kelantan) where the majority poor households are *Bumiputera*, with a significant proportion of *Orang Asli* and the indigenous communities in Sabah (UNDP, 2007). In 1970, 49.3% of Malaysian households were below the poverty lines, of which 60% were from rural households where two-third was *Bumiputera* households (EPU, 2002). However, the poverty rate decreased substantially through the years until it was only 1.7% in 2012 (EPU, 2012) (see Table 4.2).

Table 4.2: Poverty Rate, Malaysia (1970 – 2012)

Year	Poverty Rate (%)
1970	49.3
1990	15.1
1999	8.5
2004	5.7
2007	3.6
2009	2.8
2012	1.7

Source: Government of Malaysia (various years)

Malaysia is considered a successful case in poverty alleviation among developing countries, enabling it to reach the Millennium Development Goals (MDG) target of halving its poverty before 2015 (UNDP, 2005). Malaysia's impressive poverty alleviation has been, in large part, due to sustained and viable economic growth, with the average annual growth of Gross Domestic Product (GDP) at 7%. This dramatically reduced rate was also due to the Government's specific focus on poverty-eradication through a targeted programme aimed at the hard-core poor since late 1980s. However, poverty alleviation remains a major concern for Malaysian society as the poverty alleviation rate has tended to slow down in recent years, and there remains a risk for many people of falling back into ranks of the poor when there are unexpected changes like an economic crisis, natural disasters etc.

Poverty Line Income (PLI)

Malaysia's first official poverty line was formulated in 1977 by the Ministry of Welfare Services (Department of Social Welfare) as the main reference to identify the poor for public assistance programs (Anand, 1977). The poverty threshold was measured using a Poverty Line Income (PLI) standard in absolute terms. Malaysia was amongst the first developing countries to define a 'National Poverty Line Income' (PLI) (EPU, 2007): an income level needed to acquire minimum necessities of life consisting of food to maintain good nutritional health and the conventional needs of life, which also defines 'absolute poverty'. The PLI estimation was based on three components. First, the minimum cost of a food basket which met the required caloric intake (set at 9,910 calories per household) for an average Malaysian household. Second, household clothing requirements; and thirdly, the requirement for items other than food and clothing estimated using household expenditure for items such as rent, fuel, and utilities, transport and communications, medical expenses, education and recreation (Government of Malaysia, 2011). In 2005 the PLI was substantially revised to make it more comprehensive and more generous than its 1977 predecessor. Nawi (1999) determined the expenditure components of the PLI are food, clothing and footwear, other expenditure such as rent, fuel and power; furniture and household equipment; medical care and health expenses; transport and communication education; recreation and cultural services. Table 4.3 showed changes in the PLI as it was updated using the Consumer Price Indices (CPI) to incorporate changes in price levels (Perumal, 1992).

Table 4.3: Poverty Line Income (MYR per month per household⁵)

	1979	1984	1990	1995	1999	2002	2005	2007	2009	2012
Peninsular Malaysia	274	349	370	425	510	529	660	720	763	830
Sabah	410	540	544	601	685	690	888	960	1048	1090
Sarawak	347	428	452	516	584	600	765	830	912	920

**Note: MYR1 = AUD0.30 (based on Currency Converter on June 2014)*

Source: EPU, 1979-2013; Mahadevan, 2004

⁵Based on five persons in one household comprising an adult male, an adult female and three children of either sex between 1-3, 4-6, and 7-9 years of age.

Though the government calculates different PLIs for Malaysia's three regions, the total average PLI is RM860 (EPU, 2013). The PLI continues to be updated periodically to reflect changes in the levels of prices by taking into account changes in the Consumer Price Indices, and it's been calculated to reflect difference in prices and household size in Malaysia. Three concepts pertaining to poverty were adopted by Malaysia to circumscribe and underpin its poverty alleviation programmes. *Hardcore Poor* (HP) is defined as households whose monthly income is less than half of the official Poverty Line Income (PLI); *Absolute Poor* (AB) is defined as a condition in which the gross monthly income of household was insufficient to purchase certain minimum necessities of life; and *Relative Poor* (RP) is linked to the income gap between income groups, ethnic groups (*Bumiputera*, Chinese and Indians) and urban and rural dwellers (EPU, 2004).

In this respect, as long as there is a difference in income level of any two individuals or group, those with the lower income are considered poor (Abdul Rasool, Harun, Salleh, Idris (2011). Thus, the relative poor can only be eradicated if everyone has the same income level. Relative poverty is widely used in developed nations where absolute poverty rarely exists, including in Malaysia. In Malaysia, the lowest 40% of the income group is determined to represent Relative poverty (Abdul Rasool et.al., 2011; Anand, 1977).

Rural Poverty Incidence

Rural poverty rate is defined as the percentage of the rural population living below the national rural poverty line (Appudurai, 2010) (Table 4.4). Poverty in Malaysia is more prevalent in rural areas (Anand, 1977; Saari, 1997; Ariffin, 1997) compared to urban areas (Nair, 2010). Table 4.5 shows the difference in poverty levels in rural and urban areas in Malaysia. The Incidence of Poverty (IoP) in urban areas was 18.7% in 1976 but in rural areas the rate was 50.9% and thus IoP was 2.7 times higher in rural compared to the urban areas.

Table 4.4: Poverty Line Income (PLI) for Urban and Rural Strata, 2012

Region	Poverty Line Income 2012 (RM per month)			
	Poor		Hardcore Poor	
	Household	Per kapita	Household	Per kapita
Pen. Malaysia	830	210	520	130
Urban	840	220	510	130
Rural	790	190	530	120
Sabah	1,090	240	660	140
Urban	1,080	240	630	140
Rural	1,120	240	710	150
Sarawak	920	230	600	140
Urban	960	230	630	150
Rural	870	220	570	140

Source: EPU, 2013

Table 4.5: Incidence of Poverty (IoP) by Rural-Urban Strata (%), 1970-2012

Year	Incidence	Rural	Urban	No. of poor households ('000)
1970	52.4	58.6	24.6	1000
1976	42.4	50.9	18.7	975.8
1997	6.1	10.9	2.1	332.4
1999	7.5	12.4	3.4	409.3
2000	5.5	11.9	2.5	353.4
2007	3.6	7.1	2.0	209.2
2009	3.8	7.4	1.7	265.1
2012	1.7	3.4	1.0	156.3

Source: Government of Malaysia, 1981-2012

Although the incidence of poverty has decreased over time, rural poverty in Malaysia remains very much higher than its urban equivalent. By 2012, the incidence of rural poverty had declined drastically to 3.4% while the incidence of urban poverty was at 1.0%. Among the rural poverty alleviation strategies that have been formulated by the government are: 1) Housing Assistance Programme; 2) Educational Excellence Programme; 3) Income Generating Programme; 4) Skill Training and Career Development Programme; 5) Mind-Set Development Programme; and 6) Agro-based Industry Development Programme (Government of Malaysia, 2011). However, since the poverty rate in rural areas is higher than in the urban areas, it has become the main concern in government strategies in poverty alleviation plans.

Rural poverty incidence in Malaysia was highest among the agricultural, fisheries, hunting and forestry workers (Table 4.6). People working in primary sector activities like agriculture have a higher poverty incidence compare with non-agriculture activities such as manufacturing or service workers. The rural heads of households are from the elderly (65 years and above) and female-headed households registered high incidence of poverty at 28.6% and 25.7% respectively in 2012 (Government of Malaysia, 2012). Reaching the poor in rural areas where economic opportunities are scarce is a clear challenge.

Table 4.6: Profile of Poverty (%) by Economic Activities, 2008-2012

Economic Activities	2008	2009	2010	2011	2012
Rural					
Agricultural	68.3	63.0	54.6	46.1	23.8
Rubber Smallholders	64.7	59.0	48.0	41.3	43.4
Oil palm smallholders	30.3	9.1	5.4	7.7	n.a
Paddy farmers	88.1	77.0	74.0	55.1	57.7
Estate workers	40.0	47.0	38.0	35.1	19.7
Fishermen	73.2	63.0	55.1	45.3	27.7
Coconut smallholders	52.8	50.9	43.9	38.9	46.9
Other industries*	35.2	35.4	n.a	22.8	10.0
Urban					
Mining	33.3	37.7	28.3	33.0	3.4
Manufacturing	23.5	17.4	23.8	13.4	8.5
Construction	30.2	23.9	24.4	17.4	6.1
Transport and utilities	30.9	21.4	21.6	19.2	3.6
Trade and services	18.1	18.5	21.3	10.5	4.6

*Note: * Includes households engaged in mining, manufacturing, construction, transport and utilities, and trade and service sectors; n.a data not applicable.*

Source: Adnand, 1983:139; Shireen, 1998:177 cited in (Nair, 2010); NKEA, 2012

Many rural areas especially along the East Coast of Malaysia are identified as poverty-stricken areas. Because most of these rural areas are one of the main attractions for tourists, as well as home for many poor people living in and around them, the authorities face issues of managing natural and cultural conservation, tourism development, and poverty related issues. Thus, although tourism development creates an opportunity for poverty alleviation, the challenge is to determine the economic link between tourism development, poverty alleviation and environmental effects.

4.4 DEVELOPMENT PLANS AND POLICY FOR POVERTY ALLEVIATION AND TOURISM DEVELOPMENT IN MALAYSIA

The Government of Malaysia has adopted development plans for the different duration to enhance the sustainable development in the country. Tourism development is one of the key element for each development plans and eradicating poverty is among the key ambition in the development agenda.

4.4.1 Five Year Economic Plans

The First Malaysian Plan (1965 – 1970) was launched by the Malaysian government in 1965, was an economic development plan implemented for the whole Malaysia including Sabah and Sarawak. The plan's objectives were to promote the welfare of all citizens and improve the living conditions in rural areas, particularly among low-income groups (Henderson, Vreeland, Dana, Hurwitz, Just, Moeller, & Shinn, 1977 cited in www.wikipedia.org, 2012). Ever since, poverty alleviation strategies have been the central of highlight in the five year economic plans. However, the planning policies covering tourism development in relation to the other economic sectors were only started to be contained in the Second Malaysian Plan (1971 – 1975). Moreover, tourism was only become prominent in the Sixth Malaysian Plan (1991 – 1995) prior to the 1990 'Visit Malaysia Year' campaign (King, 1993) which recognized the country's 'image/identity problem' and subsequently recommended that *'the tourism industry will place increasing emphasis on developing a more distinct Malaysian image and identity'* (GOM, 1991: p.240). This 'Malaysian image and identity' was identified as the 'Malaysian way of life', which later were continued further in the Seventh Malaysia Plan (1996 – 2000), in which rural tourism and community-based tourism and nature-based were identified as new tourism products (GOM, 1996; Hamzah, 2008) by focusing more on domestic tourism through local residents' involvement in entrepreneurship in product development and services (Marzuki, 2010).

On one side, the Five Year Economic Plans have taken a 'Pro Poor' approach in their tourism strategies by encouraging local entrepreneurship and community-based initiatives utilizing the country's nature-based resources (Hamzah & Hampton, 2011). Thus, many rural communities including fishing villages embrace the tourism industry in Malaysia with excitement. On the other side, with reference to the current Five-Year Plan, the government has intensified its effort to eradicate poverty by employing a more direct approach especially in rural development projects directed towards the hardcore poor. Several government corporations, namely Federal Land Development Authority (FELDA), Federal Land Consolidation and Rehabilitation Authority (FELCRA), Rubber Industry Smallholders Development Authority (RISDA) and Fisheries Development Authority of Malaysia – *Lembaga Kemajuan Ikan Malaysia* (LKIM) contributed to a special scheme to eradicate hardcore poverty especially in rural areas. Poverty in Malaysia persists, retaining much of its original characteristics where poverty tends to be concentrated amongst the *Bumiputera* especially in East Coast states such as Terengganu and Kelantan.

The Ninth Malaysia Plan (9MP) (2006 – 2010) stressed the importance of sustainable tourism development (Marzuki, 2010). The plan suggested product development, human resources improvement, and increased domestic tourism through marketing and promotion activities. A focus was given to eco-tourism development through agriculture and rural product development. Under the Ninth Malaysia Plan, a more integrated approach to tourism planning and management was undertaken (EPU, 2005) through preserving as well as enhancing the existing and natural and cultural assets. In addition, State Tourism Action Councils (STAC), established by the national government in 2002 to devolve greater responsibility to local authorities, was further expanded to include regular monitoring and evaluating of project outcomes. At the province level, local authorities and communities were encouraged to have a more active role from the beginning of the projects so as to minimize environmental destruction. For businesses, such as hotels and resorts, they needed “*to incorporate, among others, water and energy conservation as well as waste disposal aspects in the implementation, management and maintenance plans*” (EPU, 2005: p.201). More emphasis was given to the preservation

of natural attractions to enhance eco-tourism as well as preservation of heritage resources such as historical sites, buildings and artifacts that were categorized under preservation of cultural attractions. In addition, more value added activities were incorporated in the agrotourism and homestay programmes (EPU, 2005).

Poverty alleviation has made a huge strides of success in the Ninth Malaysia Plan that hoped to see hardcore poverty eradicated by 2010 (Marzuki, 2010), and overall poverty was brought down to 1.7% of the total population by 2012 (refer to table 4.5). The focus of distributional strategies and programmes of poverty alleviation were more affluent to the *Bumiputera* middle-income group through human capital development (EPU, 2005) by improving their access to education and skills training. This will encourage active involvement of the poor in economic activities such as small medium enterprise (SME). Special programmes are implemented to address rural poverty among *Bumiputera* and *Orang Asli* community by providing direct assistance to this group.

The Tenth Malaysia Plan (10MP) (2011 – 2015) aims to push Malaysia towards a high-income value-added economy that is knowledge and innovative-based as the country tries to achieve the goal of becoming a developed country by the year 2020 (Government of Malaysia, 2011). In the tourism sector, it focuses on recognizing the untapped potential in the business tourism segment to attract high-yield visitors. The plan gives emphasize to develop exciting and iconic tourism initiatives, to sustainable management of existing tourism destinations and to focus on tourism promotional activities (Bhuiyan, Siwar & Ismail, 2013). The major initiatives for tourism development in Tenth Malaysia Plan (Government of Malaysia, 2011) period include: 1) Creation of tourism clusters by improving existing and new iconic tourism products; 2) Developing private sector and public-private partnership in tourism sector; 3) Improving maintenance of tourist sites through multiple approaches; 4) Increasing promotional and advertising activities by Tourism Malaysia offices in overseas; 5) Promoting differentiated initiatives to provide exclusive and unique tourism patterns. Within this economic plan, Malaysia has achieved as top 10 countries of the world in terms of global receipts (refer to table 4.1) and targeted to achieve 28 million international arrival

through ‘Visit Malaysia 2014’ campaign, which was promoted by Ministry of Tourism, Malaysia.

Among three main strategies of 10MP is promoting inclusive growth by improving the livelihoods of the bottom 40% of society. Notably, 10MP has achieved the goal of halving poverty – which fell from 17% in 1990 to 3.8% in 2009 (Government of Malaysia, 2011), based on its national poverty line. Despite the successes in reducing poverty, there are vulnerable sections of the population remain unchanged especially in rural areas due to several disadvantaged circumstances such as women and *Bumiputeras* including *Orang Asli*. Government of Malaysia, (2011) cited in Hatta and Ali, (2013) stated that among the rural poverty alleviation strategies to increase the income of rural households focused in : 1) Increase income generation potential through education and entrepreneurship programs; 2) Advancing agricultural sector through adoption of agricultural technology and expansion of contract farming; 3) Improve human capital productivity within rural agriculture and agro-based industries; and 4) Upscaling the skill training in areas such as carpentry, tailoring, baking, hospitality, handicrafts, motor mechanism and food processing to support self-employment.

4.4.2 National Development Policy Framework

The National Development Policy (NDP) (1991 – 2000) was formed to continue the pursuit of a balanced development based on the National Economic Plan (NEP) foundations (1971 – 1990). During the period of NEP, there was a major focus on reduction of poverty and income disparities between ethnic groups, particularly *Bumiputera* which implemented the Malaysian Plan from the First Malaysia Plan to the Fifth Malaysia Plan. Policies under the NDP were continued formulated to eradicate especially the hardcore poverty and reduce relative poverty between and within races. It identified specific programs for poverty alleviation directed to specific target groups such as paddy farmers, rubber tappers, coconut pickers, fishermen, estate workers, agriculture farmers, and indigenous groups. Under NDP, the government has established

a special Development Programme for Hardcore Poor – *Program Pembangunan Rakyat Termiskin* (PPRT) which incorporates a package of economic, social, housing and provision of basic amenities. Among the programs to assist the hardcore poor are:

- a) Income-generating projects, primarily for cash crop cultivation, livestock rearing, aquaculture, petty trading and cottage industries such as tourism, handicrafts and etc.
- b) Programs to provide and upgrade low-cost housing and to provide basic amenities and facilities such as electricity, safe drinking water and health facilities.
- c) Direct welfare assistance and attitudinal change programs such as fishermen's monthly allowance.
- d) Programs to meet the food and nutritional requirements of undernourished children and to assist school children from hardcore poor families.
- e) Special investment scheme under *Amanah Saham Bumiputera* (ASB) which enables hardcore poor *Bumiputera* households to obtain an interest-free loan of MYR5,000 to invest in a unit trust program.

The NDP stressed the importance of nationally integrated development. The objectives were to eradicate poverty and restructure national society, as follows (GOM, 1991: p.5 cited in Marzuki, 2010):

- a) Promoting and strengthening national integration by reducing the wide disparities in economic development between states, rural and urban areas
- b) Developing a progressive society in which all citizens enjoy greater material welfare, while simultaneously imbued with positive social and spiritual values, and an increased sense of national pride and consciousness.

Since then, the government undertook various policies to alleviate poverty and redistribute the income between ethnic groups with a great emphasis on national unity. The formulation of 20-year New Economic Policy (NEP) in 1970 became the core policy to eradicate poverty especially for the *Bumiputera* (Malaysia, 1991) particularly in rural population. By the end of 20-year plan, poverty fell to 15.1% in 1990, which

was below the 16.7% targeted in the NEP in 1990 (Ahmad, 2005; Nair, 2000; 2005; Rasiah & Shari, 2001) (refer table 4.2). By the end of NDP in 2000, the poverty rate fall to 8.0% and the government continued the vision through the formulation of National Vision Policy (2001 – 2010).

National Tourism Policy (NTP)

To speed up the development of tourism industry in Malaysia, the National Tourism Policy (NTP) was formulated in 1992 by the Ministry of Culture, Arts and Tourism in conjunction of the formulation of National Development Policy (NDP). The policy emphasized on community-based tourism, cooperation and coordination in tourism development, identified potential tourism assets and diversification of new products mix. The federal government prepared the National Tourism Policy Study (NTPS) which recommended broad policies for the planning, development and marketing of tourism. It was developed to create a unique image of Malaysia with its diversity of culture and natural resources. The policies aimed to have an international infrastructure and tourism product and several strategies were created as follows (Langkawi Municipal Council, 2005 in Marzuki, 2010; Hamzah, 2004):

- a) Diversify tourism products and services in order to fulfill tourists' needs.
- b) Promote and identify national and international markets.
- c) Private sector involvement in innovative tourism products through investment.
- d) Local community involvement especially to develop their perception through tourism activities and promotions.
- e) Development of communication systems for local and foreign tourist arrivals.

The National Tourism Policy stressed product development and investment, and aimed to support local residents as one of the measure to reduce the poverty. Essentially, tourism product development in Malaysia over the previous 10 years had focused on the exploitation of its diverse nature and culture based attraction. With an allocation of RM 2.4 billion, priority was given to environment protection and infrastructure development, conservation and national monument protection (GOM, 2001). Nevertheless, this policy gives importance on local community participation in tourism activities and

development. It categorises and highlights new tourism destinations in the country wide for the entrepreneurs and tourists.

The main output of Second National Tourism Policy (SNTTP) (2003 – 2010) was to provide the mechanism for transforming the Malaysia's 'low-yield tourism' to that of 'high-yield tourism'. In addition, intra-region cooperation is seen as a major course of action in increasing tourism receipts (Hamzah, 2004). This also became the key objectives towards mainstreaming the tourism development in Malaysia.

4.4.3 Economic Transformation Programme

The Economic Transformation Programme (ETP) is launched on 2010, was formulated as part of Malaysia's National Transformation Programme. It is a comprehensive effort that will transform Malaysia into a high-income nation by 2020 (PEMANDU, 2010), for significant change of Malaysia's economy as developed country. The ETP's target for 2020 will be achieved through the implementation of 12 National Key Economic Areas (NKEAs): Oil, Gas and Energy; Palm Oil; Education; Healthcare; Financial Services; Business Services; Electronics and Electrical; Wholesale and Retail; Communications Content and Infrastructure; Agriculture; Tourism; and Greater Kuala Lumpur/Klang Valley, representing economic sectors where growth will be focused on and potential contributions to Gross National Income (GNI). Each NKEA comprises 149 Entry Point Projects (EPPs) to explore new growth areas which enable to move further up the value chain. Besides the 12 NKEAs, the Government Transformation Programme has incorporated 6 National Key Result Areas (NKRAs): reducing crime; fighting corruption; improving student outcomes; raising living standards of low-income households; improving rural basic infrastructure; and improving urban public transport.

A key focus in ETP will be on ensuring that substantial improvements are made for people with the lowest household incomes. Specific attention will be paid to lifting the incomes of the bottom 40% of households, with a target of increasing the mean monthly

income of this group from RM1,440 in 2009 to RM2,300 in 2015, as stated in the Tenth Malaysia Plan. One of the issues that became the central concern in this ETP is risk of being stuck in the middle-income trap. Malaysia is no longer able to remain competitive with low-income countries as a high-volume, low-cost producer. At the same time, it has not yet moved the value chain and become competitive with high-income countries. Indeed, the country undertook systematic programme to transform the underlying structure of their economies.

Through the tourism NKEA, Malaysia Tourism Transformation Programme (MTTP) was formulated to achieve the targets of attracting 36 million international tourists and generating RM168 billion in terms of tourist receipts (UNWTO, 2013). Collaborative efforts between the Ministry of Tourism and Culture (MOTAC), other government agencies and the private sector have been enhanced to help secure Malaysia's position as a leading tourist destination. Twelve entry point projects (EPPs) were introduced in tourism NKEA to help meet the country's targets by 2020. Among the entry point projects are duty free shopping, luxury tourism, improving business tourism, eco-nature integrated resort, establish biodiversity hub, and etc. Based on MOTAC (2010), one of the most successful programmes that have been identified in significant contribution to the tourist arrival is rural based tourism, which through homestay programme. A total of 133,689 tourists visited the homestay programme from January to May 2012, which increased 71% compared to the same period in 2011 (MOTAC, 2010). Increased spending (53%) by these tourists has stimulated the rural economy. This rural based tourism has encouraged local communities to be a part of tourism development whilst maintaining their traditions and identities.

4.4.4 Regional Economic Growth Corridors

The regional economic growth corridors were established during the Ninth Malaysia Plan, and were incorporated in the Mid-Term Review of the Ninth Malaysia Plan. The focus of regional development was on raising the standard of living and attaining

balanced socio-economic development across regions and states. It involves development of growth centers and growth corridors that transcend state boundaries, modernization and diversification of the economic based on less developed states and reducing urban-rural digital divide (Government of Malaysia, 2008: p.65). The aims were at creating a comprehensive and widespread economic development in a more coordinated and integrated manner, which assumed that the income generation, will be accompanied by accelerated eradication poverty, restructuring of society and overall wealth creation. The corridors development were private sector driven and the government roles was to provide conducive environment to attract private sectors' participation such as competitive package of incentives as well as the establishment of one stop centers to enhance delivery of services and promote investment. The brief profiles of the regional corridors are shown in Table 4.7.

Table 4.7: Description of Five Regional Economic Growth Corridor

	Iskandar Malaysia	Northern Corridor Economic Region (NCER)	East Coast Economic Region (ECER)	Sabah Development Corridor (SDC)	Sarawak Corridor of Renewable Energy (SCORE)
Development Period	2006 – 2025	2007 – 2025	2007 – 2020	2008 – 2025	2008 – 2030
Vision	A strong and sustainable metropolis of international standing	World-class economic region by 2025	A developed region- distinctive dynamic and competitive	Harnessing unity in diversity of wealth creation and social well being	Developed and industrialized state
Area of Coverage	2,216 square km (District of Johor Bahru & partial district of Pontian-Mukim Jeram Batu, Mukim Sungai Karang, Mukim Serkat and Pulau Kukup	17,816 square km (Penang, Kedah, Perlis and Northern Perak-districts of Hulu Perak, Kerian, Kuala Kangsar and Larut Matang-Selama)	66,736 square km (Pahang, Kelantan, Terengganu, and district of Mersing, Johor)	73,997 square km (whole of Sabah)	70,708 square km (Tanjung Manis-Similajau and hinterland)

	Iskandar Malaysia	Northern Corridor Economic Region (NCER)	East Coast Economic Region (ECER)	Sabah Development Corridor (SDC)	Sarawak Corridor of Renewable Energy (SCORE)
Focus Sector/ Industry	Education, Financial, Health care, ICT and creative industries, Logistics and Tourism	Agriculture, Human Capital, Infrastructure, Manufacturing, and Tourism	Agriculture, Education, Manufacturing , Oil, Gas & Petrochemic al, and Tourism	Agriculture, Environment, Human Capital, Infrastructure, Manufacturing and Tourism	Aluminum, Glass, Marine engineering, Metal-Based, Petroleum- based, Timber-based, Aquaculture, Livestock, Palm Oil and Tourism
Corridor Authority	Iskandar Region Development Authority (IRDA)	Northern Corridor Implementation Authority (NCIA)	East Coast Economic Region Development Council (ECERDC)	Sabah Economic Development and Investment Authority (SEDIA)	Regional Corridor Development Authority (RECODA)
Expected Employment (million)	1.4	3.1	1.9	2.1	3.0
Expected Investment (RM billion)	382	178	112	113	334

Source: Government of Malaysia, 2008: p.64

All these five regional growth corridors in essence have tourism as a driver to alleviate poverty and inevitably propel Malaysia to become a fully developed nation, especially ECER in which the case study area is situated (refer sub-chapter 4.5). The East Coast Economic Region (ECER) is one from five economic regions which have been set up by the Malaysian government, comprising the states of Kelantan, Terengganu, Pahang and the district of Mersing. A Master Plan (ECER Master Plan) was developed in 2007 by the East Coast Economic Region Development Council (ECERDC) to be the basis for guiding the development of this region until 2020 when it will be transformed into a major international and local tourism destination, an exporter of resource based and manufactured products, a vibrant trading centre, and an infrastructure and logistics hub (ECERDC, 2010).

The Master Plan also details the measures to eradicate poverty, raise incomes and improve income distribution in a sustainable manner for ECER (ECERDC, 2007). It is aimed at complementing existing development plans which have been carried out at the national, state and local levels. The principle purpose of the plan is to identify key high impact catalytic projects that could spur the development of the region over the next 13 years till year 2020. Various projects and programmes will be undertaken as part of the ECER Master Plan to raise incomes and reduce poverty through the introduction of high impact catalytic projects to spur development in the region. The main drivers of growth identified in the Master Plan – tourism, oil, gas and petrochemicals, manufacturing, agriculture and education supported by the key enablers in the transportation, infrastructure, and environment and institutional sector (ECERDC, 2007). Most of the tourism related projects in the ECER expand local employment in the tourism industry and its support services. In addition, local enterprise opportunities will be expended especially those that provide services to tourism operations such as tour guides, tour operators, small scale resort operators, restaurants and food outlet operator and handicrafts makers (ECERDC, 2007).

In Terengganu, ECERDC focuses on examining various options to eradicate poverty and boost the economic development of the State through sustainable tourism and agricultural projects including in Setiu Wetland. Among the project is '*Besut-Setiu Agropolitan*' (Refer to Chapter 4.6.3). Moreover, encompasses Merang town and stretches along the coast to Penarik village and Setiu lagoon, is the development of coastal hotels and high-end resorts. The concept of high-end lagoon type hotels will take the advantage of the unique beauty of the Setiu Park and will be branded on the exclusivity of the location. In addition, Merang which is already an attractive destination itself as the gateway to the islands will be developed as an exclusive recreational yachting marina with eating and entertainment facilities as well as facilities to service yachtsmen and island tourists (ECERDC, 2007).

4.5 BACKGROUND OF TOURISM AND POVERTY IN TERENGGANU

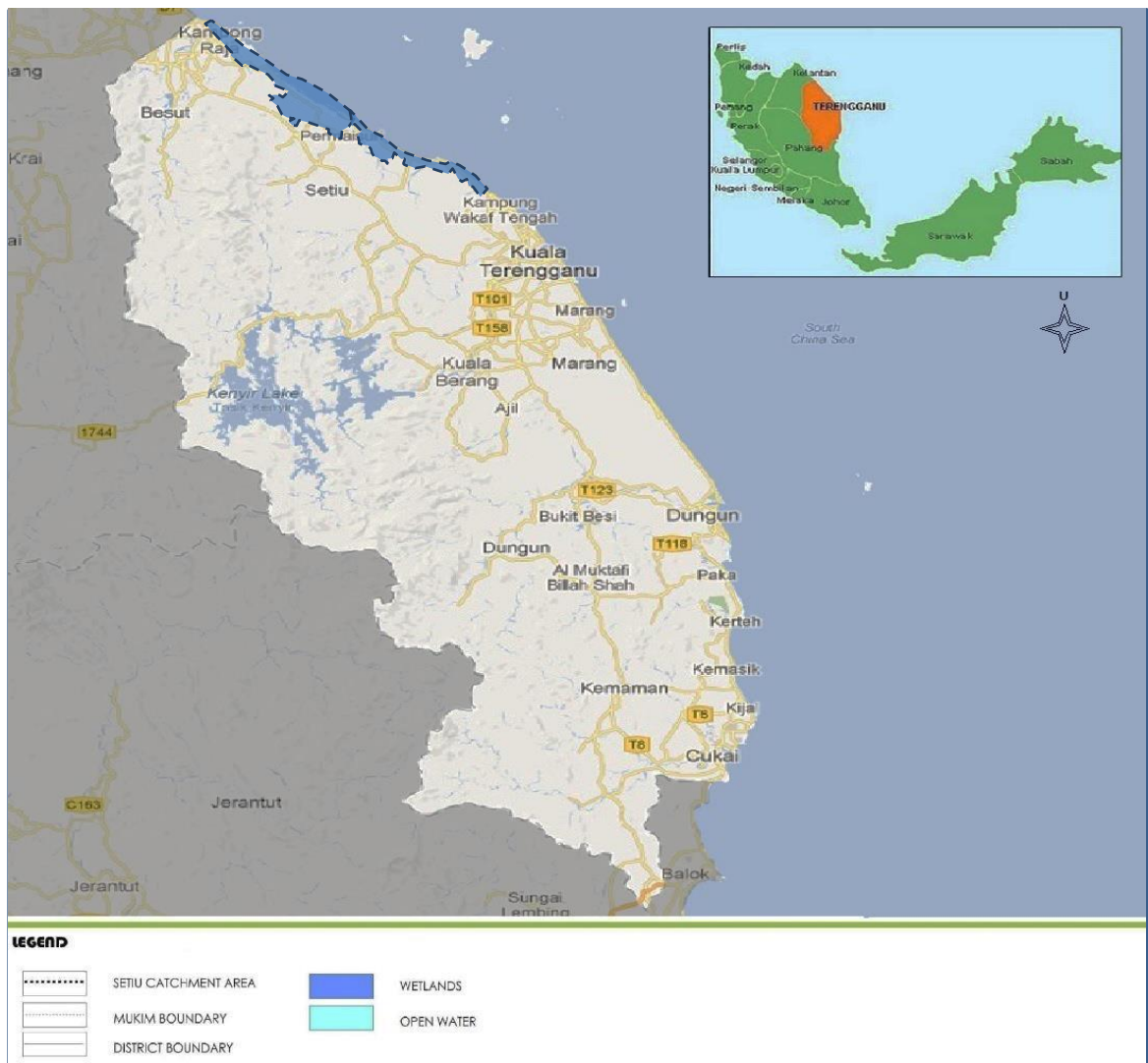
Terengganu is a sultanate and constituent state of federal Malaysia. The state is also known by its Arabic honorific as Darul Iman which means “*Abode of Faith*”. The coastal city of Kuala Terengganu which stands at the mouth of the broad Terengganu River is the state and royal capital as well as the biggest city in Terengganu. Terengganu is situated in north-eastern Peninsular Malaysia, and is bordered in the northwest by Kelantan, the southwest by Pahang, and the east by the South China Sea (see map 4.2). Terengganu has a population of 1.10 million in 2012 (Department of Statistic Malaysia, 2013), of which Malays make up 82% of the population and Chinese, 10%, while Indians 7% and other ethnic groups comprise the remainder 1%. In the year 2000, the state’s population was only 30% urban; the majority lived in rural areas. By the year 2012, the proportions had changed significantly, with 55% of the population living in urban areas and 45% in the rural area (Department of Statistic, 2013). The state of Terengganu comprises seven districts i.e. Besut, Setiu, Kuala Terengganu, Hulu Terengganu, Marang, Dungun, and Kemaman.

Terengganu is positioned as the dynamic Tourism Gateway to East Coast Economic Region (ECER). The diverse and unique coastal and island tourism attractions as well as ecotourism, urban tourism, and its distinctive cultural and heritage tourism have much to offer. The establishment of Kuala Terengganu International Airport as an airport for the region is an added advantage. ECERDC (2008) labeled Terengganu as the ‘tourism hub’ for east coast Malaysia in The East Coast Economic Region (ECER) Master Plan, and identified tourism development as one of economic drivers where PPT is the central to the role of tourism in revitalizing the rural economy and poverty alleviation of this area.

Within the *Kuala Besut – Merang – Penarik – Kuala Terengganu* local corridor, Kuala Terengganu is strategically located at the mouth of the Terengganu River, overlooking the South China Sea. Terengganu has an abundance of appeals and attractions such as the historic *Kampung Cina*, State Museum, handicraft centres, beautiful beaches and

islands as well as the unique fishing villages of *Penarik*, *Seberang Takir*, *Pulau Duyung*, *Chendering* and *Batu Rakit*. Each is an attraction that offers glimpses of the unique blend of local traditions, rich cultures, heritage and the beauty of nature. Further initiatives are planned to strengthen the corridor as well as position Terengganu as the Main Tourism Gateway for the Eastern Region which is strategically located at the intersection between the East West Tourism corridor that links the major inland eco and agro tourism destinations to the Primary Mainland Coastal and Tourism Corridor (ECERDC, 2007).

Map 4.2: State of Terengganu



Source: Setiu District Office, 2013

4.5.1 Tourism in Terengganu

Terengganu received 4,011,324 tourists in 2013, of which 90% were domestic tourists. The average length of stay for foreign tourist was 5.1 nights in 2013 whilst average length of stay for domestic tourists was 3.5 nights. Daily expenditure is estimated at RM330 for international tourists and RM200 for local tourists. The tourism sector was estimated to contribute RM 2,869 million to the state's economy in 2013.

Table 4.8: Arrivals to Terengganu, 1990 – 2013

Year	Domestic Tourist	Foreign Tourist	Total
1990	196,957	79,371	276,328
2000	1,170,552	159,993	1,330,545
2005	1,624,726	197,952	1,822,678
2006	2,061,486	238,893	2,300,379
2007	2,572,299	295,084	2,867,383
2008	3,147,873	380,281	3,528,154
2009	2,963,250	341,526	3,304,776
2010	3,374,641	287,149	3,661,790
2013	3,585,921	425,403	4,011,324

Source: UPEN Terengganu, 2014

Note: Figures include day trippers

Table 4.9: Terengganu State Tourism Sector Base Data, 2004 – 2013

	2004	2005	2006	2007	2008	2013
Foreign tourists average length of stay (days)	3.3	4.2	4.4	4.6	4.8	5.1
Domestic tourists average length of stay (days)	3.0	3.1	3.0	3.1	3.4	3.5
Average Annual Occupancy Rate (%)	49.2	54.9	63.4	64.6	59.2	63.7
No. of registered tour agents	82	92	92	76	115	120
No. of tour guides	37	37	37	35	106	112
Tourism sector contribution (RM million)	926.9	1,281.0	1,471.0	2,150.0	2,672.9	2,869.0

Source: UPEN Terengganu, 2014

Note: a foreign tourist will spend approximately RM330 (USD118)/day while a domestic tourist will spend approximately RM200 (USD71)/day.

About 90% of Terengganu's arrivals are domestic visitors. Owing to the appeal of its islands and beaches and wider choice of accommodation, Terengganu attracts a broader range of domestic tourists. Whilst families comprise a significant component of domestic demand, Terengganu caters for both the budget end of the market and higher spending family groups. Terengganu also attracts younger domestic tourists. 10% of Terengganu's total arrivals are from international tourists with Europeans making up around 90% of total foreign arrivals. Whilst Terengganu does attract some Europeans travelling on organized group tours, the vast majority of European arrivals are backpackers who visit the state's islands but generally do not visit other attractions in the state. 10% of Terengganu's international arrivals are from ASEAN, with higher spending Singaporeans the most important ASEAN source segment.

Table 4.10: Summary of Terengganu Tourism Attractions

Location	Mainland Coastal Tourism	Island Tourism	Ecotourism	Cultural Heritage	Arts & Craft	Spa & Wellness Tourism	Sports	Education	Agro-tourism
Kuala Terengganu			✓	✓	✓				
Setiu			✓	✓					✓
Merang	✓								
Tanjung Jara	✓			✓					
Pulau Wan Man				✓					
Besut					✓			✓	✓
Pulau Perhentian, Redang & Kapas		✓							
Pulau Bidong		✓		✓					
Bukit Besi				✓					
Rantau Abang			✓						
Tasik Kenyir			✓						
Cenerong Forest Reserve			✓						
Chendering – Kuala Ibai	✓								
TOTAL	3	2	7	7	2	1	1	1	2

Source: ECER Master Plan, 2007

Besides the listed main tourism attractions in Terengganu, so called ‘Hallmark events’ also play an important role in tourism as they attract an international audience. Hall (1989) described hallmark tourist events as major fairs, expositions, cultural and sporting events of international status which are held on either a regular or a one-off basis. A primary function of the hallmark event is to provide the host community with an opportunity to secure high prominence in the tourism market place. ECERDC (2007) listed among the hallmark events in Terengganu:

a. Monsoon Cup

The Monsoon Cup is organised by the Terengganu State Government to celebrate its inauguration and debut as the 50th official event of the Swedish Match Tour (The International Yacht Race event), and serves as the Malaysian leg for this prestigious international sailing event. The event attracts especially the rich, famous, influential corporate and individuals, which spruces up Terengganu’s image on the world map. This event which has been dubbed ‘The Formula One of Sailing’ was formed in 2000 to unite the world’s best match-race regattas under one banner.

b. Sultan’s Endurance Challenge

Promoting sports tourism in Terengganu, the Sultan’s Cup Terengganu Endurance Challenge was initiated in 2007 as another mark in Malaysian history. With trails up to 160 km, the horse rides consist of sea-shore, wooded areas, water crossings, village settlements, and roads. The riders and their horses come from all over the world such as Argentina, Bahrain, Belgium, Brazil, France, Germany, Indonesia, Italy, Japan, Netherlands, New Zealand, Qatar, UAE, USA and also from Malaysia itself.

c. Terengganu International Islands Boat Race

This event has been hosted in Duyong Island, which gained its worldwide fame for its boat building industry under the Swedish Match Tour. This is among the several events held in conjunction with the Monsoon Cup to showcase the Terengganu’s richness of art and heritage.

The revenues brought about by these hallmark events create a strong multiplier effect to the state. They generate employment opportunities and improve the business climate in local communities.

4.5.2 Poverty in Terengganu

Generally, the employment rate in Terengganu is still low compared to the employment rate in Malaysia as a whole (refer table 4.11). The largest share of the workforce is involved in the wholesale and retail trade, restaurants and hotels (21%) which include the tourism sector, followed by those in government service (19%) and agriculture (17%) (See table 4.12).

Table 4.11: Population in Labour Force of Terengganu and Malaysia, 2004-2013

	Total in Labour Force (in '000)						
	2004	2005	2007	2008	2010	2012	2013
Terengganu	349	353	373	389	410	432	447
ECER	1,355	1,350	1,439	1,495	1,500	1,524	1,536
Malaysia	10,354	10,414	10,890	11,028	11,486	11,785	12,054
% Terengganu of Malaysia	3.37%	3.39%	3.43%	3.53%	3.57%	3.67%	3.71%

Source: Department of Statistics, (2004-2013)

Table 4.12: Workforce by Sector, Terengganu, 2013

Job sector	No.
Agriculture	62,101
Mining	4,516
Manufacture	48,928
Construction	50,961
Electricity, Gas & Water	3,161
Transport, Storage, & Communication	13,512
Wholesale, Retail, Restaurants & Hotels	79,602
Finance, Insurance, Real Estate & Business Services	16,936
Government Services	70,004
Other Services	26,651
TOTAL	376,372

Source: Terengganu State Economic Planning Unit, 2013

Terengganu government has taken a more aggressive approach to eradicate poverty in the Ninth and Tenth Malaysian Plan with a target of reducing poverty to 2.5% and eradicating hardcore poor by 2015. The most significant improvement is seen for Terengganu where in 1999, the incidence of poverty was 22.7%. By 2012, this level fell to only 4.0% (EPU, 1990-2012). In spite of the rapid development in Terengganu, it remains the state with the highest incidence of hardcore poor and poor households in Peninsular Malaysia (EPU, 2012). ‘Hardcore Poor’ are defined as those with a household income below the poverty line of RM 430 per month, whereas those with a household income below RM 720 are defined as poor (see table 4.15).

Table 4.13: Poverty Ranking based on State in Peninsular Malaysia, 2007 – 2012

Rank	State	No. of Poor Household		
		2007	2009	2012
1	Terengganu	28,200	28,015	25,763
2	Kelantan	21,300	25,807	23,956
3	Perak	18,200	13,992	10,432
4	Kedah	12,800	12,678	11,543
5	Penang	5,000	10,487	9,711
6	Selangor	8,500	10,018	8,332
7	Johor	10,500	9,598	9,773
8	Pahang	5,500	8,628	6,227
9	Perlis	3,600	4,877	3,024
10	Malacca	3,000	4,530	3,532
11	Negeri Sembilan	2,800	4,458	3,306
12	Federal Territory	5,200	2,041	1,534
TOTAL (Peninsular Malaysia)		209,000	229,723	214,242

Source: EPU, 2007; 2009; 2012

The incidence of poverty in Peninsular Malaysia and Terengganu showed marked improvements over the period 1999-2012 (See table 4.14 and figure 4.15).

Table 4.14: Incidence of Poverty of Terengganu and Malaysia, 1999-2012

Year	Malaysia	Terengganu
1999	8.5	22.7
2002	5.1	10.7
2004	5.7	15.4
2007	3.6	6.5
2009	3.8	5.3
2012	1.7	4.0

Source: Economic Planning Unit Malaysia, 1990-2012

Table 4.15: Number of poor households in Terengganu and Malaysia, 2012

	Number of Households							
	Hardcore Poor ⁶	%	Poor ⁷	%	Relative/Near Poverty ⁸	%	Total	%
Malaysia	49,519	21.6	68,003	29.7	111,063	48.5	228,585	100
Terengganu	4,377	15.7	9,322	33.4	14,194	50.9	27,893	100

Source: Terengganu State Economic Reports & coordination and implementation Unit, Prime Minister's Department, 2012

4.6 SETIU WETLAND: THE CASE STUDY CONTEXT

Setiu Wetland is situated in the northeast of Terengganu, about 1 hour 30 minutes' drive from the state capital, Kuala Terengganu. The name of Setiu was from a *Bugis* warrior who was a famous legend. Setiu is known with its beaches, natural charms, agro-based products and its traditional fishing villages. Another famous attraction in Setiu is its wetland areas. Almost 90% of the Setiu Wetland falls within the District of Setiu which was established on 1st January 1985. This district, created in 1985 as an area of 135,905.80 hectares which composites of 10.49% total of the State of Terengganu.

There are many small traditional villages in Setiu Wetland catchment area, with the town of Bandar Permaisuri designated as the district administrative centre. Other main centres are Penarik and Merchang along the coast. The area is accessible via the main

⁶ Monthly household income below RM143 in Peninsular Malaysia

⁷ Monthly household income below RM720 in Peninsular Malaysia

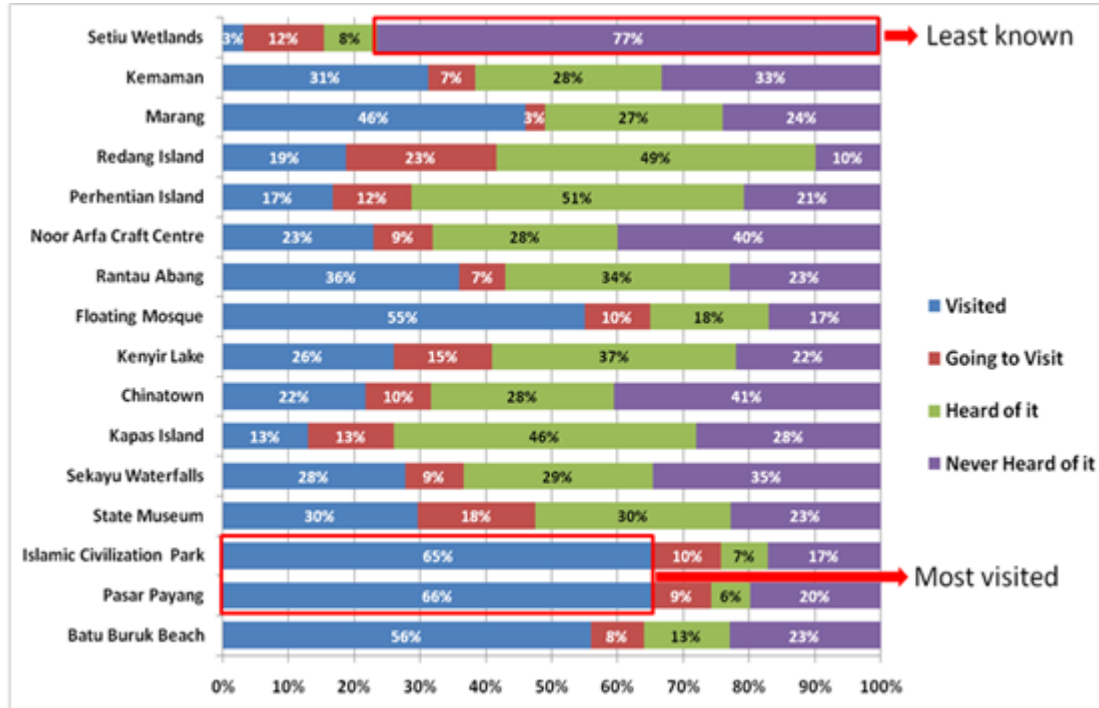
⁸ Monthly household income above the PLI but below RM1,500 in urban areas and RM1,000 in rural areas in Peninsular Malaysia

Federal Route 3 that connects the city of Kuala Terengganu and Kota Bharu in Kelantan (see Map 4.3). The coastal route provides the immediate linkage between the towns and villages along the coast with the main federal route 3. The total population of those residing in Setiu is 54,563, where the Malay *Bumiputera* population contributes 98% of the total population for the year 2012 (Setiu District Office, 2012). The local population consists predominantly of rural fishing and farming communities where the average income reported by Setiu Head Committee was about RM 500/month. The economic activities within Setiu include vegetable farming, rearing chickens and cattle, collecting honey, making handicrafts, and fishing in the Setiu Wetland.

Based on Butler's⁹ model of a Tourism Life Cycle, tourism in Setiu Wetland at present is still at its exploration stage characterized by constraints of amenities, services, small number and poor access and restricted local knowledge of their needs (Beeton, 2006: p.31). In 2013, Setiu received 313,230 tourist arrivals (Tourism Terengganu, 2013) compared to 233,089 in 2010, where 80% were from local tourists and the rest were from foreign countries. About RM28 million was generated by tourist spending, of which a about RM17.5 million was from domestic tourists and another RM10.5 million from the foreign tourists (Tourism Malaysia Terengganu, 2013). One of the interesting findings of 'The Study on the Measurement of Tourist Arrivals and Flows to Terengganu' (Tourism Malaysia and UTM, 2009) is that the least popular tourism destination/attraction in Terengganu state from the perspective of both foreign tourists and domestic tourists was Setiu Wetland (figure 4.1). However, most of them were interested to know and visited Setiu Wetland after they heard about it.

⁹Butler (1980, cited in Beeton, 2006: p.30-33) describes a tourism destination development into four stages: Exploration, Involvement, Development and Decline.

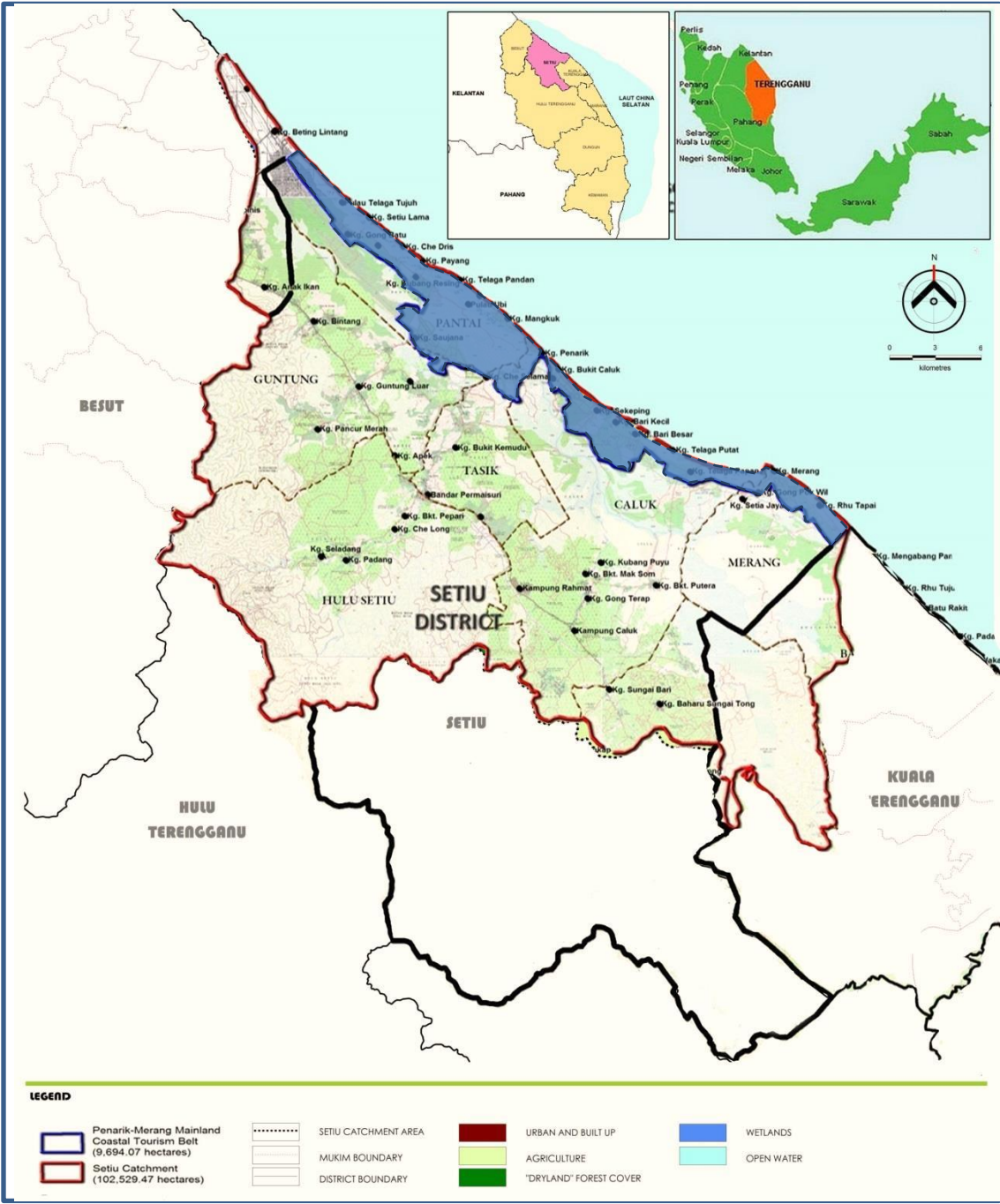
Figure 4.1: Tourist Perception Study of Popular Tourism Attractions in Terengganu



Source: Tourism Malaysia/UTM (2009)

The local council of Setiu has identified eco-tourism and agro-tourism as part of their strategic plan which include the areas of Merang, Penarik and Bari (Tourism Malaysia Terengganu, 2013). Activities related to eco-tourism and agro-tourism includes river cruise, coastal recreation, mangrove exploration, and homestay activities. There are a number of tourist attractions in Setiu which have been listed in the Tourism Terengganu map (Tourism Malaysia Terengganu, 2013) most of which are based on nature (Map 4.4) such as Penarik beach, Merang beach, Rhu Sepeloh beach, Tebu mountain, Payung waterfall, Seri Amar forest, Setiu Wetland, KUSZA observatory, Tok Setiu Fortress, Cangkah forest, and many more. According to Ling, Ramachandran, Shuib, Nair, Mohammad Afandi & Prabhakaran (2013), classified the components of rural tourism capital in Setiu Wetland as adapted from Garrod, Wornell & Youell (2006) which might be drawn upon by the rural tourism industry at numerous steps of the rural tourism value chain (see table 4.16).

Map 4.3: Setiu District Corridor



Source: Setiu District Office, 2013

Table 4.16: Elements of Countryside Capital

Elements	Setiu Wetland
Landscape including seascape	Riparian forests lining the riverbanks, freshwater swamps, peat swamps, mangroves, brackish water lagoon with vegetated sand islands, seagrass beds and sandy beaches
Wildlife, both fauna and flora	Turtles, birds
Biodiversity	Wetlands, mangroves
Rural Settlements, from isolated dwellings to market towns	Fishermen villages
Woods, forests and plantations	<i>Jatropla Curcas</i> (for Biodiesel)
Distinctive local customs, languages, costumes, foods, crafts, festival	Fish crackers (<i>Keropok Lekor</i>) and Fish Tempura (<i>Ikan Celup Tepung</i>), The Ulit Mayang dance (considered as a cultural legacy of Terengganu – smooth dance resembles lullaby), <i>Mengkuang</i> Weaving handicrafts (<i>Lekar</i>),
Heritage Building	Terrapuri Heritage Village Resort
Agricultural Building	Forest Research Institute Malaysia (FRIM)

Source: Adapt from Ling et al., 2013

Setiu Wetland in Terengganu is described in the tourist brochures as one of the most beautiful wetlands in the country with pristine beaches, significant mangrove forests, tranquil rivers, and unspoilt nature surrounding. As a cradle of Malay culture, steeped in rich cultural heritage, the area acts as a living museum where ancient customs and crafts are perpetuated and practiced side-by-side with traditional ways of living in a typical Malay way of life (see figure 4.1).

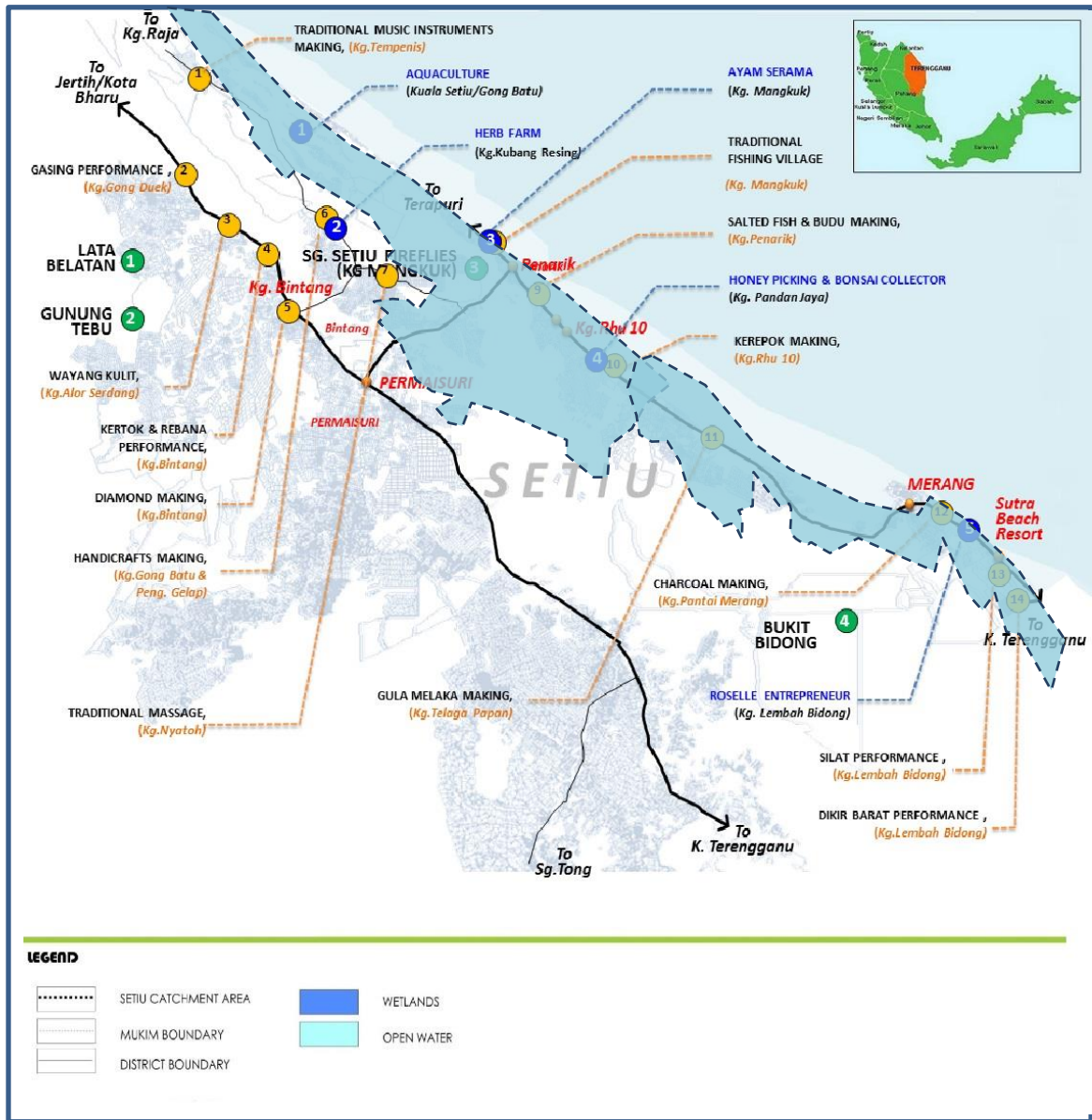
Figure 4.1: Setiu Wetland Brochure



Source: Tourism Terengganu, 2013

The estuarine lagoon system is rich in natural capital and if sustainably managed will continuously provide resources for agriculture, aquaculture, ecotourism and recreational activities. According The Malaysian Association of Tour and Travel Agents (MATTA), Setiu was chosen as a venue for the 5th Asia Pacific Ecotourism Conference for an International Ecotourism Conference in 2007 (MATTA, 2007).

Map 4.4: Tourism Products Distribution in Setiu Wetland



Source: ECERDC, 2010

4.6.1 Tourism Related Livelihood Activities

The research established that Setiu communities engage in different types of tourism related livelihoods, directly or indirectly linked to tourism in various ways as indicated in Table 4.17. These activities include fishing, food kiosks, ecotourism projects, fish

product processing e.g. dried salted fish and fish cracker, Fish Tempura selling, and traditional sport e.g. *Sepak Takraw* (beach soccer).

Table 4.17: Existing Livelihood Activities Engage Direct and Indirectly with Tourism based on Key Development Area (KDA)¹⁰

No.	Key Development Area (KDA)	Livelihood Activities
1.	Bintang and Alor Serdang Village	<ul style="list-style-type: none"> • Bintang as the Rural Growth Centre • Wayang Kulit Performance • Diamond cutting • <i>Rebana</i> and <i>Kerok</i> Performance
2.	Fikri and Gong Batu Village	<ul style="list-style-type: none"> • Fikri – Besut Setiu Agropolitan Project (Tourism and Kenaf) • Focus on Ecotourism in ECER Master Plan • Gong Batu – Pandan Craft Centre and Demonstration • Setiu lagoon – wetland experience • Aquaculture farms • Fishing landing points
3.	Saujana and Nyatoh Village	<ul style="list-style-type: none"> • Saujana as the Rural Growth Centre • Traditional massage • Herbs cultivation
4.	Mangkuk Village	<ul style="list-style-type: none"> • Guesthouses and resort • Fish-based SMEs (Fish Chips and Crackers, Shrimp paste) • Sensitive Architecture and Conservation (Terrapuri Heritage Village) • Fishing landing points
5.	Penarik Village	<ul style="list-style-type: none"> • District small town – commercial and tourist facilities • Aquaculture Industrial Zone (iSHARP) • Guesthouses and resort • Distribution of homestay • Fishing landing points
6.	Rhu Sepuloh Village	<ul style="list-style-type: none"> • Sesut-Setiu Agropolitan Project (Homestay <i>Rhu Sepuloh</i>) • Fisheries Community Management (<i>Komuniti Pengurusan Sumber Perikanan</i>) • Guesthouses • Fish-based SMEs (salted fish, Fish chips and crackers, processed fish meat)

¹⁰Key Development Areas (KDA) have been identified within Setiu Wetland by ECERDC based on the existing projects/programmes under private sector, state and district agencies such as Besut-Setiu Agropolitan Program and a study on the eradication of poverty of fishermen in the East Coast Region.

No.	Key Development Area (KDA)	Livelihood Activities
7.	Telaga Papan Village	<ul style="list-style-type: none"> • Rural Growth Centre • Fisheries Community Management (<i>Komuniti Pengurusan Sumber Perikanan</i>) • Goat Rearing Project – ECER poverty eradication project • Palm sugar making SME
8.	Merang Village	<ul style="list-style-type: none"> • Jetty / Gateway to Redang and Bidong island • District small town – commercial and tourist facilities • Hotels, guesthouses and resort • Charcoal making • Dikir Barat and Silat performance • Terengganu International Endurance Park (TIEP) Centre

Source: Adapted from ECERDC, 2009

Homestay

There is a homestay programme under the Fisheries Department of Setiu called '*Rhu Sepuluh*' Homestay. Rhu Sepuluh village is a fishing village located in the district of Setiu with a population size of about 500 households. Around 80 percent of the population work as fishermen. The homestay programme at *Rhu Sepuluh* village started in 2001 with 20 participants from the village. In March 2002, the homestay was officially certified by Ministry of Tourism, Malaysia (LKIM, 2009). A total of three villages are involved in the programme, namely Rhu Sepuluh, Pandan Jaya and Penarik. The homestay is one of the two homestay sites under the purview of LKIM. The *Rhu Sepuluh* Homestay has won the award in Fishing Village competition (*Pertandingan Desa Nelayan Wawasan*) in 2009.

The homestay programme in Setiu Wetland is a form of alternative tourism in which tourists are given the opportunity to experience the way of life of a typical fishing villages. The experiential nature of this form of tourism is becoming increasingly popular with both foreign and domestic tourists, especially among students. Despite the growing popularity of the homestay programme in Setiu, its potential as a development tool, especially as a Pro-Poor Tourism mechanism may be gathered from its value added activity and as a major income earner for the local communities. The selling point of the

homestay is not the village as a physical entity but the total village (*kampung*) experience (intangible features) that have been offered in the package. Besides, cultural heritage tourism could be a catalyst for preserving and revitalising Setiu's cultural heritage. This could enhance the attractiveness of the area as a prime tourist destination by promoting authentic Malay culture as its unique selling proposition in Setiu homestay.

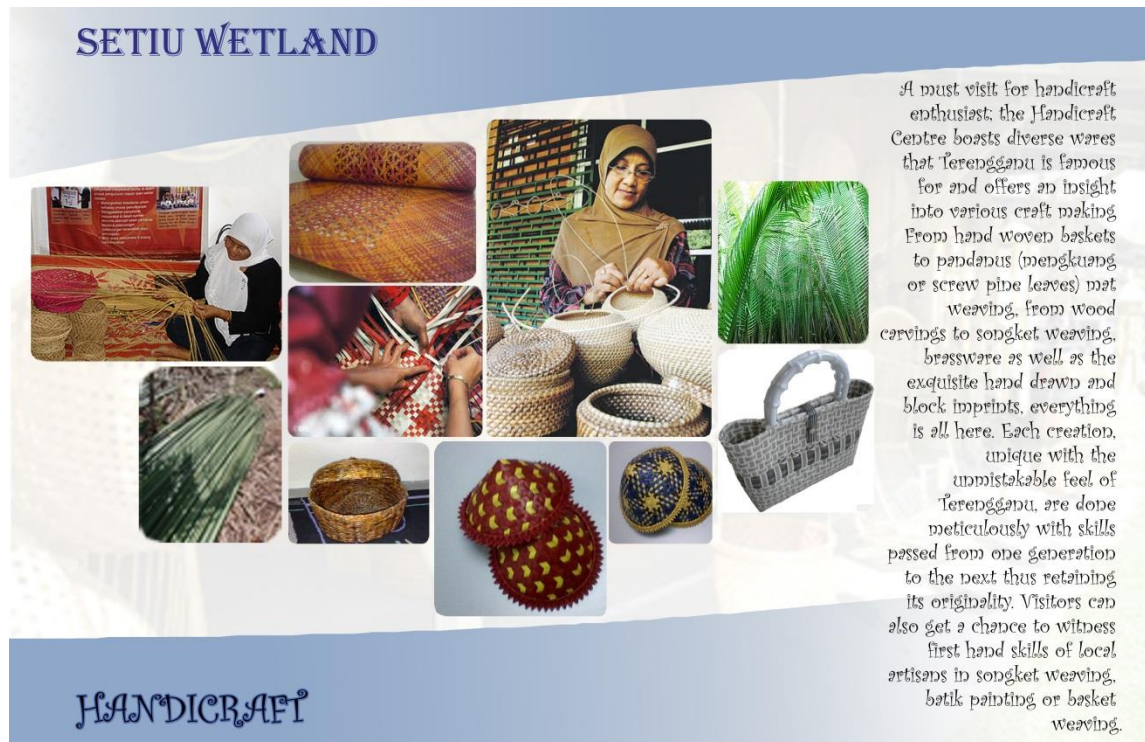
Handicraft

Pengkalan Gelap village, a small village located near the river coast in the Setiu Wetland, where the surrounding swampy area has abundant resources of *nipah* trees, has become the main source to produce stick weaving or '*lidi*'. This tree is valued by locals who utilize the spines of the leaf fronds to make beautifully crafted products such as '*lekar*', a type of traditional utensil basket, fruit baskets, traditional bird cages, lamp shades and other woven products, limit only by one's imagination. Most of the products are sold at the Seafood and Craft Bazaar in Setiu (see Figure 4.2).

Other than stick weaving, Setiu Wetland also known for its colourful and neat screwpine or '*mengkuang*' weaving. This is one of the traditional arts that remain very much in demand either for its usage or as a souvenir. The leaves are first cut into long strips and dried in the sun. Once dried, it is boiled and dyed with vegetable colours and woven into beautiful mats, handbags, slippers, food covers, pencil cases and purses and other objects.

The depth of culture distinguishes this area as a place where tourists can enjoy the 'East Coast tourist experience' through food, cultural performing arts, historical architecture, and handicrafts such as *mengkuang* weaving.

Figure 4.2: Setiu Wetland Handicraft Brochure



Lekar from *Nypa* Stick



Pencil Cases from *Mengkuang* Leaves

Source: Tourism Malaysia Terengganu, 2013

4.6.2 Local Community Livelihoods

The socio-economic activities carried out in Setiu Wetlands are wide-ranging. These activities include aquaculture, fishing, small scale industries such as manufacturing of fish paste (*budu*) and prawn paste (*belacan*), handicrafts, small-scale farming, boat building and eco-tourism such as diving, snorkelling, bird watching and turtle watching. The majority of the local community is involved in the fishing industry with variants such as those mentioned above (e.g. as their livelihoods.) The natural beauty of Setiu Wetland and its surroundings provide significant potential for the eco-tourism industry.

Fishing

In Setiu Wetland, fishing is the most important livelihood. Most of the local people make their living by selling fresh fish and sea products, Fish Tempura (Ikan Celup Tepung) and Fish Crackers (Keropok Lekor) from the processing fish (see Figure 4.3). It faces the problem of seasonality with the low fishing season normally coinciding with the North-East monsoon winds between November and March. The high fishing season runs from early March to October at the time of the South-West monsoon. About 5,000 fishermen are directly involved in artisanal fishing in Setiu district, providing employment and livelihoods to thousands of households (Setiu District Council, 2011). There is evidence that fishermen in most coastal tourism destinations are likely 'to benefit from the opportunities tourism brings' through provision of a ready market for their catch (Shah and Gupta, 2000: p.34). However, fishermen in Setiu are faced with barriers e.g. lack of market access to hotels and restaurants and their immediate need for cash that forces them to sell their catch to intermediaries at low prices (refer to Chapter 6 in the VCA).

Agriculture

Agricultural activities in the coast of Setiu depend on the local environment and rainfall conditions. East Coast of Peninsular Malaysia, including Terengganu experiences long rains and flooding season from late November to March during the North-East monsoon winds (MOSTI, 2010). In Setiu, cash crops include rubber, coconuts, tobacco, and

mangrove products. Coconuts have the advantage of thriving along the coastline and are grown in almost every homestead.

Figure 4.3: Setiu Wetland Fishing Brochure



Source: Tourism Malaysia Terengganu, 2013

4.6.3 Related Institutional and Development Programmes in Setiu Wetland

Setiu District Council

The Local District Council of Setiu (*Majlis Daerah Setiu*) has jurisdiction over planning and development applications, under the Local Government Act 1974 and the Town and Country Planning Act 1976. Any developments and change of use of lands must be made to the District Council and its responsibilities include the leasing of land, planning and management of public or state lands, and municipal administration of the Setiu District in general including all foreshore, rivers and river reserves which are under its direct authority (Setiu District Council website, 2013). No activity may be carried out in these areas without the permission or approval of the District Council. For example, the establishment of aquaculture farms, the granting of Temporary Occupation Licenses in the Setiu Wetland, and permission for other commercial activities on foreshores (e.g. the construction of buildings for swallow birds' nest products) fall under direct jurisdiction of this office.

Setiu Forestry Department

The Forestry Department is responsible for the management, conservation and restoration of forests in general, for permanent reserved forests and recreational forests and associated flora and fauna. It controls and monitors the timber-based industry and its development (Setiu Forestry website, 2013). This Department is also committed to a mangrove rehabilitation programme in Setiu Wetland and is involved in the maintenance of natural mangrove forests at Pengkalan Gelap village and planting of *Rhu* trees at Rhu Sepuloh village. The department also carries out planting of expensive exotic trees such as *Gaharu* trees at Mangkuk village for economic purposes, especially for the perfume industry. The local community is also encouraged to be involved in these economic activities, and the Department supplies seedlings, advice and guidance on how to grow and harvest these trees.

Fisheries Development Authority of Malaysia (LKIM) - Setiu Branch

The Fisheries Development Authority of Malaysia (*Lembaga Kemajuan Ikan Malaysia*, LKIM) is committed to the fisheries industry throughout Malaysia and assists the management of fishermen and culturists through National, State and Area Fishermen's Association (LKIM website, 2013). It works closely with the local communities of the Setiu Wetland area through its local branch.

Setiu Department of Fisheries (DoF)

The Department of Fisheries Setiu (DoF) is the responsible agency to deal with all issues related to fisheries (marine or inland) and has conducted several research programs related to biodiversity of these water bodies. Monitoring of the status of fish stocks is a major responsibility (DoF website, 2013). In Terengganu, there are five Marine Park Centres and Turtle Information Centres. Setiu River Basin is a recognised significant habitat for the critically endangered Painted River Terrapin. The wetlands and its coastlines have some legal protection through the Fisheries Act and the Turtle Enactment 1951 (Amendment) 1989.

Setiu Wetland State Park Department

Recognising the importance of the Setiu Wetland, WWF Malaysia and Department of Fisheries Malaysia in 1996, proposed to the State Government of Terengganu the gazettelement of Setiu Wetlands as a state park. As a result, the state government has agreed to consider gazetting the wetlands of Setiu as a marine heritage. The study area has been proposed as a State Park under the State Park Department. The Setiu Wetland Park covers 75% of the Setiu Catchment Area which is about 102,800 ha. Within the total landuse, the wetlands cover around 15,347.59 ha or 14.93% from the total area. Wetlands areas represent some of the most diverse ecosystem of the world. Through the establishment of Setiu Wetland Park (SWP), a number of benefits could be obtained especially in main focus areas such as:

- a) *The Environment* – with the management of SWP, a few aspects would be given priority such as how to use energy more effectively and how to reduce the way emissions damage the climate coupled with protecting flora and fauna.

- b) *The Community* – The community lives within the area, it depends on the natural resources in many ways for families to earn a living. Stakeholders can be creative in looking how the community could benefit with this development such as employment, economic opportunities and etc.
- c) *Tourism Activities within the Wetland* – with the establishment of the SWP, tourism activities can provide additional ecotourism attractions for the SWP as well as for financial instruments to manage the area. Imposing charges on visitors into the park and also for activities within the park can assist in managing the numbers of the visitors into very environmentally sensitive areas with limited carrying capacity. Hence, gazetted Setiu Wetland as a park can maximize the net social welfare to the society. Among the charges and activities that can be imposed on visitors at SWP are lagoon visits, boat rides, recreational fishing trips, fish ponds visits etc.

Agropolitan Programme

The *Agropolitan* (Agrocit) concept is an approach to planning rural development from below which promises real economic and socio-psychological empowerment for the rural poor (Friedman & Douglas, 1978; Mohamed Shaffril, Abdul Nasir, Idris, Uli & D'Silva, 2010; Buang, Habibah, Hamzah & Ratnawati, 2011). The *Agropolitan* programme is an integrated socio-economic projects initiated by ECERDC with the ultimate aim of eradicating poverty among the hard-core poor communities within the region through agricultural. The *Agropolitan* programme which involved Setiu as the focus area is called '*Besut-Setiu Agropolitan*'. The project is already in the pipeline in July 2009 and the first phase of the project was already been implemented in 2010. The major activity for *Besut-Setiu Agropolitan* is goat farming, which will see the development of 100 units of houses with 50 units of Animal Production Units (APU). Through these activities, the families are expected to generate a steady income ranging of between RM3,000 to RM5,000 per month (ECERDC, 2010).

Setiu wetland has been determined as one focus area for this programme as it is ranked the second district in Terengganu for total hard-core poor population. A key feature of

this programme is the allocation of land for agriculture activities such as livestock farming, crop planting and aquaculture that are supported by processing and marketing activities and resettlement of hard-core poor families. It also involves secondary activities such as mushroom farming, sweet corn plantation, handicraft making and aqua-culturists that will help supplement the income of participants.

PETRA-UNDP Mangrove Regeneration Community-Led Environment Project

Petra Perdana is a company listed on the main Board of Bursa Saham Securities Berhad, spearhead of the Petra Perdana Group of Companies. The Group provides offshore marine and integrated brown field services for the upstream oil and gas industry (Petra Perdana Berhad, 2007). The mangrove regeneration environment project is one of the core projects of Health Safety Environment (HSE) which forms part of Petra Perdana's core business strategy. In early 2006, as part of its corporate social responsibility, Petra Perdana Berhad entered into partnership with UNDP, with technical support from University Malaysia Terengganu, to help preserve Terengganu's biodiversity through the conservation and protection of the mangrove forest ecosystem. The Project is a key sustainable development initiative for the local communities in *Saujana, Fikri and Gong Batu villages* located along the *Pengkalan Gelap* coastline in Setiu, Terengganu.

Setiu was selected for two reasons (Petra Perdana Berhad, 2007). Firstly, the mangrove ecosystem was in a degraded state so that its regeneration would contribute towards the livelihood of the local communities through the supply of fish stock and also opportunities in eco-tourism to provide supplementary income for the local communities; and secondly, the Setiu district in Terengganu has been identified as one of the poorest in the State, and sustainable development activities there would benefit the communities (Petra Perdana Berhad, 2007). This project is in line with the State's objective to alleviate poverty in providing an alternative in sustainable living for the local communities over the long term.

Project activities undertaken so far include training of local community members in awareness about the mangrove forest ecosystem, establishing a nursery, replanting,

conservation and the formation of a community cooperative, to promote sustainable livelihood. Under this project as well, the Terengganu State government initiated eco-tourism proponents such as construction of an information kiosk and boardwalk. The project involved not just the men of the Setiu community, but the women and children of Setiu. This contributes towards the development of a low-income community with appropriate gender sensitivity. Whilst fulfilling Petra Perdana's HSE criteria, the project also created a positive impact on the welfare and socio-economic aspects of the local communities including opportunities to help generate supplementary income through a series of pro-business activities. Additionally, it also helps the womenfolk of the site to play a more proactive role through the introduction of a 'Women Empowerment' programme.

4.6.4 Advantages And Disadvantages Of Setiu Wetland as A Research Focal Point

Unlike other wetlands ecosystems, the wetlands of Setiu, Terengganu offer a wealth of natural attractions since the area covers many ecosystems such as sea, beach, mudflats, lagoons, estuaries, rivers, islands, tropical coastal forests, and mangrove forests. In fact, this is the only place in Malaysia which has these nine interconnected ecosystems, thus making it unique (Nakisah & Fauziah, 2003; Abd Mutalib, Fadly, Foo, 2013). The Setiu Wetland provides diverse resources for the local communities such as aqua-cage culture, pond culture, fish-pen culture and oyster farming within the lagoon. Additional traditional economic activities include honey gathering, collection of herbs for medicinal use and as vegetables, wood harvesting, ornamental fish collection, *nipah* leaf processing for traditional cigars, *nipah* milk collection, casuarinas leaf collection, mud crab hunting, wild grouper fry collection, shellfish collection, etc. These activities contribute about 20% of the local communities' earnings to supplement their incomes from the main activity as fishermen. In essence, the wetland is important as it maintains biodiversity, provides habitat for birds and animals, maintains water quality, supports commercial fishing and forestry, reduces the flood damage, provides places for fishing,

bird watching, boating and trekking, and also has aesthetic values for local attraction. Table 4.18 is a summary of the advantages and disadvantages of utilizing Setiu Wetland as a case study for this research.

Table 4.18: Advantage and Disadvantage of Setiu Wetland

Criteria	Advantage	Disadvantage
Geographical and Accessibility	<ul style="list-style-type: none"> - The largest wetland in Malaysia 	<ul style="list-style-type: none"> - Lack of accessibility to the area
Development	<ul style="list-style-type: none"> - Development planning to gazette the wetland as a State Park - Alternative road to/from Kuala Terengganu and Kota Bharu, Kelantan - Tourism development strategy in place – Tourism hub for East Coast Region - Special economic zone, incentives for foreign direct investment 	<ul style="list-style-type: none"> - No quality public transport except chartered taxi - No internet networking /coverage - Flooding season every year from November to January
Tourism Resources/Product	<ul style="list-style-type: none"> - Untouched natural resources i.e. sea grass beds and sandy beaches, brackish water lagoon with vegetation sand islands, mangroves, rare bird species, terrapins and turtles, fireflies, etc. - Stunning view and scenic landscapes along the road - Beautiful beaches - Homestay for ecotourism focus - Night local performances e.g. <i>Dikir Barat, Mak Yong</i> etc. - Conservation of rich Malay traditional architecture of Terengganu in Terrapuri Heritage Village – become one of the attraction beside as a high-end resort. 	<ul style="list-style-type: none"> - Limited quality attractions developed
Tourism Supply	<ul style="list-style-type: none"> - Craft production and retailing with ‘1 District 1 Product’ campaign - Fish production and retailing 	<ul style="list-style-type: none"> - Lack of accommodation - Lack of tourism facilities e.g. signboard, information centre, etc.
Market Demand	<ul style="list-style-type: none"> - Fresh seafood from the fishermen straight to the customer - ‘Ikan Celup Tepung’ (Fish Tempura) stalls along the beach road as the trademark of Setiu Wetland - Strong growth trend in arrivals to Setiu Wetland - Attract tourists from/to Redang Island 	<ul style="list-style-type: none"> - Shortage of quality shops and restaurants - Lack of promotions from tourism agencies and lack of marketing of Setiu Wetland in Terengganu - Few active (only depends on one domestic agent) tour operator selling Setiu Wetland

Criteria	Advantage	Disadvantage
Pro-Poor Growth	- Focus of poverty alleviation programme by the local authority and NGOs such as WWF	- Highest poverty rate in Terengganu and Peninsular Malaysia
Environmental Issues relate with Tourism	- Ecotourism attraction – turtle and terrapin conservation	- Visual pollution because of increasing development of ‘bird nest’ buildings.

4.7 RESEARCH WAYPOINTON BACKGROUND OF CASE STUDY

Tourism development in Setiu Wetland is increasing. The resources in Setiu Wetland are attractive, and necessary tourism facilities are available. However, there is potential for more unique/niche tourism development based on the high diversity of both nature and culture.

In contrast to the rich resources of the area, the local communities in Setiu Wetland live in poverty. The area shows a potential for tourism to create more benefits for local households, thereby contributing to poverty alleviation. Some benefits do go to the local communities through direct income related with tourism activities; however, it does not occur widely, especially through possible linkages to other economic activities of the local communities. In this context, Table 4.19 shows the specific justification for choosing Setiu Wetland as the study area for this research.

Table 4.19: Justification of choosing the Case Study

Category	Justification
TOURISM	<p>Malaysia:</p> <ul style="list-style-type: none"> • Rank no. 9 in Top 10 most visited countries by International Tourists since 2008 • 2nd largest foreign exchange earner since 1996 after manufacturing industry • Significant improvement over years in development and marketing
	<p>Terengganu:</p> <ul style="list-style-type: none"> • As the tourism hub for East-Coast Economic Region (covers Terengganu, Kelantan, Pahang and district of Mersing in Johor) • ECER Master Plan identified tourism as the main economic drivers in revitalising the rural economy and poverty alleviation.
	<p>Setiu Wetland:</p> <ul style="list-style-type: none"> • The only wetland in the country which contains and supports both freshwater and marine habitats. • High international tourism potential as Ecotourism product (unique ecological characteristic and more than 1000 rare/threatened species) • Proposed as Setiu Wetland State Park with more than 70% of the Setiu district identified as the State Park Boundary (the largest wetland state park in Malaysia)
POVERTY	<p>Malaysia:</p> <ul style="list-style-type: none"> • Success in attacking absolute poverty - Hardcore poverty was reduced from 1.2% in 2004 to 0.7% in 2009. • Rural Poverty remains higher than the urban poverty – Hardcore poor rural household is 40.3 per thousand compare with 12.6 per thousand in urban area.
	<p>Terengganu:</p> <ul style="list-style-type: none"> • The Second poorest state in Peninsular Malaysia (no.10 out of 11 states) with total no. of poor households at 28,015 in 2012. • Categorised as the less developed state in Malaysia • Poverty is the main target in the Inclusive Development Approach by ECER.
	<p>Setiu:</p> <ul style="list-style-type: none"> • Ranks no. 3 poorest district from 7 districts in Terengganu – mainly rural poverty as the majority of local people are fishermen. • State government aggressively proposed development projects for poverty alleviation programme.

Since this area is one of the most typical areas with its specific combination of rich natural/cultural resources but poor economic development, its lessons can be representative to those resource-rich and economic-poor communities where tourism has always a great potential. It is therefore expected to be able to extend the general theoretic and practical results derived from this case study here to other similar area in Malaysia and possibly even in other similar developing countries. The major findings of this study were presented in the next two chapters which specifically referred to this case study area.

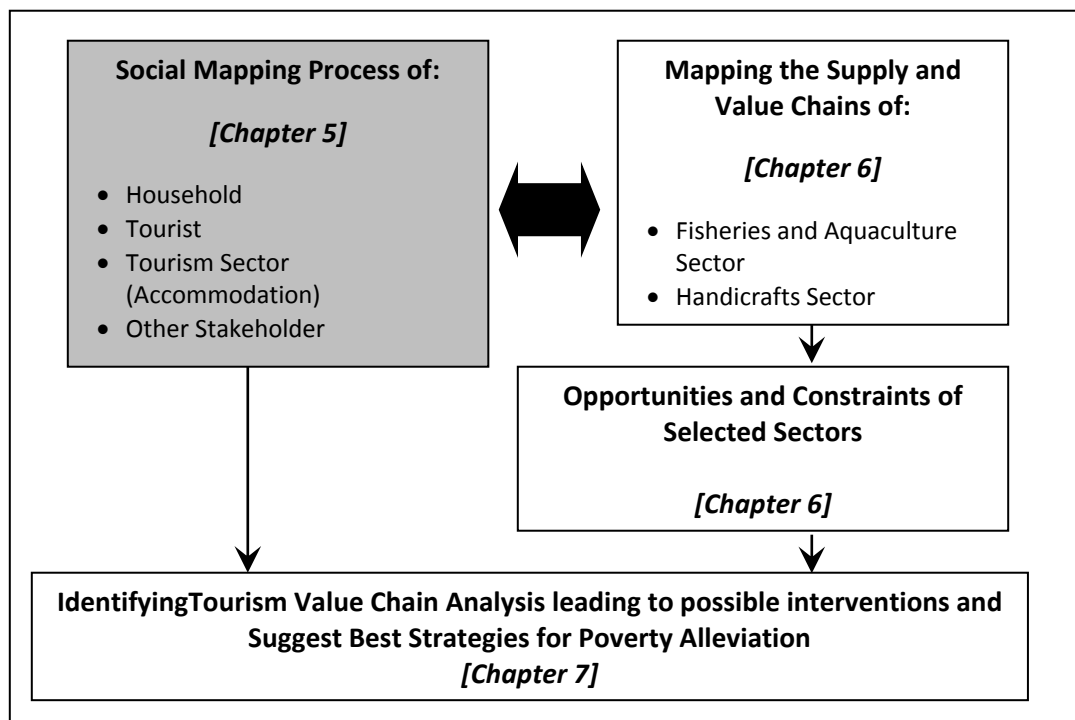
CHAPTER 5

Analysing the Social Mapping of Core Actors and Sectors in Setiu Wetland

5.1 INTRODUCTION

This is the first of the two data analysis chapters of this thesis. The data analysis was developed based on the adapted Tourism Value Chain Analysis (TVCA) as established in chapter 3 and was conducted using qualitative and quantitative analysis techniques. Figure 5.1 below explains the two analysis categories of this research, followed by opportunities and constraint of each unit analysis. Subsequently, tourism development and poverty alleviation strategies related with this research will be recommended.

Figure 5.1: Tourism Value Chain Framework



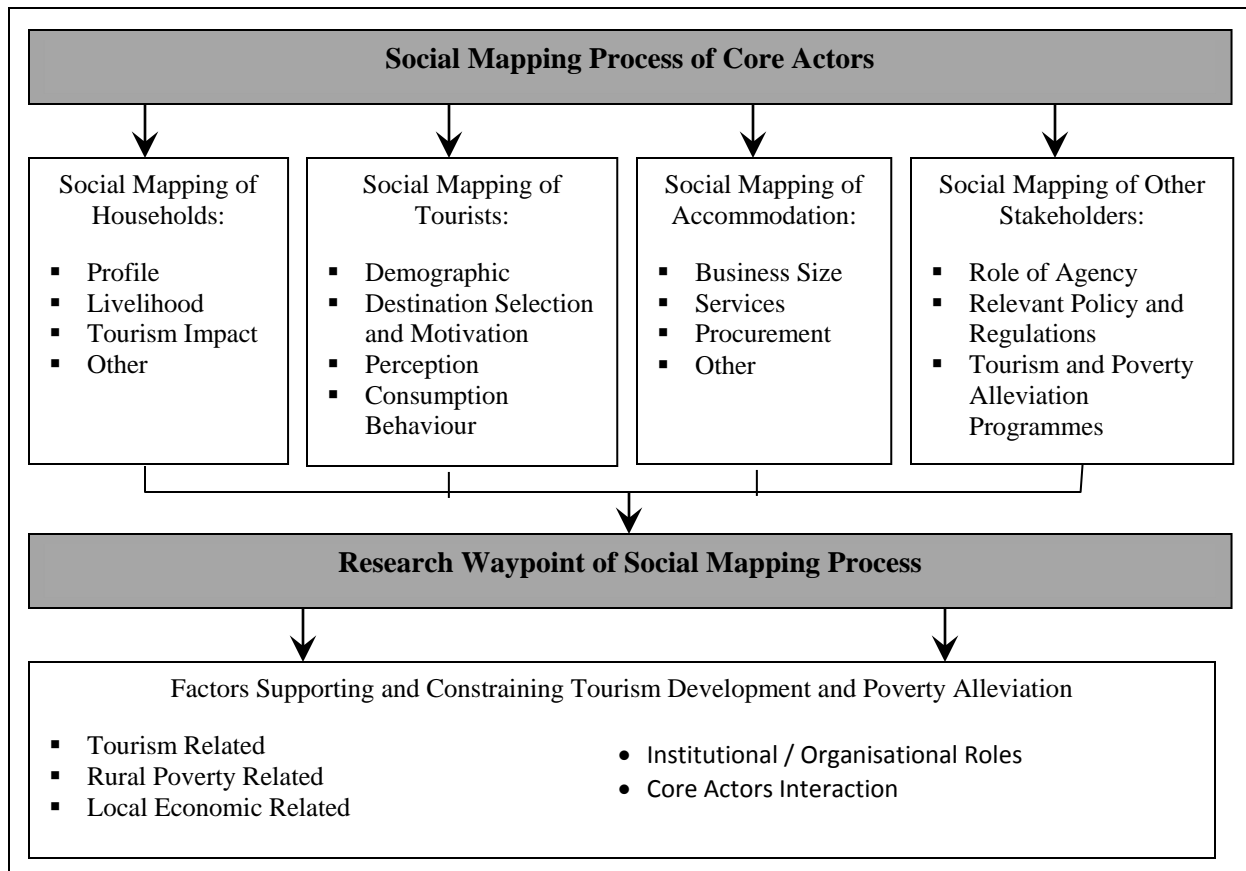
As mentioned in Chapter 2, one of the central principles of Pro-Poor Tourism is creating linkages between the poor and the tourism industry. This thesis tests how well Value Chain Analysis can be adopted to explore these linkages. Therefore, the analyses are more oriented towards analysing the value chain from point of view of the poor. However, other actors who directly and indirectly influenced opportunities and constraints towards poverty alleviation were also being analysed i.e. the tourists, tourism sector (accommodation) and other stakeholders.

The survey data collected involved 295 respondents engaged in the main economic activities of the area, 96 tourists to the site area, 7 managers of accommodation, 9 other stakeholders comprising planners, government officials, community leaders, local champions, travel agents, and NGOs in the area of tourism and poverty. In addition, 14 selected actors in each value chain (fisheries and handicraft sector) were also included. In conjunction to the primary data collected, secondary information was gathered from plans, policy documents, academic and consultant reports, books, journal articles, annual reports of organisations/enterprise, brochures and newsletters.

Social Mapping Process

Based on the steps of VCA introduced by ITC (2009) and DFID (2008) (see chapter 3.5.3), this research chose to start with the first step: Social Mapping Process which include (i) the social mapping of local household, tourists and accommodations sector, followed by (ii) the policies and institutional structure related to tourism development and poverty alleviation in Setiu Wetland, as highlighted in the figure below. This phase also helps to explain how the tourism sectors currently works, as well as the existing tourism market and the policy and regulatory context within the area.

Figure 5.2: Analysing Structure of the Social Mapping Process



This process includes tools to map the tourism value chain (or economy of the destination), and the participation of the poor within it. The first part of the fieldwork involved a social mapping exercise which involved with three different groups of respondents: a) 300 questionnaires were amassed from the total 3,972 heads of household (Setiu District Office, 2010); b) 136 tourist questionnaires were distributed at attractions in Setiu Wetland representing 2,389 of tourist arrival in 2010 (arrival 80% were domestic tourists and 20% were international tourists) (Tourism Terengganu, 2013) c) interviews were conducted with 7 managers of accommodation businesses including quality hotels, budget guesthouses, resorts and homestays (refer chapter 3.4.3: Sampling Design), d) interviews with 10 other key stakeholders including government, tour operator, NGOs, and e) interviews with 14 selected respondent from each chain in Fisheries and Handicrafts sector. These surveys were designed to answer the second

research question, which was to understand the linkages between tourism and the local community in order to identify ways that increased economic benefits and opportunities could be directed towards poor people.

There were three main objectives in this phase: firstly, to gain a greater understanding of the context in terms of poverty levels and the main problems facing those in the poorer communities; secondly to further explore potential tourists markets which would be capable of contributing more to local households and the poor; and thirdly to identify the economic effects of accommodation services on local communities.

Analysing Policies and Institutions Structure

The policies and institutional structure discussed in this chapter include the macro and micro levels of participation over differing time frames for key stakeholders such as involving the public sector, the private sector and civil society. This section seeks to answer the fourth research question: What are the policies and institutional structure, related potentials, programmes, unidentified opportunities and constraints for the rural poor in Setiu Wetland to achieve the aim of poverty alleviation via selected value chain analysis.

5.2 SOCIAL MAPPING PROCESS OF THE HOUSEHOLD SURVEYS

The social mapping process focussed on poor households in the case study area. Overall, Setiu Wetland contains 10 villages with a total of 3,972 households. From this population, 300 sample frames were surveyed. However, 295 were garnered (n=295), which used in the analysis. The sample selection was focus on the head of households in representing his/her household.

All the interviews followed a structured format questionnaire and were broken down into four (4) main categories:

- a) *Household* – this included questions on general information such as number of family members, number living at the household and how long have they been there.
- b) *Livelihood* – this included anything related to a household’s personal livelihood strategy. Examples include number of people earning, expenditure of household per month and income from main job.
- c) *Tourism* – although many of those in the poor communities are not currently involved in tourism, Setiu Wetland is planned as a major growth area after being gazetted as a State Park, thus all households were asked what they thought about tourism. This was not only to gauge whether there was local support for tourism but also to identify whether local community members were aware of the potential benefits or negative impacts the growing industry could have.
- d) *Other* – this included the participants’ views on the gazetted planning of Setiu Wetland to be a State Park and what they perceived were the main problems in the community. The wetland issue was included to establish how much people knew about future tourism development plans in the area and whether this had affected their lives in any way.

5.2.1 Profile of Household

The respondents revealed a diversity of skills, employment and/or livelihood activities, education levels, age (with a majority in the older age sets – almost 60% above the age of 45 years – as would be expected) and gender (more than one third female) across the ten villages in Setiu Wetland (refer table 5.1).

Table 5.1: Profile of Household Survey Respondents (n: 295)

Respondent characteristics	No. of respondents	Percentage (%)
Gender		
Male	214	72.2
Female	81	27.1
Education		
Primary school education	127	43.1
Secondary school education	125	42.4
Without formal education	31	10.5
College/university education	12	4.1
Age		
45 – 59 years old	130	44.1
35 – 44 years old	71	24.1
25 – 34 years old	51	17.3
60 + years old	43	14.6
Occupation		
Fisherman including Aqua culturist	73	21.4
Employed full time (hotel, restaurant, etc)	62	21.0
Self-employment/business	54	18.3
Casual work	50	16.9
Farmer	37	15.9
Unemployed	10	3.4
Retiree	9	3.1
Period of residence		
Born in the study area	252	85.4
longer than 10 years stay	24	8.1
less than 10 years	19	6.4
Village		
Kg. Telaga Papan (CTB)	44	14.9
Kg. Rhu Sepuloh (CTB)	42	14.2
Kg. Penarik (CTB)	36	12.2
Merang (CTB)	34	11.5
Bintang (FFB)	34	11.5
Kg. Gong Batu (CTB)	31	10.5
Kg. Mangkuk (CTB)	23	7.8
Kg. Saujana (FFB)	21	7.1
Kg. Fikri (FFB)	19	6.4
Kg. Nyatoh (FFB)	11	3.7
Location		
Zone CTB	210	71.1
Zone FFB	85	28.8

*CTB – Close To the Beach (within 5km)

FFB – Far From the Beach (more than 5km)

Source: Fieldwork, 2011

Figure 5.3 shows that most of the respondents who were the heads of household were male. On the other hand, 27% of the respondents, where they acted as the head of household were female, (an interesting percentage considering the status of single mothers or widowers). Included in the survey were 43 respondents who represented the household since the heads of those households were not able to answer the questions at the time.

Figure 5.3: Respondent's Gender (n:295)

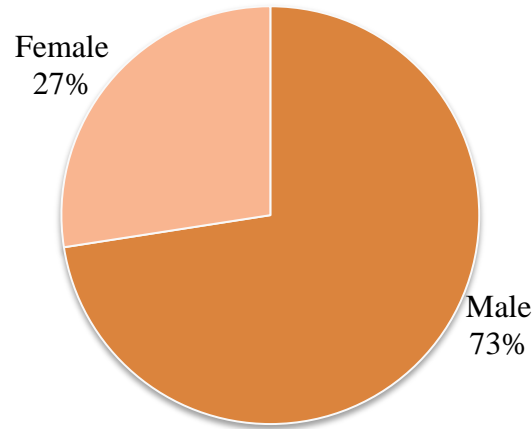


Figure 5.4: Respondent's Level of Education (n:295)

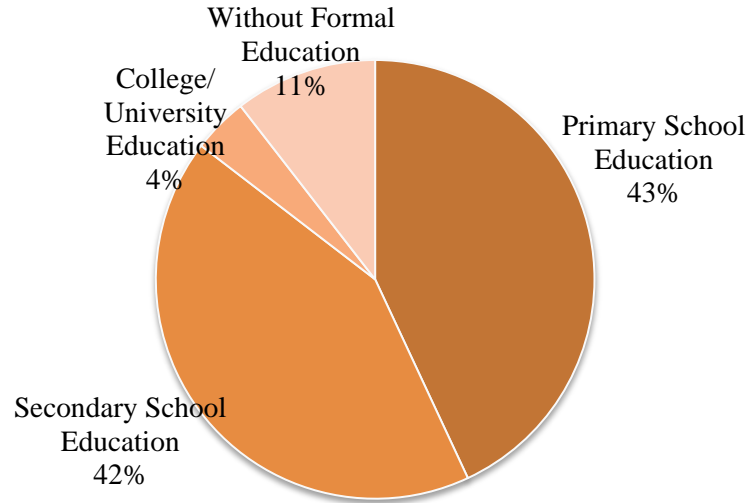


Figure 5.4 shows that the highest education for the respondents was in primary school education (43%) and in secondary school (42%). In other words the education level of most of the poor people in the area was low. This low level of education also coincided with the largest respondents' group age (refer Figure 5.5), i.e. 45 – 59 years old (44%). The survey indicated that the most heads of household living in the area were adult and senior citizens.

Figure 5.5: Respondent's Group of Age (n:295)

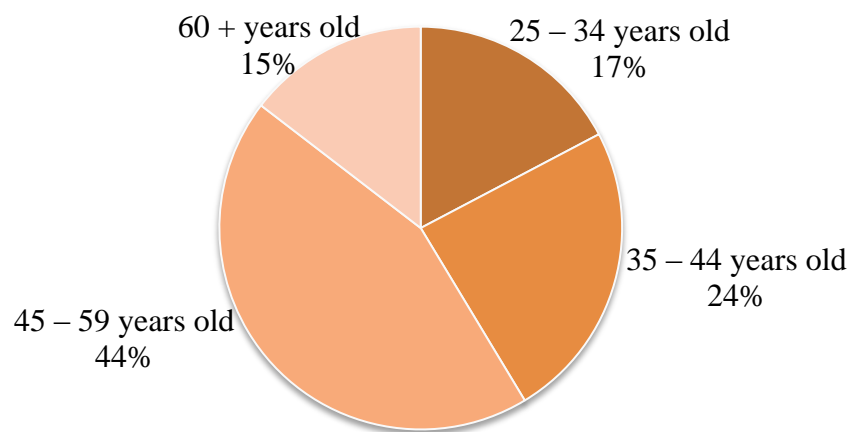
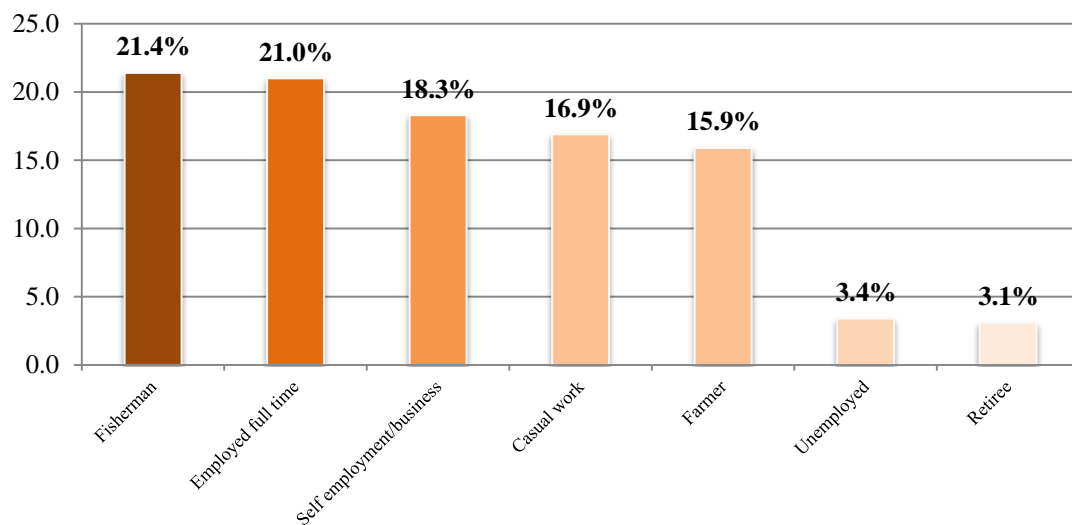


Figure 5.6: Respondents' Main Occupation (n:295)



Most of the respondents' main occupation was fishing (21.4%) or they were employed in businesses as a full time worker (21%) (Refer Figure 5.6), where a majority of them were working in hotels, restaurants, small industries and offices.

Table 5.2: Secondary Income Sources (n: 162)

Type of Job	No. of Worker	Percentage (%)	Average Income/month (RM)	Average Income/month (USD)
Farmer	64	39.5%	450	134
Aquaculture	47	29.0%	450	134
Handicraft Producer	35	21.6%	350	104
Business	16	9.9%	300	89
Total	162	100.0		

Source: Fieldwork, 2011

Based on the survey, 162 respondents representing 55% of the total respondents had secondary income sources contributing into their household income. 39.5% of the respondents were working as farmers, 29.0% as aqua-culturists and handicraft producers (21.6%) as their secondary income source (refer Table 5.2). This shows that farming and aquaculture are still an important income source for local people besides fishing. Handicraft became another important income source especially to the women in the household.

Figure 5.7: Respondent's Period of Residence in Setiu Wetland (n=295)

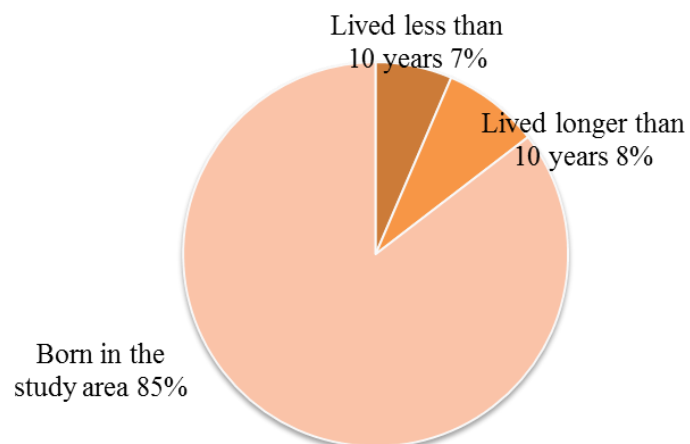


Figure 5.7 shows that majority of the respondent were born and had lived in the area (85%) from their birth. There was only 7% of the respondent who had resided in the area for less than 10 years. Figure 5.8 and 5.9 shows that 75% of the respondents' lived in the villages close to the beach (CTB) such as *Kg. Telaga Papan* (14.9%), *Kg. Rhu Sepuluh* (14.3%) and *Kg. Penarik* (12.2%), which are situated along the Penarik coastline. Not surprisingly, therefore, most of the poor people in the area are fishermen.

Figure 5.8: Respondents' Zone of Location (n=295)

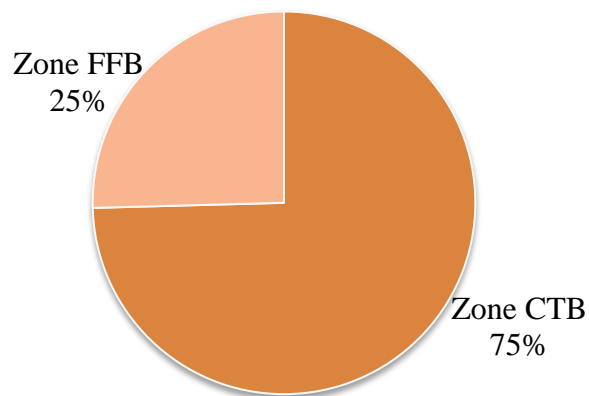
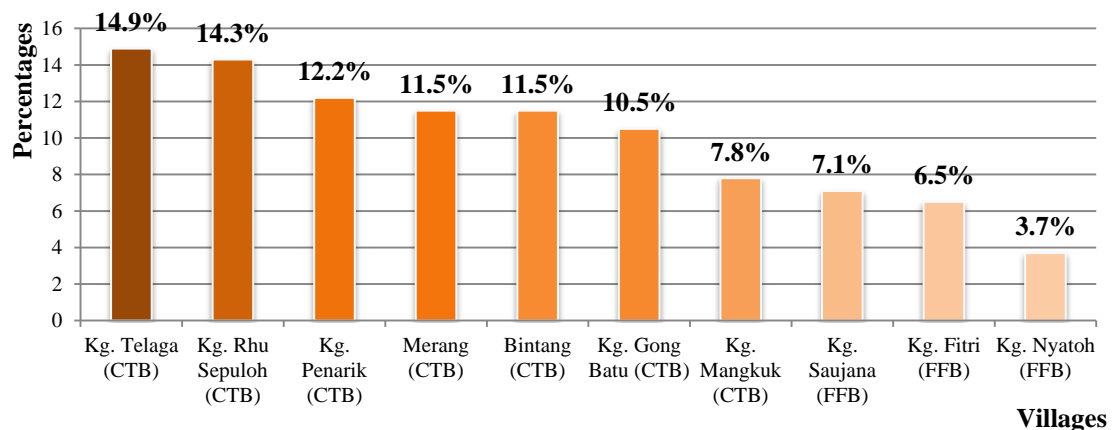


Figure 5.9 : Respondents' Village of Residency (n=295)



Source: Fieldwork, 2011

Figure 5.10 : Significance Between Zone of Location and Occupation (n=295)



Source: Fieldwork, 2011

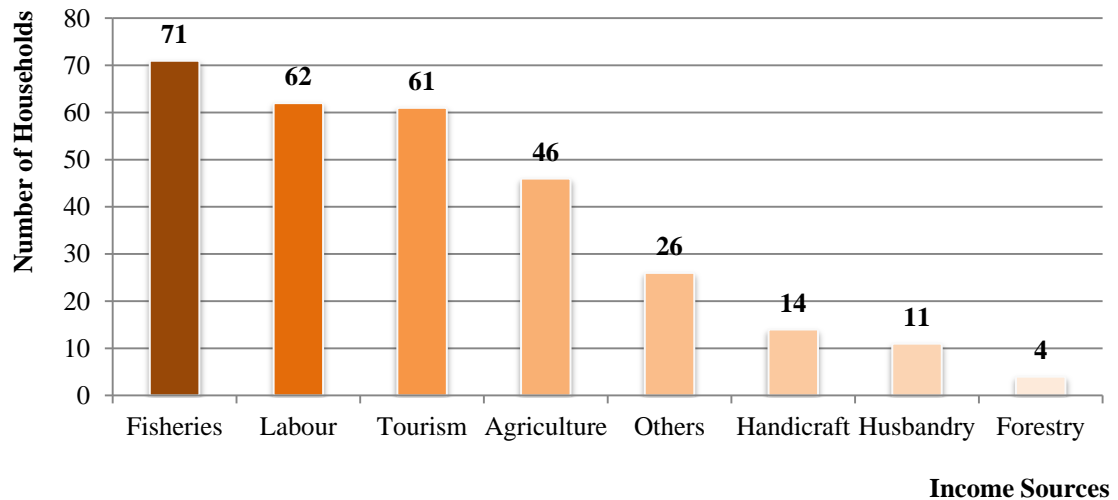
Figure 5.10 shows the significant between zone of location where the respondent lived and their occupation. It shows that that most of the respondents who works as fishermen live close to beach (CTB) and majority who live far from the beach (FFB) working in business-related such as entrepreneurs.

5.2.2 Household Incomes

Local households earn cash income from fishing, labouring, husbandry, agriculture, non-tourism businesses, tourism, and handicraft, as well as a variety of other activities not captured by identified sectors (figure 5.11). In Setiu Wetland, fishing is the most important cash source for the local households, and contributes 24.7% of household income (Table 5.3). This included owning their own boat, being a fisherman's assistant (*awak-awak* – working on someone else's boat), selling fish to either the resorts or

restaurants or through the market, fishing off the shore (low number), seafood rearing, and being a worker at the fish or prawn cage aqua-farms.

Figure 5.11: Household Income Sources



Source: Fieldwork, 2011

Table: 5.3: Household Income Sources in Setiu Wetland (n=295)

Income Sources	No. of Households	%
Tourism and Handicraft	75	25.43
Fisheries Sector	71	24.07
Labour	62	21.02
Agriculture	46	15.59
Other	26	8.81
Husbandry	11	3.73
Forestry	4	1.36
TOTAL	295	100

Source: Fieldwork, 2011

This chart illustrates that fishing and agriculture are important cash sources for local people. However, tourism related businesses such as hotels, resorts and the handicraft sector also constituted a significant income source for 25% of the surveyed households (Table 5.3).

Figure 5.12: Range of Household Income (n=295)

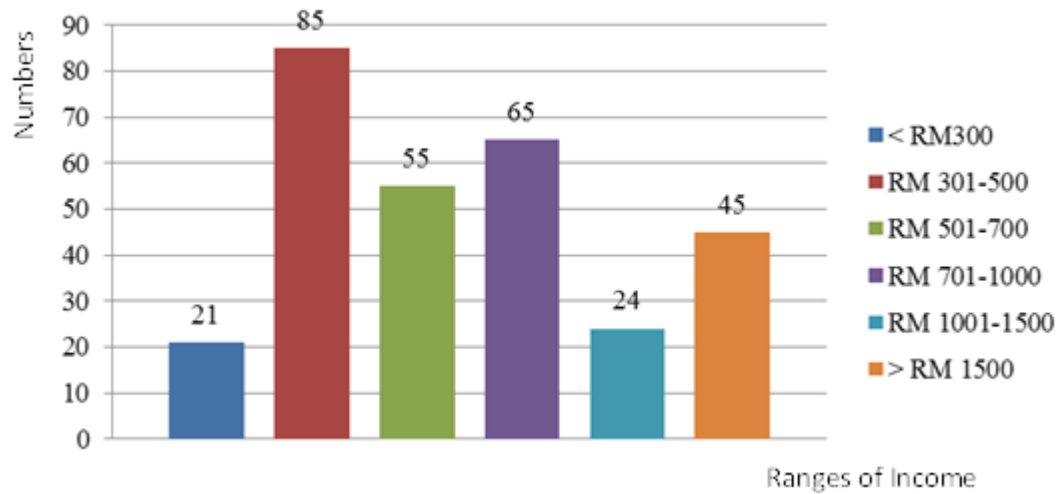
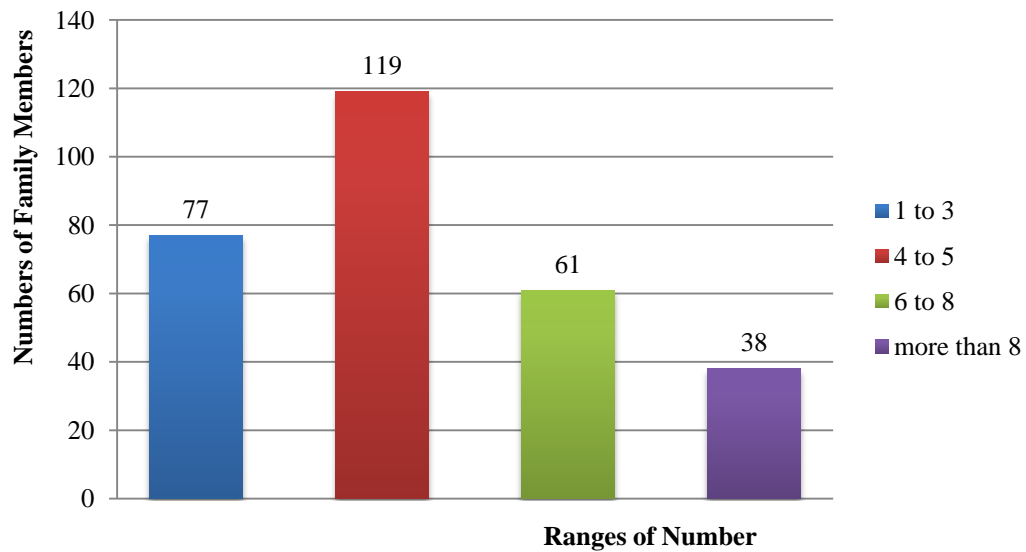


Figure 5.12 shows that 85 of household incomes are in the range of RM301 to RM500 per month followed by 65 households with income in the range of RM701 to RM1000 per month and 55 households earn between RM501 to RM700 per month. This shows that most of the household are categories as ‘poor’ and ‘vulnerable/easily poor’ (refer chapter 4).

Figure 5.13: Numbers of People Living within a Household (n=295)

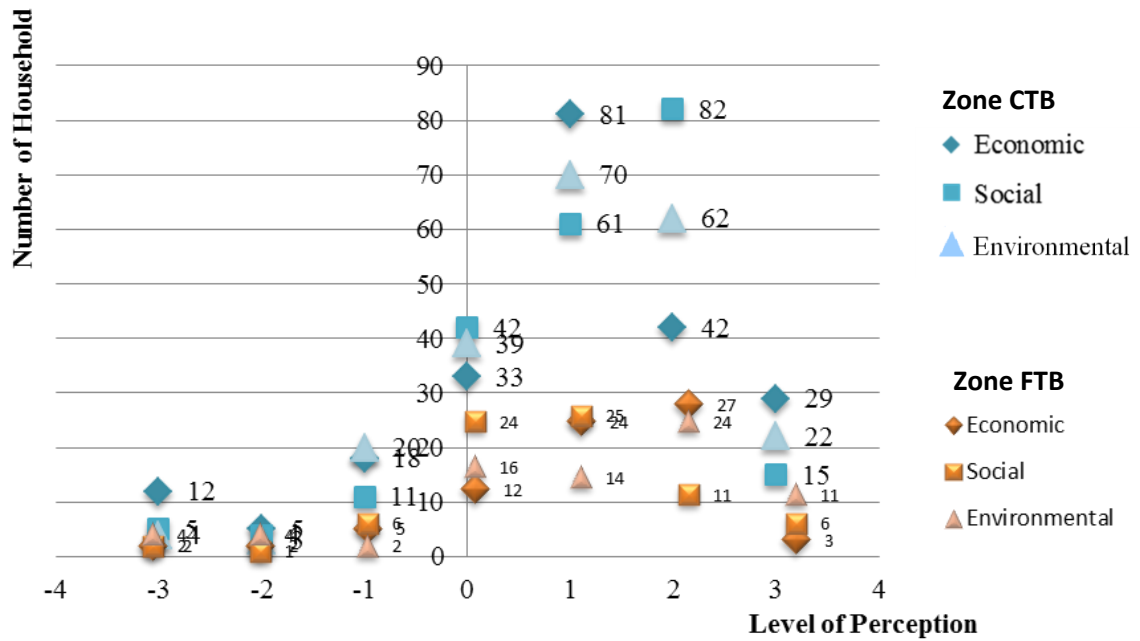


5.2.3 Perceptions of Household on Livelihood

A. Perceptions from Different Household Groups

Figure 5.14 illuminates different perceptions from different household groups who live in different zones of the Setiu Wetland area about their standard of living . It shows that the respondents who lived closest to the beach (zone CTB) gave higher positive perceptions of livelihood especially regarding economic and social aspects (score of +3 for greatest positive impact). A main reason is that the concentrated development along the coastal area offers employment and a wider social network between the local community and visitors from which the former can benefit.

Figure 5.14: Household Perception on Livelihood Based on Location



However, there were 17 respondents (6%) in CTB gave negative perception on economic and social aspects (score of -3 for greatest negative impact).

B. Perceptions from Different Household Income Groups

Figure 5.15: Household Perception on Livelihood based on Income Groups

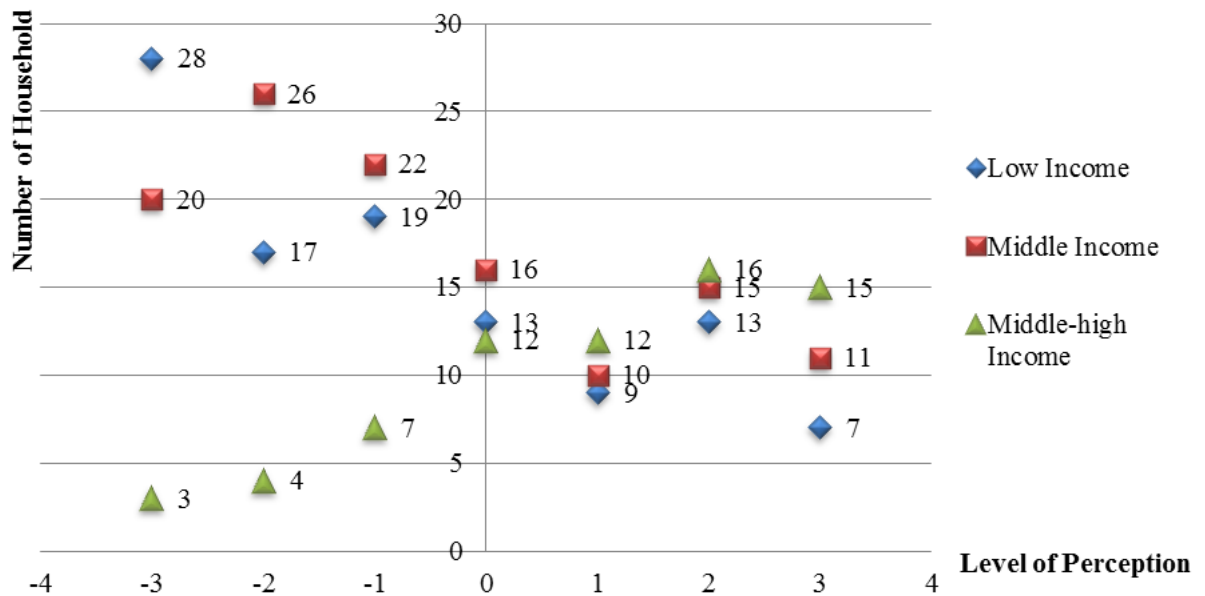
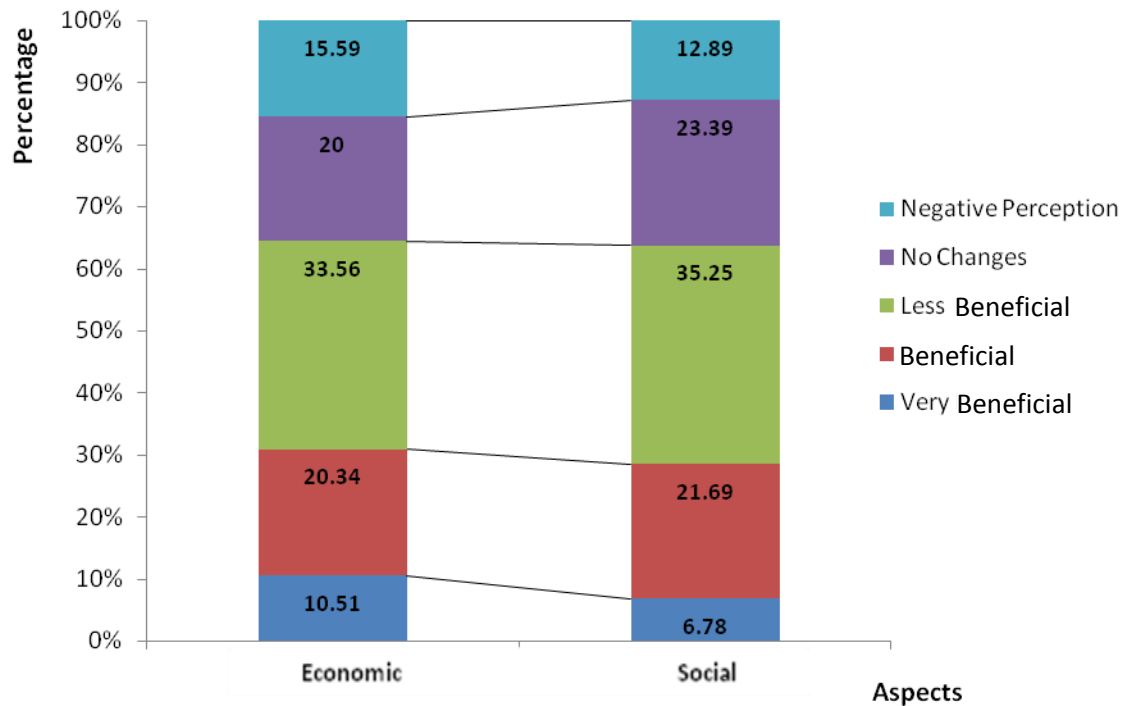


Figure 5.15 shows household perceptions on Livelihood based on income groups. Analysis indicates that respondents with low and middle incomes were the largest group to give negative perceptions on their livelihood (score of -3 for greatest negative impact). This was probably because their income could not cover the necessities of living costs, which in effect forced them to have more than one occupation to support their households. However, there were also 33 (11%) of total respondents who gave positive perception on livelihood based on their income (score of +3 for greatest positive impact). It was because of better income that they received after the development along the coast provided greater opportunities.

5.2.4 Tourism Impacts on Households

Respondents were asked whether tourism benefitted the local people especially the poor either economically or socially.

Figure 5.16: Household Rating of Economic and Social Effects of tourism



Some household incomes increased with the tourism development in Setiu Wetland. The survey results indicated that tourism as a proportion of household income had a positive effect on 64.5% of households, with 10.5% seeing the results as very beneficial, 20.3% as somewhat beneficial while 33.56% considered that it had resulted in less benefit economically and socially (Figure 5.16). Tourism's contribution to cash income for local households was 25.43% (Table 5.3 and Figure 5.11), where the income increased more or less in line with increasing job opportunities in the tourism industry. This trend was most obvious along the high impact development area which focused on tourism as the main anchor, especially in handicraft sector. However, it is worth noting that one household in six (15.59%) perceived tourism as having a negative effect on household

incomes, and one household in five (another 20%) considered that tourism had not ushered in any change for them. The main reason why these respondents considered that tourism had a negative effect on household incomes, was because earnings from the tourism sector (in this case homestay providers) were not as substantial compared to other homestay providers.

With reference to social impacts, the levels of community attachment have been found to influence the level of impact of tourism activities in Setiu Wetland. The respondents were asked about their perceptions of the impacts of any tourism events on their quality of life, 63.7% of respondents considered that tourism gave positive impacts benefits to them, with 6.8% seeing the results as very beneficial, 21.7% as somewhat beneficial while 35.3% considered that it had resulted in less benefit than expected (Figure 5.16). Included among reasons for positive social impacts was that they were happy to see more people coming to their villages and their villages getting known by outsiders. Besides that, the participation and role of women in economic and household activities in Setiu Wetland villages related with tourism is seen as a part of the positive impacts (see para 5.2.6).

5.2.5 Perception on Tourism Benefits to the Poor

There is considerable employment activity generated by tourism in the study area. 53.15% of the poor households (low and middle income) in the survey considered that tourism provided did not open up employment opportunities for them (Table 5.4 and Figure 5.17). This suggests that many local households generally had a more conservative or uncertain perspective with a large proportion opting for a negative response. This was probably because they didn't know that their involvement in certain activities such as a boatman, selling fish and seafood could be related with tourism until advised so by the researcher. Greater awareness of the linkages arising from such interaction between the researcher and local people would almost certainly produce

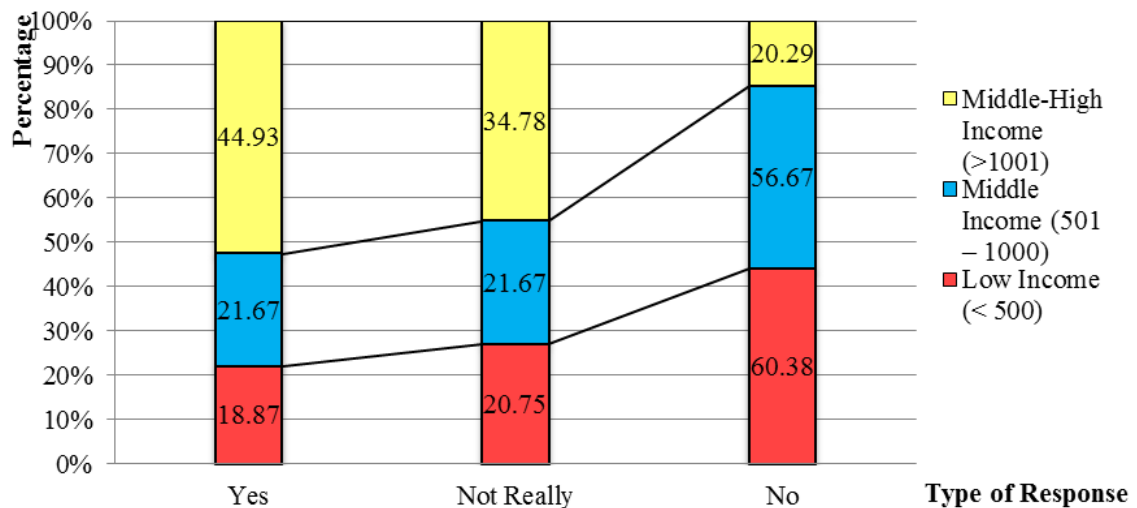
higher numbers of affirmative responses were a follow-up survey conducted (restriction of time in the field prevented any such subsequent survey being carried out).

Table 5.4: Perception of Households On Employment Opportunities From Tourism
(n=295)

Household Group Income	Response to “Employment Opportunities from Tourism”		
	Yes	Not Really	No
Low Income < RM500 (n = 106)	18.87	20.75	60.38
Middle Income RM501 – RM1000 (n = 120)	21.67	21.67	56.67
Middle-High Income > RM1001 (n = 69)	44.93	34.78	20.29

Source: Fieldwork, 2011

Figure 5.17: Perception of Household on Employment Opportunity from Tourism Based on Income Group



5.2.6 Economic Effects on Specific Groups of Communities

Women have been identified as a specific component of communities in Setiu who are involved directly and indirectly in contributing into household income. Interestingly, the number of women as the heads of household is also quite high (as noted in 5.2.1) indicating that that the number of single mothers in Setiu is quite high.

A. Involvement of Women as the Entrepreneurs

The participation of women can be seen within the socio-economic condition of poor households in Setiu Wetland, particularly those in fisheries, aquaculture and handicrafts sector. According to Yahaya (1981), persistent poverty and worsening economic conditions have forced many women from poor rural households to work outside their homes and attempt to take up various economic activities while continuing to carry out their traditional household duties. This pattern was generally observed at the fieldwork and a number of semi-structured interviews with women in Setiu Wetland, who were involved in fisheries and aquaculture sector, as well as in handicrafts sector, supported these observations, e.g:

“.... I have 8 children and they are all still schooling. My husband is a fisherman, and his income is not enough for the 10 of us. So, I have to work. Furthermore, my husband can't go to the sea in the monsoon season, so we have to think of something to earn in that season...” (Respondent 21, 2011)

Most of the women in Setiu Wetland were identified as being involved or participating in activities which did not require them to be away from home for a long period of time. Fieldwork (participant observation and interviews) identified four main areas (as also mentioned by Yahaya, 1981) in which women in Setiu Wetland were active participants and/or were directly involved in earning incomes:

- a) Activities in small-scale fisheries especially in traditional subsistence undertakings such as fish processing, preservation, and fermentation which are value-adding for income generation, also in fish marketing and trading as fishmongers, selling the catch of their husbands.
- b) Activities in aquaculture (brackish-water, cage and mussel and oyster culture) especially in collecting fish fry, prawn seed, mussels and oysters, etc., stocking of ponds, also feeding the fish.
- c) Activities in home-based, labour-intensive cottage industries such as handicrafts, agro-based industries such as banana chips, chili sauce making, and palm sugar (*Gula Melaka*) making.

- d) Involvement in community-based tourism such as operation of guest house or homestay for tourists.

B. Involvement of Women in Fisheries Production, Processing and Marketing

Women in Setiu Wetland are known to involve in fisheries-related activities such as unloading, sorting, gutting, net mending, processing, distribution and marketing. Direct observation showed that every fisherman's wife would wait on the beach and after the boat had landed, they would take over the job in helping to unload, sort and divide the catch among the boat-crews. Their portions, after being divided, would then be sold either to fish traders, retailers or direct to customers who came to the beach.

".... We can see from our house window that our husband is coming back from the sea, so we go and wait at the beach to take over the job from there, unloading, sorting, dividing and sell the catch of the day..." (Respondent 19, 2011)

By long tradition, the women in Setiu Wetland have also been engaged in a wide range of traditional fish-processing activities such as salting, sun-drying, preservation, and fermentation to produce items like fish-crackers (*keropok*), fish sauce (*budu*), and shrimp paste (*belacan*), salted and dried fish, cuttlefish and prawns, also flour-dipped fish (*ikan celup tepung*) (Yahaya, 1981). These activities are carried out by both small home-based establishments and large industrial fish/prawn processing plants. Now, the small-scale, home-based operation is supported with low capital investment and simple labour-intensive technology by the government such as Fisheries Department (*Lembaga Kemajuan Ikan Malaysia-LKIM*). The small fish processing businesses normally employ daily-paid female labour, whom the majority are the wives and daughters of the fishermen. Based on the interview with the women workers in fish processing places, their jobs include sorting, gutting, cleaning, drying, curing, and packing of fish. The employment provides low cash incomes, usually in the range of RM10.00 – RM20.00 per day (Table 5.5). More explanation will be in Chapter 6 in discussing on Fisheries and Aquaculture value chain mapping.

Table 5.5: Income for Daily-Paid Labour in a Fish Cracker Business

Type of Job	Estimated no. of Women Workers	Average Income/day/person (RM)
Fish Sorting, Gutting, and Cleaning	8	RM20.00
Drying the fish	12	RM10.00
Packaging	4	RM15.00

Source: Interview with Respondent 26, 2011

In addition to the small fish processing works, women in fishing communities of Setiu Wetland are also employed in the prawn processing plants at Blue Archipelago near to Penarik Village. However, because of lack of education and skills, most of them are restricted to low paid labour-intensive work such as sorting, dressing, and packaging.

Table 5.6: Estimated No. of Women Involve in Fish-Processing Product

Fish Product	Estimated No.	Percentage (%)
Flour-dipped Fish (<i>Ikan Celup Tepung</i>)	21	37.5
Fish Crackers (<i>Keropok</i>)	12	21.4
Dried Fish, Anchovies, Cuttlefish and Prawns	4	17.9
Shrimp Paste (<i>Belacan</i>)	3	10.7
Fish Sauce (<i>Budu</i>)	4	7.1
Salted Fish	3	5.4

Source: Fieldwork, 2011; LKIM, 2011

Direct observation by the researcher in Setiu showed that the entire fish product business is an important economic activity for women. Around 75% of the fish products were made by the women who work at the fish processing place, and they sold the products direct to the customers (Refer to chapter 6 in analysing the value chain of fisheries sector). Another economic activity involving women's participating is fish trading and marketing. It was generally observed that women's involvement in fish trading as the fish trader was most significant in Setiu Wetland (refer chapter 6). Invariably, a majority of these women turned out to be the wives of fishermen who wanted to generate a supplementary income for their households. Fieldwork revealed that some of the women became a fishmonger, selling their fish at the morning market or at the wet market; some became small retailers who sold from house-to-house either by foot, using motorcycle or small cars; and there were also some women who engaged in other small retailing

businesses by opening a village retail shop which also sold a variety of seafood with other groceries (refer to more explanation in chapter 6).

C. Involvement of Women in Aquaculture Sector

Based on direct observation, the participation of women in aquaculture encompasses every aspect of fish farming such as preparing fish food, cleaning the nets/cages and feeding the fish. Activities in aquaculture or fish farming have been recognized as a suitable job for women in fishing communities since it does not require for them to be away from their homes for a long period of time (Yahaya, 1981). In coastal aquaculture of Setiu, the women would normally carry out the work taking care of the fish while their husbands were out fishing. The recent rapid development of large-scale aquaculture projects in Setiu Wetland under the Industrial Aquaculture Zone (IAZ) will increase job opportunities not just for the younger community members, but also for women generally.

Among the main activities which are commonly associated with the extensive participation of women in aquaculture are stocking of ponds, stock alteration and growth checks, maintenance activities such as weeding the ponds, clearing of ponds, cleaning nets and cages, collection of fingerlings and fish fry, fertilising ponds, feeding, harvesting and handling (Table 5.7). Since these activities are not time-consuming, it is also evidence that some women practised integrated farming such as rearing of poultry and fish and growing of cash crops along the bunds.

Table 5.7: No. of Women Involve in Aquaculture Activities

No.	Activity	Estimated No.	Percentage (%)
1.	Stocking Of Ponds	5	13.16
2.	Stock Alteration	7	18.42
4.	Maintenance Activities	8	21.05
5.	Collection Of Fingerlings And Fish Fry	7	18.42
6.	Fertilising Ponds	4	10.53
7.	Feeding, Harvesting And Handling	4	10.53
Total		31	100.00

Source: Interview with Respondent 26, 2011; LKIM, 2011

D. Involvement of Women in Handicrafts Production

In addition to the participation of women of Setiu Wetland in fisheries and aquaculture, they have been actively involved in the production of *nypa* and *mengkuang* weaving into a variety of local handicrafts such as mats, baskets, pencil cases, vases and so on (Table 5.8) (refer Chapter 6 in discussing of handicrafts value chain mapping). The involvement in handicrafts has been common among women for generations, as part of their household skills making items for family use, and as a supplementary income-earning activity. These home-based industries are heavily reliant on the conventional skills and craftsmanship possessed by the women, and usually operated at home, which enables them to combine household duties with the significant supplementary income-generated activity to increase the family income.

Table 5.8: No. of Women as Handicraft Producers and Selling Handicrafts

No.	Activities	Estimated of No.	Average of Income/day/person (RM)
1	Handicraft Producer	12	18
2	Selling Handicraft (Handicraft Entrepreneur)	18	30

Source: Interview with Respondent 30, 2011; LKIM, 2011

E. Participation of Women in Tourism-Related Industry

Another activity involving women's participation is related to tourism. With the rapid growth of the tourism industry in Setiu Wetland and the availability of the various incentives extended by the government and NGOs, it has been reported by ECERDC (2009) that many women especially those in fishing communities have started to operate holiday lodgings in the vicinity of their houses for tourists, i.e. homestay. This is another income-generating activity, a tourism-related activity that is the least dislocating in the sense that it does not require women to be away from their homes. From the interviews with the homestay participants, the daily management of the homestay or guesthouses, like tidying, cleaning, washing and cooking, even taking the guests to experience village life, are all carried out by the women. These activities are considered as an extension of the women's routine housekeeping chores with additional members in the house, while their husbands are at the sea.

“... The women in the family will involve in most of the activities with the tourist who stay with us, such as demonstration of cooking, visit to the villages and SMEs. They also involved in the housekeeping task such as tidying and cleaning the guest room.”
(Respondent 10, 2011)

Besides becoming involved in the homestay programme, fieldwork (interview with accommodation manager) also discovered that there are about 67 women who are also working in housekeeping sections at local guest houses, resorts and hotel, as part time workers (Table 5.9). At the local guest houses, the women who work there also include family members of the guest house's owner.

Table 5.9: Women Workers in Accommodation (n=7)

Accommodation	Job	Estimated No.	Percentage (%)
Resort (n=2)	Kitchen helper	6	9.0
	Housekeeping	12	18.0
Hotel (n=2)	Kitchen helper	14	21.0
	Housekeeping	26	39.0
Guest house (n=3)	Cook	4	6.0
	Housekeeping	5	8.0
Total		67	100.0

Based on the fieldwork (interview with tourism-related activities managers and observation), the possibility of women's participation in income-generating, tourism-related activities in Setiu Wetland is yet another area where their economic potential can be utilised and it is expanded to other tourism-related activities such as organising recreational activities, operating small food catering for tourist tours, and cultural shows for a fee (Table 5.10).

Table 5.10: Estimated no. of Women Involved in Tourism-related Activities

Activity	Estimated No.	Percentage (%)
Homestay Provider/Participant	25	14.8
Accommodation Worker	67	39.6
Activities Demonstrator (i.e Mangrove Replanting, Local Food Making, etc)	10	6.0
Food Caterer and helper	13	7.7
Cultural Show Performer (i.e Nasyid)	24	14.2
Produce and Selling Handicrafts	30	17.8
Total	169	100

Source: Fieldwork, 2011

5.3 SOCIAL MAPPING PROCESS OF THE TOURIST SURVEYS

Tourists are key contributor to the tourism economy in Setiu Wetland, thus tourism is also a key contributor to the local economy. Therefore, a tourist survey was devised to explore the contribution tourism makes to local economic development and local poverty alleviation. The tourist survey was conducted in 2011 at a few selected tourist attractions in the Setiu Wetland and at the accommodations reception. As noted above, 136 questionnaires were distributed to garner information as representative of 19,424 tourist arrival to Setiu monthly (based on 233,089 tourist arrivals in 2010) (refer chapter 4.6). Respondents were divided into 100 questionnaires for domestic tourists and 36 questionnaires for international tourists. From the survey, 96 valid responses were used in the analysis which consisted of 70 domestic tourist and 26 international tourists.

It is important to note that the relatively small sample size constitutes a pilot survey only, so caution must be used in extrapolating findings to visitation as a whole. In this context it was considered inappropriate to divide visitors into domestic and international tourists for purpose of analysis (even though expenditure levels and activities could be expected to be different) because the numbers are too small to make meaningful comparisons. Nevertheless despite this limitation the findings are valid in highlighting aspects of how tourism expenditure flows through to the local community and the poor (refer chapter 3.6 on limitation of research).

All the interviews (face to face assistance with respondents to complete the structured format questionnaire was arranged in four (4) main categories:

- a) *Demographic* – this included questions on general information such as origin, occupation and education level.
- b) *Destination Selection and Motivation* – this included anything related to a tourist's personal motivation affecting the destination selection. Examples include trip behaviour, reason for travelling, and source of information about the destination.
- c) *Perception* – this included the importance and satisfaction level of accommodation, activities, transportations, attractions, services and facilities provided in their tours.
- d) *Consumption Behaviour* – this included the estimation of expenses and preference for accommodation, food and beverage, activities, shopping and transportation.

5.3.1 Tourist Demographics

A. Tourist Origin

The tourist survey was conducted at some tourist attraction entrances in Setiu Wetland including at adjacent accommodation sites. Tourists were divided into those coming from local countries, districts other than Setiu, other states in Malaysia, and overseas.

Figure 5.16 shows that most of the interviewed tourists visiting Setiu Wetland were from Malaysia (73%), including 15% from local state and another 58% from other state in the country (refer figure 5.18). An additional 27% were from overseas including Australia, Singapore, England, Netherland, England, Canada, Holland and Indonesia. This figure is representative of the current tourism market for Setiu as a whole where 80% of the total arrivals are domestic tourists and the remaining 20% is from overseas (refer chapter 4.6). Thus, the current tourism market for Setiu is highly localised.

Figure 5.18: Overall Tourist Origin (n=96)

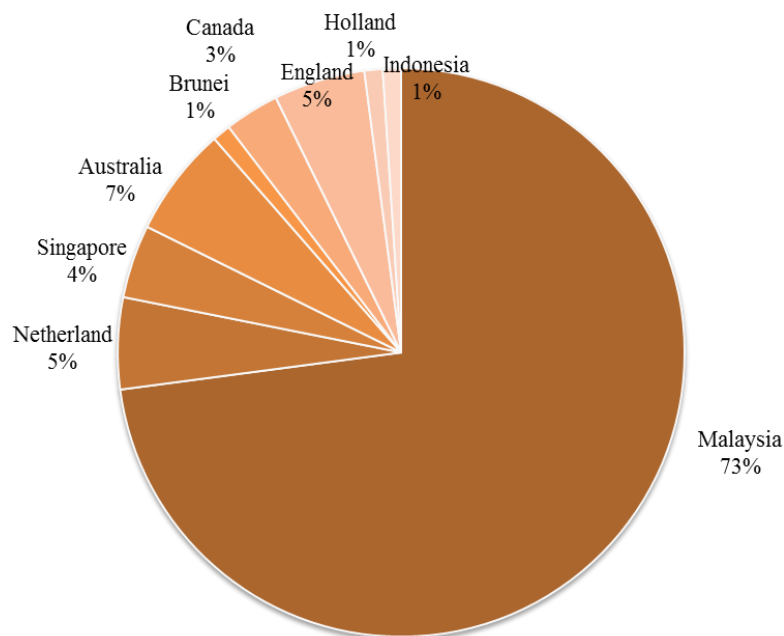


Figure 5.19: Domestic Tourist Origins (n=70)

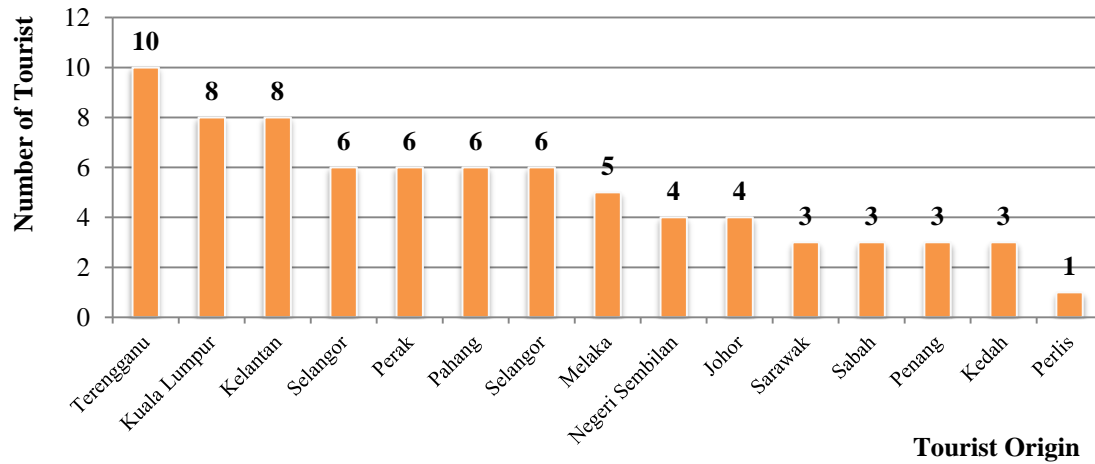
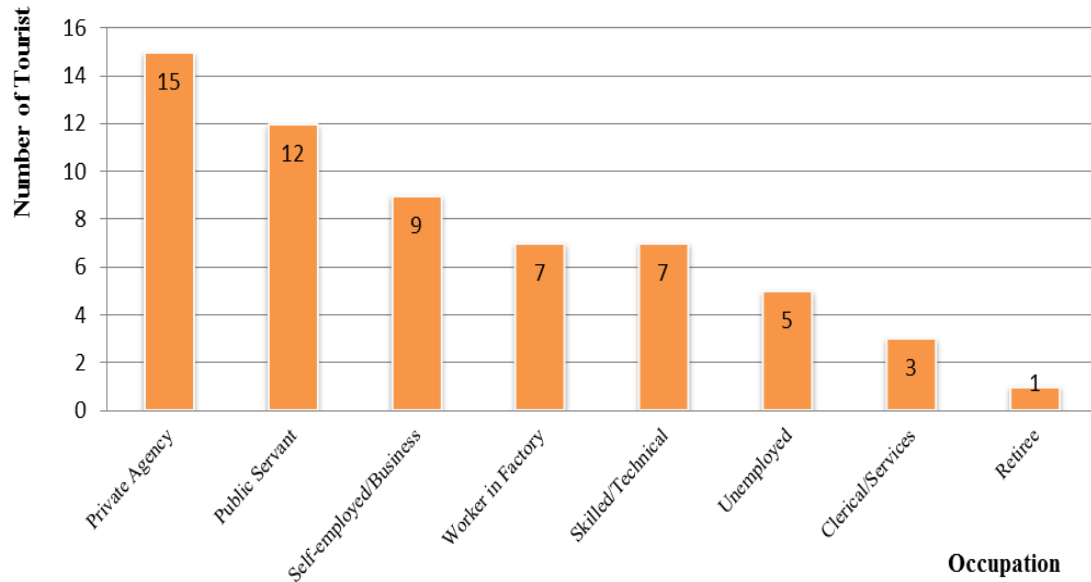


Figure 5.19 shows that of the 70 domestic tourists interviewed, the highest number of domestic tourists in Setiu came from the same county, Terengganu but from different districts. Many were day excursion visitors who were passing through Setiu before proceeding to their final destination or who visited Setiu for the day because of particular reasons such as business, dining out and/or and visiting friends and family.

B. Tourists' Occupation

The design of the questionnaire asked tourists to list their occupation in one of ten different categories. Based on the sample population, the categories of professional and student numbered highest, followed by private agency and public servant (Figure 5.20). Extrapolating from what is admittedly a small sample size which may be open to bias, the data suggest that the current market appears to be characterised by visitors with high and medium levels of income, who are willing to spend more money to achieve a satisfactory visit (see section 5.3.5 below on VCA and spending patterns).

Figure 5.20: Tourists' Occupation (n=96)

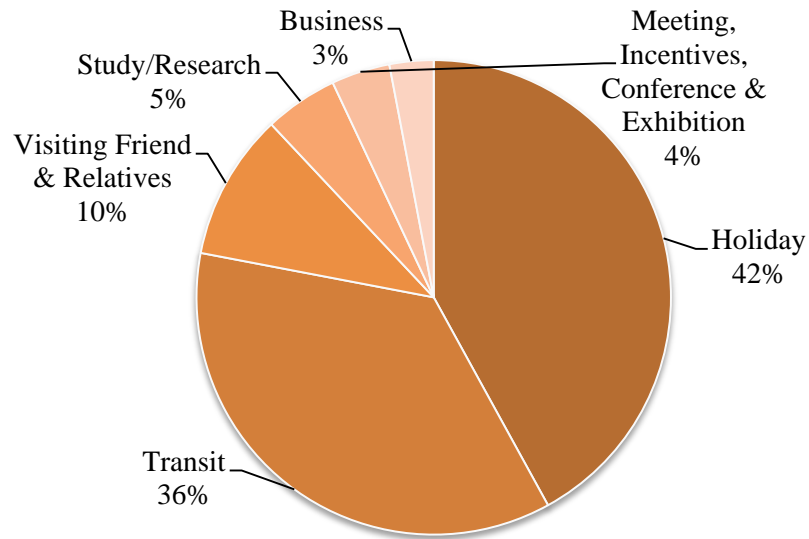


5.3.2 Destination Selection and Motivation

A. Tourist Motivation to Travel

Most of the 96 respondents were visiting Setiu because they were on holiday (42%) or were day excursion visitors in transit (36%). Interestingly, many tourists choose Setiu for its clean beaches and to eat local cuisine which has become popular as a food destination (particularly because of local specialities such as their fish crackers) (Figure 5.21).

Figure 5.21: Tourist Motivation to Travel (n=96)



B. Destination Selection on Setiu Wetland

As mentioned above, many of the sample tourists choose Setiu because of its nature (39%) especially its unpolluted beaches, unique village setting and scenic views, as Setiu is located at the end of the coastal corridor in Terengganu (see chapter 4 describing the study area).

Table 5.11: Attraction Factors for Visiting Setiu Wetland (n=96)

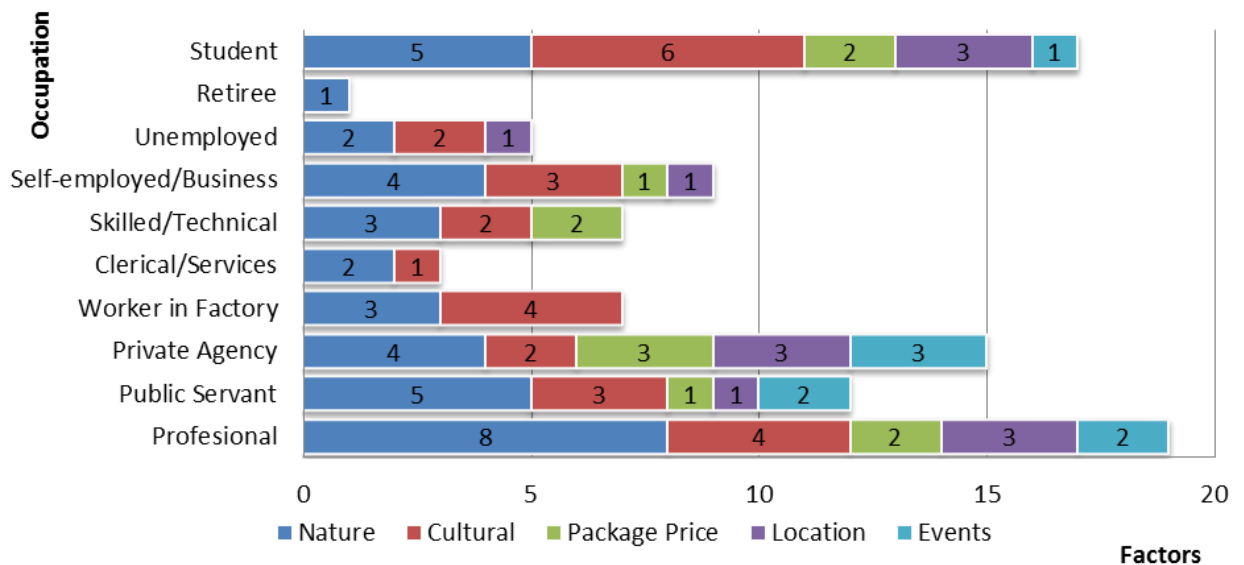
Push Factors	Rank	Percentage (%)
Nature	1	39
Cultural	2	26
Location	3	18
Package Price	4	10
Highlighted Events	5	7

Source: Fieldwork, 2011

Figure 5.22 illustrates attraction preferences of the surveyed sample of tourists who visited Setiu Wetland based on their occupations. It shows that tourists who were professionals constituted the highest number to visit Setiu because of its natural attractions. By contrast, tourists who were students choose cultural attractions as their

main motivation. This is probably because most of the respondents in this group booked into the homestay programme. This figure supported with the guest's record in *Rhu Sepuloh* Homestay Programme where most of the guests were students packaged group came for cultural programme such as team building and historical study

Figure 5.22: Attractions Factors for Tourists Visiting Setiu Wetland based on Occupation (n=96)



5.3.3 Tourist Perceptions on Local Participation

Tourists' observations also support this finding where 96 respondents were asked what they thought concerning where most local people were involved in different tourism-related activities. Their responses indicated that from their perspective as a tourist what they saw was that most of the local people worked in food service such as serving food and selling foods, worked in budget guesthouses, either running the guesthouses or as the workers. Lesser numbers of locals were observed who were perceived to be engaged in cultural and handicraft activities, such as performances, demonstrating how to make some items, and selling handicrafts and micro, small and medium enterprises. Locals were also observed providing other services such as rubbish collection, cleaning and etc.

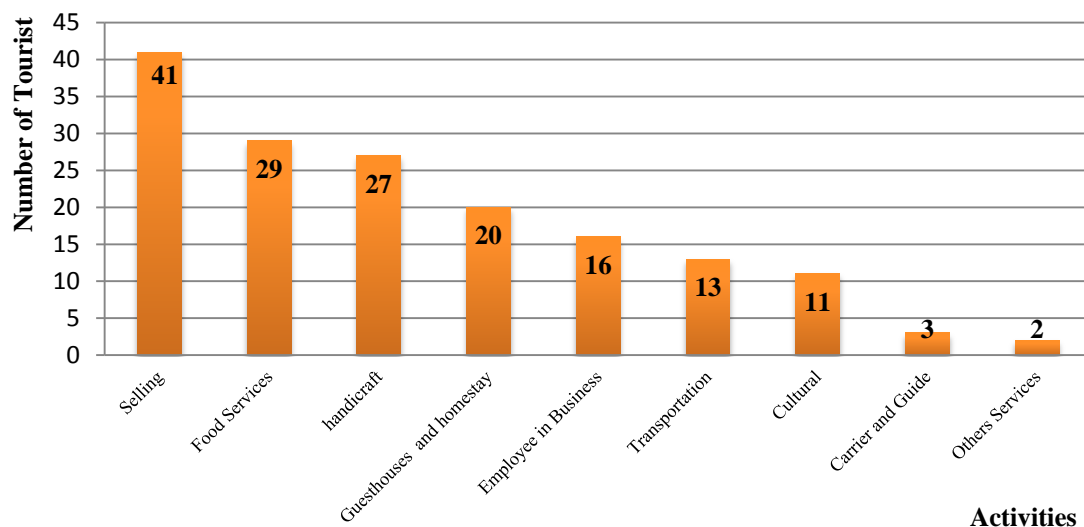
Table 5.12: Tourist Perceptions on Local Participation (n=96)

Activities	No. of Answers	Percentage (%)
Carrier and Guide	3	1.85
Selling	41	25.31
Food service	29	17.90
Guesthouses and homestay	20	12.35
Handicraft	27	16.67
Transportation	13	8.02
Employee in Business	16	9.88
Rubbish Collection	1	0.62
Cultural	11	6.79
Others services	1	0.62
Total	162	100.00

Source: Fieldwork, 2011

Based on tables 5.12 and figure 5.23, where the 96 respondents were allowed to give more than one answer, more local participation was observed by the sample population of tourist in selling activities (25.3%) followed by working in guesthouses and homestays (17.9%). The least participation was in rubbish collection (0.62%), (possibly because there are many foreign contract workers in this sector). These figures demonstrate that tourists were able to ascertain various degrees to which local communities especially the poor were involved directly in tourism services.

Figure 5.23: Tourist Perceptions of Local Participation in Tourism (n=96)



5.3.4 Tourist Value Chain Analysis

One of the most important factors, required to analyse the value chain of tourism was tourist expenditure at the destination. Examining the share of tourism expenditure spent on different tourist services helps us to understand the share of benefits from tourism that flow through the local economy and different groups of people. The value chain framework related with the tourist is based on concrete itineraries that are time, place and price specific.

A. Tourist Spending Behaviour

Different tourist types have different spending behaviours, leading to different effects on the local economy and households. Generally, fieldwork found that most tourist expenditure were on accommodation (88%), followed by food and beverages (8%) and shopping for local non-food products such as souvenirs, local transportations etc. (3%). However, tourist expenditure varied considerably depending on the origin of the tourist (Table 5.13). Note that the figures below were obtained from a sample of only 96 tourists, only 26 of whom were overseas visitors, so caution must be used in extrapolating to visitation as a whole the levels and trends in expenditure obtained from these data.

Table 5.13: Total Tourist Spending by Origin per Visit to Setiu Wetland (n=96)

Tourist Origin	Accommodation RM (USD)	Food and beverage RM (USD)	Local non-Food Products RM (USD)
Local (Terengganu)	2,398 (716)	290 (86)	85 (30)
Local (other than Terengganu)	3,678 (1,099)	316 (94)	125 (45)
Overseas	3,021 (903)	210 (62)	95 (34)
Total	9,097 (2,179)	816 (243)	305 (109)
Percentages	88%	8%	3%

Source: Fieldwork, 2011

Types of tourist, which package tourist or non-package i.e. Free Independent Traveller (FIT) tourist also affect the spending pattern. This survey revealed that package tourists spent an average of RM 700 on a two-days-one night visit including accommodation, meals, activities and transportation. On the other hand, a non-package tourist spent an average of RM 350 for the same duration of stay on the same items, with accommodation being cheaper but expenditure on other items being similar (Table 5.14).

Table 5.14: Average Package and Non-Package Tourist Spending per Trip (Two days-One night)

Tourist Spending	Package Tourist RM(USD)	Non-Package (FIT) Tourist RM (USD)
Accommodation (RM)/person	350 (125)	200 (71)
Food and Beverage (RM)/person	250 (89)	100 (36)
Local Non-Food Products (RM)/person	100 (36)	50 (18)
Total	700 (250)	350 (125)

Source: Fieldwork, 2011

B. Structure of Tourist's Expenditure

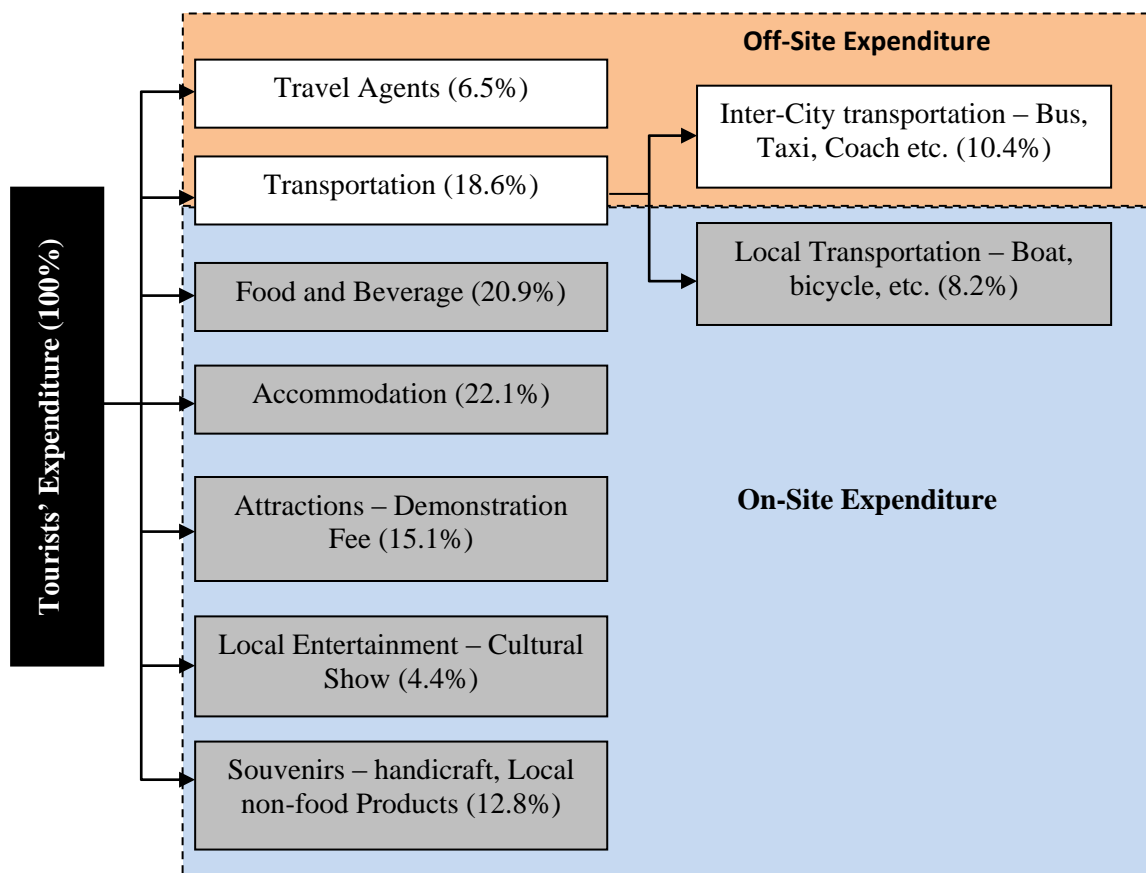
Tourist expenditure changes with different types of tourism and different tourist profiles. There are two categories of expenditure, namely off-site and on-site tourist expenditure. Off-site expenditure consists of any tourism related spending before arrival and after departure from the tourist destination. On-site expenditure refers to any spending at the destination and is more influential on the local economy including accommodation, food, purchases, tourist attraction fees, entertainment, and related services. Generally, the on-site expenditure from tourists is more direct and more significant to the local economy and gives a big impact to the local communities who involves along the chain (Mitchell and Faal, 2006).

Understanding the nature of constraints confronting the tourism industry itself, therefore, requires a rigorous assessment of the role of each value chain component in the overall tourism experience, the linkages to other agents and the performance of the service providers, industries and institutions. For the purposes of this research, the survey was

limited to on-site expenditure on food and beverages, accommodation, local transportation, attraction (demonstration fee which is paid to the demonstrator e.g. craft demonstration, making fish crackers etc), entertainment, souvenirs, and other local purchases (figure 5.24). Based on the fieldworks, the overall tourist spending for on-site expenditure was 83.5%.

The survey through the interviews conducted which included 96 tourists and 1 travel agent; permitted the mapping of tourist value chain directly to households from tourist expenditure. The tourist spending structure as mapped in figure 5.24 also shows the average proportion of every spending component (in Ringgit Malaysia) during the trips of the tourists who were surveyed.

Figure 5.24: Overall Tourist Spending Structure (n=96)



Source: Fieldwork, 2011

Table 5.15: Overall Tourist out-of-pocket expenditure in Setiu Wetland (n=96)

Direct Local Expenditure	Package Tourists (%) n=35	Non-Package Tourists (%) n=61	All (Weighted Average %)	Est. Total (RM)
Accommodation	39	29	34	9,297.60
Food and Beverages	20	18	19	816.00
Souvenirs	11	10	10.5	375.00
Local Transport	16	20	18	710.00
Activities	14	23	18.5	674.00
TOTAL	100	100	100	11,678.60

Source: Fieldwork, 2011

Table 5.15 shows the overall expenditure by the respondents (n=96) which compared between package tourist and non-packaged tourists. On one hand, it demonstrated that package tourist spent more in accommodation compared to non-package tourist. On the other hand, the non-package tourist spent 23% on local activities compared to package tourists, who spent only 14% on this item. This is because most of the packaged tourists were those involved in their scheduled activities such as seminar and workshops.

Table 5.16: Total Out-of-Pocket Expenditure per Person in Activities Involved (Package Tourist) n=35

Activities Involved		Out-of-Pocket Expenditure (RM)	Expenditure (RM)	Total (RM)	Percentage (%)
Accommodations	Homestay		391.73	391.73	9.12
	Guest House		323.66	323.66	7.54
	3 star Hotel		654.16	654.16	15.23
	Resort		757.96	757.96	17.65
Souvenirs	Handicrafts		155.00	155.00	3.61
	Local Food (Fish Product e.g. <i>Keropok</i> , <i>Belacan</i> etc)	120.00	110.00	230.00	5.36
Local Guide			175.00	175.00	4.07

Food and Beverage	Catering		154.00	154.00	3.59
	Hotel Restaurants		235.00	235.00	5.47
	Side road Stalls	87.00	167.00	254.00	5.91
Local Transport	Boat service		131.00	131.00	3.05
	Bicycle		167.00	167.00	3.89
	Taxi		202.00	202.00	4.70
Activities	Cultural		145.00	145.00	3.38
	Demonstration		90.00	90.00	2.10
	River Cruise		109.00	109.00	2.54
	Conservation		120.00	120.00	2.79
TOTAL		207.00	4,087.51	4,294.51	100

Source: Fieldwork, 2011

In analysing the spending components in detail (Table 5.16 and Table 5.17), it was found in the survey that local non-product such as souvenirs and activities consumption were smaller compared with other consumption i.e. accommodation, food and beverage, also transportation, with 9% and 11% respectively in package tourist analysis, and 7% and 10% respectively in non-package tourist analysis.

Table 5.17: Average Out-of-Pocket Expenditure per Person in Activities Involved (Non-Package Tourist) n=61

Activities Involved		Out-of-Pocket Expenditure (RM)	Expenditure (RM)	Total (RM)	Percentage (%)
Accommodations	Homestay		425.60	425.60	5.48
	Guest House	290.00	755.20	1045.20	13.45
	3 star Hotel		1265.20	1265.20	16.29
	Resort		1426.95	1426.95	18.37
Souvenirs	Handicrafts		215.00	215.00	2.77
	Local Food (Fish Product e.g. <i>Keropok</i> , <i>Belacan</i> etc)		295.00	295.00	3.80
Local Guide			-	-	-

Food and Beverage	Catering		270.00	270.00	3.48
	Hotel Restaurants		311.00	311.00	4.00
	Side road Stalls	210.00	489.00	699.00	9.00
Local Transport	Boat service		145.00	145.00	1.87
	Bicycle		167.00	167.00	2.15
	Taxi	145.00	351.00	496.00	6.38
Activities	Cultural		231.00	231.00	2.97
	Demonstration		160.00	160.00	2.06
	River Cruise		204.00	204.00	2.63
	Conservation		190.00	190.00	2.45
TOTAL		645.00	7,123.95	7,768.95	100.00

Source: Fieldwork, 2011

C. Restaurants Selection

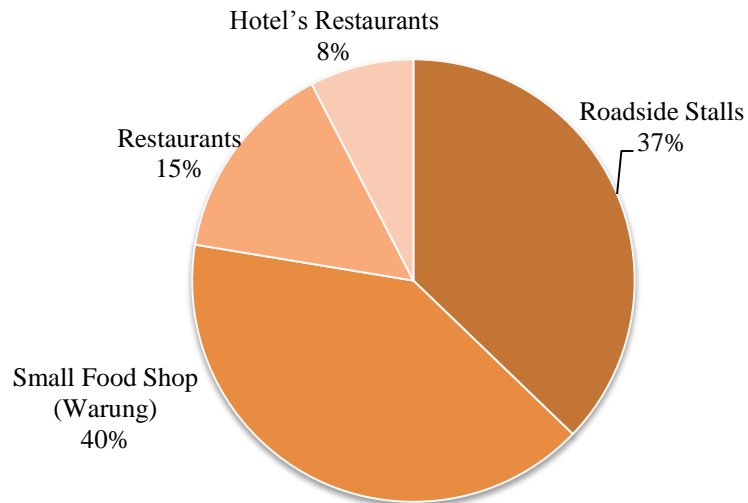
From the observation, many of the restaurants in the Setiu area are small and informal. Formal restaurants are limited to three at the hotels and five along the beach. However, most of the 96 tourists who were sampled (39 respondents) preferred the informal restaurants including small food shops/*warung* (40.4%) and roadside stalls (37.2%) which are run by local people (Table 5.18 and Figure 5.25). The restricted capacity of the eight formal restaurants obviously limit those who can actually use them, so even a much large sample of tourists would produce results favouring the various alternatives and confirm the ranking of the hotel restaurants at rank 4.

Table 5.18: Tourist Preferences on Food Service Options (n=96)

Food Service Options	Percentage (%)	Rank
Informal Restaurant		
Small Food Shop (<i>Warung</i>)	40.4	1
Roadside Stalls	37.2	2
Formal Restaurant		
Restaurants	14.8	3
Hotel's Restaurants	7.6	4

Source: Fieldwork, 2011

Figure 5.25: Tourist Preferences on Restaurants



Many of the 96 tourists interviewed indicated that they had a desire to experience the local cuisine since it was a major attraction of Setiu (especially fisheries products as noted earlier). Thus, opportunities for local cuisine to be sold by local people should see more income flow to local households. Since the various informal foods outlets are owned by local residents, many of whom occupy the lower socio-economic strata of Setiu, greater tourist spend would contribute to alleviating poverty. In addition, any expansion of formal restaurants serving local traditional food combined with growth of informal food services would strengthen backward linkages into the agriculture and fisheries sectors with a wider impact on poverty. In this context the next section examines tourist spend more closely.

5.4 SOCIAL MAPPING PROCESS OF ACCOMMODATION SUPPLY

Tourist accommodation is a special supply sector of the tourism system because it has financial potential for local participation. It identifies the economic effects of accommodation services on local communities especially the poor. Four types of accommodation establishments made up of 2 quality hotels, 2 budget guesthouses, 2

high-end resorts, and 1 homestay coordinator (7 respondents) were successfully surveyed. In this survey, the accommodation managers were interviewed in order to obtain an overall scenario on how the businesses resulted in benefits and impacts to the local economy and the poor.

All the interviews followed a structured format questionnaire and were broken down into four (4) main categories:

- a) *Business Size* – this included questions on room supply, occupancy, number of workers, and number of guests.
- b) *Services* – this included any services offered by the accommodation to the guests such as training, employment policies, tour arrangements, and conference facilities.
- c) *Procurement* – this included the cost structure of the accommodation for wages, food and beverage supplies, soft furnishing, amenities and taxes and fees.
- d) *Others* – this included the issues of opportunities and constraints identified regarding linkages with the local communities such as local supplies, handicrafts, and local staff.

5.4.1 Business Size

Business size is usually used to identify the characteristics of a business. In the lodging industry, the numbers of rooms are also employed to measure hotel size (Pine and Phillips, 2005). Furthermore, the World Bank introduced employee numbers as an important indicator to measure business scale, with particular reference to small-medium enterprises (SMEs) (Beck et al., 2003, Ayyagari et al., 2003). The number of staff per room varies considerably, from less than one in budget hotels, hostels or guest houses, to just over two in mid-market lodges or quality hotels, and up to four in luxury lodges (Ashley, 2006). However, this research adopted number of beds in order to compare accommodation business sizes and their linkages for local benefits.

Four types of accommodation businesses including 3 quality hotels, 7 guest houses, 2 high-end resorts and 1 homestay (*Homestay Rhu Sepuloh*) with about 15 homestay providers were successfully observed (Table 5.19). These businesses have bed numbers ranging from 10 to 150 except for homestays which typically consist of between 1 and 2 guest rooms in every house.

Table 5.19: Description of the Type of Accommodation in Setiu Wetland

Type	Approx. no. of enterprises, 2010	Size and status of a 'typical' enterprise	Main Market Segment
Quality Hotel	3	Owned by non-resident / outside investor.	Government agencies, Political Organizations and Educational Institutions.
Guest house/ Budget resort	7	Virtually all are family-run local businesses	Families
High-end resort	2	One of the resorts was owned by a member of the Terengganu royal family	Foreign Guests and High-end tourists
Homestay	15	Run by <i>LKIM</i> (Fisheries Development Authority of Malaysia) as one of the community project. All participants are fishermen.	Educational Institutions, Overseas Schools, and Foreign Guest.

Source: Fieldwork, 2011

5.4.2 Services

The services in the accommodation sector included room rentals, food services, guiding, and other services such as laundrette, souvenirs and local products, and transportation services. Table 5.20 shows other services related to the accommodation sector in Setiu Wetland.

Table 5.20: Inventory of Other Services related with Accommodation in Setiu Wetland

Sector	Approx. Total of numbers, 2010	Description of a 'Typical' Enterprise
Transport and excursions		
Boats of all kinds	13	Some owners operate their boats, some hire drivers. As work depends on this, most of the boats are largely for fishing at sea. Some of the short haul boats become tour boats, taking tourists out to join in net fishing (<i>Kelong</i>).
Guides	5	Mainly freelance guides and mostly young men. They don't have any guides' training, just operate as guides to take tourists to fish with nets, to the mangrove wetland, etc. There are 2 senior/experienced tour guides working part-time with the hotels and tour operators.
Tour operator	1	The sole local tour operator with a few branches in Malaysia-wide. Actively promoting and selling Setiu Wetland to the tourists.
Bicycle and motor bike hire	15	This is generally integrated into an existing business, such as guest house and resort.
Others		
Laundries	8	Run by KUNITA (fishermen's wives group) as supplementary income which provide service to the budget hotel which runs by LKIM.
Fish (Food Souvenir)	20	Run by individual\ local people of Setiu. Most are women who set up stalls at the roadside and sell processed fish called <i>Keropok Lekor</i> .
Handicrafts	18	Run by the local women, most of them weaving and selling the product from their house verandah.

Source: Fieldwork, 2011

As a component of revenue, accommodation income from room rentals averages 80.0%. Food services average 13.1% and 6.9% for other services (Table 5.21). While the sample size was limited to six non-homestay accommodation businesses, discussion with owners indicated that these percentages were typical.

Table 5.21: Revenue Structure of Accommodation business by Categories (n=6)

Category	Sample size	Business annual revenue (in RM'000)				
		Room rental	Food service	Other Services	Total	%
Budget / Guest House	2	24.20	4.50	2.42	31.12	13.45
Quality Hotels	2	58.40	7.50	3.95	69.85	30.19
High-end Resort	2	102.50	18.40	9.50	130.40	56.36
Total Average	6	185.10	30.40	15.87	231.37	100.00
Percentages (%)		80.0	13.1	6.9		

Source: Fieldwork, 2011

5.4.3 Tourist Packages

Different types of accommodation are offered by different types of tourist packages to experience in Setiu Wetland. Based on the survey, Rhu Sepuluh Homestays offered three homestay packages to tourists visiting Setiu Wetland and surrounding areas (Table 5.22). Based on the interview with the manager of the homestay programme, there are 15 houses actively participating in the homestay programme, which is run by LKIM, and all the participants are from the fishing communities. Although 15 represents only a few fishing households that are currently taking up such tourism-related, income-generating activities, the number could certainly increase in the future given the potential opportunities in this field. As evidence, there are another 35 houses which participate in the Rhu Sepuluh Homestay programme initiated by the Fisheries Department, without a certificate from the Ministry of Tourism, for which they are still awaiting approval.

Table 5.22: Tourist Packages Offered in Rhu Sepuluh Homestay

No.	Package	Price / Person
1.	3 days 2 nights – Student Package (40 persons and above)	RM150.00
2.	2 days 1 night – Student Package	RM90.00
3.	3 days 2 nights – Adult Package	RM250.00

Source: Rhu Sepuluh Homestay programme brochure, 2009

Table 5.23 summarises the *Rhu Sepuluh* Homestay package charges by the programme and a range of different activities offered for each price range.

Table 5.23: Charges & Fees for Homestay Activities in Setiu Wetland

No.	Activities	Price/Person
1.	Homestay (Villager's house)	RM50/pax/night
2.	Visit Animal Farm - Ostrich, deer, and goat farms	RM5/pax
3.	Batik Drawing (Canting) - Batik drawing demonstrations where tourists are invited to join	RM10/pax
4.	Cultural performance - Dikir Barat and traditional dances where tourists are invited to experience the culture.	RM20/pax
5.	Visit the SMEs - Visit to SME industries such as budu processing.	RM5/pax
	Total for 2 Days 1 Night (2D1N) Homestay (Student Package)	RM90/pax

Source: Rhu Sepuluh Homestay programme brochure, 2009

The high-end resort in Setiu Wetland also offered a few tourist packages with a Kampung stay experience which catered for the high-end market especially foreign tourists (Table 5.24). This resort does not just offer tours around Setiu Wetland, but it also gives a few options to the tourists to experience popular places nearby such as Kuala Terengganu and Kota Bharu. The main tour operator that solely brings the tourists into Setiu Wetland is Ping Anchorage Sdn. Bhd and the package mostly combined with accommodation such as Terrapuri Heritage Village. Based on the interview with the tour operator, among the main group of tourists who visited Setiu Wetland are conference excursion, island hoppers, students participating in homestay programme and etc.

Table 5.24: Tourist Packages Offered in High-End Resort, Terrapuri Heritage Village

No.	Package	Price/Person (RM)		
		Triple	Twin	Single
1.	3 Days 2 Night – Fireflies and the Floating Art of Langkasuka	779.00	859.00	1,259.00
2.	3 Days 2 Night – Fireflies and Setiu Wetlands	829.00	909.00	1,309.00
3.	3 Days 2 Night – Relaxing massage and Kuala Terengganu City Tour	789.00	869.00	1,269.00
4.	3 Days 2 Night – Snorkelling Package	749.00	839.00	1,239.00
5.	3 Days 2 Night – Diving Package	809.00	889.00	1,289.00

Source: Terrapuri Heritage Village brosur, 2011

The table below (Table 5.25) shows the tour package activities offered to tourists to Setiu Wetland can be divided into four categories:

Table 5.25: Tourism Package Offered in Setiu Wetland

1.	Agro-tourism	<ul style="list-style-type: none"> ▪ Visit to Oyster Project by LKIM, Kuala Setiu village ▪ Visit to Ostrich and Goat Farming Project, Bari village ▪ Visit Aquaculture Project, Fikri village
2.	Ecotourism	<ul style="list-style-type: none"> ▪ Setiu River Cruise ▪ Firefly Watching ▪ Mangrove Replanting ▪ Snorkelling and Diving ▪ Recreational Fishing
3.	Traditional Culture Activities	<ul style="list-style-type: none"> ▪ Traditional Cultural show ▪ Batik Demonstration ▪ Basket (<i>Lekar</i>) Making Demonstration (Nypa Weaving) ▪ Traditional Food Demonstration (<i>Laksa</i>) ▪ Dikit Barat Show ▪ Silat Show
4.	Traditional Games	<ul style="list-style-type: none"> ▪ Folk Sports (<i>Sepak Raga</i>)

Source: Rhu Sepuluh Homestay brochure, 2009; Terrapuri Heritage Village, 2011

Table 5.26 shows the cost for three packages offered to the package tourists. Based on this table, the local communities and especially the poor was identified to be involved and could get the Pro-Poor Income (PPI) in souvenir (local products non-food such as handicrafts) and food and beverages.

Table 5.26: Cost for Conference Excursions Handled by Ping Anchorage Sdn. Bhd. in Setiu Wetland

<i>DESTINATION</i>	<i>TRANSPORT (COACH)</i>	<i>DRIVER</i>	<i>GUIDES</i>	<i>ENTRY FEES</i>	<i>BOAT TRIP</i>	<i>SOUVENIR</i>	<i>F & B</i>	<i>MARGIN</i>	<i>TOTAL</i>
Village Tour & Cruise RM150/Person	RM40	RM20	RM10	-	RM10	RM15	RM30	RM25	RM150
Mangrove Tour & Replanting RM180/Person	RM40	RM20	RM20	RM5	RM10	RM35	RM30	RM20	RM180
Firefly Tour (Night only) RM90/Person	RM20	RM10	-	RM5	RM25	RM10	RM10	RM10	RM90

Note: Min. of 10 people.

Source: Ping Anchorage, 2011

5.4.4 Employment and Wages from Accommodation

The six hotels and resorts surveyed employed a total of 217 people. There were 147 locals from Setiu, and 101 from the state of Terengganu and no external employees (Table 5.27).

Table 5.27: Total Employee Categorized by Origins in Hotel Services(n=6)

Category	No. of Employees	%	Origins			
			Local Setiu	%	Terengganu	%
Budget/Guest houses x 2	17	11.3	17	26.2	11	22.0
Quality Hotel x 2	170	68.5	102	30.8	68	34.0
High-end Resorts x 2	30	20.2	28	43.1	22	44.0
Total	217	100.0	147	100.0	101	100.0

Source: Fieldwork, 2011

Table 5.28: Employment in Accommodation (n=6)

Employment	Guesthouse	Quality Hotel	High-end Resort	Total
No. Of enterprises	2	2	2	6
No. Of full-time employees	17	170	30	217
No. From a poor background	10	45	16	71
Est. Total wages per month	13,600.00	175,000.00	42,300.00	230,900.00
PPI wages per month	6,800.00	40,500.00	12,800.00	60,100.00
Percentage PPI	50%	23.14%	30.2%	

**PPI: Pro-Poor Income*

Source: Interview with respondent 12 – 18, 2011

Table 5.29: Employment by the formal Restaurants (n=2)

Employment	Characteristics of survey sample
No. Of Restaurants	2
No. Of full-time employees	12
No. From a poor background	9
Total wages per year	RM 198,000
PPI wages per year	RM 32,400
Percentage PPI	16%

**PPI: Pro-Poor Income*

Source: Interview with Respondent 16 – 17, 2011

Table 5.30 shows the income of the various groups involved in the homestay programme.

Table 5.30: Income of Household Involvement in Tourism Activities Organized by Accommodation

Specific Group	Activities	Income
Women Association (KUNITA) and the villagers	<ul style="list-style-type: none"> ▪ Handicraft ▪ Meal Preparation ▪ Silat (4 persons) ▪ Musical Performance (5 persons) ▪ Dikir Barat (12 persons) ▪ Dance – <i>Ulek Mayang, Joget Lambak</i> (20 persons) ▪ Monkey Demonstration ▪ River Cruise (Boat Hiring) ▪ Mangrove Replanting Demonstration 	<ul style="list-style-type: none"> ▪ RM50/show ▪ RM200/event ▪ RM200/show ▪ RM100/show ▪ RM450/show ▪ RM800/show ▪ RM50/show ▪ RM300/boat ▪ RM30/person
SMEs	<ul style="list-style-type: none"> ▪ Fish Cracker (<i>Keropok Lekor</i>) Demonstration ▪ Fish Sauce (<i>Budu</i>), Salted Fish, Anchovies ▪ Traditional Food (<i>Laksa</i>) Demonstration ▪ Banana Chips Demonstration 	<ul style="list-style-type: none"> ▪ RM50/trip ▪ RM50/trip ▪ RM50/trip ▪ RM50/trip
Tour Guide	<ul style="list-style-type: none"> ▪ River Cruise ▪ Tourist Guide ▪ Turtle Watching ▪ Bird Watching 	<ul style="list-style-type: none"> ▪ RM200/trip ▪ RM200/day ▪ RM150/trip ▪ RM400/day

Source: Fieldwork, 2011

5.5 SOCIAL MAPPING PROCESS OF OTHER STAKEHOLDERS

There are a range of stakeholders involved in the management of tourism and poverty alleviation in Setiu. In order to understand the role of tourism in rural poverty alleviation and its linkage with tourism sector, it is important to know how their relationship is perceived by key stakeholders at national and local level in Setiu. The social mapping process presents four government institutions and NGOs involved directly and indirectly in development of policies, programmes and activities related with tourism and poverty alleviation in Setiu Wetland.

This part will be based on qualitative primary and qualitative and quantitative secondary information collected from surveys and semi structured interviews of 6 respondents from professional bodies. They are 1) Setiu tour operator i.e. Ping Anchorage Sdn Bhd.; 2) Setiu District Council; 3) East Coast Economic Region Development Council (ECERDC); 4) WWF-Setiu; 5) Fisheries Department (*LKIM*); 6) Tourism Malaysia-Terengganu and 7) a Village Head. There are three (3) main categories highlighted in this section:

- a) *Determine relevant policies, plans and programs in Setiu Wetland.* This was done with the in-depth interview and secondary information and data collected from experts and consultants involved in Setiu Wetland.
- b) *The role and structure of institutions and organizations.* This was done with in-depth interviews of relevant organization and institutions to analyse direct and indirect involvement with the case study.
- c) *Stakeholder's perception on Linkages between Tourism and Poverty Alleviation.* This was done with in-depth interviews of relevant key person in the organization and institutions to analyse their personal and professional perceptions on related issues.

5.5.1 Institutional Roles in Tourism and Poverty Alleviation

There are four main area of analysis that focused in this sub-chapter i.e. the efforts and responsibilities of government in tourism development and poverty alleviation;

structure of the government; implementation of tourism development and poverty alleviation programme on site; and limitations of planning departments and agencies.

The Efforts and Responsibilities of Government

In Setiu, funding from the federal government such as Ministry of Tourism and East Coast Economic Region Development Council (ECERDC) to the state government is an example where the effort of tourism development and poverty alleviation programmes takes place before the involvement of the private sector in tourism activities. Before the funding goes to Setiu District development area, it was distributed to the Economic Planning Unit Terengganu.

“Most of the tourism project in Setiu is under government funds. For example, the improvement of Penarik coastal beach, which come from the fund of the federal government such as the Ministry of Tourism” (Respondent 4, 2011)

Likewise, there is less partnership between the government and private sector, as the private sector is seen as a likely beneficiary of what has been planned by the government.

‘I do not see much partnership from private sector in Setiu Wetland. In terms of tourism, the private sector actually benefits from whatever effort by the government such as promotion. I do not think it can be more effective if the government and private sector sit down and develop tourism together. The government must take the first step and then private sector or the entrepreneur becomes the beneficiary’. (Respondent 1, 2011)

Another respondent addressed the same point.

“The problem is to let the private sector join us in developing tourism sector. Of course the government should be the main player and provide funds for tourism but at one stage, it can no longer depend on government. But now, there is a big gap in promoting tourism between the state government and private sector. Private sector is still looking at development as a quick result, which means they are only willing to invest for fast profit. They (private sector) just wait and see opportunities

from government effort for tourism development and then make decisions that either they want to be involved or not". (Respondent 6, 2011)

The Structure of the Government

Generally, the development of Setiu especially in tourism is coordinating directly by the Setiu District Council, who plays an important role to coordinate with the state government such as Terengganu State Economic Planning Unit or UPEN (*Unit Perancangan Ekonomi Negeri*). However, the funding and overall planning are still from the top level of federal government such as East Coast Economic Region Development Council (ECERDC) and Ministry of Tourism.

One respondent asserted that in terms of tourism, Setiu District Council will be the internal advisor to the Terengganu State Economic Planning Unit or UPEN (under the Chief Minister's Department) who plays an important role as an state advisor to the Ministry of Tourism and East Coast Economic Region Development Council (ECERDC) in coordinating efforts for tourism.

"Within this structure of the district government, Setiu District Council has a responsibility in coordinating tourism efforts through agencies such as Terengganu Tourism Promotion Division and World Wildlife Fund (WWF) where through the assistance of State level government such as UPEN." (Respondent 1, 2011)

Another respondent described the structure of the state government that applies to tourism development.

'All decisions are from the State government level which is the Terengganu State Economic Planning Unit. At the stage of the government departments or agencies, one chairman will be appointed for the particular subject which gets attention at that time either for a new project or to solve any issues. For example, one of our attentions today is to gazette the Setiu State Park. In this case, Terengganu Forestry Department will be the chairman and one committee will be formed to handle the project including the research unit from Universiti Malaysia Terengganu (UMT). In that committee, all related departments and agencies will be invited where necessary, including town planning department from the State and

Setiu District Council. These departments or agencies will give their views and suggestions. After we get conclusions at this stage and having several revisions, then it will be forwarded to the State Secretary for further discussion. Only then it will be forwarded to the State Executive Council Meeting, then the paperwork or proposal will go to the State Economic Planning Unit (UPEN) under the Chief Minister's Department. This is for the implementation of things such as Memorandum of Understanding (MOU), to channel the money for the project, contract arrangements and everything else related'. (Respondent 6, 2011)

There are a few community-related cooperatives that were set up by the local government and NGOs. Among them are Fishermen Cooperative (refer details in chapter 6) and two women cooperative which set up by Fisheries Department or LKIM (*Lembaga Kemajuan Ikan Malaysia*) and World Wildlife Fund (WWF). These cooperatives functions as an economic and social development to the community especially the poor. These cooperatives were established in Setiu Wetland to offer economic and social advantages particularly to the local women especially in training, book-keeping, saving schemes, and marketing. There are two different women's cooperatives in Setiu Wetland, the Fishermen's Wives Group (*Kumpulan Wanita Isteri Nelayan* or KUNITA) and Setiu Women's Association (*Persatuan Wanita Setiu* or PEWANIS).

a) *Kumpulan Wanita Isteri Nelayan (KUNITA)*

Fishermen's Wives Group (*Kumpulan Wanita Isteri Nelayan*) or KUNITA was established by LKIM, to support women's economic activities in fishing communities.

"... LKIM create a few projects to help fishermen's wives to know how to do business, at least they know the basics, such as running a laundry shop, making crafts from local material, plaiting, creative fragrance from soap, and etc...."
(Respondent 2, 2011)

Table 5.31: KUNITA Membership

Type of Member	Total
Active	25
Passive	55
Total	80

Source: Interview Respondent 7, 2011

Since this association is under the umbrella of LKIM, which also set up homestay in Setiu, all the registered members are from a fisheries background. However, as can be seen from the table 5.31, only 25 of the member are actively involved in the KUNITA activities and programmes such as at the laundry and homestays.

b) Persatuan Wanita Setiu (PEWANIS)

Setiu Women Association (Persatuan Wanita Setiu) or PEWANIS, a non-formal group comprising local women from the villages in Setiu especially Mangkok village, was set up by WWF in 2007 to involve all women in Setiu regardless of whether she was a fisherman's wife, farmer's wife, single mother, or a single woman.

"... all members of PEWANIS are women of local Setiu including the coordinator, irrespective who she is..." (Respondent 8, 2011)

"... Whoever is interested can become a member of PEWANIS, as long as she is a local woman from Setiu..." (Respondent 3, 2011)

This association was set up by Nestle-WWF under the Setiu Sustainable Development project, with one of the key objectives to enhance the livelihood of local communities particularly women who are often co-income earners as well as caregivers of families in the village.

"... The project aimed at providing support for women from poor families to increase their socio-economic level and family income through profit-making activities and encourage them towards nature conservation in their village. After six years, however, just over one quarter remain as active members." (Respondent 8, 2011)

Table 5.32: PEWANIS Membership

Type of Member	Total
Active	15
Passive	40
Total	55

Source: Interview with Respondent 8, 2011

The women in Setiu were selected as the target group in this project on the basis that as mothers and co-income earners, they had an important role to play in the area's long term development in a sustainable manner. In addition to improving their livelihoods a key objective was to empower them to become the environmental guardians of the area to conserve mangroves, wetlands, turtles and terrapins.

In 2009, the PEWANIS group started a traditional banana chips project with capital provided by Nestle. The pilot initiative has since been expanded into a cottage industry scheme to provide an alternative or additional source of livelihood for these women.

“..... our first capital has been funded by Nestle with about RM1,000 to start our banana chips project.” (Respondent 8, 2011)

PEWANIS members were sponsored by WWF to attend workshops for SMEs which exposed them to training and assistance for the banana chip cottage industry. In addition to such capacity building activities, the PEWANIS group were also exposed to the importance of the surrounding environment especially the mangroves ecosystem in preventing erosion and its function as a breeding ground for marine life. PEWANIS is now the catalyst for mangrove replanting activities in Setiu and the passion of active members has also seen them passing on their knowledge to their children as well as tourists to the village.

“..... Beside our sales of banana chips, our highest income is from the demonstration of banana chips making and mangrove replanting to the tourist especially in a big group.” (Respondent 8, 2011)

PEWANIS is a unique association as it has the potential to help the underprivileged women improve the livelihood of their families as well as spearhead conservation efforts around their village. Currently, the members of PEWANIS are continuing with their efforts and are active in their traditional chips venture as a means to generate alternative income.

5.5.2 Stakeholders' Perceptions on Tourism and Poverty Alleviation

Linkages between Tourism and Poverty Alleviation

Initial responses of the stakeholders to the question about their perceptions of tourism and poverty alleviation were quite dismissive of the direct relationship between the two. However, they were agreed that there could be an indirect relationship between tourism sector and poverty alleviation.

“...Tourism definitely creates money for the business and gives benefits to the local development, but I'm not sure whether tourism gives a lot of benefits to the poor” (Respondent 5, 2011)

“...There are a lot of development programmes that focus on reducing the poverty in this area, but I think not much related with tourism sector” (Respondent 1, 2011)

Government agencies such as Indigenous People's Trust Council (*Majlis Amanah Rakyat*–MARA), Fisheries Development Authority of Malaysia (*Lembaga Kemajuan Ikan Malaysia* – LKIM), Ministry of Tourism (MOT) and etc. play an important role in initiating and supporting small tourism-related projects for these communities. The most important areas where agencies provide their inputs as noted above are loans and credit, training and extension, marketing, and technical support facilities.

“....About tourism and poverty alleviation area, I think if we could develop each area to be more interesting for the tourist to come and for the community to work or get a job from this development. Most importantly is the credit, training,

marketing and technical support from the government and NGOs.” (Respondent 3, 2011)

Nevertheless, it is realized that many women still lack the necessary skills and experience to undertake such activities engaging with the tourists like exhibition and guiding. Respondent 11 says about one of the food shows that were shown to a group of tourist:

“.... They are trying very hard to show the best to the tourists; however they still lack of creativity and experience to present an outstanding show like in other places...” (Respondent 11, 2011)

Tourism-related sectors such as hotels and restaurants also contributed important role to help the poor by offering them jobs and through philanthropic activities such as donations for schools and any programme with local communities.

“.... Hotels create jobs and generate income for people and communities especially those at the tourism spot. Not just that, but we also have community development, donations for schools kind of programme to help and engage with the poor communities.” (Respondent 12, 2011)

Stakeholders Interactions

Most of the stakeholders realised the importance and need of interaction, co-operation and coordination among themselves to increase their capacity and commitment to understand their role in tourism development and any poverty alleviation programmes especially those activities that related with tourism. From the interviews with the stakeholders, in terms of co-operation, practice was different from rhetoric. Planning and policy making are important responsibilities of the public sector. As from the fieldwork, both tourism and poverty related policy and planning in Setiu has been ad-hoc and piecemeal, with little co-ordination between the tourism and community development policies.

“...there is none of the government authority that fully responsible in developing tourism programme especially in order for poverty alleviation.”
(Respondent 6, 2011)

Since most of the stakeholders were not fully engaged in working on tourism for poverty issues, they were not fully aware of who would be the stakeholders involved in such work and what kind of interaction they would need to have with each other. Though the need for co-operation was well recognised by most of the government officials, some respondents says that they were aware that this was not really happening.

“.....the main problem we saw in tourism management in Setiu and in the process of gazette the Setiu State Park was there is no co-operation among various groups. It was also hard to find NGOs and private sectors that would have an interest in tourism development. However, we see that WWF and Nestle have a special programme related with the community development and related activities with tourism.” (Respondent 1, 2011)

5.6 RESEARCH WAYPOINT ON SOCIAL MAPPING PROCESS

Tourism development in Setiu Wetland has made significant progress but many villagers are still lacking in confidence to undertake new rural tourism projects. The continuous stream of visitors to the area especially the wetlands and the beaches have benefitted small scale entrepreneurs such as Fish tempura (*Ikan Celup Tepung*) makers, Fish Cracker (*Keropok Lekor*) makers, *Belacan* makers and etc. On the periphery, there are also villagers who lack the courage to become rural entrepreneurs despite support from various government agencies and NGOs such as ECERDC, Fisheries department (LKIM) and WWF-Malaysia; and encouragement from the dynamic village leaders (*Penghulu*) in Setiu Wetland. Weak and/or lack of effective leadership and organisation of the local authority have affected the development of Setiu Wetland. Additionally, lack of tourism management and

marketing on the tourism attractions in the surrounding areas, has resulted in irregular tourist arrivals.

As for the homestay participation in Setiu Wetland, the Rhu Sepuluh Homestay (RSH) programme has most of its participating houses enjoying the best location by being close to the beach, the wetlands and picturesque fishing villages. The strength of this homestay programme lies in its fishing village ambience, which is a unique aspect of its tourist experience. However, this homestay programme which set up by LKIM has been suffering from weak leadership and organisation for years. The situation is further compounded by the fact that with a change in directorship of the LKIM in 2007, the department established the *Nelayan* Resort as a commercial operation that does not provide a homestay cultural experience. This Resort is owned by LKIM and the profits accrue directly to the LKIM, not to the community people. The homestay providers in the Rhu Sepuluh programme claim that the Fishermen's Association / LKIM give preference to the the *Nelayan* Resort which is located just next door to the *Rhu Sepuluh* central homestay information/booking centre. Because of this, many registered providers have started to leave the programme, because the homestay activities were not profitable. Despite its history and outstanding attractions in the vicinity, the RSH management is overly dependent on LKIM to operate and promote the homestay and is thus vulnerable to the re-direction of visitors away from their homestay establishments to the *Nelayan* Resort. The villagers have been given a range of training courses in the past but they still cannot find a leader (local champion) with the energy, drive and passion to push the homestay to another level and counter the influence of the LKIM in favouring the resort.

Tourism value chain acknowledged that bigger tour operators and capable private sectors usually get the bigger share of total tourist travel expenses. Most of it goes to transportation and accommodation. However, CBTs have to look at private-lodges such as the high-end resort (i.e. Terrapuri Heritage Village) and budgets hotel as their partners because both definitely serve different market segments. In other words, the private lodges cater for upmarket tourists while homestays cater for those seeking experience interacting with local families. Homestays must be in good terms with lodge operators because the latter may be able to find ways to distribute some

income to the homestay operators by bringing their guests to the homestay for short visits. In a nutshell, CBT demands high commitment and it has to be run as a business in order to be successful.

The relationship with inter-sectoral linkages further discussed in the next chapter to see how the local economic development sector (fisheries and handicrafts) links into tourism to provide opportunities to the local communities in creating new interventions for the poor. Thus, it supports the poverty alleviation in Setiu Wetland.

CHAPTER 6

Mapping the Value Chain of Fisheries and Handicrafts Production

6.1 INTRODUCTION

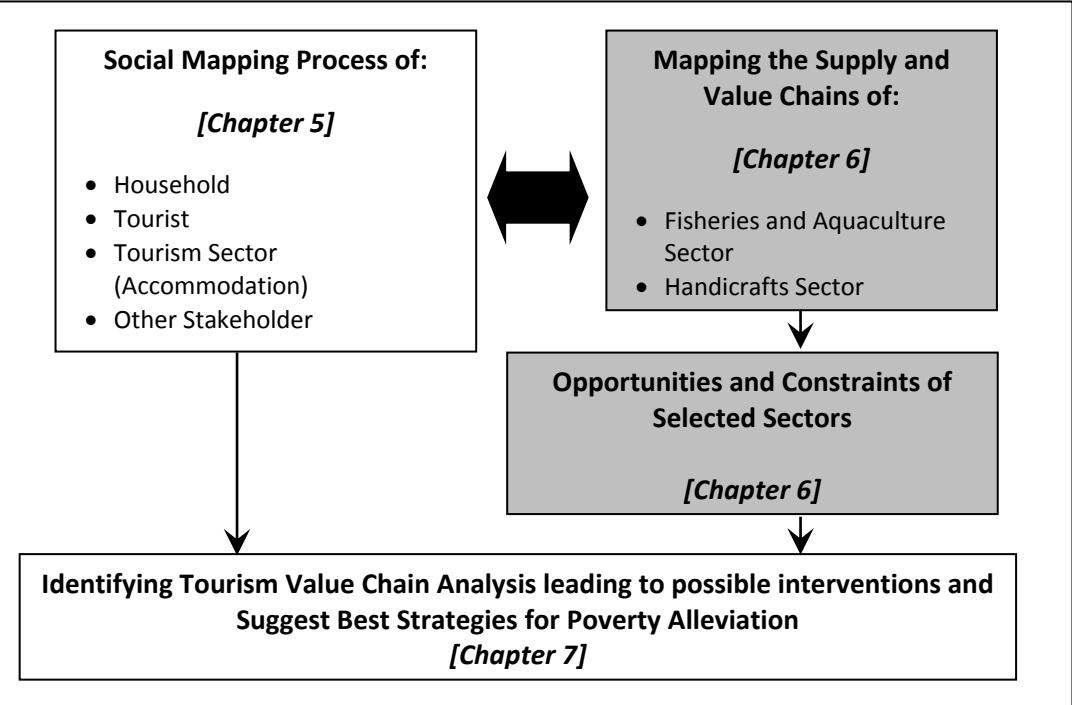
In order to investigate how much local economic activities contribute to the local community and their linkages with the tourism sector, value chain analysis of the main economic sectors i.e. fisheries and handicrafts is proposed as a tool for destinations to examine such linkages. It allows stakeholders to examine points in the chain where interventions may be planned to contribute to poverty alleviation. In order to do so, this chapter will explain the next step of a value chain analysis.

To understand how to create a sustainable value chain given available resources and present constraints, knowledge of every level of a possible value chain is essential. Setting up a value chain map requires in the first instance mapping of the supply chain with its actors and processes at each stage from conception to consumption, and then listing the value added at each process and the benefit accruing to each actor in the chain. This mapping provides an overview and assists in reaching a better understanding of the main business relationships within the chain. Such a map delineates the flow of the product from input supply to consumption and how the different actors are linked to each other. In order to do so, the boundaries to other chains need to be defined. By looking into each of the economic activities, the potential that the product has in its respective industry and the possibility to expand into a larger scope of business model to exploit other opportunities may be determined.

The entry point and orientation of value chain analysis in this research is to map specific linkages between the selected sectors and tourism in order to determine what opportunities and where in the chain tourism can best make contributions to poverty alleviation. For the purpose of this research, the value chain mapping will be performed with reference to two main economic sectors, i.e. the fisheries and

aquaculture sector and the handicrafts sector, based on a few factors elaborated in chapter 5 (refer to 5.6). In this chapter, value chain mapping means drawing a visual representation of the supply chain first, this involves various linkages among the different actors, inputs suppliers and service providers, transporters, traders and consumers in each chain. The value chain map will depict the flow of selected products at each stage along the chains, the structure actors and the support involved in the value adding process, whereby each stage has a dollar value imputed for it, and what level of benefit flows to what actor(s).

Figure 6.1: Tourism Value Chain Framework Of The Research



The orientation of value chain analysis in this chapter is to answer the second research question, which is to map specific linkages between the selected local economic sectors and tourism in Setiu especially to determine what opportunities and where in the chain tourism can best make a contribution to poverty alleviation. In conjunction with that, the choice of value chain selection is set in context by presenting some of the area’s characteristics of poverty and main income sources of the local economy. As resources for undertaking analysis were limited, it is important to identify appropriate value chains for analysis. The objectives of this value chain analysis are firstly, to determine the main economic sectors to understand

the share of benefits from these sectors towards the local economy and different groups of people. Secondly is to conduct a value chain analysis on two of these chains and to look at the obstacles/barriers and opportunities for strengthening the selected chains in the future. Lastly, to determine which levels of the chain were involved directly and indirectly with tourism activity.

6.2 VALUE CHAIN SELECTION

In the Setiu Wetland context, value chain selection process needs to be enhanced by reflection upon the area specificity of the potential chain which has been determined through the observation and interview questions with the stakeholders involved (refer table 3.1 in chapter 3). It is crucial to understand the magnitude and integrated aspect of the case study area specificities of value chains in order to select the right chain to analyse. The selection of these value chains followed two stages:

a) Identification of potential value chains.

This was done through interviews with households, tourists, restaurant owners, resort managers, professional bodies, tour operators, NGOs such as WWF and ECERDC, and other local stakeholder such as vendors and entrepreneurs, and confirmed through the social mapping analysis in chapter 5. Some information was also sourced from secondary resources.

b) Determine criteria and entry points for selection of value chain priorities.

The criteria and entry point were selected to align with the objectives of this thesis, focused on poverty alleviation and linkages between sectors with tourism. Fieldwork indicated that fisheries and handicrafts held significant potential to reveal viable opportunities for pro-poor interventions through linkages with tourism. Based on DFID (2008) and ICIMOD (2010), five major criteria of the destination (in this research is Setiu Wetland) were identified with which to assess value chain applicability: unique/niche production; potential for employment generation; accessibility; fragility; marginality; and diversity. These criteria were ranked from 1 (least important) to 5 (very important), in order to determine the relevance of each

sector as the entry point for this research. The ranking was carried by a modified focus group (7 government officials with experience of both fisheries and handicrafts). Table 6.1 provides a comparison of the ranking of the criteria. Fisheries and handicrafts sectors were highlighted as the main economic activities for income sources of local poor based on early observation and secondary records from local authorities.

Table 6.1: Rating the Fisheries and Handicrafts Sectors based on Setiu Wetland Core Criteria

Setiu Wetland Specificity	Core Criteria	Fisheries and Aquaculture	Handicrafts
Pro-poor growth opportunity through unique/niche products or services	Presence of unique/niche products or services due to highly location specific diversity (in the form of products, culture, or knowledge)	5	5
	Equitable participation of poor/disadvantaged groups as producers or labourers	5	5
	Potential for pro-poor income increase	5	4
	Potential forward/backward linkages between large and small enterprise	3	4
Potential for Employment generation and Pro-Poor Income	Potential for enterprises (large and small) to create new employment opportunities as the value chain develops or expands.	3	4
	High percentage of the profit margins going towards the poor.	4	4
	Within framework of national and regional strategies (<i>ODOI</i> – One District One Industry)	1	5
Accessibility	Resource availability	4	5
	Distance to markets	5	3
	Efficiency of infrastructure	4	5
	Weight/volume of products	5	5
	Availability of communication infrastructure	3	4
	Availability of natural resources; sustainable development	5	5
	Transportation	5	5

Marginality	Linked to mainstream markets	5	5
	Number of SMEs operating in the value chain and to add value to raw materials and gain higher earnings.	5	5
	Capacity to understand/fulfil market demands	4	5
	Negotiation capacity	3	3
	Ability to adapt with market risks	4	4
	Growing demand for product or service from the tourism industry.	4	5
Diversity	Potential for economies of scope through diversified but interlinked activities	3	5
	Potential for management systems to increase the productivity and earnings of enterprise in the value chain	5	5

Source: Adapted from Jodha, 1992 in ICIMOD, 2010; SNV, 2009; Fieldwork, 2011

This list of potential value chains was identified by the researcher based on local economic activities that are already feasible to be produced in the area, which have a pro-poor focus, which could be judged to have a good market (local, regional, national and international markets) and finally sectors which have been identified to have direct and indirect linkages with tourism activities in the area. Based on table 6.1 above, both sectors were rated highly in each of the five core criteria, indicating that they were two reliable entry points, with sufficient data and information in order to form a value chain compared to other economic sectors.

Reinforcing the reliability of the rankings obtained for the two sectors were additional fieldwork observations and data from tourist questionnaires that Setiu Wetland has a good reputation for its seafood and this reputation is a major motivating visitation factor for tourists, especially for Tempura Fish (*Ikan Celup Tepung*), and so the demand for a range of products from fisheries will increase as tourism increases (refer chapter 5). The products selected were amongst the most popular dishes as assessed by interviews with restaurants and resorts in the area (refer chapter 5). Secondly, the handicraft industry was identified as one of the more important generators of secondary income for the local community in Setiu, and due to the government concept of 'One District One Product' (ODOI), some of the

villages in Setiu Wetland were already classified as major producers of weaving handicrafts (almost every house in the villages produced *Mengkuang* and *Nypa* weaving).

Fisheries and Aquaculture

In Setiu Wetland, the fisheries sector plays an important role as a major source of food and protein to its people. Over the years, this industry has succeeded in achieving a steady production from its marine inshore fisheries amounting to an average of 545 tonnes per year (DoF, 2011). The sector also provides direct employment to 3,019 fishermen and 182 fish culturists (DoF, 2011) in Setiu Wetland. Nevertheless, rural communities around Setiu Wetland depend on these livelihoods in the form of food security, employment and income sources especially from fishing activities. Thus, it is crucial to examine the link between this sector's supply chain, and ways to add significant value to generate important levels of employment (the value chain) to the poor communities.

Handicrafts

Handicrafts production plays an important income source to most of the Setiu villagers, especially women as a supplementary source of income. The district of Setiu is famous for its *Nypa* weaving which locally called *Lekar* with 50 active producers, mainly women. Several reasons can be put forward for the high economic value of handicrafts especially for the women in Setiu. First, the socioeconomic circumstances of the fishing communities in Setiu are such that the women are forced to seek additional income to supplement their insufficient household incomes; Second, traditional craftsmanship skills have been passed down from their forefathers; and third, there is an abundance of local raw materials such as *mengkuang* and *nypa* palms for basket and mat weaving.

6.3 MAPPING THE SUPPLY AND VALUE CHAINS

This mapping was designed to provide an initial overview of the key aspects of the supply/value chains. This overview then guided the subsequent analysis of the chains, the main objective which was to identify opportunities for fishermen and handicrafts producers on how to improve their position in the value chain. There were five (5) processes involved in this stage:

- a) *Identifying main processes in the supply/value chain.* The major processes that the raw material goes through before reaching the final consumption stage, including the provision of inputs to produce those raw materials.
- b) *Identifying the actors involved.* The people who were involved in supplying inputs or working within the value chain. The most straightforward distinction was to categorize actors according to their occupation. The entry point or focus in the value chain was thus the fishermen, fish farmers and the handicrafts producers. This means that certain actors were not analysed such as the fish breeders or net makers, but rather they were included under other inputs. Because of some difficulties in identifying the middlemen and retailers, who were only available opportunistically during the busy hours of the wholesale operations, for practical purposes, interviews of any respondents at hand were undertaken.
- c) *Establishing the relationship between each actor in the chain.* This meant looking at the way in which the different actors interacted and were linked to each other: who sold what kind of product to whom. The analysis examined formal contracts, or if dealing was done through friends and relations on a more informal basis, and how the relationships were established.
- d) *Mapping the information and knowledge.* This involved identifying the products information and knowledge at each stage of the process as they were transformed and transported. In this research, since the flow of the products was a fairly simple process, the focus was more on the information exchanged between the different actors. An example would be whether the fishermen knew much about where the dealers sold the fish to and for how much. Additionally, this part also concentrated on the product design, and training that had been given especially to the handicrafts producers.

- e) *Mapping the value and quantity at each level.* This step looked especially at the value of each product and the profit margin at each level in the process, and was aimed at establishing at what level and to whom the various percentages of the profit margins were going.

According to (Eiligmann, 2009: p.16) a value chain map consists of: 1) the main functions which are necessary to get a product to market; 2) the main actors performing these functions; and 3) the support institutions working with the value chain. This research determined these factors along the way in the process. The combination of quantitative and qualitative research methods revealed important information about the structure of each value chain chosen.

6.4 MAPPING VALUE CHAIN 1: FISHERIES AND AQUACULTURE SECTOR

The general concept of the value chain is easily adapted to the fisheries and aquaculture industries. In fact, the value chain is very similar for the two industries, although some parts differ slightly. The fisheries and aquaculture products constitute the best potential for creating linkages with the tourism industry, as assessed by the value chain criteria (see Chapter 6.2) and also by interviews with a variety of stakeholders such as local fishermen, village heads, the local authorities, restaurant and accommodation owners and managers. It provides ways to determine how market linkages and opportunities can be improved to benefiting the poor involved in this industry.

According to Department of Fisheries (2011) the fisheries sector in Malaysia is normally categorized into two main sectors namely the marine capture sector and the aquaculture sector. The inland capture sector which produces fish from inland fisheries is sometimes placed within the aquaculture sector because its production is only 2% of the total fish production (DoF, 2011).

6.4.1 Fisheries Supply and Value Chain

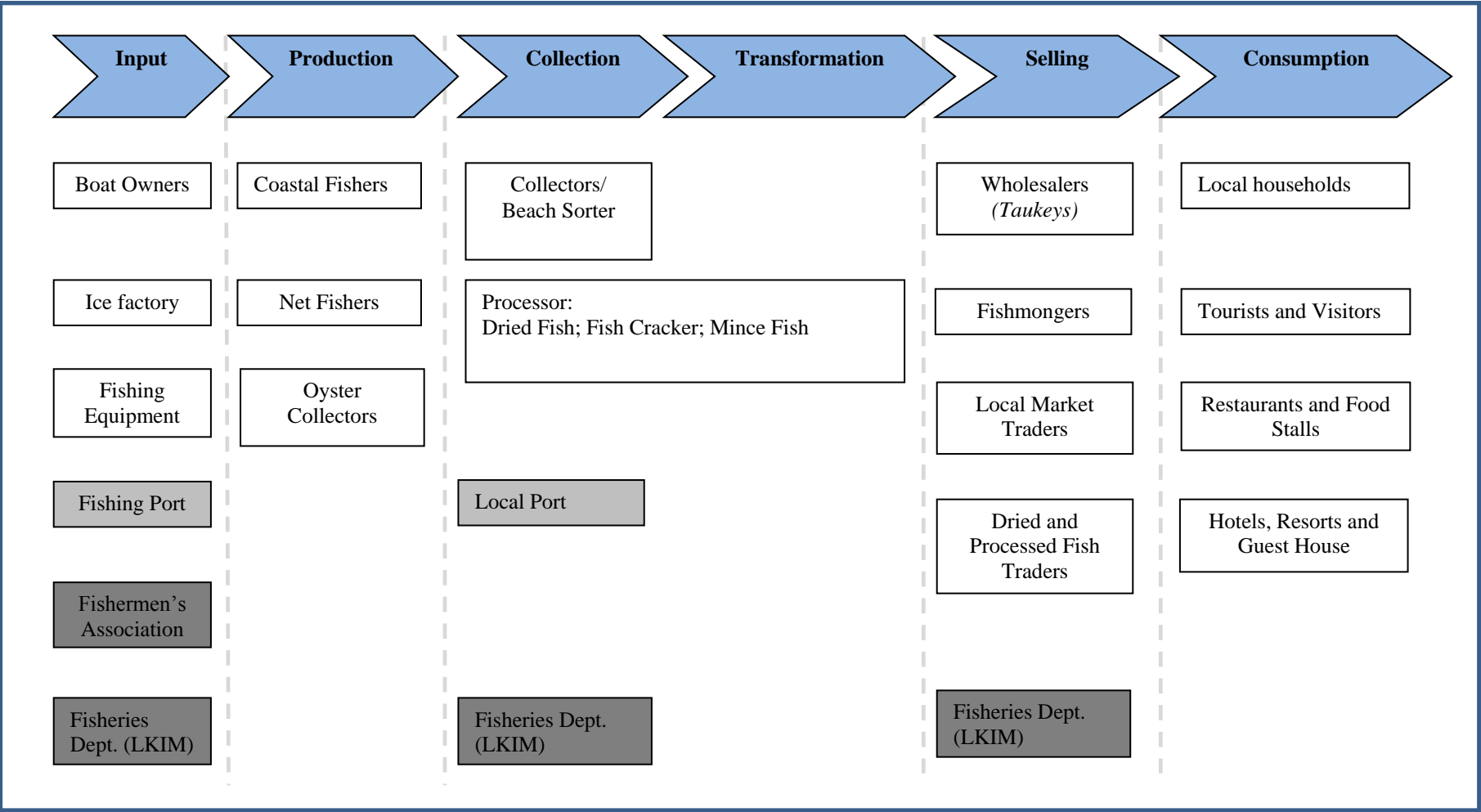
The marine fisheries sector can further be divided into the coastal fisheries and the deep-sea fisheries sub-sectors. However, this research was only based on the coastal fisheries, which was identified as encompassing the main fisheries activities in Setiu Wetland, where within 5nm from shoreline, reserved for traditional owner operator vessels (Sukarno, 2003; DoF, 2010).

Since the study had to deal with a large variety of sea products, this research could not map the value chain of each product individually. Instead, the researcher decided to group the sea products into one general value chain. The specific emphasis was on identifying, 1) core process and product flow; 2) main actors and linkages between each other, and 3) knowledge and flows of information (explained in later same sub-chapter).

Figure 6.2 sets out the supply chain of the Setiu fisheries sector and depicts the distribution of products, number of intermediaries' channels, and the gap between primary and retail markets of fisheries. This shows the different levels of the fisheries chain from input, production, collection, transformation, selling and consumption. Most of the fisheries products in Setiu are for the domestic market where they are distributed to the local market, restaurants and hotels surrounding area. However, the Fisheries Department (LKIM) plays a role to collect the sources and export to the outside market especially Terengganu, Kelantan and Kuala Lumpur.

“... We will collect about 60% of the fish and seafood and assume the role of wholesalers to sell to the outside market. Most of the distributions are to Kuala Terengganu and Kuantan” (Respondent 2, 2011)

Figure 6.2: Fisheries Supply Chain in Setiu Wetland

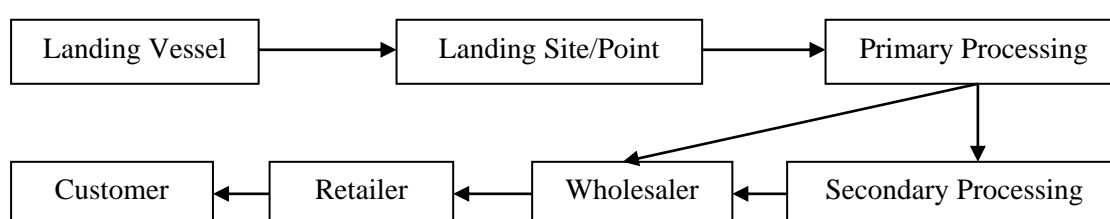


6.4.1.1 Core Processes and Product Flows

From Sea to Kitchen

The concept of value chain analysis of fisheries industry in Setiu has been explained in detail with Figure 6.3. Generally, in fisheries industry, the major chains involved consist of seven links (Figure 6.3): Landing vessel, landing sites/points, primary processing, secondary processing, wholesaler, retailer and customer.

Figure 6.3: Simple Supply Chain in Setiu Fisheries



Source: Author, 2011

The fishing vessel catches the fish and brings it to the landing site or point, where there is some primary processing taking place such as sorting and freezing or chilling. From here, 75% from the sources will be sold directly to the wholesaler and traders. Another 25% will then be transported to the secondary processor for value adding, such as filleting to make fish crackers and drying to make salted fish. The 75% already sold to the wholesalers is then further distributed to retailers before it ends up with the final customer/ consumer.

Fish Landing Points

There are 12 fish landing points scattered throughout Setiu Wetland i.e *Gong Batu, Pengkalan Gelap, Fikri, Nyatoh, Mangkuk, Penarik, Bukit Chalok, Rhu Sepuloh, Bari Kecil, Bari Besar, Telaga Papan* and *Merang*. Out of these, six (6) were located within the impact zone of wetland including *Mangkuk, Penarik, Bkt. Chalok, Rhu Sepuloh, Bari Kecil* and *Bari Besar*.

Regardless of these multiple landing sites in Setiu, there is a one major fishery complex administered by the LKIM located at Kg. Mangkuk. Based on the interview with the stakeholder, this complex is still under construction which expected to

complete on March 2015 and will provide landing facilities in Setiu, and serve as an integrated one-stop centre for fishery trading. It will be equipped with a wide range of facilities including ice making plants, marketing and auction halls, cold storage rooms, and packaging centres.

“... There will be a big fishery complex at the back of this LKIM building, which will be the one-stop centre for the fisheries trading...” (Respondent 2, 2011)

“.... The building of landing complex is not complete yet, expected to finish by March next year, and when it ready, will be the major fishery complex and one-stop centre for fishery businesses...” (Respondent 2, 2014)

Currently, there are 2 LKIM-managed fishery complexes, regarded as the country's most important deep-sea fishing ports based on the volume of catch landed and the number of C2 class fishing vessels using the ports. These ports comprise *Chendering Fisheries Port* in Kuala Terengganu and *Tok Bali Fisheries Complex* in Kelantan. These ports are located outside the site area (1 – 2 hours' drive); however most of Setiu's fishermen use these ports whenever they engage in deep-sea fishing and this fishing ports also serve as an integrated one-stop centre for fisheries trading.

6.4.1.2 Main Actors and Linkages Between Each Other

Fishermen

Capture fisheries are composed of two main actor types, artisanal and industrial fishermen. Industrial fishers focus on a few economically important species and their scale of production is large compared to artisanal fishers (De Silva, 2006). However, In Setiu, the majority of the fishermen are artisanal or called as coastal fishermen, who are the main actors in this value chain (table 6.2).

“Majority of the fishermen in this area are small-scale fishermen, where they only have one small boat and fish around the coastal area. However, some of the men will be hired at Merang Jetty on the big boat to go to the deep sea.”
(Respondent 14, 2011).

Table 6.2: Population and Number of Fishermen in the Study Sites

Land Site/Village	Village Population	Number of Fishermen
Kg. Gong Batu	910	485
Kg. Pengkalan Gelap	235	87
Kg. Fikri	1,275	522
Kg. Nyatoh	397	79
Kg. Mangkuk	436	252
Kg. Penarik	776	398
Kg. Bukit Chalok	317	109
Kg. Rhu Sepuluh	590	313
Kg. Bari Kecil	634	110
Kg. Bari Besar	792	187
Kg. Telaga Papan	268	55
Kg. Merang	1,028	422
Total	7,658	3,019

Sources: Village Council, 2011

Table 6.3: General Characteristic of the Fishermen (n=73)

Characteristic	%
Age (Average)	
Less than 35	25
35 – 55	40
More than 55	35
Educational Level: (%)	
Never attended school	10
Completed Primary	35
Completed Secondary	30
Completed Tertiary	25
Experience (Average)	
< 5 years	15
5 – 10 years	55
> 10 years	30
Total no. of households involve in fisheries (Average)	4 person

Source: Fieldwork, 2011

Table 6.3 above shows the demographic data of fishermen in Setiu (refer to chapter 5.2 in social mapping processes of households). The average age of the fishermen in

Setiu wetland is in 35 – 55 years old group, and each has more than 10 years' experience. Most of the fishermen have limited education which completing primary school only. A majority of the household in most families is involved in the fisheries sector, especially the males where at least two persons in the family (father and son) will be the fishermen, and the women will take part in the processing stage or act as fish traders.

“Normally, if the head of household (father) became the fishermen, the sons will be following to the sea, and the women of the family will help on the land with the sorting, processing and trading to the market.” (Respondent 15, 2011)

The Fish Traders (Taukeys)

Normally, the second actors after the fish are landed by the fishermen are the small fish traders (usually women), who are the wives of the fishermen. In general, the fish catch is sold directly on the beach to various traders.

“The second player (actor) after the fishermen is their wives. They are called as small fish trader where then they will trade their fish to the bigger trader called Taukeys.” (Respondent 3, 2011)

The fish are usually taken to inland markets where prices are slightly higher. They will then trade their fish to the bigger fish traders (called *Taukeys* in East Coast of Peninsular Malaysia). In the case of Setiu Wetland, Fisheries Department (*Lembaga Kemajuan Ikan Malaysia-LKIM*) also plays a vital role as the wholesaler. About 65% of the fish will be trade to the LKIM.

“...The main wholesaler in the fisheries sector is LKIM. Most of our caught will be trade to LKIM. They become the middlemen between us and retailers and consumers, even with the taukeys. They will buy with us with cheaper price and sell them back to the taukeys.” (Respondent 19, 2011)

The middlemen are the distributors who store products and sell them to retailers, food service and food management companies, and restaurants. Research has identified two types of distributors: specialty seafood distributors and full-line

distributors. Specialty distributors deal in a limited number of seafood products and develop regional supply chains. Full-line distributors sell a wider range of food products including fresh, dried, and processed food from fish (De Silva, 2006). The fish traders are important actors in any fish market system. They provide small-scale fishermen with access to markets, but they also provide a variety of services to the producers. The fish traders not only buy the catch from the fishermen, but also provide transport, processing, money lending, risk bearing and market information. Fish traders may also buy and sell other products especially those from aquaculture. Regularly, they provide a social insurance mechanism to individual fishermen through credit arrangements.

Retailers

The retailer is another important actor in fisheries value chain. In Setiu, many of the fish retailers obtain their fish from the small fish traders and are small business individuals who sell at the market, street stalls and from house-to-house using motorcycles or small cars.

“There are a few mobile retailers who sell the fish straight to the house and plays a major role in supplying fish to the rural villagers. They are called fishmongers (Penjaja Ikan).” (Respondent 18, 2011)

Another respondent also responds to the same point.

“These fishmongers need to establish strong social networks to market their products. Word of mouth is their cost effective promotional tool and they bring fish and other seafood products to the door step with the freshness demanded by consumers. Not just fresh fish, they also sell vegetables, and chickens.” (Respondent 19, 2011)

From the direct observation and interview with the fishermen, most of the fishmongers in Setiu are women, who sell much of their product by retail to the buyers the villages. In addition to the mobile fish retailers, there are also small retailers who open the village retail shops. Most of the village retail shops are built in

a small hut outside their house or rent a space at the markets in Setiu Fishermen market or Permaisuri Wet market.

“... At the main fish market in Setiu, it is estimated that 90% of the fresh fish sellers are retailers who sell not only their own catch, but that of their neighbours and other fishermen as well who for various reasons cannot access the market in the capital.” (Respondent 24, 2011).

Most of these retailers buy their fisheries products directly from the fishermen and sell them to the restaurants and food stalls. This largely benefits the fishermen where it gives valuable liquidity into the fishermen's business. However, sales of domestic fish products from Setiu wetland in modern outlets such as supermarkets are limited for a variety of reasons especially distance and quantity of supplies.

Processors

Processors also play a significant role in the Setiu's fisheries value chain where about 25% from the coastal fisheries product will be transported to the processing place to make fish processed such as mince, fillet and dried fish.

Processors then sell their processed fish or shrimp to 'buyers' in the next segment of the value chain such fish crackers and fish-ball industries. This segment includes the retailers, wholesalers and exporters and importers in the different market from the fresh products. However, from the interview with a fish processor in Setiu, the quantity and quality of the supplies from the local fishermen were not enough for the processed product market, and they have to purchase additional supplies from other fish landing sites.

“.... Most of the main supply for our processed mince and dried fishes are from the local fishermen; however because of the quality and quantity, we also have to buy fish from the other place especially at the bigger landing site.” (Respondent 26, 2011)

There are two main fish processing factories in Setiu, which produce mince and fillet fish for the fish tempura and crackers' industry. Besides that, there were four (4)

main dried fish processors in the surrounding area which produce dried fish and shrimp to be sold at the local market. There was also one place which produces a local fish sauce called *budu* (main ingredient is salted blended fish).

Fishermen's Associations

The main institutions serving as an interest group on behalf of fishermen in Setiu are the fishermen's associations. There are three types of associations in the fishing community: (i) Fishermen's Association (*Persatuan Nelayan, PN*); (ii) Fishermen's Economic Group (*Kumpulan Ekonomi Nelayan, KEN*); and (iii) Trawlers' Association (for trawl net fishers only) (Table 6.4).

Table 6.4: Percentage of Fishermen registered with the Association

Association	No. of Fishermen	Percentage (%)
Fishermen's Association	2,204	73.0
Fishermen's Economic Group	1,691	56.0
Trawlers' Association	1,359	45.0
Non-Member	242	8.0

Source: Fishermen's Association, 2011

From the table above, about 73% of the fishermen are registered members of the Fishermen's Association. From interviews, it appears that the main reason for a large majority of fishermen registered officially to the association was to gain access to Fisheries Department (*Lembaga Kemajuan Ikan Malaysia-LKIM*) in order to get government assistance, whereas, they claimed, non-membership was often used as a reason for exclusion from this assistance. This high official membership from the fishermen however does not necessarily mean that the association is actively involved in the fisheries or other economic activities that could serve the interest of its members. In other words, institutional membership was perceived mainly as a "passport" to gain access to the government's programmes such as licences, subsidies, and credit, etc.

"...Most of the fishermen here registered with LKIM through the fishermen's association to get license, loans, and other incentives from government. All the incentives are only provided to those who registered." (Respondent 18, 2011)

Another respondent also respond to this.

“.....most of the fishermen are supported from the fisheries department (LKIM) through the Fishermen’s Association especially in credit and training.” (Respondent 2, 2011).

In the fieldwork conducted, there were also other small associations that were organized by the fishermen within the same port or village, such as *Kg. Gong Batu* Cooperative, which involve the fishermen and a fish farmer in *Kg. Gong Batu*.

Consumers

The “consumer” segment consists of the end consumers who purchase the fisheries products from those in the “retailer” segment. In this research, the “consumers” could be the local households, restaurants and food stalls, hotels and guest houses, and the tourists.

As mentioned in chapter 4, Setiu Wetland is famous in the East Coast area as a fresh seafood provider, and most of the tourists who visit will not miss the opportunity to spend time and money eating local delicacies such as fish tempura (*Ikan Celup Tepung*) and fish crackers (*keropok lekor*).

“..... Setiu is known as one of the best food stops among the visitors. They stop here just because of the uniqueness of the seafood cooked here, called Ikan Celup Tepung and Keropok Lekor. There are a lot of stalls selling this food and people came just to try these special local delicacies.” (Respondent 18, 2011)

Most of the local restaurants and stalls around Setiu get their supplies either directly from the fishermen or buy in bulk with the *Taukeys*.

“We like to buy the fish and seafood directly from the fishermen, but sometimes the supplies are not enough. So, we have asked the taukey to send the fish to us whenever we need. Sometimes, because of limited amount of supply, we have to compete with other people who also demanded for fresh fish from the sea.” (Respondent 24, 2011)

Table 6.5 shows the observation and interviews with selected fisheries VC actors, on fishery-related food businesses in Setiu Wetland where most of the fresh fishes were supplied.

Table 6.5: Inventory of fisheries-related food businesses in Setiu Wetland

Sector	Approx no. of enterprises, 2011	Size and status of a 'typical' enterprise
Food and Drink		
Restaurants	12	The majority are family-run businesses, about 8 – 15 tables, about RM5 per meal. Mostly are small seafood restaurants.
Food stalls	18	Large number of food stalls with sitting (chairs and table) selling fish tempura (<i>Ikan Celup Tepung</i>)
Snack stops	29	Large number of small outlets selling fish crackers (<i>keropok lekor</i>), noodles, rice meals, and many more street vendors.
Makers of specific local food products	58	Many SMEs being set-up by the local community to produce fish crackers, chilli sauce, dried and salted fish, etc.
Weekend market	21	A number of fishmongers setting up small stalls under umbrellas selling fresh fish and other seafood.
Night market	35	Large number of food hawkers (normally with minivan and small lorry) selling fish tempura and other cooked food every night.

Source: Fieldwork, 2011

6.4.1.3 Knowledge and Flows of Information

Service and Facilities

Fresh fish mostly traded in domestic markets directly from the fishermen to the fish traders – fresh, un-gutted, whole and without adding ice. Then, it was sent to the primary markets and retailers which took less than 4 hours. From interviews with wholesalers, if the transportation time from the primary source to retail point takes more than 6 hours, the fish will need to be iced.

“Normally we will come and collect the fish every day since the fishermen didn’t have the facilities to store them. Since the distance with the market is less than 4 hours, the fish don’t have to be iced. However, to deliver the fish to Kuala Lumpur and Kuantan, we have to prepare proper facilities such as cold storage.”
(Respondent 23, 2011)

There are very limited services and facilities infrastructure at the Setiu landing sites. None of the fishing villages in Setiu have facilities for fish handling, cold storage, processing, marketing and sales. At all of the landing sites, the wholesalers bring their own ice containers for keeping fish fresh. In some villages, the fish processing sites for the dried fish and shrimps are near the landing sites. Facilities at fish markets were also minimal, with poor hygiene and sanitation, and no standard practices for handling, washing, sorting, grading, cleaning and icing of fish.

Fishing Gear

Among the dominant fishing gear used by the Setiu fishermen are gill nets (41%), hand lines (26%), and long lines (23%) (LKIM, 2010). Most of the marine fishers in Setiu obtain their catch in shallow water habitats and nearby reef areas in the vicinity of the coastline.

Product range

Fish is an important and main protein supplement to the local people’s diet where other protein sources such as chickens and beef are limited and more expensive. Direct observation and interviews with local people disclosed that there are more than four varieties of products from fish or seafood in Setiu (refer chapter 4) such as: 1) Making Fish Crackers or *Keropok*, usually by grinding fish into a paste, mixing with sago and then deep-frying it. It comes in three main forms: *keropok lekong* which is long and chewy, *keropok losong* (steamed), and *keropok keping* which is thin and crispy. It is frequently served with dipping sauces and especially is a popular welcome dish for tourists in hotels and resorts; 2) Making flour dipped fish or *Ikan Celup Tepung* which is a popular local food in Setiu, and a ‘must eat’ food for tourists when visiting Setiu; 3) Making dried fish or *Ikan Kering* and dried anchovies; and 4) Making shrimp paste or *belacan*, which used in local dishes such as shrimp paste fried rice (*nasi goreng belacan*).

“.... Setiu is popular with its range of fish products and people stop by just to try their fish tempura (Ikan Celup Tepung) which cannot be found anywhere else.”
(Respondent 1, 2011)

Several interviews with the tourists also support this point.

“... We are on our way to Kuala Lumpur and purposely take the alternative way to stop here in Setiu so we could taste the fresh seafood. They are not just tasty, but very cheap. The fish products are sold along the road where you can easily stop the car.” (Tourist survey 1, 2011)

“... Setiu is known as a Seafood paradise where the seafood is fresh and cheaper compare to the market and most importantly is the authentic way of cooking the seafood, called ICT was the main reasons why I came here.” (Tourist Survey 2, 2011)

Marketing

The fish marketing system in Setiu fisheries value chain is traditional and less competitive compare to the other places with higher demand such as *Merang* and *Besut* (the neighbouring fishing district). However, it still plays a vital role in connecting the fishermen and consumers thus contributing significantly to the value adding process. Based on the interview, the main constraints at primary markets are a lack of bargaining power between the fishermen and the middlemen (either the *taukeys* or LKIM)

“..... So far we depend on the taukeys to set the price of the fishes that we have caught, normally based on the size, type and amount of the fish. Sometimes the price can be negotiated higher in the rainy season, because the supply could be very low.” (Respondent 18, 2011)

In this case middlemen and traders are the winners with high profit margins that over time have lifted them out of poverty. However, market information systems

nowadays are often based on simple mobile phone, which still help the fishermen to make better deal with the middlemen either with LKIM or with the *Taukeys*.

Finance

The fishermen's financial management are handled by the Fishermen's association.

“ Most of the fishermen depend on the Fisheries department and the Fisheries' Association for the initial capital, especially to buy a boat and fishing gear. Moreover, the government through the Fisheries department gives monthly subsidies to the fishermen to buy their boat's diesel.” (Respondent 2, 2011)

Fishermen and small-scale traders' experience on finance and poor management are poor and this hinders the success of this sector in Setiu. Common features that were highlighted by the fisheries department and the fishermen's association are low financial literacy levels, low savings culture, weak financial functions, heavily dependent on informal financial sources which are unreliable, poor business management skills, and weak community organization with high levels of political intervention.

“Because of the minimum education level among the fishermen and small traders and retailers, they don't have a strong knowledge on financial management. Nevertheless, since their income is not consistent and always lesser than their spending, they have a very low saving culture.” (Respondent 2, 2011)

6.4.1.4 The Value and Quantity at Different Levels of the Value Chain

Figure 6.4 shows the value chain map for fresh Mackerel fish in Setiu Wetland where involved the main chain of the distribution channel of the industry, starting with the fishermen to the Fisheries Department and wholesaler and finished with the consumer. Meanwhile, figure 6.4 shows the value chain map of processed fish industry in Setiu Wetland where the Fish Cracker industries take place.

Figure 6.4: Value Chain Map for the Fresh Fish Industry in Setiu Wetland

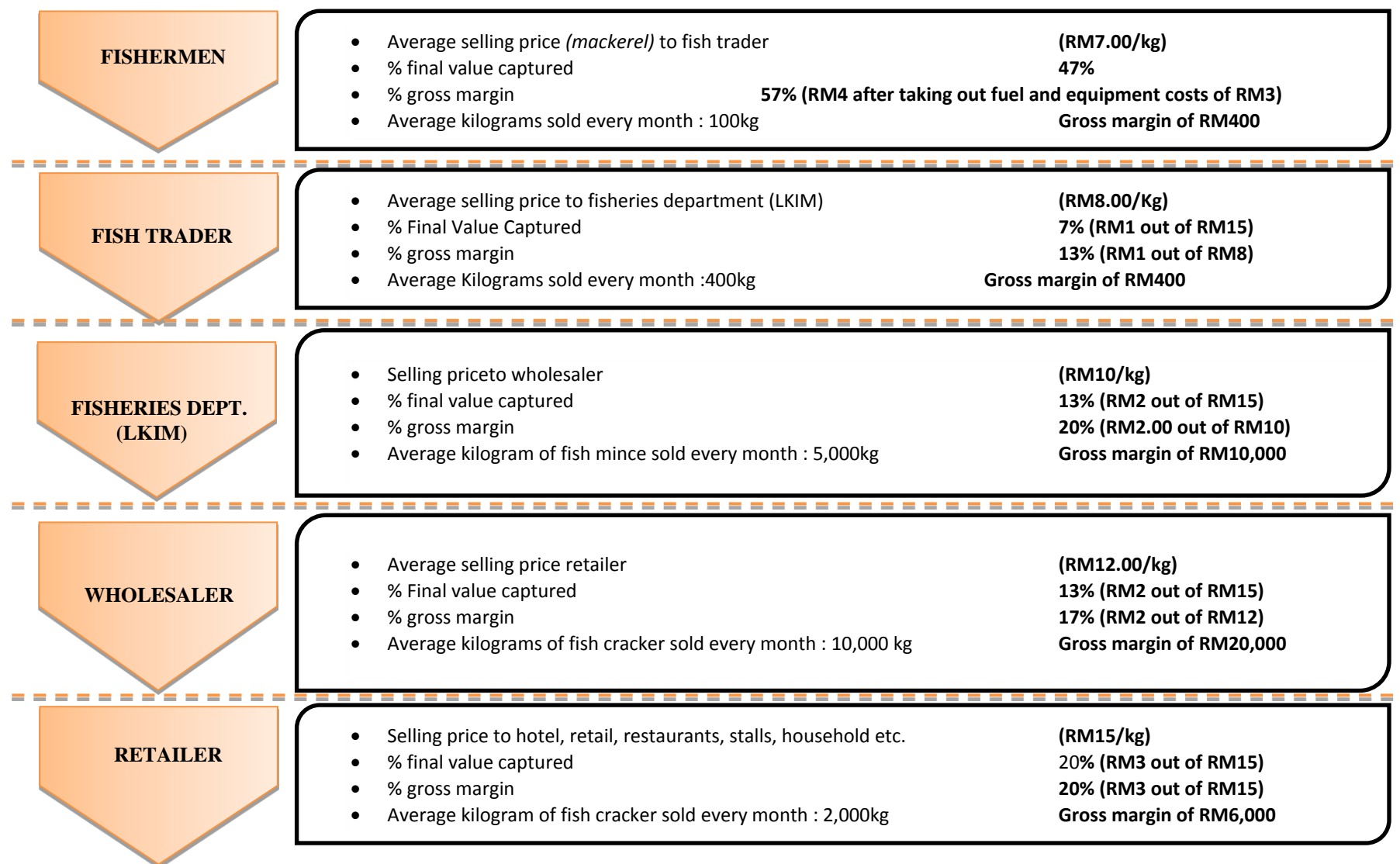
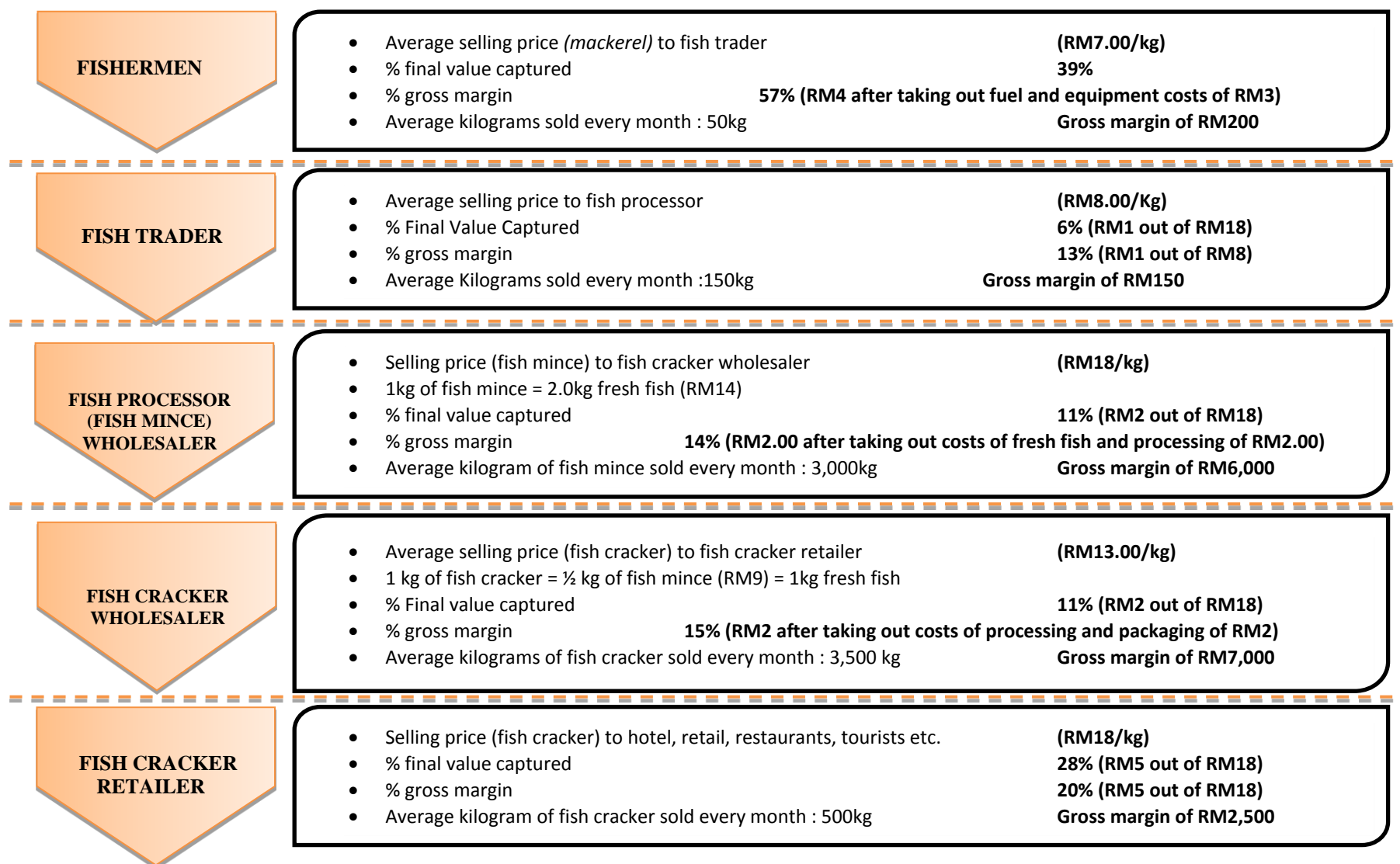


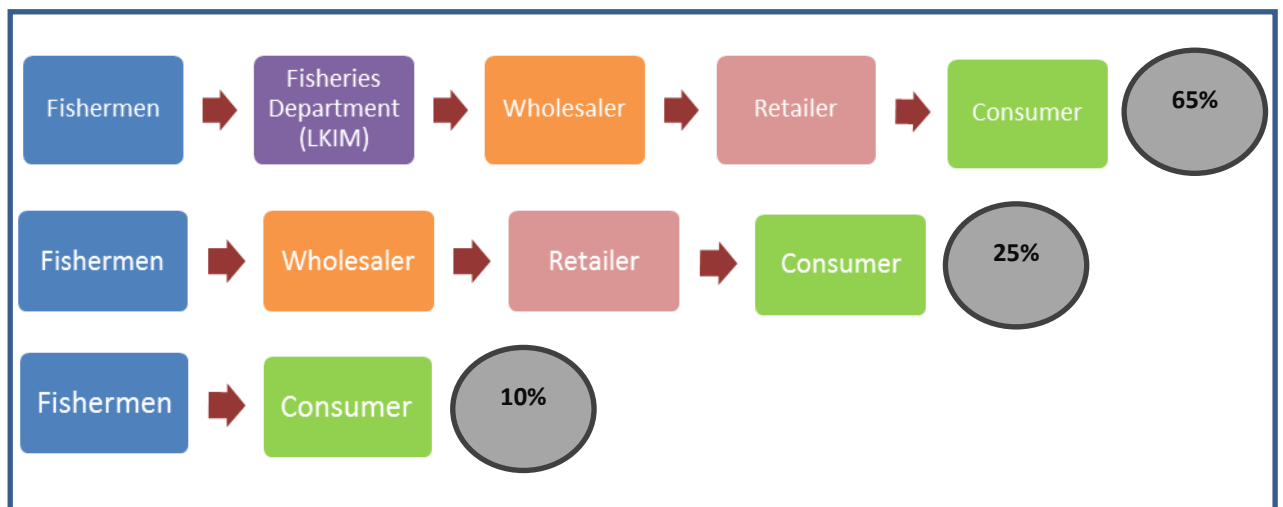
Figure 6.5: Value Chain Map for Processed Fish Product (Fish Crackers/ *Keropok Lekor*) in Setiu Wetland



There were three different chains of fisheries value chain mapping (refer figure 6.6). From the fieldwork, about 65% of the total consumption of fresh fish is through the first channel, and another 35% was distributed through the second and third channels with 25% and 10% accordingly. This shows that the major and important chain in this sector is the Fisheries Department (LKIM) which buys fish wholesale from members of its association, and then on-sell to the market wholesaler for distribution further afield to retailers.

“..... most of the fishermen in this area are members of the fishermen association which is under the Fisheries Department (LKIM) umbrella. Since we receive a lot of subsidizes from the department such as fishing equipment, boat, and allowance, so three quarters of our supplies must be sold to LKIM.” (Respondent 18, 2011)

Figure 6.6: Value Chain of Fresh Fish consumption in Setiu Wetland



Differential prices gained by the fishermen by selling to different markets. This was shown by the figure above where the fishermen sold RM7.00 per kilogram of Mackerel fish to the LKIM before then sold in bulk to the wholesaler. Fishermen sell their 25% of the fish with the price of RM8.00 to the wholesaler and another 10% of their catch directly to the consumer/tourists with RM9.00 per kilogram. This information tells us that if we could find a way for the fishermen to sell more of their 25% catch that goes to the wholesaler direct to the consumer instead we could increase their incomes substantially.

6.4.2 Aquaculture Value Chain Map

Generally, the aquaculture sector provided only 10% of total fish production in early 2000 (FAO, 2001) in Malaysia and the same applied with reference to Setiu Wetland. However, aquaculture productivity has increased nationally to about 30% of total fish production over time with the introduction of new technology for deep sea cages and decline of wild fish stocks (Aquagrow, 2012). The same situation has happened in Setiu Wetland with the introduction of 616 additional shrimp farming ponds in 2008 (Aquasiapac, 2012). Even though the aquaculture sector still did not contribute much to the total fish production in Setiu Wetland, this sector has been identified as having the most potential to generate secondary income to the households. The government considers that the aquaculture sector provides improved security as a viable alternative and/or supplementary livelihood to marine fishing.

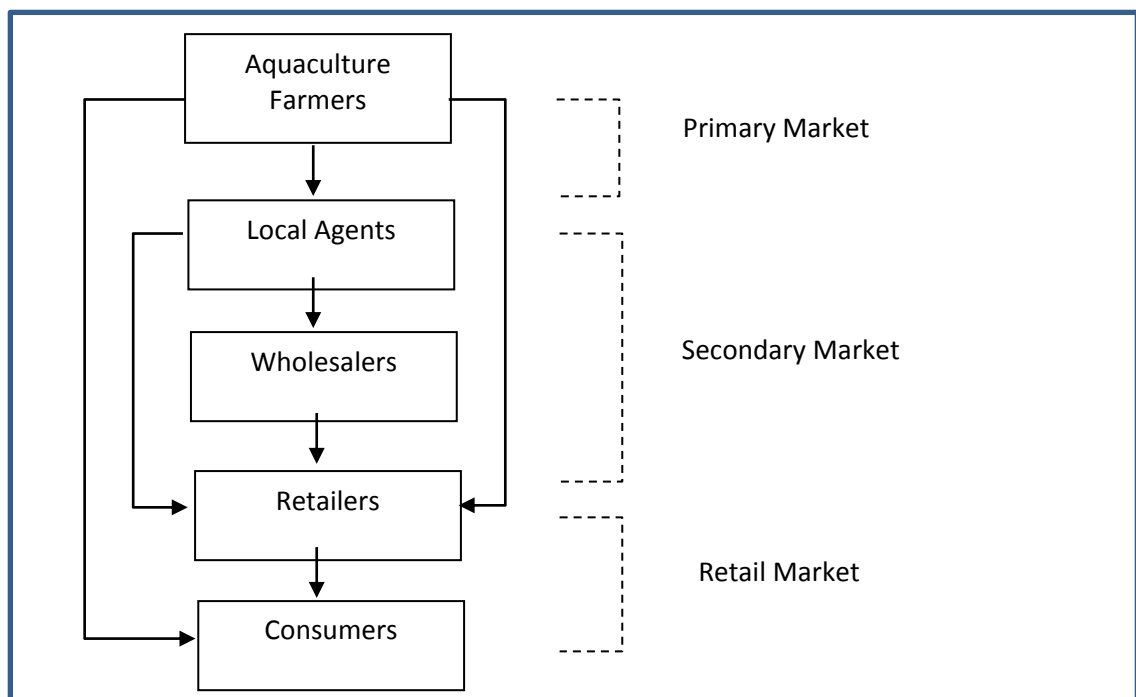
This sector was further divided into two broad categories of aquaculture systems: freshwater culture and brackish water culture. However, in this research, the brackish water culture / marine culture will be the main focus since they contribute most of the aquaculture production in the site area. Besides, there was also a massive integrated shrimp aquaculture park which was still under development on 1,000 ha of land located in Setiu, which could influence the aquaculture value chain. In addition, there are a few small-scale oyster cage farms found in Setiu, also contributing to the aquaculture market.

It is widely recognised that marine culture especially net cage culture is one of the most productive culture systems with substantial commercial potential (De Silva, 2006). Marine cage culture is not relatively new in comparison to other aquaculture practices such as cockle culture and freshwater pond culture. Marine cage culture projects were successfully implemented during 1980 – 1985 in Setiu Wetland by LKIM (LKIM, 2009). Normally, the farmers never directly communicate with consumers, but around 10% of the consumption will directly from farmers to the consumers especially direct to the local households. The value chain from aquaculturists to consumers encompasses mainly primary, secondary and retail markets, involving local agents, wholesalers, retailers and consumers.

Figure 6.7 demonstrates a simple aquaculture supply chain map from the fish farmers to the consumers. Based on fieldwork, almost 60% of produced fish in Setiu is marketed externally for domestic consumption. Most of the fish product will be marketed to the other states such as Kuala Lumpur, Pahang and Johor. Meanwhile, the shrimp market is mostly exported to international market especially to Singapore and Thailand.

“Main markets for the cage fish are in Kuala Lumpur and Singapore, besides the local market such as restaurants, wet market and hotels.” (Respondent 23, 2011)

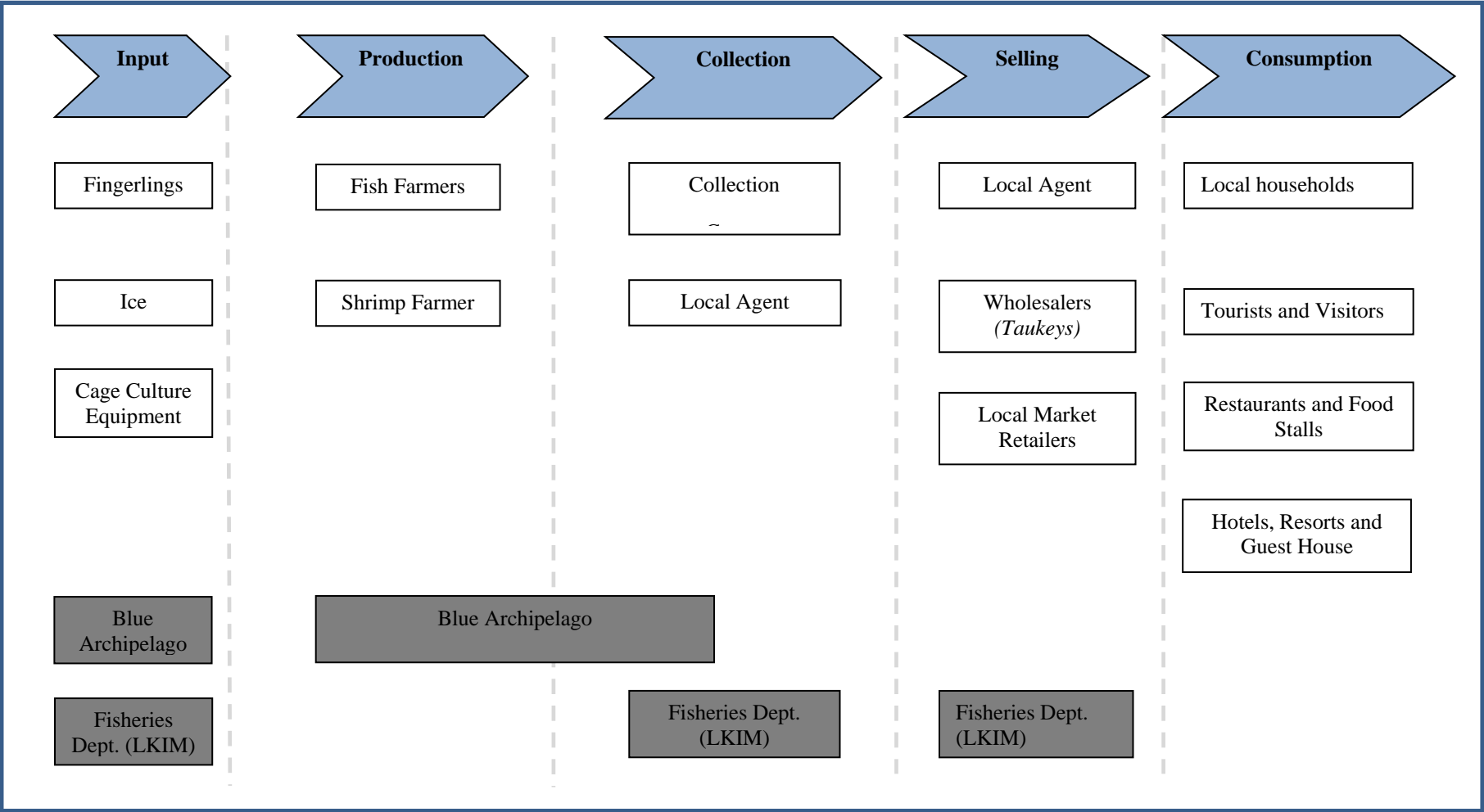
Figure 6.7: Setiu Wetland Aquaculture Supply Chain Map



Source: adapted from Ahmed, 2009

Figure 6.8 shows the flow of aquaculture supply chain in Setiu Wetland from the productions to consumption.

Figure 6.8: Fish Cultured Supply Chain in Setiu Wetland



6.4.2.1 Core Processes and Product Flows

The processes

Based on an interview with one of the fish farmers in Setiu Wetland, in the early stage of the production of fish, the fingerlings were caught wild and reared in the cage. However starting on 1985, the fingerlings have been stocked up to be bred, especially *seabass* fingerlings at *Kampung Fikri*. Almost all fish farmers use fish food and trash fish to feed the fish since they are in captivity and have to be fed regularly. Small shrimps such as *acetes* or *mysids* are also suitable alternative feeds for the fingerlings. Feeding is normally carried out once a day, usually between 7.00 to 8.00 o'clock in the morning.

“..... the aquaculture industry in Setiu started in Kampung Fikri on 1984 with 28 fish culture ponds, where seven fishermen's families were been given four ponds each as an initiative by Fisheries Department for the purpose of rearing fish.” (Respondent 2, 2011)

“.... For the start, the fingerlings were caught from the sea and stocked in the ponds until they reach market size. Some of the fish will be kept for breeding for the next cycle of production.” (Respondent 22, 2011)

Harvesting of the fish starts as soon as the fish reach marketable size, around 500 – 600 grams. On average, the fish need between eight to nine months before they are ready for the market. Most aqua-culturists harvest their fish by themselves. There are only about 5 large fish cage where the farmers depend on local harvesters who work with them.

“Most of the fish farm in Setiu is small-scale and operated by the owner and family. However, there are a few large farms where they will hire local people especially the poor and women to help in.” (Respondent 2, 2011)

Normally, fish are harvested at very early hours in the morning. Most farmers practice partial harvesting of larger fish which allows smaller fish to grow. However, there is still some farmers' practice total harvesting. Farmers harvest their fish using

cast nets and seine nets. The harvested fish then were cleaned with tube-well water and kept in plastic crates until they were sold. The plastic crates were specially designed to reduce cost, reduce pollution and enhance security. Their design provides easy cleaning and durable and maximized space usage for the user. Boats are used to transport the fish from the cage to inland, and then vans and small lorries are used to transport fish from remote villages such as *Kg. Gong Batu* and *Kg. Fikri* in Setiu Wetland to the local market which takes around 40 minutes to 1 hour, depending on distance.

The Species

There are four types of aquaculture systems established in Setiu Wetland (Table 6.6) - Brackish Pond Culture, Brackish Cage Culture, Oyster Rafts, and Pen Culture. Among these four, the brackish cage culture or marine net culture has the largest number of culturists. At present, the species that are most cultured in the brackish cage culture are sea-bass (*Lates Calcarifer*), mangrove snapper (*Lutjanus Argentimaculatus*) and estuarine grouper (*Epinephelus Tauvina*). Besides, there are also oyster raft and shrimp cage.

Table 6.6: Aquaculture activities in Setiu Wetland in 2012

No.	Aquaculture System	Species	Area	Unit	Production (metric ton/year)
1.	Brackish Pond Culture	Tiger Prawns (<i>Panaeus Monodon</i>)	2,493.3 ac	690	532.8
2.	Brackish Cage Culture	Sea-bass (<i>Lates Calcarifer</i>), Mangrove Snappers (<i>Lutjanus Argentimaculatus</i>) & Estuarine Groupers (<i>Epinephelus Tauvina</i>)	74.5 ac	820	105.1
3.	Oyster Raft	Oyster (<i>Crassostrea Iredalei</i>)	2.9 ac	90	79.02
4.	Pen Culture	Red Drum (<i>Sciaenops Ocellatus</i>)	27.2 ac	22	41.003

Source: DoF, 2012

Aquaculture Production Area/Villages

In Setiu, there are three villages identified as the aquaculture producing areas / villages. *Kampung Gong Batu* was identified as the first area for an Intensive Aquaculture Zone (IAZ) in Terengganu for cage culture in 2004 under the Setiu Local Plan 2005 – 2015 (Setiu District Office, 2012). Estimations from earlier harvests from the area of 29.6 ac showed that it produced 72 tonnes in 2006 with a value of RM0.94 million (DOF, 2007). After gazettement of the IAZ in 2004, 53 aquaculturists were identified who participated with a total of 1,552 cages in the 988.4 ac site in the lagoon. In 2012, the number of aqua-culturists increased to 102 with a total of 2,261 cages (DOF, 2013).

Two additional areas of 1,284.9 ac in *Kampung Pengkalan Gelap* and 2,471.0 ac in *Kampung Penarik* have been gazetted under IAZ programme in the Ninth Malaysian Plan (9MP). This followed the successful IAZ project in *Kampung Gong Batu*. Under this IAZ, LKIM is responsible for managing the shrimp and fish culture and nursery ponds in Setiu lagoon, near *Kampung Pengkalan Gelap* and *Kampung Fikri*. Whereas, the shrimp farm in *Kampung Penarik* is under Blue Archipelago Berhad, a Malaysian shrimp aquaculture company. The shrimp farm is called Integrated Shrimp Aquaculture Shrimp Park (iSHARP Setiu) and started its operations in 2011.

“... *The shrimp farm in Penarik is the biggest aquaculture project so far under RMK-9 and will contribute with a big local impact especially with reference to local employment, the environment and etc...*” (Respondent 4, 2011)

6.4.2.2 Main Actors and Linkages

Fish Farmer/Aqua-culturist

Based on interview, the majority (about 60%) of the aquaculture enterprises are operated on small-scale family basis. Any interested individual is welcomed by LKIM since the development of aquaculture activity is one of the government's visions for local job opportunities other than in fisheries industry. The farmers/culturists may apply directly to the District Land Office for any suitable site. Once accepted into the programme the new culturists also will be provided with

extension services by related agencies such as Fisheries and Aquaculture Organisation (FAO), and LKIM. However, most of the culturists identified in Setiu Wetland were those who participate under the government's socio-economic development programme, who have been allocated space, subsidized infrastructure to carry out the project, and been monitored closely by the local authority (Table 6.7).

Table 6.7: Fish Farmer in Setiu Wetland, 2012

No.	Aquaculture System	No. of Farmers	Area (ha)	Units
1.	Brackish Pond Culture	14	91.1	270
2.	Brackish Cage Culture	39	2.5	965
3.	Oyster Raft	42	0.9	992
4.	Pen Culture	7	27.1	34
	Total	102	642.6	2,261

Source: DoF, 2012

The full-time aqua-culturists here refer to the participants who derived more than three-quarters of their income from cage culture operations. There were about 35% who participated as full-time operated in the aquaculture activities in 2012 while the remaining 65% were considered as part-time operators (Table 6.8).

Table 6.8: Employment Status of Aquaculture Participants, 2012

Status of Participants	No. of participants	Percentage (%)
Full-time Farmers	36	35.3
Part-time Farmers	66	64.7
Total	102	100.0

Source: JKKK, 2012

The fact that only a quarter of the aqua-culturists were full-time participants in aquaculture project was somewhat disappointing since the aquaculture project was conceptualized, since it was meant as alternative full-time employment by the government for the fishermen participating in the project.

“.... Most of the farmers here started the fish farm through the initial support from the government, as alternative income earnings besides fishing. However, because of the waiting period to get the fish to marketable size and start earning from selling, many of them failed.” (Respondent 4, 2011)

A large number of agricultural farmers who identified as poor find employment in the aquaculture marketing chain as part time fish farmers, fingerlings suppliers, transporters, traders and day labourers including women and children.

“.... Since the aquaculture activities in this village are a part of the government’s strategies to improve the economic level of the local people especially the poor, most of the fish farmers are among the ocean fishermen, and it became their secondary income source.” (Respondent 4, 2011)

“.... The women and children normally take part in aquaculture such as in feeding, cleaning, and sorting fish.” (Respondent 22, 2011)

The Local Agent

Depending on the transaction volumes, fish farmers sell their catch to a local agent. From interviews with the fish farmers, there is a local agent who is the solely agent for aquaculture production in Setiu, buying almost half of the fish produced in Setiu. This local agent also acts as the wholesaler transporting the fish to the retailer at the external market. According to interviews with the farmers, 60% of the pond fish are sold to this local agent who is also a culturist himself and the main fish supplier to the local restaurants and hotels around Setiu and Kuala Terengganu (75 – 100km from the fish producing areas).

“..... About 60% of the fish production from the aquaculture was sold to our local agent, which the agent then will sell to the wholesaler. Another 40% will be transported by us to the market for retail sale.” (Respondent 22, 2011)

Another respondent also support this point.

“..... Mr. H is the main local agent to buy our fish, where almost 50% of the produce will be sold to him. He is local community here, and also has his own fish farm” (Respondent 22, 2011)

Wholesaler

The wholesaler's role in Setiu is to take care of the handling, sorting and icing of the fish before transporting to the export market and external markets outside Setiu wetland. There were about 35 day casual workers work with the wholesalers to perform post-landing tasks such as cleaning, sorting and icing the fish. The wholesalers will set the price with the local agent, and transport the fish from the farm. In this case, the fish farmers never get to know how much the wholesalers pay to the local retail trader.

“.... Most of the time, we didn't bargain the price, and depend solely to the price given by the local agent. However, we believe that they give the best price for the product.” (Respondent 22, 2011)

Note that it is common for primary producers at the bottom of a chain, not only in Malaysia but in many other countries, to complain that they lack bargaining power and this perception may be strongly felt: but it may not be the reality. For example, a report examining the value chains of fruit and vegetables in response to complaints by Australian primary producers about alleged low farm gate prices vis-à-vis supermarket retail prices, which found that farm gate prices for 12 items averaged more than 50% of the retail price (Fresh Logic (2012). As mentioned in para 6.4.1.3 above, mobile phone technology has now opened up lines of communication for coastal fishermen with other landing sites and they thus have a capacity to negotiate a better price than the initial offer.

The Retailer

According to research interviews, a typical aquaculture retailer in a market not only sells aquaculture products but also wild caught fish and seafood. Normally, a retailer in *Permaisuri* market sold an average of 30kg/day fisheries product during the peak season (school holidays and festive season), while in *Kuala Terengganu* market they sold an average of 50kg/day per retailer in the peak season. The supply of fish in *Kuala Terengganu* markets was higher due to the higher consumers, matched by a higher number of traders (normal supply and demand dynamic). On the other hand, the supply of fish in *Permaisuri* market was lower due to the lower number of consumers involved.

“..... most of the individual retailer at the market sells not only the wild catch, but also farm fish and shrimps that we get from the different wholesaler.”
(Respondent 25, 2011)

“..... normally in here, the retailer could sell around 20 – 30 kilos per day depends on the peak season, but in Kuala Terengganu market, the sell could reach until 50 kilos per day because of higher consumers.” (Respondent 24, 2011)

6.4.2.3 Knowledge and Flows of Information

Cage Culture

From the interviews, there are 35 aqua-culturists involved under supervision of Setiu Area Farmers Organization in the rearing and production of fish (*groupers*). Each culturist has 10 – 20 cages which can each contain 1500 fry or 700 adult *groupers*. A small part of their initial infrastructure costs are subsidized by government agencies such as the Department of Fisheries (DoF) and the Farmers Organization Authority (*Lembaga Persatuan Peladang – LPP*). Other operating costs are borne by them. With an average of 50% survival rate after selection process, each cage can contribute up to 500 kilogram of marketable grouper - at RM12.00 per kg this amounts to about RM 10,286 per cage for a year (RM857 per month). If they manage to maintain two cages at each stage, they can earn up to RM 24,000 in a year (RM 2,000 per month).

“... Aquaculture activities become the second income sources to the small scale fishermen in Setiu. However, most of the poor only works as casual labourers, which only get around RM300 – RM650 per month.” (Respondent 5, 2011)

Another respondent also support this point related to the poverty line.

“.... Most of the poor people have at least 2 income sources in order to achieve the livelihood, and the main secondary source is in aquaculture activities.”
(Respondent 2, 2011)

Technology

The application of fisheries technology starts from culture and ends with the export of the product. Post-Harvest Fisheries Technology involves processing, preservation, handling, harvesting, marketing etc (De Silva, 2006). In Setiu wetland, tropical weather and poorly developed infrastructure pose problems, where losses can occur in all operations from harvesting through to marketing. Many small-scale culturists in Setiu were marginalized from national supply chains due to their poor quality standards. In general, observations from Setiu indicate that low tech suppliers such as itinerant village aqua-culturists are unable to match with large industrialized businesses such as the iSHARP high tech that can afford e.g. improved protein diet for their fish stocks, marine veterinary services, and a range of other quality control measures; the village fish farmers thus earn less for their resources and their deficiencies in quality control can constitute a significant barrier for lifting them above the poverty line.

“..... small-scale aqua-culturists in the village didn’t have high technology for harvesting, handling or marketing the products, compare with iSHARP which claimed using the high tech and environmentally proven technology.” (Respondent 3, 2011)

Marketing

The aquaculture marketing system in Setiu is traditional but plays a vital role in connecting the farmers and consumers, thus contributing significantly to the value adding process. Even though the supplies of fry and seed are limited, a strong network has developed between the suppliers and the fish farmers.

6.4.2.4 The Value and Quantity at Different Levels of the Value Chain

Generally, total estimated initial cost that have been given from the Fisheries Department to a culturist to start a fish farm is about RM3,000 for the cage and another RM4,000 for the fish seed and fish food. As mentioned above, it takes about 7 months before the fish can be marketed. On average, around 80% of the seed will survive until they achieve the right size to be harvested. However, most of the small-

scale farmers start to sell fry as soon as they reach 4 – 5 inches to the individual aqua-culturists who actively operate aquaculture ponds and cages in the area.

Current market value for carp is between RM23.00 to RM25.00/kg. Table 6.9 is the price breakdown from the seed to the marketable size for carp.

Table 6.9: Breakdown of Seed (*Fry*) and Fish Price from the Local Fish Farmer

Size	Price (Average)	Note
1 inch larvae	RM0.22 per piece	Normally will be supplied by the local suppliers from the nursery ponds.
4 – 5 inch seeds (<i>fry</i>)	RM1.20 per piece	Will be sold back to the individual aqua-culturists for fish rearing in ponds.
500 – 600 gram	RM12 – RM16 per kg	Normally will be selling to the local agent and wholesalers.

Source: Interview with Respondent 22, 2011

The farm-gate prices of fish, shrimp and oyster depend on their species, quality, size and weight, supply and demand, and seasonality. The average farm-gate price of fish was estimated at RM12.00 to RM16.00 per kg, RM15.00 to RM28.00 per kg for the shrimp, and RM10.00 per kg for the oyster (Table 6.10).

Table 6.10: Average Farm-gate Prices of Cultured Fish, Shrimp and Oyster

Species	Product Share (%)	Price (RM/kg)	Average Price (RM/kg)
Common Carp	33%	RM12 – RM16	RM14
Catfish	30%	RM7.50 – RM9	RM8
Shrimp	25%	RM15 – RM28	RM25
Oyster	12%	RM7 – RM12	RM10

Source: Fieldwork, 2011

Aquaculture products are sold according to species and the retail market prices of fish reflect the same variables as farm gate sales (i.e. quality, size and weight, season, supply and demand) (Table 6.11). Overall, the prices of fish were significantly higher in Kuala Terengganu market than *Permaisuri* market due to a larger concentration of consumers, wide range of consumers' market and higher family incomes compared to *Permaisuri* market.

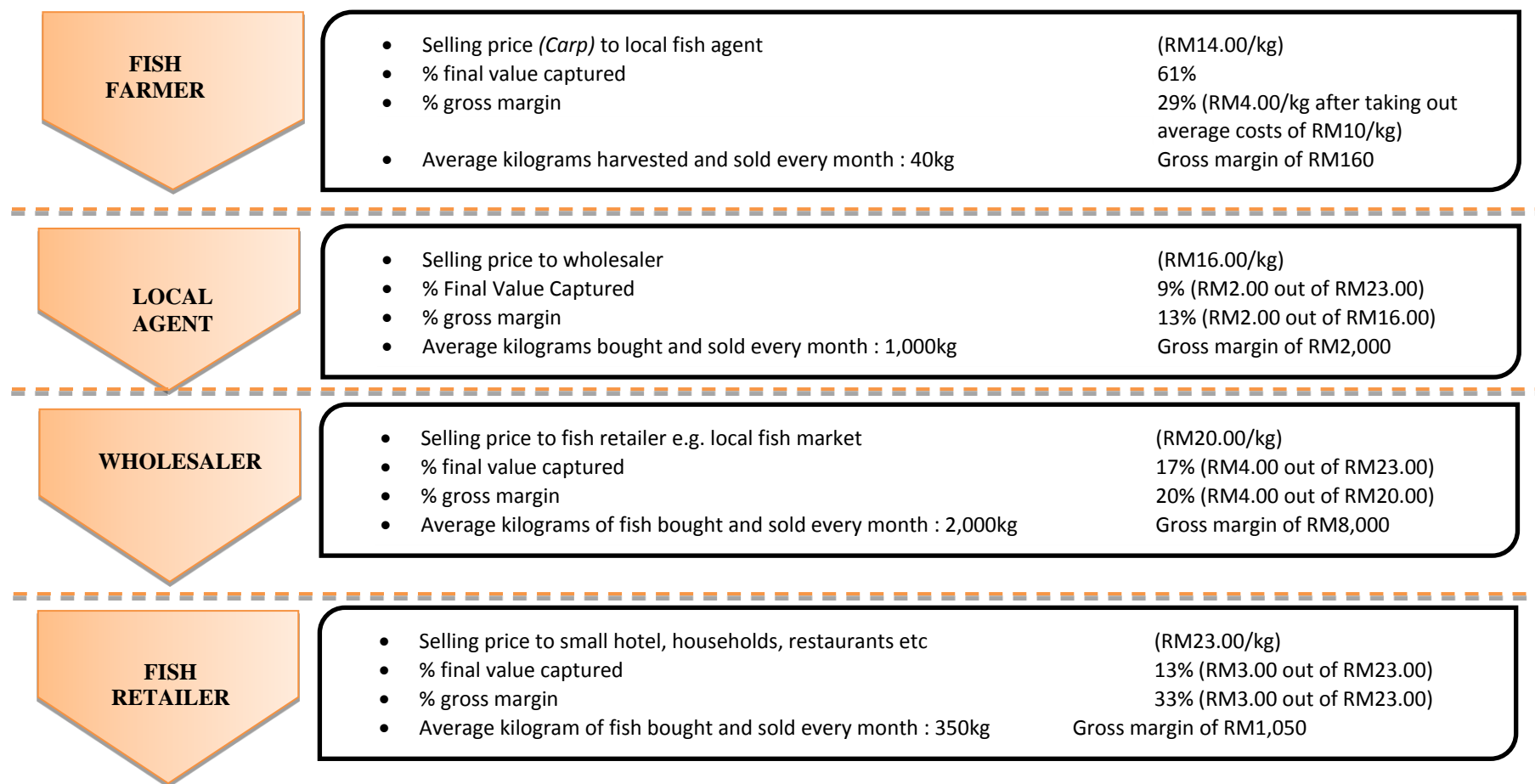
Table 6.11: Average Prices of Cultured Fish and Shrimp in Retail Markets

Species	Permaisuri Town Market (18km from producing area) (RM/kg)	Kuala Terengganu City Market (75km from producing area) (RM/kg)	Average (RM/kg)
Common Carp	RM20 – RM25	RM22 – RM26	RM23
Catfish	RM15 – RM18	RM15 – RM18	RM16.50
Shrimp	RM40 – RM60	RM50 – RM75	RM55
Oyster	RM10 – RM15	RM15 – RM20	RM17

Source: Fieldwork, 2011

Figure 6.9 shows the value chain mapping of cultured fish as one of the aquaculture product in Setiu Wetland in order to analyse the value of each level of the chain.

Figure 6.9: Value Chain Mapping of Cultured Fish (*Carp*) in Setiu Wetland



6.4.3 Institutional and Programme Initiatives In Fisheries and Aquaculture Industry

A wide range of institutions and programmes affect the value chains, involving many business practices, government laws, regulations and many different organisations, often with differing operational cultures, that interact to shape the way every market works. Organisations are a unique type of institution because they are also actors (stakeholders) involved in every level of the value chains. In this research, the organisations referred to government departments, NGOs, and business organisations which are involved directly and/or indirectly with the fisheries and aquaculture industry in Setiu Wetland.

Fishermen Poverty Eradication Programme

The Fishermen Poverty Eradication Programme is targeted at fishermen who are in the poverty group residing in the East Coast Economic Region, including Setiu Wetland. The main objective is to improve their income and standard of living. This programme had undertaken an integrated approach, whereby the fishermen could take part in value-added activities within the fisheries industry and other secondary or tertiary activities, which include tourism.

This programme has been initiated by the ECERDC through the Development Study Implementation Plan (DSIP) in 2009, which gives the fishermen an option on whether to remain fishing or relocate somewhere else to participate in more lucrative occupations such as aquaculture and value-added fisheries activities. For those who want to continue their livelihood as fishermen, they would be able to improve their income via supplementary activities through a community development programme known as Smart Community (*Komuniti Bestari*). Adopting the cooperative concept, *Komuniti Bestari* aims to empower fishermen by enabling them to participate in fishing as the primary activity, as well as secondary activities such as aquaculture, recreational fisheries, homestay, restaurant operations, boat building and repairs. On the other hand, for those who choose to relocate, they will be selected to participate in other activities on offer in the new settlement areas under the programme called '*Besut-Setiu Agropolitan*' (refer chapter 4). The activities include livestock breeding

(goats and sheep), Tilapia fish farming in cages and working on pineapple plantations.

“Setiu has been identified as second poorest district in whole Terengganu. Most of the poor are fishermen. The government has been determined a few project under the e-Kasih programme and we work together with the state government.” (Respondent 1, 2011)

The above is supported by the fact that the poverty alleviation programme selected were to create opportunities for the poor to involve in bigger share of the economy.

“The Agropolitan programme was aims to create more economic opportunities for the poor people. With a consistent observation and commitment, the poor then could be independent and finally lift from poverty.” (Respondent 4, 2011)

This programme also aims to create opportunities for the family members of the fishermen, as it allows them to take part in the promoted economic activities such as handicraft making, mushroom farming and recreational fisheries. To-date, about 1,000 fishing families from 9 fishing districts in ‘Besut-Setiu’ Region have already been identified for the ‘Besut-Setiu Agropolitan’ programme, which involved 118 Setiu fishing families.

Fish ProTech

The programme called Fish ProTech was introduced by MajuIkan Sdn. Bhd. in 2008. It was developed with Australian technology to increase job opportunities and income for the local community in the ECER.

MajuIkan Sdn.Bhd. (MAJUIKAN) is a wholly owned subsidiary of the Fisheries Authority of Malaysia (*Lembaga Kemajuan Ikan Malaysia, LKIM*). It was formally known as MajuIkan Pantai Timur Sdn. Bhd. until the change in 1988 to its current name. MajuIkan plays a significant role in the following aspects of the fish supply chain especially in deep-sea fishing; prawn feed; seafood products manufacturing; marketing and distribution; fishing complex management; forwarding; and aquaculture farming. It appears that this agency is one of the larger promoters in

marketing the fisheries industry in Setiu Wetland as well as undertaking aquaculture activities in Setiu Wetland.

Aquaculture Industrial Programme (AIZ)

The Aquaculture Industrial Zone programme (AIZ) is a programme for zoning land and coastal areas that have been identified as suitable for development of commercial scale aquaculture projects. This is one of the strategies to increase the production of fish, prawn and shellfish as stated in the Third National Agriculture Policy (DPN3) (1998 – 2010). AIZ are areas that have been approved by the State Government through the State Executive Council. The objectives for creating AIZ include (DOFM, 2011):

- a) Creating permanent areas for Aquaculture Industry Zones,
- b) Increasing the production of fish in line with the goal of the Balance of Food Trade Plan,
- c) Increasing the net income of aqua culturists to at least RM3,000/month,
- d) Ensuring the production of fish and fish products that are of high quality and safe for consumption,
- e) Increasing private sector participation through the provision of AIZ areas, infrastructure and Department Delivery System,
- f) Creating a chain of efficient aquaculture fish production areas.

To boost the fisheries industry and to meet the high demand of fish in the country, the Intensive Aquaculture Zone (IAZ) programme was established under the High Impact (HI) project of the Ministry of Agriculture and Agro-Based Industry Malaysia (MOA). The HI IAZ project is under the administration of the Fisheries Department (DOF). In Setiu, *Kampung Gong Batu* was identified as one of the IAZs in Terengganu for cage culture in 2004.

“...the IAZ project was established on 1984, when the government gave subsidies to individuals who wanted to try these aquaculture projects. They were given cages, seedlings and other necessary equipment on a trial basis...”
(Respondent 4, 2011)

In 9MP, an additional area of 1,284.9 ac in *Kampung Pengkalan Gelap* and 2,471 ac in *Kampung Penarik* in Setiu was gazetted under the IAZ for production of marine shrimps in pond system. The large shrimp farm currently operated by TRG Aquaculture Sdn. Bhd. at the east of *Kampung Fikri* in Setiu Wetland and one new shrimp farm, Blue Marine Achipelago Shrimp Aquaculture Project (iSHARP) is completed in 2012. The iSHARP farm is situated along lower *Caluk* River and encompasses at least 2,471 ac of land has approved in 2009. The development of iSHARP was designed to be a significant boost to the shrimp production capacity of Malaysia and to augur well with the government's objective of increasing aquaculture production to supplement declining marine capture fisheries (Malaysian EHS, 2009) as noted in earlier chapter, where the production of aquaculture increasing because of decreasing of fresh fish. It's also identified in the second stimulus package announced by the government to boost the economy of Setiu especially in Penarik village.

The iSHARP was developed into two phases; Phase 1 covering an area of 1,067 ac and completed in 2011 and Phase 2 of 1,403.5 ac targeted to be completed by 2015. Phase 1 of iSHARP comprising of 216 ponds has started operations with a production capacity of 3.1 million tonnes per annum. Phase 2 on the other hand will have 400 ponds capable of producing another 5.6 million tonnes per annum. This AIZ project is targeted to employed 465 locals by 2015 which contribute to the growth of income of the population in Setiu (Blue Archipelago, 2013).

".... The first phase of iSHARP was completed in 2011 and has been produced about 3 million tonnes in 2012 and exported to a few countries such as Singapore, China, and Hong Kong." (Respondent 5, 2013)

Under this AIZ, LKIM is responsible to manage the shrimp and fish culture and nursery ponds in Setiu Wetland and *Kampung Fikri*, while the large shrimp farm in Penarik is under a private company of shrimp aquaculture company called Blue Archipelago Berhad. LKIM's target is to achieve production of 2,125.5 tons of shrimp at the small-scale shrimp ponds with production value of RM42.56 million by 2015. As for fish tank culture, LKIM targeted a total of 490 tonnes with a production value of RM3, 363 million by 2015 (LKIM, 2009).

“...The Blue Achipelago project in Kampung Penarik is under Khazanah Nasional Berhad is a fishing project (prawn pond) that covers 1 thousand hectares.... Will contribute to a big local impact...” (Respondent 4, 2011)

The iSHARP programme is believed to create about 1,500 jobs in total of which 10% will be jobs of professional and managerial grade and Setiu residents will get the priority of 70% of the jobs from the project. The target group are from those with as minimum as secondary education who would otherwise possibly carry out fishing activities (Malaysian EHS, 2009). This provides job opportunities to the local community in Setiu Wetland, especially the low income group which may then indirectly reduce their dependence on income gained from collecting turtle and terrapin eggs as well as exploiting the fishery resources in the Setiu Wetland (Setiu District Office, 2012).

The marine floating net cage culture projects is another AIZ programme which started with a pilot project carried out by UNDP-FAO/Malaysia on marine fish cage culture programme in 1984 (LKIM, 2004) at Setiu wetland. During this project, the technology to build floating cages was transferred to the locals.

6.4.4 Issues of Fisheries and Aquaculture

The small-scale fishery community in Setiu Wetland is plagued with numerous socio-economic problems that include rising costs of inputs, inequitable distribution of fishing assets, low investment levels, conflicts with capital-intensive companies, weak fishermen's organizations and also market imperfections. As a result of this and together with the limited capabilities of fishermen, the productivity and income of small-scale fishing communities have remained low compared to other sectors of the economy.

“... The coastal fishermen in Setiu are also categorized as small-scale fishermen, where most of them only use traditional fishing equipments and depend wholly to the daily catch for living. This makes quite a big gap as compared to commercial fishermen.” (Respondent 5, 2011)

Another respondent also addressed the same point.

“... Daily income of the fishermen has declined because of the declining of their catches of fish and prawns especially after the Tsunami and with the issue of climate change.” (Respondent 2, 2011)

Different key actors in the value chain are linked to different forms for coordination and control of value chains. However, the roles of women as the small traders are gradually being eroded with the price controlled by the wholesaler. Moreover, with the completion of Fishermen auction complex in Setiu, the role of fishmongers, mobile fish trader and small-scale retailers could be lost.

“... Nowadays the distribution of price is being controlled by the fisheries department (LKIM) and the taukeys. However, the fish traders still have the small margins in the negotiation process.” (Respondent 21, 2011)

Table 6.12 specifies the issues in the small-scale fisheries sector in Setiu, as identified along the value chain.

Table 6.12: Issues of Fisheries Sector Value Chain in Setiu Wetland

Main Value	Issues Raise
Fishermen Development	<ul style="list-style-type: none"> ▪ Too dependable to the government subsidizes ▪ Lack of specialized education among fishermen
Fish Sources	<ul style="list-style-type: none"> ▪ Production scattered over many small scale fishermen. ▪ Rising cost of equipment. ▪ Natural disasters such as a flooding have had severe effect on the fisheries sector e.g. development and capacity. ▪ Low average catches affect fishermen's incomes and availability of capital to invest in improvements.
Distribution	<ul style="list-style-type: none"> ▪ Lack of infrastructure e.g. ice production, limited cold storage facilities, no auction halls and market places ▪ High degree of wastage (poor handling and grading)
Marketing	<ul style="list-style-type: none"> ▪ Produce of inconsistent quality ▪ Inadequate distribution of infrastructure. ▪ Low purchasing power among a large group of customers in the domestic market.

Source: Fieldwork, 2011 adapted in De Silva, 2006

From the interviews carried out with aqua-culturists in Setiu Wetland, it is clear that aquaculture sub-sectors, especially net cage culture, is a good potential source of production and income to the fishing communities. The results revealed that the net income of each fisherman from cage culture operation was estimated at approximately RM850 per month (estimated of RM 10,285 per year for one cage) (refer sub-chapter earlier). In view of declining catches which have adversely affected the income of this small-scale fishermen and a high incidence of underemployed or surplus labour, aquaculture sub-sectors appear to have promising potential.

“... Aquaculture industry becomes a potential secondary income to the fishermen. With the existence of iSHARP shrimp farm could be an advantage to the local community,” (Respondent 3, 2011)

The production from cage culture also could contribute to the achievement of the government objectives of increasing the share of aquaculture specifically and fisheries in generally in total fish landings in order to meet increasing demand. This is consistent with the broad policy goal of the local government and Third National Agriculture Policy (1998 – 2010) of increasing fish supplies from aquaculture. Setiu has a limited area of land for agriculture production. Therefore, the local authority and NGOs active in the area have realised that aquaculture activities are a viable alternative to traditional fisheries in achieving the national goals of self-reliance and overall economic growth as well as the alleviation of poverty. Aquaculture makes these objective more attainable compared to wild capture fisheries. This sector has been accorded priority as a means of improving the cash income of fishermen, generating revenues through exports and improving the nutrition of rural people.

Nevertheless of these overall issues, aquaculture activity in Setiu Lagoon also confronts with some environmental issues that are inadequately addressed:

- a) The Setiu lagoon has been the focus of very substantial development of aquaculture ponds and intensification of cage cultures of fish in just a few years, from 29.6 acres in 2006 to more than 2,471.1 ac by 2012. In the intermediate term, these activities have adversely affected the water quality, e.g. the iSHARP shrimp farm had to close for a period of several months in

2012 because of heavy water pollution caused by inadequate water quality management in *Caluk* River. In the absence of rigorous management re the intensification of cage culture activities in that area, such incidents of pollution are likely to continue to occur from time to time with consequential deterioration of the water quality of the Setiu lagoon and endangering aquatic life (www.freemalaysiatoday.com, 21 March 2012) .

- b) The strong northeast monsoon coupled with heavy rains can cause fresh and riverine water to predominate in the lagoon. Thus, high organic matter and an increase in bacterial activity can increase the BOD (biological oxygen demand). This then decreases the pH and dissolved oxygen in the cage culture waters and affects survival of the fish. In 2009, for example, there were 35,000 market size grouper that died during the heavy rain in monsoon season in December, with a total loss of almost RM600,000 for 18 aquaculturists (Bernama.com, 07 December 2009).
- c) Very shallow lagoon and slow water mixing can badly affect the fish stocks unless there is consistent fast-moving inflow of sea water during high tide. In 2005, almost 8 tonnes of market size sea-bass died due to the incident of an unusual lowest tide at dawn in the lagoon (Respondent 5, 2011).
- d) Site selection based on poor choice by operators could include degradation effects from nearby pollution sources, creation of a direct source of pollution to the water, and conflict with other fishery and maritime activities e.g. the proposed site of iSHARP was at the environmentally sensitive area which are habitats for river terrapin and nesting turtles (Respondent 11, 2011).

Table 6.13 specifies the issues in the aquaculture sector in Setiu, as identified in this research along the value chain.

Table 6.13: Issues of the Aquaculture Sector Value Chain in Setiu Wetland

Main Value	Issues Raise
Culturist Development	<ul style="list-style-type: none"> ▪ A few bad characteristic such as non-cooperative, anti-establishment attitudes and lack of interest in any project improvement by some fishermen. ▪ Lack of participant-management relationships such as rapport, goodwill and understanding. ▪ Political intrusion in participant selections – unqualified (in terms of LKIM’s selection criteria) and non-deserving applicants were selected. ▪ Most of the participants treated the aquaculture operation as their part time activity.
Cage Development	<ul style="list-style-type: none"> ▪ Fouling of the net cages - clogged with numerous fouling organisms within a relatively short period.
Supply Sources	<ul style="list-style-type: none"> ▪ The fingerlings supplied were of inferior quality. ▪ Irregular and inadequate supply of fish seed. ▪ Inefficient and crude methods of handling and transportation of supplies because of the long journey between the point of origin and destination.
Marketing	<ul style="list-style-type: none"> ▪ There is only one solely main local agent and most of the farmers depend on direct selling to the agent. ▪ The market price could falls quite sharply once the fish exceeded the marketable size (> 900gm) yet the sales volumes were quite small.
Environmental Concerns	<ul style="list-style-type: none"> ▪ Flooding of the river mouth where the cages are located, especially during the monsoon season. ▪ Massive development of aquaculture projects create environmentally degradation

Source: LKIM, 2011; Fieldwork, 2011

Beside these issues raise in the fieldwork, researcher also identified a few prospects of fisheries and aquaculture sector in promoting the poverty alleviation. Table 6.14 shows the suitability of promoting the fisheries and aquaculture along the value chain in Setiu Wetland.

Table 6.14: Suitability of Promoting Fisheries and Aquaculture in Setiu Wetland

Criteria	Potential	Description
Development Goal: Equitable and sustainable socio-economic development	Positive	Fisheries and Aquaculture rank first among cash incomes and they significantly contribute to increase household income of rural poor in Setiu.
Geographical context (covering locations where poor people live)	Low	The climate conditions especially with the monsoon season will effects the production.
Breakdown of value chain into sub-chains	High	Fisheries and Aquaculture products: it is consumed as fresh seafood; dried; processed food to make cracker and paste. For each product a specific sub-chain can be developed.
Value chain driven by demand	High	Fisheries products are universally enjoyed. The freshness of the fish is preferred in domestic markets as well as in neighbouring states of Terengganu.
Entry barriers	Low	The fisheries products businesses can be expanded over time with low start-up costs especially for the fish-tempura. It does not require major capital investment and can use family labour. Government support is also available for seedlings and subsidized equipment.
Use of local skills and raw materials	High	The species that have been cultured in Setiu include native fish. The technical skills are locally available.
Number of actors in the chain	High	About 75% of the total population are involved in fisheries and aquaculture sectors. Beside this, many fishmongers, seafood processors, middlemen, and small medium sized enterprises are involved in the value chain.
Impact on environment	Mixed	Aquaculture activities contribute to food security but in poorly managed situations may reduce availability of clean water and degradation of soil.

Source: Fieldwork, 2011

6.5 MAPPING VALUE CHAIN 2: HANDICRAFTS SECTOR

The objective of this part is to describe the weaving handicrafts value chain. By mapping the value chain, the strength and weaknesses of the value chain can be identified. Besides that, it also necessary to have a capacity to identify how market linkages and opportunities can be improved in order to benefit the poor involved in this industry.

Currently, there are about 50 active individual handicrafts producers in Setiu Wetland (refer table 6.15), and their outputs can be categorized into three (3) different types of handicrafts: *Nypa Palm* Craft, *Mengkuang (Pandanus)* Craft, and Old Newspaper Craft. All of the handicrafts are based on weaving handicrafts, which use natural resources and recycled papers as raw materials, and dye with different colours to make items attractive. However, in this research, the weaving handicrafts value chain will be explored as it relates to *Mengkuang* and *Nypa* weaving only. The handicraft made by old newspaper craft, while intrinsically interesting, is not a traditional handicraft, and the material is not produced locally. Only a few Setiu women are involved in this activity for less than 10% of total handicraft production in Setiu. It was introduced only recently (in early 2000) from a training programme run by Terengganu Handicrafts Centre which introduced this novelty form of craft (possibly from Thailand or Indonesia). It has no traditional pedigree with reference to handicrafts in Setiu.

Table 6.15: Type of Handicrafts Products identified in Setiu Wetland

Criteria	<i>Nypa</i> Craft	<i>Mengkuang</i> Craft	Old Newspaper Craft
No. of Producing Entrepreneurs	25	20	5
Main Materials	<i>Nypa</i>	<i>Mengkuang</i> (Pandanus)	Old newspaper
Origin of materials	Setiu Wetland	Setiu Wetland	-

Source: Fieldwork, 2011

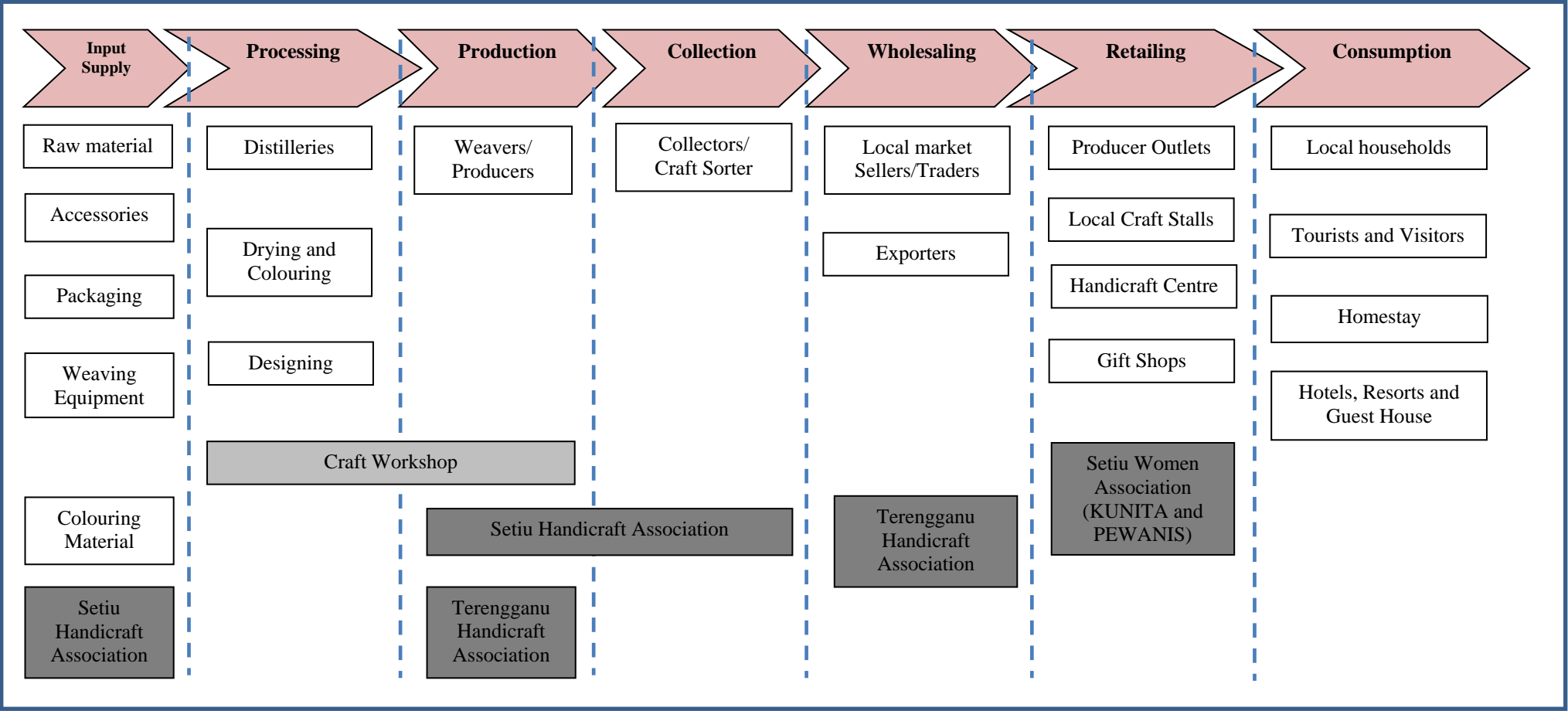
Mengkuang (pandanus) and *Nypa* weaving accounts for 90% of the total amount of handicrafts producers in Setiu. Weaving is a universal art craft that has existed in Malaysia for the past three hundred years at least. The weaving handicrafts sub-

sector is categorized as an ‘expanding’ handicrafts segmentation (ECERDC, 2010) because the common use items are produced in substantial volumes; the domestic demand is high; it is easy to learn the craft and low capital is required for set-up; it has a faster return on investment than many other activities (e.g. fish cage culture); and the availability of workers means that they are quite easy to source and train.

In this stage, a simplified overview of the supply chain will be given in a map, which shows the different levels of the weaving handicrafts chain including input supply, processing and production, distribution, buyers and middlemen, also the consumption. The weaving handicrafts supply chain map will be combined to encompass two related materials, *Mengkuang* and *Nypa*, as these are the common materials used by weaving producers in Setiu. This is because both products are being distributed along the same chain.

Figure 6.10 summaries the general supply chain analysis for weaving handicrafts in Setiu Wetland for better understanding of the activities in which competitive advantage can be derived by identifying the sequence of value-generating activities. The supply chain is then followed by specific value chains for each type of item.

Figure 6.10: Setiu Wetland Weaving Handicrafts Supply Chain



6.5.1 Core Processes and Product Flows

The Processes

Weaving or plating means a process of constructing by interlacing flat strands of even width using either *Mengkuang* leaves or *Nypa* palm leaf midribsto to create many different and diverse types of handicrafts products. The activities in the value chain start with local community members who cut and collect the *mengkuang* and *nypa* leaves, which can be found in the mangrove forests and riversides. The raw material was then transported to the producers, or they went and collected them with the cutter. In Setiu, normally this process was done once a month or more/less frequently depending upon the producers' demand, and were undertaken in small-scale activities by the local villagers who take daily wages to cut, collect and transport the leaves. Based on interviews, most of the activities were carried out by the producers' household members or they bought the raw material from other producers.

“.... Normally my husband will go and collect the leaves with the elder son when he didn't go to fishing, depends on low fishing season....” (Respondent 27, 2011)

Other respondent respond to the same point.

“..... Usually we buy the raw leaves from the villagers who work to collect them from the forest. We know the person already, and if they don't have the supplies, we will request from them...” (Respondent 28, 2011)

Once the leaves arrive at the producer's place, they will start pre-processing by cutting them into long strips and placing them in a tank of water to soak for few days, to remove any substance which might attract ants or other insects. The midribs of the *nypa* leaves were also removed at this time. The strips are then spread out in the sun to dry. Once dried, the leaves are boiled and must be bleached white before they can be dyed with local vegetable colours such as turmeric, safflower and noni leaves. Once the leaves are ready to be processed, the producer can start cutting the

leaves in smaller strips (8 – 10 mm) of the desired length. Next, producers can assemble the strips by weaving them in a particular pattern.

The pattern, design and size of the product are dependent on the market demand at any point in time. The patterns which are used are checkerboard style in several colours to create squares, rectangles and diagonal bands. Today, the technique of plaiting has evolved, offering a wider variety of product in usage and design. The end products range from baskets; food covers, and mats to some souvenir items such as coin pouches, purses, laptop bags and so on.

There are six production processes involved before the items reach the final consumer. These are: collecting *Mengkuang* and *Nypa* leaves, cutting, dyeing and colouring, weaving and assembling, collecting products from the producers, and finally retailing.

Raw Material Resources

Setiu has three types of *Mengkuang* Palms and two *Nypa* Palms available which are mainly located about 1.5 kilometres from the village. Cutters collect the leaves on foot or by motorbike.

“The raw resources of Nypa and Mengkuang leaves are widely available in the wetland area. We just collect them by foot or motorcycle. However, with the gazetted of Setiu Wetland State Park, the locals no longer have the easy access to get them.” (Respondent 27, 2011)

Handicrafts sites and villages

Handicrafts sites and villages are mostly located in rural areas which make it more difficult for tourists or consumers to access them. In Setiu, there are 2 villages which are identified as Handicrafts villages which are *Kg. Gong Batu* and *Kg. Fikri*.

“There are two main villages focused in producing handicraft of Setiu under the ‘One District One Industry’ programme. However, there are also other handicraft producer who lives in other villages such as Penarik village and Mangkuk village who are under KUNITA” (Respondent 7, 2011)

6.5.2 Main Actors and Linkages

Several individuals and groups of people are involved in the weaving handicrafts in Setiu. Most important are the producers who make sure there actually is a product to sell. Within the chain, distributors, traders and middlemen play an important role in the effectiveness of product distribution, product marketing and handicrafts pricing. Retailers are the link between the traders and the final consumers. In certain instances, this link is avoided when producers sell directly to consumers or when traders sell the products at trade fairs. The second most important group of actors is consumers; 1) those who purchase Setiu Wetland weaving handicrafts and; 2) those who could be interested in purchasing these products.

Producers

Currently there are 45 active individual producers involved in weaving handicrafts in Setiu. Interviews indicated that most of the handicrafts producers in Setiu are involved in both *Nypa* and *Mengkuang* weaving, almost 95% of whom are women.

“So far there are more than 50 handicraft producers in all over Setiu, however there are only 45 registered producers under Terengganu Handicraft Association.” (Respondent 6, 2011)

The income earned by the producers is relatively minimal and this limits their ability to enhance their skills or expand the business. On average the wages are below RM1,000 per month for skilled and RM600 for semi-skilled worker (Table 6.16). The wages are not enticing in terms of creating a long term career and weavers can thus be rather unmotivated as the rewards are not justified by their efforts. With such a low income generating environment, their children would not be keen to continue the trade.

Table 6.16: General Characteristic of the Producers (n=15)

Characteristic	Percentage (%)
Age (Average)	30 – 45
Educational Level: (%)	
Never attended school	15%
Completed Primary	47%
Completed Secondary	23%
Completed Tertiary	5%
Average Income per month	
Skilled	RM1,000
Semi-skilled (Apprentice)	RM600
Experience (Average)	> 10 years
No. of household involved in handicrafts (Average)	3 person in a household

Source: Fieldwork, 2011

From the interview, weaving handicrafts in Setiu Wetland are dominated by cottage-based producers which accumulate of 85%, mainly produced by family owned and home based producers. Some 75% of the producers are long-term in the industry with over 10 years' experience.

“Around 85% of the handicraft producers are home-based producers. They only made the handicrafts on their spare time, while waiting for the husband came back from the sea. However, there are also minority of group who seriously doing the handicraft and turned them into their main income source.” (Respondent 28, 2011)

Two main categories of producers have been identified in the handicrafts industry in Setiu Wetland (Fieldwork, 2011; ECERDC, 2010):

a) Home-based producers

They comprise various members of the family producing the crafts. Skills are passed on from one generation to another and usually stay in the same family or community. They are less aggressive in pursuing business opportunities and may take on sub-contracting work from SMEs.

b) Small-Medium Enterprise (SME)

SME producers are much more established producers. They are aggressive, and eager to expand their distribution channels within Malaysia in order to capture more market share. However, the SMEs in Setiu Wetland have yet to export their product outside the state especially to Kuala Lumpur, Kelantan and Pahang.

Table 6.17: Differences between Home-based business and SME

Home-based	SME
Workshop set at home or an extension of house at the side or in the backyard	Own workshop to run proper production
Income derived is considered as supplementary income	Income derived is considered as main income
Work during spare time or to continue family trade inherited	Full time
Self-financed	Obtained finance assistance from government agencies
Involving family members in running the business	Involving family and non-family members in running the business
Product designs are influenced by tradition or own creativity	Products are driven to a significant extent by market demands and competitors
Low fixed costs commitment	High fixed costs commitment i.e. Staff, rental, finance costs.

Source: Adapted from ECERDC, 2010

Many SME for handicrafts have obtained financial assistance from government agencies and have managed to expand their business to a larger scale of operation. However, they are also caught in competing against mass handicrafts in terms of product design, quality and pricing, which are very successful in other states and even from neighbouring countries such as Indonesia and Thailand. As a result, they are volume-driven, producing standard products in order to achieve economy of scale. Hence, their crafts have become semi-commoditized and are priced between fine hand-made crafts and mass produced crafts.

Distributors, Traders and Middlemen

Currently, weaving handicrafts in Setiu wetland are mainly distributed via tender/order, and through direct sale to retailers and wholesalers. An interview with one of the producers in *Kg. Pengkalan Gelap*, distributors, traders and middlemen

enjoy a high percentage of mark-up for handicrafts products due to the access to end markets that they have.

“.... We don't know how to promote the products at the wider market like the middlemen do, so we have to sell the products to them at a very cheap price, and I heard they can sell the products for double or triple the original price... they are really good in business...” (Respondent 27, 2011)

At this point, the producers sell the products themselves at a market, sell them to a trader and middlemen or direct to the customers who pass by the village. Traders then can sell the products to shops or marketplaces. At present, there are only five (5) main traders who purchase handicrafts from the Setiu area. However, there are a few more potential traders who are interested and looking to become involved as well as more locations for distribution become available. This is a positive development where market linkages are slowly extending, even though exports are still yet to reach to other countries such as Singapore and Japan.

Retailers

Retailers in Setiu handicraft are mostly independent retailers (Craft stalls, gift shops and handicraft centre), which became the important distribution channel of local handicrafts. Around 65% of the producers become retailers and sell their product directly to other households and tourists. Compared to supplying the large distributor, there are number of advantages to working with the retailers including tendency for greater collaboration on product development and design and greater likelihood of developing long-term relationships between producers and retailers.

“... Around 65% of the producers sell their handicraft directly to the customers by setting up small stalls or rent a space at the morning market. However, if they are asked from the wholesaler, they would still sell them to the wholesaler.” (Respondent 7, 2011)

6.5.3 Knowledge and Flows of Information

Product Range

A majority of the producers stated that they have changed their product designs and usage following market trends. Nypa weaving (called *Lekar* in Malay) is more popular and unique compared to *mengkuang* weaving where it represents the uniqueness of Setiu. Presently, woven *mengkuang* handbags are becoming more and more popular. However, because the state of the *mengkuang* industry is small-scale, the local weavers have a hard time meeting the demand.

“... Lekar products are getting more and more popular among the handicraft lovers as it shows Setiu’s uniqueness compared to mengkuang weaving or newsletter products. Among the popular product from lekar are fruit basket, door gifts, vase, jewelry box and etc.” (Respondent 27, 2011)

The Terengganu government introduced the concept of ‘One District One Industry’ (*Satu Daerah Satu Industri*) in 2007 as an initiative to enhance products or services exclusive to a particular district. The objective of SDSI is to improve household income via entrepreneurship and promote the economic usage of local raw materials.

Product Design, Quality and Marketability

Based on interview, the orders are made in accordance to domestic preferences. Hence, the market is rather limited. Domestic buyers are repeat purchasers of handicrafts, mainly for their daily use or to re-sell.

“Most of the buyers are local people who use the product in their daily life or in certain function. However, there are also tourists from other place who buy the handicrafts especially when they saw them at the hotels or handicraft center.” (Respondent 28, 2011)

6.5.4 The Value and Quantity at Different Levels of the Value Chain

Producers' Level

Based on interviews, producers stated that the business performance was increasing, but some of them claimed that business had stagnated and was difficult to grow because of the lack of demand.

“The market for Setiu’s handicraft is increasing but quiet slow in compare with other handicraft such as Batik and Songket in Terengganu. This is because of lack in demand and marketing strategies from the Terengganu handicraft association for this type of handicraft.” (Respondent 28, 2011)

In general, weaving prices are fixed based on cost plus method to plait. The cost component breakdown is as in table 6.18.

Table 6.18: Breakdown of Cost Component in Handicrafts

Process	Percentage (%)
Raw Material	49%
Worker	45%
Transport	4%
Others	2%

Source: Fieldwork, 2011

Table 6.19 shows the breakdown selling prices from the producers to the wholesalers and retailers. The selling price is based on the cost plus method. The price difference in comparison between retail and wholesale was based on quantity sold. Besides that, the price of different type of product was set based on the benchmark price against competitors.

Table 6.19: Breakdown of the *Mengkuang* Handicrafts’s Price from the Producers

Type of Product	Retail Price	Wholesale Price (50 units and above)
Basket	RM5 – RM10	RM3.00 – RM7
Mat	RM35 – RM150	RM10 – RM80
Pencil Case	RM3 – RM4	RM2
Handbag	RM25 – RM35	RM10 – RM20

Source: Interview with Respondent 28, 2011

Traders and Middlemen Level

An opportunistic semi-structured interview was executed with one of the main traders in Setiu, who coincidentally was at one of the producer's house to collect the product. At the time of interviewing, he mentioned that normally he would collect handicrafts products from a few main producers, and the smaller producers normally would centralise their product at the main producer's workshop behind the house, making it for easier to the trader to collect. He also stated that the prices he agreed upon with the producers were product-based in order to make sure it was worthwhile for them to produce. His own profit-margin however was based upon the price the consumers were willing to pay.

“Actually I’ve been the collector of the Setiu Lekar for almost 10 years already. I have a handicraft stalls in Kuala Terengganu and also market the product through online. As compare to lekar production from other place, Setiu’s lekar are tidier and the material is stronger.” (Respondent 29, 2011)

Figure 6.11 shows the basket (*Lekar*) Handicraft Value Chain Mapping in Setiu Wetland. Based on the interview with the actors in each level, it demonstrated that the producer's final value captured is 50% from the average selling price of RM5.00 per unit. At the next level, wholesaler managed to get 20% of final value captured with average units sold every month around 3,000 pieces. Finally, at the retailer's level, most of the retailers manage to capture an average of 30% from the final value.

Figure 6.11: Basket (*Lekar*) Handicraft Value Chain Mapping in Setiu Wetland



6.5.5 Institutional and Programmes Initiatives in Handicrafts Industry

The relationship between stakeholder and government is positive where the government, via agencies such as the State-level foundation, *Perbadanan Kemajuan Kraftangan* Malaysia and local authorities, give support to the local handicrafts industry through funding, promotion, and training to producers. Besides, NGOs such as WWF and the Fishermen Association also take steps in implementing strategies with the various levels of government. Co-operation and commitment from both stakeholders and government will determine the success of the whole industry.

Malaysian Handicrafts focus on five main development programmes that involve Setiu's handicrafts directly and indirectly:

- a) Craft entrepreneur development
- b) Skilled human resource development
- c) Craft restoration
- d) Research and development
- e) Trade promotion

Craft Entrepreneur Development Programme

The Craft Entrepreneur Development Programme is aimed at assisting entrepreneurs to increase the production of quality craft products that are able to be compared and compete with craft products from neighbouring countries such as Indonesia and China. This programme is implemented through three main approaches:

- i. One District One Industry Programme (*Satu Daerah Satu Industry, SDSI*)

The One District One Industry (ODOI/SDSI) programme puts emphasis on encouraging the participation of the local population in handicrafts activities that are able to generate continuous income. The strength of local identities and use of local raw materials are used as a foundation in producing commercial products, which are managed professionally. This approach enables a local population to actively participate in craft activities and manage mass production with right quality and quantity based on market

demand. Entrepreneurs are given necessary support in terms of workplace skills training, product development, production system, production infrastructure development, participation in local and overseas working visit /courses and upgrading of productivity and quality.

There are eight ODOI handicrafts projects in Terengganu in 2011 but only one ODOI project identified in Setiu, which has an emphasis on weaving handicrafts. It is set up in *Kampung Pengkalan Gelap* since 2009. Under the name of *Nipah* Craft Collection, this village has 50 craftsperson producing *nipah* and *mengkuang* weaving products (further analysis in Chapter 7.4). Based on an interview with one of the handicrafts entrepreneurs, there are a lot of improvements since this programme, in terms of product quality, quantity and market opportunities.

“... We are so grateful because have been chosen in this SDSI programme for the handicrafts project, because there a lot of improvements since the government put initiative on us...” (Respondent 28, 2011)

ii. Micro and Small Enterprise Entrepreneur Upgrading Programme

There are three categories in craft enterprises in Malaysia, which are based on number of employees and the annual sales collected (Table 6.20). However, this thesis is concentrated on just two categories of handicrafts entrepreneurs i.e. craft entrepreneur in the micro and small category.

Table 6.20: Classification Category of Micro, Small and Medium Scale Enterprises

Category	No. of Employees	Annual Sales (RM)
Micro Enterprise	Less than 5	Less than 250k
Small Enterprise	5 – 49	250k – 10 million
Medium Enterprise	> 50	Above 10 million

Source: Kraftangan Terengganu, 2009

iii. Young Entrepreneur Development Upgrading Programme (Incubator)

Under the Young Entrepreneur Development (Incubator) programme, a number of facilities and services package are offered to newly-established young entrepreneur in the handicrafts industry so that the products can be produced commercially. They are guided and offered rental production premises belonging to Malaysian Handicraft at the state level in order for them to carry out full time production activity. Guidance on product and market development, and promotion are also given. They also allow entrepreneurs to utilise the common facility centres to equip their business on their own.

Based on the survey, there were two entrepreneurs of the Young Craft Entrepreneurs in Terengganu is coming from Setiu. This programme has helped these entrepreneurs to increase their sales revenue by at least double from before they joined the programme.

Skilled Human Resource Development Programme

Short term training which aims to develop workplace according to their chosen craft is the entrepreneur and skilled workforces' development services activity. The target group for this programme are those who are keen to enter the field but are not qualified to join institution offering art courses. The duration of training is 3 to 6 months depending on field of craft. The training is conducted at the Malaysian Handicraft branches nationwide. There are seven (7) sub activities being conducted (Kraftangan, 2009):

- a) *Consultancy clinic*: Advisory services by professionals for handicrafts entrepreneurs in the aspects of business and production managements.
- b) *Technical expertise services*: Technical services and training provided by local and international experts for the entrepreneurs in product development and production management.
- c) *Common facilities and services*: Malaysian Handicrafts provided production facilities equipment and machineries which are related for particular production processes at selected branches throughout the country. Entrepreneurs are welcome to use the facilities provided it is under the supervision of state technical personnel.

- d) *Awards for handicrafts entrepreneurs*: Awards are given as an appreciation to the prominent entrepreneurs that have contributed to the production, marketing and raising the standards of the Nation's handicraft industry.
- e) *Short-term training*: Development of new and skilled workforce for the commercial production of handicrafts with a subsistence allowance of RM 450 per month is provided to every participant.
- f) *Skilled workforce training*: To train a new workforce to help handicraft entrepreneurs facing shortage of skilled workers and to increase production capacity at the entrepreneur's premise using an apprenticeships' concept.
- g) *Handicrafts understudy scheme*: This scheme is aimed at giving opportunity to graduates from the National Craft Institute to obtain exposure in the handicrafts industry for six months to prepare them prior to entering the industry. A subsistence allowance of RM 500 (USD 149) per month is given to the participants.

In Terengganu, there is a craft and cultural complex which was developed and operated by the state government. *Galeri Seni Warisan* Terengganu was opened in May 2008 by *Yayasan Pembangunan Usahawan* Terengganu (YPU) and it is currently operated by the Terengganu Institute of Design Excellence (TIDE). The main function of the craft gallery is as a reference centre for craft design. In addition, it offers technical advice to craftsmen while at the same time showcasing Terengganu crafts. This gallery organizes its exhibitions according to different handicraft types and as for weaving handicrafts; the exhibition is between October and December. This gives the opportunity to Setiu's weaving handicrafts producers to promote their local handicraft products into the state and national markets.

Beside the exhibition, a design clinic is also held every week and it is conducted by trainers from the Terengganu Skills Development Centre (TESDEC). The gallery has also organized a craft demonstration and sale event every first and third week of the month since 2010. In terms of tourist attractions, this gallery has become one of the centres where tourists could easily find local handicrafts products. Nevertheless, visits

from tourists are very low i.e. less than 100 visitors/month, and it has failed to attract visitors especially from packaged tours. Lack of promotion is a key problem.

“... This gallery supposed to promote local handicrafts to the tourists; however this gallery is not attractive enough to be sold to the tourists... they are lacking in staff, currently only hiring 4 staffs and space for demonstration and exhibition” (Respondent 11, 2011)

Research and Development Programmes

The research and development programme is one of the Malaysian Handicraft's main programmes that signify the development of craft industry. This programme focuses on marketing products that are able to compete with other Asian craft producing nations and able to penetrate the international market. In the research and development programme, focus has been divided into four activities namely, product development, research on materials and technology, standard development and IT application in the development of craft design. Among the aid and facilities provided by Malaysian Handicraft are:

- a) *Skilled workforce development:* offers facilities to train new and existing workforce to upgrade their skills at the entrepreneurs' premises and in centres under the supervision of local and international experts on Malaysian handicraft.
- b) *Productivity and Quality Development:* Malaysian Handicraft and the entrepreneurs join efforts in conducting R&D in new production.
- c) *Development of manufacturing facilities:* incentives in the form of grants are given to any eligible entrepreneurs by Malaysian Handicraft in order to produce better quality products so as to be able to compete in the market. Three types of grants are building or refurbishing workshops, building or renovating display areas, and purchase of machinery and equipment.
- d) *Development of Promotion and Marketing:* entrepreneurs are given priority in participating in Malaysian Handicraft's Promotion and Marketing programme either locally or internationally, either by way of promotional materials, transportation cost and booth rental.

In Terengganu, a number of new product designs comprising batik, weaving, forest-based, woodcarving and recycle materials have been produced. These products were displayed during the National Craft Day 2013 and during thematic promotion for market testing. Among the new product in *mengkuang* and *nypa* weaving are plaited bags and accessories. These new products also became a design demanded from Setiu weavers.

“.... among the most demanded product design are bags, handbags, stationeries’ case, and key-chain accessories....” (Respondent 28, 2011)

Additionally, there are two technology research activities which are involved in weaving namely ‘Computer-driven Design Loom’ and ‘Gravograph Engraving’ for Harrods egg baskets, which are normally used as wedding door gifts.

Trade Promotion Programme

The trade promotion programme emphasizes promotion of the local craft industry through marketing and promotion activities domestically and internationally. The objective of the programme is to increase awareness and instil fondness of local craft amongst society. In line with the mission of Malaysian Handicraft to develop and promote craft entrepreneurs and the national craft industry, the Trade Promotion Programme focuses on efforts to expand the market and increase the volume sales of local craft products at the domestic and international level. This programme has mostly been done by *Karyaneka*, which carries out activities such as:

- a) *Domestic marketing and promotions*: it was held through thematic promotion activities, promotion at shopping centres, involvement in trade exhibitions, activities in states and special promotions that have been organized by the Malaysian Handicraft.
- b) *National craft day*: This is an annual event of Malaysian Handicraft and has been organized since 2003. This event is recognition of the involvement and contributions of craft entrepreneurs and the artists in developing and elevating the national craft industry.

- c) *Marketing and international promotion*: apart from intensifying local marketing efforts, Malaysian Handicraft has also managed to increase its market size and distribution channels for the exports segment.
- d) *Craft complexes*: Malaysian Handicraft has three craft complexes in Kuala Lumpur, Langkawi and Seremban which are the main location for local and foreign tourists. It provides opportunities for visitors to appreciate the beauty and uniqueness of various craft products and to purchase high quality craft products.
- e) *Publicity industry*: Malaysian Handicraft has taken necessary steps by increasing the role of publicity activities through print and electronic media in achieving its mission to develop the national craft industry. Amongst other activities are media relations and publicity, media production and advertisement, and public relation services. Magazines such as ‘Going Places’, ‘Vision KL’ and ‘KL The Guide’ have been utilized as advertisement channels to disseminate information about activities and promote local craft products.

This promotion activity provides opportunities for Setiu’s weavers to promote their unique products to the national and international market.

“.... My handicraft products have already entered the International market such as Japan, with help from the trade promotion programme organized by Malaysian Handicraft (Kraftangan Malaysia).” (Respondent 27, 2011)

6.5.6 Issues of Handicrafts

Product Price

A number of constraints were reported by the producers especially in terms of low prices and exploitation by the intermediaries. Handicrafts producers are in a predominantly weak position (i.e. no bargaining power on price) in relation to intermediaries of handicrafts marketing. Producers often feel exploited by the intermediaries as the prices

they received for the product do not adequately reflect the prices paid by the consumers they believe.

“The product price highly increased when they are at the final consumption, as the price mark up almost 300% of the selling price at the producer’s level. At one point, the product has been improvised to meet the market demand especially in terms of packaging and branding. At the other point, the producers feel exploited by the wholesalers as the prices they paid to the producers were way too low.” (Respondent 27, 2011)

Raw Material and Procurement

Although there is a National Forest Policy to conserve and properly managed forests, mangroves are still neglected and no conservation policy at the national level has been formulated for them. Initiatives and concerns to conserve mangroves especially *Nypa* (*nipah*) however, have been a focus under the economic recovery plan to classify both mangroves and *Nypa* forests as soil reclamation forests because of the erosion control function they serve and their sensitivity to disturbance. This will help the sustainability of the raw material in the handicrafts sector.

Marketing and Promotion

Marketing and promotion is a powerful tool for helping the producers and traders to decide whether to buy or sell goods. It includes prices in the destination markets and the cost of marketing margins (that is the cost of transportation, costs charged by the middlemen, costs of marketing, and cost of handling and so on). It is also includes information that would affect supply and demand, such as changing regulations and access to the markets. Many producers do not know the prices and other conditions until they actually reach the market or exhibition centre where their products have been exhibited for sale. Interestingly, many producers depend totally on a few traders/middlemen to market their products besides the Handicraft Centre in Kuala Terengganu under the local authority.

Limited Access to Credit Facilities

Lack of working capital is one of the major constraints that have hampered the handicrafts business, particularly for producers groups. Many producers involved in *Mengkuang* and *Nypa* weaving were found to be unaware about credit schemes that allowed them to market their products and also for capital fund.

“Most of the initial funding to produce the handicrafts is from ownself or private loan. Most of the producers didn’t aware of any schemes available in the industry.”
(Respondent 27, 2011)

Table 6.21 shows the issues that have been identified in each of the main stages. The issues explain how each of the main stages contributes to the overall result of the handicrafts chain.

Table 6.21: Issues in Handicrafts Value Chain of Setiu Wetland

Main Value	Issues
Producers Development	<ul style="list-style-type: none">• Order taking vs risk taking mentality• Low cost driven vs branding driven decision making• Shortage of skilled producers• Lack clustering of producers
Raw Material & Procurement	<ul style="list-style-type: none">• Shortage in raw material – lands which are rich sources for raw materials are forested for mixed development• Price fluctuations of raw material – competition from regional handicrafts producing countries where cheaper imported handicrafts are available to cater to the needs of the local mass market of buyers.• Low quality of some raw material• No guaranteed supply of local raw material
Product Design, Quality & Marketability	<ul style="list-style-type: none">• Trade-off between quantity and quality• Lack of marketing for handicrafts products• Poor final finishing for end products• Outdated product design that fails to address current market trends• Lack of differentiation• Lack of exploration of overseas market• Inadequate tools and equipment

Processing & Production	<ul style="list-style-type: none"> • Preference of producers to work from home
Distributors, Buyers & Middlemen	<ul style="list-style-type: none"> • Poor distribution and retail area of the value chain
Handicrafts Sites & Villages	<ul style="list-style-type: none"> • Poor linkages between tourism and handicrafts • Lack of information on handicraft places in Setiu
Marketing & Promotion	<ul style="list-style-type: none"> • Less effort in marketing • Lack of knowledge by artisans in improving marketing strategy • Lack of branding in handicrafts products • Non-existence of a certified craft mark
Tourism Linkage	<ul style="list-style-type: none"> • Poor linkages between tourism and handicrafts • No information for FIT on tourism-related activities in related with handicraft
Preservation of Cultural Heritage	<ul style="list-style-type: none"> • Limited knowledge of culture preservation • Exploitation of rural communities
Linking Stakeholders	<ul style="list-style-type: none"> • Lack of incentives for the producers to increase efficiency • Inadequate funding schemes that create barriers to entry • Existence of programs gaps • Low margin for the producers

Source: Fieldwork 2011; ECERDC, 2010

6.6 RESEARCH WAYPOINT ON VALUE CHAIN ANALYSIS

The study has drawn the following conclusions, which highlight similarities as well as specific features of the two value chains under review. Even though most of the study findings confirm earlier insights into value chain issues, they re-emphasise the necessity to use existing potentials for poverty-oriented businesses. Both supply and value chains (fisheries-aquaculture and handicrafts) in this research are largely determined by resource availability, poor linkages and tourism-related connectivity. Moreover, the chains are accompanied by typical market hierarchies in form and function of each level of the chain.

Among the main findings of the fisheries and aquaculture value chain is that the small-scale fishermen increasingly benefiting the tourism activities which are growing in Setiu. Many of restaurants owner and lodging manager appear to be willing to buy the

fish directly with the fishermen and fish farmer. Local food such *Keropok Lekor* and fish tempura has become the local signature food of Setiu, which could increase the inter-sectoral linkages between tourism and fisheries sector. However, the pressing constraint seems to be on the supply side, including mistrust between and among value chain operators, lack of knowledge and the highly dependent upon the government subsidy.

As the other viable supply chain that has been analysed, handicrafts became a very important economic opportunity for local households in Setiu especially the women. Overall, handicrafts have been always as one of the attraction to any destination especially in rural area. However, findings showed that Setiu handicrafts sector has weak linkages to the local tourism attraction because of lack of information on the local handicrafts and rebranding. Another factor that adds to high transaction costs in the handicrafts value chains is a lack of contract-producing schemes, which hampers security and regularity of incomes for poor producers as they appear to be trapped in a vicious cycle of mistrust based on short-term speculative relations. It also poses risks to entrepreneurs who are interested in establishing business relationships for example with small scale producers.

Assuming a fully developed industry for the commodities in both value chains, they promise a broader involvement of the poor as value chain operators and producers, especially at the processing and distribution level. Some employment effects for unskilled wage labourers could be expected in the fisheries and aquaculture sectors, while they seem to be quite considerable in the handicrafts value chain, especially for women. However, in the handicrafts sector, employment effects are comparatively limited, but possibly resource-poor producers could benefit from lower input prices. Mapping the value chain helps to understand the supply structure and business relationships between fisheries and handicrafts sector with tourism. Besides, it's also involve the calculation of value addition and pro-poor income effects based on market prices at different levels of the value chain, and assess the market opportunities and business constraints to develop possibilities for value chain interventions, which follows in the next chapter.

CHAPTER 7

Discussions and Conclusions

7.1 INTRODUCTION

This final chapter presents the discussions and conclusions in relation to the research questions asked in the first chapter. This chapter will revisit the research objectives and answer each of the research questions. The key findings from the relevant chapters will be re-highlighted to develop the conclusions and discuss the implications related to the main aims and objectives of the research. Subsequently, the significance of this study is provided in terms of recommendations, framework and its contribution to the body of knowledge. Finally, ideas for further research are suggested to acknowledge the limitations of this study.

The aim of this research was to explore the concept of tourism value chain analysis that could assist in identifying opportunities which could extend the potential to involve communities in different local economic activities, with a specific focus on strengthening linkages with the inter-sectoral activities and local people within it. This research also highlighted the complexity of attempting to use Tourism Value Chain Analysis as a poverty alleviation strategy given the wide range of stakeholders involved namely the poor, accommodation managers, tourists, tour operators, government agencies, the professional bodies and actors of two selected sectors (fisheries and handicrafts). Chapter 1 discussed the rationale and significance for choosing this aim for the thesis and outlined the main approaches selected to achieve it.

In pursuing the above, this chapter will discuss the linkages between the social mapping processes and the relevant stakeholders identified in Chapter 5 with the value chain mapping of the two sectors determined in Chapter 6. The discussion will also reflect the literature as presented in Chapter 2. This chapter also aims to directly address the

research questions through discussion as identified in Chapter One. In doing so, first, the two selected sectors which were chosen for value chain mapping (see Chapter 6) and their linkages with the tourism industry will be examined. Second, the discussion will address how the value chain approach facilitates the identification of viable interventions that may contribute to pro-poor impacts. Thirdly, governance issues will be discussed in relation to public-private-community partnerships for poverty alleviation programmes related to the selected sectors. In discussing these, the three research questions of this study will be addressed, compared and contrasted with relevant literature.

This research was limited four specific: 1) geographically it was limited to the Setiu Wetland boundary, a rural area in the state of Terengganu, Malaysia; 2) socio-economically it was limited to the poor who were determined by the Head of Villages Committee (*Jawatan Kuasa Ketua Ketua Kampung - JKKK*) Setiu; 3) it was limited to two non-tourism sectors (fisheries and aquaculture, and handicrafts) which potentially engage with the tourism industry in Setiu Wetland; 4) collecting data in the field was mainly limited to the period up to 2011 with only brief revisits to the area subsequently up to 2014 to follow up on specific points. In order to achieve the research goal, Chapter 1 spelt out three research objectives and three main research questions and sub-questions, which will reiterated and answered here.

7.2 REFLECTING ON LITERATURE REVIEW

Chapter 2 addressed specifically the existing level of knowledge on tourism for poverty alleviation. This was undertaken through an in-depth review of the relevant literature, which revealed that the basic approach of tourism for poverty alleviation is based on the principles of pro poor growth and a holistic understanding of both development and poverty (e.g. Saayman, Rossouw and Krugell, 2012; Blake et.al, 2008; Chok et.al, 2007; Christie, 2002). The literature review also emphasised how to mainstream tourism towards poverty alleviation, as this approach is relatively new and still in the process of being empirically tested (e.g. Torres and Momsen, 2004; Goodwin, 2005a; Ashley et.al.,

2000; Jafari, 2001; Leclercq, 2009), thus its literature was found to be debatable and prescriptive.

Most of the good practices and examples that fed into this theory and concepts of poverty alleviation were small scale, ad hoc and enterprise/activity/community specific and none was studied in mainstreaming tourism for poverty alleviation (Ashley et.al, 2000; Goodwin, 2005). This literature review confirmed the research gap that, tourism for poverty alleviation is relatively untried and untested in an area related to understanding the linkages between rural tourism activities and the various dimensions of local economic development via mainstreaming for rural poverty alleviation.

Following this, also in chapter 2, the thesis then reviewed literature on the key parameters of the research, namely value chain analysis and pro-poor tourism. A combined understanding of the two helped to identify how this value chain approaches contributed to understanding the linkages between poverty alleviation and pro-poor tourism (e.g. Rylance et.al, 2009; Ashley and Mitchell, 2008). The value chain analysis emerged in the tourism for poverty alleviation literature as a concept in advance understanding on pro-poor tourism (e.g. Mitchell and Ashley, 2007; Mitchell and Faal, 2007; Ashley, 2006; Spenceley et.al., 2010) and re-appeared in the literature on poverty alleviation as a holistic method to analyse pro-poor impacts in supply chains and identify interventions with relatively high prospects of success (e.g. ITC, 2009; ODI, 2009; Donovan, 2008). It helps to explain how the poor could receive a larger share of tourism in some destinations than in others. This initial encounter with the value chain approach, coupled with a review of the nature and characteristics of pro-poor tourism and a review of the strengths, usefulness and weaknesses of the VCA in chapter 2, helped to determine and develop the VCA approach in this study to best understand the linkages between tourism and local economic development towards mainstreaming tourism for rural poverty alleviation.

Before operationalizing the conceptual framework, chapter 3 identified and justified the research approaches and the methodology followed to achieve the aim of the research.

Through the support of prior literature on research methods, the suitability of an exploratory approach (see Stebbin, 2001; Yin, 1993; Yin, 1994; Tellis, 1997), a case study approach and a mixed method approach for this research were discussed. A single instrumental case study of Setiu Wetland was selected, based on its ability to provide insights into a given issue and draw generalisations, as Setiu Wetland exemplified other similar small rural areas in the exploratory phase (according to Butler's destination life cycle concept, 1980) of tourism development. Chapter 3 also described the importance of adopting the VCA approach to provide the conceptual framework for this research. The adapted VCA included tourism-related activities into its various components besides the main local economic development, such as an analysis on the tourism-poverty nexus, analysis on actors relevant and supply chains that identified the relevance of tourism-related activities, and a discussion on specific population group targets involved in both tourism and development related poverty alleviation strategies.

7.3 REVISITING THE RESEARCH QUESTIONS AND DISCUSSION ON FINDINGS

This section will summarise the answers in terms of findings and conclusions to each of the research questions.

7.3.1 Research Question 1

The first research question is: "How does tourism link with the local community in ways that expand economic benefits and opportunities for poor people and in relation to alleviate poverty?" There are two (2) sub-questions, which are:

- a) What is the magnitude of benefits from the tourism system such as tourists and accommodation sector that affects local community particularly the poor?
- b) What are the implications of government roles, policies and strategies benefiting the local community, particularly related with the tourism and poverty alleviation?

The analysis and discussions carried out in order to answer each of the sub-questions is based on the adoption of tourism value chain analysis as discussed in the conceptual framework of the research (refer chapter one). For this research question, each of the sub-questions is first considered separately, and then the answers are combined to address the main research question of this part.

Sub-Question 1

A general description of tourism and poverty situation in the case study area was provided in Chapter 4. Then, Chapter 5 described and analysed the data gathered on tourism activities and local economic development related to the local poor in Setiu Wetland especially the accommodation sector and tourist activities. The findings suggested that those households engaged in tourism activities generated complex linkages with the livelihood portfolio of the local community especially the poor. Generally, the magnitude of benefits from the tourism system in Setiu Wetland has been determined in terms of tourism's contribution to alleviate poverty as a whole and more specifically the use value chain analysis to assess tourism-related linkages (i.e. the fisheries and handicrafts sectors) for poverty alleviation.

The review of the poverty context in Chapter 4 showed that, though there was a significant decrease in absolute poverty in Terengganu, particularly in Setiu district, the statistics were disputable, and there was a continued need to reduce both absolute and relative poverty in the area. Poverty in Setiu was influenced by seasonality, where the extent of poverty increased during the non-fishing season or 'wet season' (*musim tengkujuh*) as it is called by the locals. This situation happens annually when the local poor cannot go to sea for their main income source, fish. It continues for several months and affects the overall economic development of the local area, where alternative income sources such as farming, weaving handicraft and aquaculture activities have to be pursued. However, analysis in Chapter 5 also revealed that increasing tourism product development especially tourism attractions like turtle and terrapin conservation activities and replanting mangroves, improving the facilities such as accommodation and tourist information centre, was transforming Setiu Wetland as one of the destinations for

tourists who visited the East Coast area. In other words there is an increased visitation that has the potential to change the existing economic trends through local activities such as handicrafts and small-scale entrepreneurship as alternative income sources for local development and thus constitute an agency for poverty alleviation.

Contribution of Tourism Development for Poverty Alleviation

There are definite contributions in each supply chain towards pro-poor tourism and linking local communities with the mainstream tourism industry as per cited in the literature (e.g. Mitchell and Coles, 2011; Sofield and Tamasese, 2011; Spenceley et.al, 2010; Mitchell and Page, 2006; Gollub et.al, 2004; Leclercq, 2009). In general, as noted there is a large potential for tourism growth in Setiu Wetland due to factors such as abundant natural resources, a good reputation for its fresh quality local food, especially seafood, and for its growing image as an ecotourism getaway. Setiu Wetland's location also lends itself to tourism growth being at the end of the newly developed East-Coast Economic Region and being on the main road connecting two different states (Terengganu-Kelantan).

In terms of pro-poor aspects, there are also some positive signs. There are already some established linkages between the tourism industry and the local communities, especially in guesthouses and small restaurants. There seems to be a preference for buying locally products if available, both because of the ease of access and the desire to maintain Setiu's reputation of offering fresh seafood and unique local handicrafts. There are also positive examples of local community members starting businesses that could benefit from local tourism such as farm visits to see the aquaculture cage system of farming fish.

Nationally, Terengganu also provides a dynamic context for developing tourism in Setiu as a mean of poverty alleviation. As mentioned previously, it offers an attractive destination due to its natural resources, and because of its unique wetland park. Terengganu has overcome an extremely difficult past in poverty and in the last few years has reduced the poverty substantially by its development strategy especially with the

lead of ECERDC. The dramatic achievements in its development show a type of government which is actively pursuing poverty alleviation, and as one of the central aspects of PPT in a multi-level approach, this provides a strong opportunity for pro-poor growth.

Alongside the ECERDC's development strategy, the Terengganu Government has also taken a very active role in the tourism industry as can be found with reference to the central part of national socio-economic development strategies concentrated in Setiu Wetland. The government has consciously tried to include poverty alleviation strategies within the framework of tourism development as the main central aim. This can be seen with the proposed Setiu Wetland State Park and proposed community projects in which the government consulted various development agencies such as the WWF. Both of these plans include strong elements of tourism development, such as the conservation plan, and also include many PPT principles such as increased participation of local community members.

However, despite the opportunities that tourism development could contribute in poverty alleviation, a large number of barriers for creating linkages with the mainstream tourism industry were found. At the local level of Setiu Wetland, these barriers were related to the inability of communities to participate in the rapid tourism development taking place in the area because of for example lack of English communication, socio-cultural acceptability towards International tourists and lack of empowerment in making decision for any development related.

Chapter 5 also analysed how the tourism system can benefit the local people especially to the local poor, where about a third of tourist on-site expenditure goes directly to the local households – although the poor get much less than other households. The high proportion of tourist expenditure in Setiu Wetland that goes to the local households suggests that tourism development might increase local household income, and potentially contribute to the poverty alleviation in certain areas. However, the value chain of the tourist expenditure does not necessarily reflect real net profit, but an

opportunity for profit (Ashley and Mitchell, 2008; Mitchell and Faal, 2007). Therefore, even if a large proportion of cash from visitors' expenditure flows to the local households, it is crucial for local community being involved in tourism development to gain real net profit. Compared to other households, the proportion of tourism contribution to the poor's income is much lower (refer Chapter 5.2).

The local community over-estimates tourism benefits for local people and particularly the poor, where the households have high expectations of receiving significant income supplements when tourism is proposed in the area, and end up being dissatisfied. This over-estimation and unrealistic expectation may be traits of tourism development especially with reference to the tourism development agenda embedded in the public policy and may even extend beyond national investment in tourism aid programs in assisting local people.

Contribution of Value Chain Analysis for Poverty Alleviation

As discussed in the literature review, poor households can benefit from formal and informal markets in three primary ways: 1) through product markets as producers, 2) through labour markets as wage labourers, and 3) through service markets as providers of services to the chain (Seville et al., 2010). Small-scale producers and fishermen are often characterized by a large degree of marginalization, lack of capital markets and credit, and poor technologies information (including irrigation) (Humphrey, 2005; ODI, 2006). VCA allows the details of poor households' participation in the market to be explained clearly and for interventions to improve their access to be identified more readily (Sofield and Tamasese, 2011; Mitchell and Faal, 2007 and 2008). Estimating the pro-poor impact of different parts of the tourist value chain is an innovation and necessarily contains a margin of error (Ashley and Mitchell, 2008).

Chapter 6 shows the mapping of value chain analysis in two main local economic activities i.e. fisheries and handicrafts. The information on these two activities were also derived from the social mapping of a range of sources, including poor households' livelihood; hotel manager interviews; tourist expenditure pattern; and existing analysis

based upon primary data collection and interviews with poor people engaged in the tourism value chain. Critical to pro-poor tourism is discretionary spend in tourist expenditure, where some studies demonstrate that while the greater sum is spent on the 'big ticket' items in the holiday package (such as the tour operator, flights and accommodation), spending on shopping can generate very significant flows into poor communities that may be twice as significant as the much larger amounts spent on accommodation (see chapter 5; Ashley 2006; Mitchell and Faal, 2006, 2007 and 2008).

The two larger elements of the value chain with some existing pro-poor impact, and also most scope for increase in the future, are the fisheries supply chain for food or beverage sales to tourists and accommodation; and handicrafts supply chain for the local non-food product sales to tourists and accommodation. A large share of several small expenditure items in the value chain, such as shopping, excursions and on-site transportations are highly pro-poor (see chapter 5; Mitchell and Faal, 2006 and 2008).

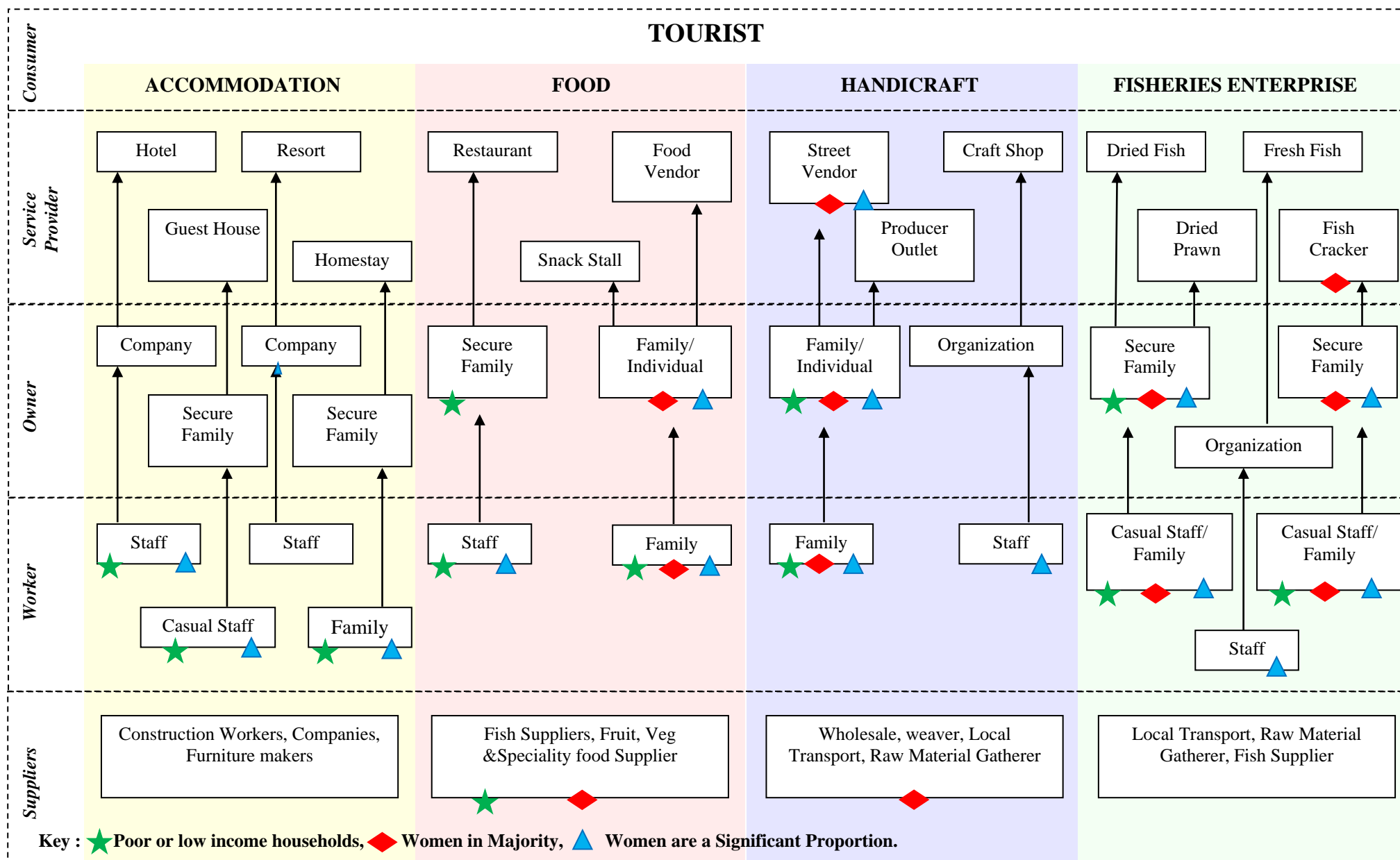
Contribution of Value Chain Analysis for Women Development Opportunity

Women are not a homogeneous category. It is therefore not sufficient to include women as one 'stakeholder group', but women must be included across the stakeholder categories. Women seek to increase the family income so that they could provide for their children's education, sending them to better schools, and to treat illness. Addressing gender inequality to redress discrimination against women requires actions by both women and men to challenge their attitudes, privilege and practice (Motukuri, Reza, Pandey and Schreckenber, 2011). There are now several examples where women in Setiu Wetland have established handicrafts and fisheries products businesses, linked directly to commercial buyers, and are employing their family as workers (refer to figure 7.1; adapted from Ashley et.al 2005). In general, feedback from women participants in the handicrafts and fisheries businesses suggests that the men in their households have been very supportive of their new or increased investment of time in production and have even assisted them by sharing household chores.

Value Chains are embedded in a social context. This means that the household and the market interact and also that changes in value chains affect gender roles and relations, and vice versa (Riisgaard et al., 2009). However, those areas where women are involved in value chains in Setiu Wetland are often less visible and may be overlooked in both value chain analysis either in fisheries and/or handicraft supply chain. The interventions also have overlooked such working women even though they are essential to value chain upgrading, efficiency and competitiveness. These less visible areas include home duties, on-the-farm family labour, and part time daily work such as cleaning and drying fish during the fishing season. Riisgaard (2009) also recommended ways how gender mainstreaming should take place at all stages and levels of the value chain intervention process from initial analysis, design, implementation and evaluation. The gender mainstreaming should include an inclusive process which gives women a voice in the value chain process.

In this context, figure 7.1 (below) shows the involvement of women and low income households in four different value chains in Setiu Wetland namely accommodation, food, fisheries and handicrafts. Based on the fieldwork, women form the majority of those involved in handicrafts and fisheries sector from suppliers' level to the service providers' level (selling handicrafts to the consumers). In the food chain (in referring particularly to the fish supplies), women form the majority from the supplier's level up to owners of the stalls and restaurants. The poor or low income households could be seen in the second tier of the chain (i.e. workers) and at the owner level in small food businesses, handicrafts and fisheries small-scale enterprises. This pattern in Setiu reflects the gender roles and relations in particular levels of the chain as mentioned by Riisgaard (2009). Figure 7.1 also shows that women form the significant proportion in a few levels of the chain, especially as workers in either formal or informal businesses.

Figure 7.1: Involvement of Women and Low Income Households in Setiu Wetland Value Chains



Sub-Question 2

The linkages between tourism and the local community in policies, programmes and institutional processes that are aimed at alleviating poverty were also analysed and described in Chapter 5. The data collected from the case study was analysed in relation to pro-poor assistance policies, protected area regulations and tourism development planning as among important aspects of the study.

Local Governance Related to Pro-Poor Development

The public and private sector plays an essential role in sustaining economic growth and is among the essential contributors to poverty alleviation in Malaysia (Ye, 2006). The private sector is an important source of employment and is considered as a “way of doing things across sectors” (World Bank, 2002: p1). In this context the local community and the tourism industry are mutually dependent on one another. It is rural village life and culture with the surrounding environment which are the main attractions for the tourists (Fleisher and Pizam, 1997; Sharpley and Sharpley, 1997; Liu, 2006). In Setiu Wetland, just like other rural areas, tour operators and government tourism promotion offices hold the keys to the doors of global tourism. It's more clearly exposed when there was only one local tour operator promoting inbound tour to Setiu Wetland. Tour operators are dependent on the villagers to provide an authentic, meaningful personal interaction and quality service by which the tour operator is able to demand a good price for the experience (www.ecotourism-consultant.com/CBT/PPP), especially in promoting this virgin area to the tourism map. Villagers, however, lack experience, knowledge and skills to manage and operate a tourism service business in all its aspects. Therefore, the villagers are dependent on the tour companies to provide training, guidance and marketing and to bring the tourists to them. In this relationship between the villagers and the tour operators neither side possesses all the skills and resources to ensure a successful and sustainable operation.

In Malaysia, the structure of governance is such that it requires a third party, the public sector, to facilitate a successful business partnership. According to Hall (2011), the Public-Private-Community Partnership (PPCP) framework offers such an opportunity for the community to access the potential of a global market while

helping to minimize negative impacts. The PPCP approach creates jobs and sources of income, trains locals and transfers business knowledge and technology in a sustainable and participatory manner. It links and draws on the strengths of all three parties: the community, private partner and the public sector (Hall, 2011).

In the context of this study, the integration into value chains was defined rather simplistically in the sense of the backward or forward linkages that public-private sector are engaged in. Taking the micro-small-medium business which involved the local communities (defined as employing up to 10 workers mostly the poor) from the two selected sectors (fisheries and aquaculture, and handicrafts) as a basis, backward linkages were analysed in terms of sourcing of the inputs (raw materials, unfinished and finished products, as well as services such as processing and collecting) and supply of finance. On the other hand, the forward linkages were in terms of distribution of outputs (unfinished and finished products, as well as services such as distribution, transportation, and selling) and provision of credit and tourists' out-of-pocket expenditure. Linkages between the actors in horizontal order also could be engaged with cooperation between the main actors such as other entrepreneurs and business associations, also cooperation among different scales and sectors which relate to each other (see Coles and Mitchell, 2011). All of these were referred to in chapter 2 and based on the result of surveys as set out in chapter 6.

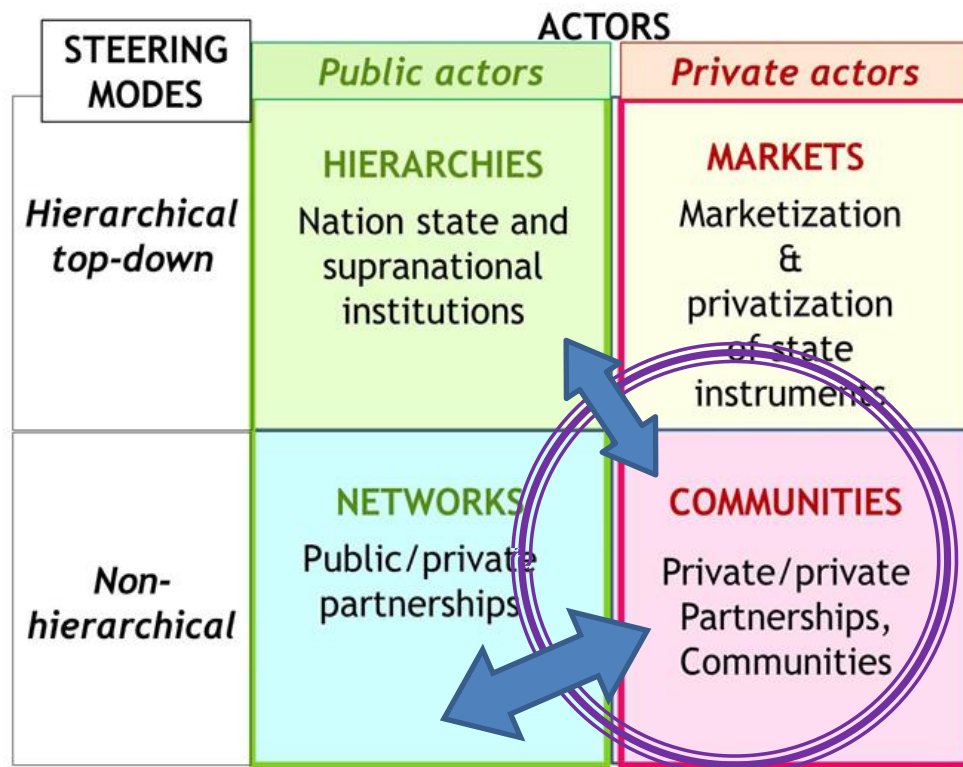
Governance has assumed importance as researchers have sought to understand how the state can best act to mediate contemporary tourism-related social, economic, political and environmental policy problems at a time when the role of the state has itself changed, given the dominance of neo-liberal policy discourse in many developed countries (Jessop, 2002; Hall 2011). Drawing on the political science literature, Hall (2011) developed a typology of governance with four major 'domains' or governance structures in the governance literature (refer Chapter 2). These types characterize different modes of policy formulation, decision making and implementation of those policies and decisions where hierarchical governance demonstrates the greatest degree of state or public intervention and market governance the least (Hultman & Hall 2013).

As may be perceived from Figure 7.2 (below) the actual situation in Setiu is a little more complex than Hall's model where clear-cut distinctions between his four 'compartments' cannot be drawn. Communities are important actors in Setiu governance typology especially in tourism development and poverty alleviation and when we take Setiu community as the core element, it is apparent that governance involves actors from other compartments. For example:

- a) Government policies, legislation and regulations that generate the direct interaction of Government ministries and agencies with community members and community bodies, exert some aspects of control over the community's involvement in tourism and related sectors, and thus Hall's hierarchical, top-down steering mode is applicable. Included here is the Government's Rhu Sepuluh Homestay programme which was established in 2002 by LKIM which has oversight control of the operations of those 35 households currently participating in the programme. While members of the three village communities where the 35 homestays are located take their own decisions about whether to become involved in Rhu Sepuluh or not and manage some aspects of the operations within their own villages (hence non-hierarchical) the umbrella organization of LKIM introduces aspects of the hierarchical governance steering mode.
- b) When local community members and community bodies interact with market forces (e.g. in the sale and distribution of fish and fish products, and handicrafts), informal partnerships between the private sector and community produce networks that 'fit' Hall's non-hierarchical Network compartment. Note that most of these transactions are not subjected to legally-constituted contractual agreements and are hence described as 'informal'.
- c) They may be contrasted with e.g. the Fisheries Department's binding regulation whereby fishermen must compulsorily to sell 65% of their catch to LKIM (i.e. hierarchical governance (hierarchical steering mode)). But where LKIM then on-sells the fish to the private sector (often under contract) then its involvement is not restricted to Hall's hierarchical public institution Actors compartment, but extends into his classification for non-hierarchical public/private partnerships located in his non-hierarchical Network compartment.

- d) The mutually supportive relationship between the privately owned Terrapuri Heritage Village boutique hotel located in Setiu and local people is an example of a private/community partnership that sits completely inside Hall's non-hierarchical steering mode of governance under the rubric of Communities.

Figure 7.2: Framework of Governance Typology in Relation with Setiu Wetland



Source: Adapted from Hall, 2011

7.3.2 Research Question 2

The second research question is “What will be appropriate linkages to understand how to expand the opportunities that might be possible to bring a community into the tourism system and the monetized economy using the Value Chain Analysis?” The two sub-questions are:

- a) What entry points can be suggested to effectively apply the tourism value chain analysis in the case study area of Setiu Wetland, Malaysia?
- b) What are the opportunities and constraints for the rural poor in Setiu Wetland to achieve the aim of poverty alleviation via selected value chain analysis?

The analysis and discussions carried out in order to answer each of the sub-questions based on the adapted version of tourism value chain analysis as discussed in the conceptual framework of the research.

Sub-Question 1

Application of the tourism value chain approach as discussed in the conceptual framework of this research (Chapter 3) recognised that inter-sectoral linkages between tourism and other economic sectors often are weak and should be improved through integrating tourism more closely into local economies thereby to catalyse other local activities (Meyer, 2006; Mitchell and Ashley, 2010; Pillay and Rogerson, 2013). Inter-sectoral relationship were discussed in determination of entry points (in this research the fisheries and handicrafts sectors) to effectively apply the VCA. This enables the researcher to go beyond a single sector (i.e. tourism) by focusing on inter-sectoral linkages and allows greater integration between the formal and the informal sector (the informal sector often being the key entry point of poor producers into the tourism industry).

Analysis in Chapter 5 concentrates on describing the first step in value chain approach, designed to diagnose the current situation and context of the core actors in the chains involved i.e. the local community especially the poor, the tourists and the private sectors (such as the accommodation sector) and other stakeholders. Finally, the main local economic sectors (fisheries and handicrafts) which related with

poverty and tourism were described and analysed in chapter 6. The analysis of Social Mapping Process in Chapter 5 gave an overview of the potential linkages of local economic development and tourism especially in tourism-related sectors such as accommodation, and tourist. It's also provided an environment conducive to applying tourism as a tool for poverty alleviation in Setiu Wetland and identified two related sectors (fisheries and handicraft sectors) that link directly and indirectly with tourism to make substantial contributions to the tourism value chain approach which was described in chapter 6.

Economic linkages between tourism and local economy sectors such as fishing and handicrafts were found to be weak in Setiu Wetland. Poor people strongly felt that tourism should play a much bigger role in strengthening these linkages and contribute to the improvement of their livelihoods. Mitchell (2006) cited in Anderson and Juma, (2011) listed among the most recognized challenges facing the tourism industry in developing economies was including pro-poor infrastructure, pro-poor product development and management, pro-poor marketing, pro-poor linkages within the local economy, pro-poor institutional and technical capabilities, and often a general shortage of appropriate and specialized core and skilled personnel.

Linkages between Fisheries and Aquaculture with Tourism Industry

Tourism economic linkages with fisheries and aquaculture may lead to the improvement of local people's livelihoods and the way they perceive tourism (refer chapter 6). Most of the local community interviewed cited market access and capacity problems as the key impediments to create strong linkages between local livelihoods and the formal tourism sector, especially hotels and restaurants. Many fishermen interviewed complained that they not only lacked direct market access to tourist hotels but also did not have the capacity to catch large quantities of fish to meet the requirements of tourist hotels. Consequently, they sold their fish catch to intermediaries with tenders to supply in large quantities to hotels and restaurants or to individuals retailers, most of whom were women. They explained that hotels purchased fish on credit with payments to be made after two or three weeks, which they argued, was not attractive to them, as they wanted cash on delivery to enable them to buy their immediate basic domestic needs. This underlines fishermen's

‘hand-to-mouth’ situation: they spend money as soon as it comes in, making it difficult for savings.

It emerged from the study that intermediaries reaped more profit margin from the fish business than fishermen did as they dictated the fish buying prices and had the capacity to supply to the tourist hotels with the required quantities. However, a simplistic ‘solution’ that would remove the middlemen from the chain with fishermen selling direct to the hotels without considering factors such as how required quantities could be assembled, stored and transported to the hotels (requiring cash for purchasing; cool storage, ice-making equipment and/or insulated boxes; and a vehicle) could prove disruptive with no improvement or even a negative impact on incomes of the poor. Thus a move to establish a fishermen’s cooperative to sell direct to final customers as an alternative to the current arrangements would need, for example, an injection of funds to assist with such aspects as setting up the necessary infrastructure and HR expertise in quality control, marketing, and technical training of locals (to maintain equipment and vehicles, amongst other things).

Linkages between Handicrafts and Tourism Industry

Tourism represents a strong economic opportunity for many developing countries including Malaysia. Hence, tourism allows the establishment of many linkages with the local handicraft producers and sellers. However, there is still significant potential left to be explored in this synergy. Poor people in developing countries often lack resources, skills and paid employment of some sort, which keeps them from reaching a family income above the poverty line (Goodwin, 2000; ITC, 2009). Buying craft can have an important pro-poor impact in a tourist destination (Ashley and Haysom, 2005; Ashley et.al, 2009). In Setiu Wetland, for example, each tourist spends over RM50 during a three-day visit on *lekar* crafts and in Setiu (refer chapter 5), the handicraft sector is dominated by local Malay women – traditionally one of the poorest sectors of society. Although some *Mengkuang* weaving products in Setiu Wetland is imported from the other district, a significant proportion is produced locally and almost all fabrication is local. In the night-time and weekend markets, the Malay women have also upgraded their position from producers to acting also as retailers of craft directly to tourists. This functional upgrading has allowed some

women to capture value at several different nodes of this value chain (Ashley et.al, 2009).

It is important to look beyond the retail transaction between a tourist and craft seller, and, as far as possible, to the producers of goods sold for the tourist market (ITC, 2009). Based on literature, a major obstacle to the realization of community involvement in all forms is lack of trust between operators and local producers, suppliers and labourers (Mitchell and Ashley, 2009; Ashley, 2006). For example, producers of handicrafts need to be certain that there is a market for their products, and the operators for their part need to be sure of sufficient quality and quantity to meet their continuing needs. Suppliers, being the middle-men/women, are naturally very reliant on trust from both producers and operators in order to be link in a functioning and sustainable market. In Setiu Wetland as analysed in chapter 6, the producers of the weaving crafts depends on the middlemen/women to supply their products to the market. However, *Kraftangan Malaysia* has been taking some initiatives in the past several years to set up a handicraft centre to display and sell the handicraft products of the area.

Sub-Question 2

This sub-question will elaborate on the general opportunities and constraints related to the participation of the local community in the fisheries and handicrafts sectors in the value chains as explained in detail in Chapter 6.

Opportunities and Constraints of Fisheries and Aquaculture Value Chain

One of the main barriers to creating linkages between the poorer community members and the mainstream tourism industry in Setiu Wetland is the declining natural resources base. All over the world, the value of Wetlands resources and their contribution to the livelihoods of local communities are often underestimated (e.g. Kangalawe & Liwenga, 2005, writing about Wetlands biodiversity, resources and community use in Tanzania). The main conclusion drawn by Kangalawe and Liwenga (2005) is that sustainable livelihood development of wetland communities requires multidisciplinary and integrated efforts in addressing constraints in the various sectors such as agriculture, natural vegetation use, water resources and fishing.

One major constraint to the sustainable use of wetlands is often a lack of knowledge by planners and natural resource managers on the benefits that they provide and techniques by which they can be utilized without irreversibly damaging the environment. In non-technological eras, exploitation of Wetlands resources was limited; but with the advent of modern technology and concurrent population increases, the old methods that once worked to assist in conserving the environment have been replaced and this is true to a large extent in Setiu.

As social mapping of Setiu showed (chapter 5), many of the poorer communities are highly dependent on the natural environment, particularly on the wetlands. Environmental degradation not only affects a high percentage of fishermen in the area but also those businesses that are dependent on fishermen for their resources and customer base. Five restaurants owners out of 18 restaurants in Setiu commented that sales go up dramatically when the fishing season is good but that as the local fish resource continues to decline, resorts and restaurants must look elsewhere for their products especially in neighbourhood areas such as Kota Bharu and Kuala Terengganu, which will affect Setiu's reputation as having fresh, locally caught fish and could potentially affect the amount of people who come there, especially tourists.

Lack of livelihood diversity is one of the main causes of the increasing pressure on the environment. Due to factors such as lack of access to education, limited land for agriculture, poor soil conditions of existing land, and the exodus of a certain age range to the larger cities such as Kuala Terengganu and Kuala Lumpur, fishing is one of the only options for many members of the community. Access to credit is another limiting factor for creating linkages with the local community and the tourism industry. This is especially true of the two value chains assessed in this research, since starting or upgrading an aquaculture farm or becoming involved in shrimp fishing requires a certain amount of start-up capital that is mostly beyond the capabilities of many local households. When capital is limited it is inevitable that the application of conservation measures that often involve expenses will not be applied. There is thus a certain circular logic that contributes to degradation and poor families

in Setiu while recognizing environmental degradation will nevertheless be unable or unwilling to adopt more sustainable techniques when survival is their priority.

The weather patterns along the eastern coast of Peninsular Malaysia, particularly the yearly monsoon, is another serious concern for those fishing and running aquaculture operations in the area. One example of this was the late November 2009 monsoon where heavy rains fell continuously throughout the month and the entire area became flooded. It caused over RM300 million worth of damage and killed all fish stocks in the aqua-cages. It had a devastating effect in Setiu Wetland, and many communities that were involved in aquaculture activities are still recovering from it. Better communication by the meteorological authorities on monsoon forecasts with local communities and the Ministry of Fisheries, and the development of technical responses to protect stocks, are required for risk mitigation. But at present there is no coordination to manage such natural disasters.

Opportunities and Constraints of Handicrafts Value Chain

Setiu's handicrafts sector has a number of strengths; however it seems as if every strength has a drawback to it. Among the handicrafts sector throughout Terengganu, especially in *Nypa* and *Mengkuang* weaving, Setiu has a strong reputation as a high quality weaving products that stand out because of the use of the local *nypa* and *mengkuang* leaves which, as identified earlier, have a higher quality due to colour and elasticity. However, among the disadvantages is the relatively recent trend that many of the woven products are sold to middlemen, and are transferred to Terengganu city where they are re-packaged as products of Terengganu not Setiu. As a result, many tourists will not know about Setiu's handicrafts and the quality of its *Lekar* weaving products (refer chapter 6).

However, there are a few constraints in handicraft value chain as elaborated in chapter 6. One main constraint relates to access to the supply of the raw materials for weaving that occurs when the land that the local communities live on and/or use is taken over by tourism investors and when some of their lands became become a part of the Setiu Wetlands conservation area after the government designated it as a state park. For example, there are people living inside nature conservation areas where the collection and gathering of natural resources is prohibited, and so can lead to

shortage of supplies which in turn adversely affects their income generating potential.

7.3.3 Research Question 3

The third research question is: “What recommendations can be suggested to effectively apply the tourism value chain analysis as a tool for rural poverty alleviation in the case study of Setiu Wetland, Terengganu, Malaysia?”

This research question concludes the analysis and proposes intervention for more comprehensive strategies to enhance inter-sectoral linkages with tourism in order to achieve poverty alleviation in Setiu Wetland. The proposed interventions are derived from the findings of the social mapping process of main actors and sectors (Chapter 5), and value/supply chain mapping of two selected sectors (Chapter 6). Proposed interventions are related to the fisheries and handicraft sectors, the potential of tourism development in Setiu Wetland and the level of local development aimed at poverty alleviation, which could better answer this research question.

7.4 INTERVENTIONS

Based on key findings, interventions are proposed for further develop the tourism-related fisheries and handicrafts value chain along with sustainable tourism development and poverty alleviation in Setiu Wetland.

7.4.1 Upgrading the Business Linkages

According to Khiem, Bush and Coles (2011) and Mitchell and Coles (2011), the concept of upgrading is used to identify the possibilities for producers to ‘move up the value chain’, either by shifting to more rewarding functional positions, or by making products with more value-added invested in them, and/or providing better returns. Upgrading is about acquiring capabilities and accessing new market segments through participation in particular chains (Mitchell and Coles, 2011; Humphrey and Schmitz, 2002). In this research, upgrading refers to changing circumstances for a specific actor (an economic group, organization or individual) inside the chain where the performance or position of this actor could be improved, thereby increasing the profit and benefit. Pietrobelli and Rabellotti (2007) highlighted that upgrading strategies include improving the process, product or volume in the same node. This strategy is about ‘doing things better or bigger’ through improvements in technology and management to meet buyers’ requirements in terms of quality and standards (Pietrobelli and Rabellotti, 2007; Riisgard, Bolwig, Ponte, du Toit, Halberg and Matose, 2010).

Another strategy is to improve the value chain coordination where the small producers and fishermen often depend on the development of other forms of coordination either vertically or horizontally (Coles and Mitchell, 2011). Vertical coordination means ‘getting a better deal’ through closer and longer-term business ties with buyers using ‘interlocking contracts’. Horizontal coordination on the other hand describes the agreements among producers to cooperate over input provision, marketing and certification to strengthen the producers’ bargaining power – for

examples in this research are fishermen's cooperative or association, and handicrafts group.

7.4.2 Strengthening Local Linkages

In connection with the aspiration to attract more tourists to Setiu Wetland and more investors to the tourism sector, efforts need to be focused on the integration of this sector within the local communities. Stable and functioning linkages between tourism businesses and local resources are essential to make tourism in Setiu Wetland sustainable, and in order to achieve the government's national policy objective of using tourism as a catalyst for poverty alleviation. As stated by Torres and Momsen (2004: p.297) *"Tourism has the advantage of bringing the consumers to the product, thus increasing opportunities for linkages that give the poor access to markets in which to sell their goods and services."*

This study demonstrates that there are potential ways to strengthen the linkages between the hotel/resort sector and Setiu small fishermen to contribute to poverty alleviation. Whereas most former agricultural and fisheries development projects which involve the local poor have focused on agronomic factors or the supply side, it is recommended in this study to focus on the market or demand side of the tourism industry's needs for fish and seafood supplies in tandem with production (supply side). Cultivating a partnership between hoteliers and their chefs with the fishermen and the existing distribution channels is necessary, although the relationship may be mediated by the distributors and middlemen. While trying to connect the producers directly with the hotels is a common fisheries-linkage strategy, it may not be relevant as a pro-poor strategy, depending on the situation (Ashley et.al, 2009).

Services provided by intermediaries and local middlemen are often essential to local sourcing, especially in food markets and as noted previously, they will often have networks and possess equipment (transport, freezers and coolers, with associated skills to maintain their plant) that may be outside the reach of poor local fishermen. However, by developing an understanding of the final retail price paid by the end

user (hotels, restaurants), and combining all fishermen into a consolidated pool instead of individuals competing against one another or being ‘used’ by the middlemen/women to get a ‘better bargain’ from another individual, a fishermen’s cooperative could improve their returns without dispensing with or trying to take over the middleman role.

As a longer term proposition for integrating the private sectors and NGOs, an initiative to produce a unique traditional experience of local food preparation of Fish Tempura (*Ikan Celup Tepung*) for tourists would be a positive step. In Cambodia, for example, a value chain analysis of the Mekong River fishing industry around the town of Kratie revealed that there was high demand for such a local delicacy, but that only one family produced it. An intervention aimed at upgrading through increased production and improved quality for local hotel/restaurant consumption (Stage 1), with a cooler truck to provide access the capital city market (Phnom Penh) some 250 kms away (Stage 2), now has some 25 families working as a cooperative and all participating households have been lifted out of poverty (Rossetto & Men, 2008, cited in Sofield, 2013). Subsequently, The ‘Cambodia Cooking Class’ and ‘Linna Culinary School’, both catering to tourists in Phnom Pneh, added the Kratie fish delicacy to their itineraries (Sofield, personal communications, 2013). A quick Google search in Feb 2014 (“Cookery classes for tourists”) revealed several thousand such schools in more than 100 countries, thus attesting to the popularity of this activity as a tourist attraction,

A similar opportunity could be created for Setiu to identify its local cuisine as a Unique Selling Point (USP) and undertake a campaign to market Setiu as the ICT (*Ikan Celup Tepung*) centre of experience, thus differentiating its sun-sand-sea product from competing destinations around the region. This will form another cultural tourism attraction of Setiu Wetland which could attract many tourists-as-learners each year. Agri-tourism activities and ventures such as fish-net tours, displays of products, fishing techniques and fisheries product, farm-stays and so forth also then emerge as new additions to the total mix of a destination’s attractions (Agritourism is a growing market segment (Philip, Hunter & Blackstock 2010) and many countries such as Australia, Canada, Cambodia, China, New Zealand, Japan,

Vietnam and soon have developed formal agri-tourism policies, plans and programmes).

As for the *Rhu Sepuluh* Homestay programme, the 35 participating households are currently adequately prepared to be given premier status and are expected to be reinvented once the proposed Government national kampong-stay project is completed and operational. 'Premier status' is an accepted classification that allows kampong homestay owner-operators to increase their prices, and if/when *Rhu Sepuluh* achieves premier status the programme should contribute to lifting the participating households out of poverty at an accelerated rate. However, The *Rhu Sepuluh* Homestay requires professional help in its management and operation, possibly as a form of smart partnership with a specialist tour operator such as Ping Anchorage. Becoming a premier homestay however, requires the homestay to upgrade its quality of accommodation, facilities, and tourist experience to a higher standard.

7.4.3 Foster Local Participation

An issue that has been constantly on the agenda during interviews and surveys has been the lack of local participation. The involvement of the community can come about through employment, using local producers for the supply of food and handicrafts for the tourism industry as well as making local culture a part of the tourism experience. In order to integrate the development of the tourism sector with the local communities and create prospects for sustainability and poverty alleviation, people within the communities need to be given the opportunity to take part in tourism operations directly (for example as tourist guides or hotel staff) or indirectly (as suppliers of food or other goods).

7.4.4 Stronger Associations, Networks and Institutional Support

The creation of associations by producers and suppliers within the fisheries and aquaculture sector such as *Petra Perdana* and in the handicrafts sector such as

KUNITA and PEWANIS (refer chapter 6) have strengthened the ties and created access points to reliable markets. Expanding these networks of dialogue between producers and buyers and using the tourism sector as a market for local producers should be seen as an option to a greater extent. As Anderson and Juma (2011) suggested that the formation of stronger associations or networks of local suppliers would enable them to pool resources and benefits to achieve economies of scale instead of competing between themselves. These networks could set their own quality standards and quality control mechanisms that would guarantee that the products supplied to operators such as hotels and restaurants were of acceptable quality. This would not only increase their capacity to supply according to the tourist operators' requirements, but also through their alliances by which they could forge effective partnerships with public institutions and donor agencies.

A strong institutional structure, with expertise drawn for example from the Fisheries department and Agricultural department, could be established to look into the whole process for tourism and local linkages. The facilitating role could include becoming involved in the development of policies, regulations and strategies that could ensure supplies of fish, aquaculture product and the handicraft supplies will be produced for the consumption of tourist operators such as hotels and restaurants that complied with related regulations. Such a body also could deal with the problem of mistrust, lack of communication between the hotels and local suppliers, and the promotion of local products for tourist consumption through regular meetings with the hotel managers and chefs (Anderson and Juma, 2011). Through these frequent meetings, the local suppliers could liaise with hotels and restaurants to exchange information and determine agreements that would guide both suppliers and hotels on matters pertaining to demand, quality of standards and pricing. Note however, that they would not necessarily replace the middlemen/women, at least in the first instance, although over time they may be able to assume their role.

Among the strategy of interventions could be:

- a) Reverse the percentages sold to the wholesaler and consumer respectively , i.e. 25% direct to consumer and 10% direct to wholesaler e.g. with a fishermen's market three days a week that is advertised to all visitors (through hotels, brochures, etc.). The focus should be on targeting day

visitors since they can take the fresh fish home: overnight visitors would mainly be buyers on the last day of their stay only (refer back to Chapter 6.4).

- b) Persuade LKIM to lower the compulsory percentages that they presently purchase from 65% to 50% within three years and 40% within five years, thus releasing more fish for the fishermen to sell direct to consumers. This would also decrease dependency of the fishermen on the LKIM since as their income increased they would no longer be forced to rely upon LKIM for equipment, boats, etc.

Box 7.1: Example of a Project design for a Five Year Plan

To implement the strategy, a project could be designed along the following lines:

Year One:

- i. Reduce percentage of fish sold to LKIM from 65% to 60%
- ii. Reduce percentage of fish sold to wholesalers from 25% to 20%
- iii. Government to construct fish market facilities in two villages, each building comprising a roof over a concrete floor, three or four concrete tubs with fresh water (thus associated plumbing) and three ice-making machines, and two parallel lines of benches/tables running the length of the building for fishermen to display their fish.
- iv. Publicize the opening of the new fish markets with:
 - a. Official opening by a dignitary and press/tv coverage;
 - b. Flyers to be distributed to hotels, restaurants, tour companies, etc advertising the village fish markets on three days each week

Year Two:

- i. Reduce percentage of fish sold to LKIM from 60% to 55%
- ii. Reduce percentage of fish sold to wholesalers from 20% to 15%
- iii. Government to construct another two fish market facilities in two additional villages, similar design and equipment.
- iv. Publicize the opening of the new fish markets

Year Three:

- i. Reduce percentage of fish sold to LKIM from 55% to 50%
- ii. Reduce percentage of fish sold to wholesalers from 15% to 10%
- iii. Government to construct another two fish market facilities in two additional

villages, similar design and equipment.

- iv. Publicize the opening of the new fish markets
- v. Increase percentage of fish sold to customer from 10% to 15%

Year Four:

- i. Reduce percentage of fish sold to LKIM from 50% to 45%
- ii. Continue to publicize the fish markets on three days per week
- iii. Increase t Increase percentage of fish sold to customer from 15% to 20%

Year Five:

- i. Reduce percentage of fish sold to LKIM from 45% to 40%
- ii. Continue to publicize the fish markets on three days per week
- iii. Increase t Increase percentage of fish sold to customer from 20% to 25%

Note:

*It is entirely up to the fishermen to make their own decision, based on individual circumstances, as to how much fish they sell to the wholesalers. The figures shown in this project i.e. to reduce from 25% to 10% are indicative targets only. This is in contradiction to the percentage sold to the LKIM, which can be controlled.

*Free market forces are expected to come in to play so that over time, as visitor numbers increase, the fishermen can themselves decide whether to operate their fish markets on more than or less than 3 days per week. At the beginning however, the idea would be to encourage increased direct sales to visitors through holding markets at least three days per week, depending upon supply of fish. The price of fish would be fixed by market forces not be any Government rate. In other words fishermen should be able to obtain a higher price from direct sales than by selling to either LKIM or wholesalers, but in the final analysis they make their own decisions about where to sell their catch.

7.4.5 Encourage Local Production And Supplies

Connected to the fisheries and aquaculture sector is the problem of integrating local production of the main supplies of food to the supply side of the tourism sector. Based on discussions with some of the operators of restaurants and cafés whose clientele consist mostly of tourists – when considering where to buy their fish and

seafood from, they will turn to the supplier who offers the best quality at the lowest prices. However, they will also choose the local supplier who can offer that same quality every time and can guarantee a continuing supply of fish and seafood needed for the menu, as most tourists expect that what is on menu can always be ordered. Local suppliers therefore need to be able to guarantee a certain quality and quantity if they are to supply the tourism industry.

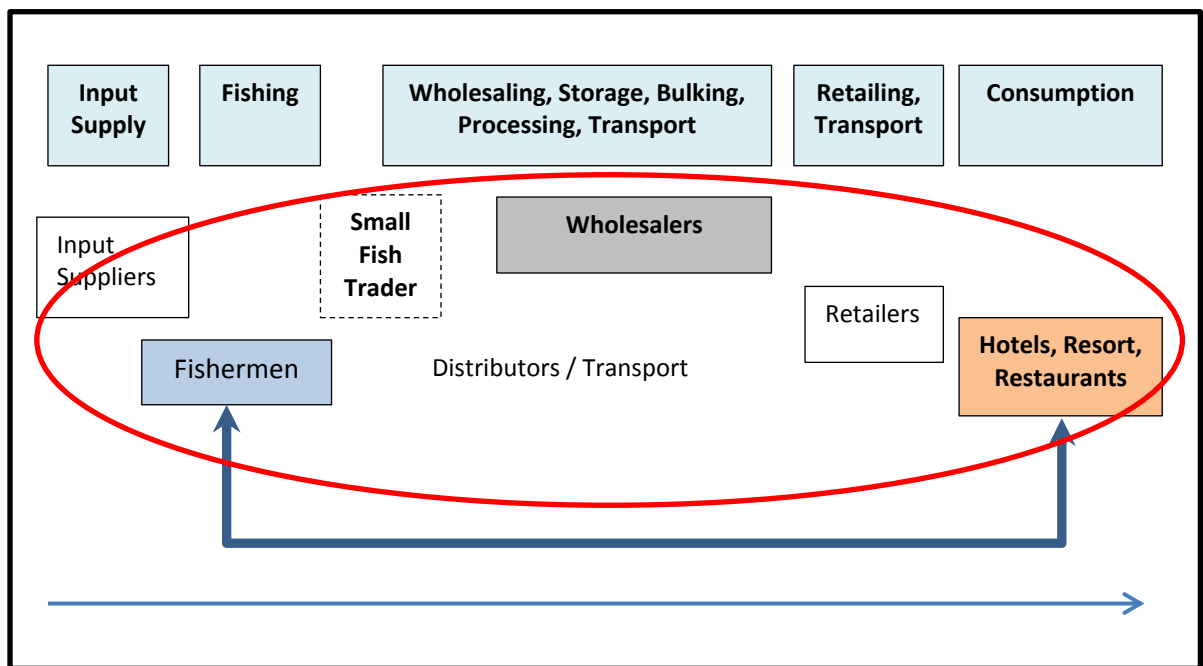
In terms of handicrafts, unlike many places in Malaysia (e.g. Goodwin, 2002; Ashley, 2006), traditional handicraft skills are still not exploited to any great extent in the Setiu Wetland. Surveys of foreign tourists revealed that many wanted to purchase local crafts but could not find them. Some already exist, and are mostly made by women, for example baskets and vases made from local *nypa* and *mengkuang* leaves. Other crafts such as making perfumed soaps and flower papers could be adapted to suit tourist tastes. Some training in handicrafts would be necessary and various methods of marketing explored. The lives of women around the wetlands have changed significantly since the wetland was gazetted as a State Park. Furthermore, the quality and quantity of supply from local producers of handicrafts does not meet the standards required by the tourism industry, and it is hard to connect the suppliers to the tourism operators due to poor infrastructure, marketing strategies and lack of a reliable network. What is needed is a build-up of local, small-scale production chains to strengthen the network with the operators.

7.4.6 Bring the Customer Direct to the Producer

Another linkage which could upgrade the fisheries sectors into tourism is the development of recreational fishing centres (ECERDC, 2009). The establishment of angling centres could be based on the food court business model which will consist of: outdoor angling fee and ponds for marine and brackish-water fish (www.ecerdc.com.my/ecerdc/agri). The proposed hub would have at least five 1-ha ponds; indoor angling (fee) ponds for lobster; jetty and boat services for offshore angling; chalet, restaurants, souvenirs/supply shops; and entertainment outlets.

Trying to connect the producers directly with the hotels is a common fisheries-linkage strategy that may be relevant to the pro-poor strategy, depending on the situation. Services provided by intermediaries and local middlemen are often essential to local sourcing and producers are not necessarily able to provide them (Rylance et.al, 2009). However, it is essential to establish a dialogue between the tourism sector such as hotels and the fisheries sector to familiarize fishermen and hoteliers/chefs with each others' work milieu (i.e. get chefs out onto beach and fishermen into kitchens) (Figure 7.3). The chefs could help the fishermen to improve their delivery standards by providing advice on quality, packaging, health and safety, etc.

Figure 7.3: Direct Sales from Fishermen to Hotels



Source: Adapted after Sofield, 2011

7.5 THE CONTRIBUTION OF THE RESEARCH

In general, this study is believed to have expanded the existing body of knowledge on pro-poor tourism and the tourism value chain analysis particularly in developing countries, while providing valuable insights into the practicality of this approach in Malaysia. The realisation of rural tourism and its relationship with poverty alleviation in Malaysia must overcome two major impediments before it can successfully take place – the limitations of value chain analysis in the tourism studies and in the scope of poverty alleviation. Further research can use this understanding as a foundation to develop a theory, a model or a project design framework in the context of Malaysia, in particular, and in developing countries, in general. Since this study is applied research, its contribution has also direct practical implications for rural tourism policy and planning practice in the country. Tourism policy makers and planners can evaluate the claims and use the arguments made in this study to develop more effective community tourism plans and policies especially for poverty alleviation.

7.6 SUGGESTIONS FOR FURTHER RESEARCH

The research that has been completed here lends itself well as a foundation for further research in the near future. A baseline has been provided on the socio-economic characteristics of local communities especially the poor in Setiu Wetland. Beside, this research provides an understanding of how tourism could be linked with inter-sectoral activities where the poor are involved, in this case fisheries and handicrafts. This means that an improvement in future linkages can be monitored and evaluated on the basis of the baseline findings. The value chain analysis has brought forward a number of constraints and opportunities with the purpose of prompting interventions directed to improving the situation of the producers (handicrafts) and suppliers (fishermen). As such, opportunities for further research are:

- Market and marketing research; to investigate which markets to target, where they are and what the consumers preferences are, what they want and need and how to reach these markets. It may also include an element of branding of Setiu handicrafts and food souvenirs.
- Community and gender empowerment value chain; to investigate the extent that gender issues are discussed in relation to poverty alleviation, especially in certain levels of the chain (e.g. producers).
- Feasibility study of upgrading strategies; to investigate to what extent implementation of the recommended upgrading strategies is possible.
- Tourist value chain analysis; specifically to investigate the pattern of tourist expenditure based on different types of tourist i.e. package *vs* non-package/FIT and international *vs* domestic tourist by undertaking a random sample of 500 domestic tourists and 200 international tourist in order to increase the validity of the findings.

7.7 FINAL REMARKS

Based on findings and analysis that have been achieved from the surveys and field trip, Value Chain Analysis can be used to assess the economic performance of the tourism sector and its linkages to the inter-sectoral activities around the area. In this study, Setiu Wetland was selected as the first rural area in Malaysia using Value Chain Analysis in order to identify and understand the linkages between tourism and local economic activities, which provides awareness of the distribution of tourism incomes especially to the local communities and in particular the poor. By using Value Chain Analysis model, this research also can specifically evaluate and monitor the performance of tourism development in Setiu Wetland particularly and Terengganu generally.

This study highlighted a few important blockages/challenges to strengthen the agriculture-tourism linkages which have also been highlighted by the ITC (2009) and ODI (2008). Strengthening agriculture-tourism linkages is important but is not an “easy-win situation (Rylance et.al, 2009). Based on the findings, Setiu Wetland has a systematic approach to attempt to spread the economic benefits of tourism to the local community especially the poor. However, Setiu Wetland shows some leakages where the systems and interventions fail to maximize benefits that could accrue from tourism businesses.

Tourism Value Chain Analysis reveals that one of the largest bulk purchase markets for fisheries and handicrafts produce in Setiu is the tourism sector. Strengthening linkages between the hotels/resorts/restaurants sector and the fisheries and handicrafts sector can drive significant growth in local development economy, and can assist in poverty alleviation by involving small holder farmers in the economic corridor. VCA reveals the extent of food and beverages consumption by the hotels/resorts/restaurants sector, the source of current purchasing and the size of the market.

The final product and its attributes represent the chain for the process of value generation from raw material through to consumption. The final product in the tourism chain is based on a combination of various natural attractions such as

mangrove forests, beaches, rivers, natural settings, and sharing cultural experiences with the local communities. These are the reasons why tourists choose places such as the Setiu as their destination. Not just that, the final production and consumption take place simultaneously in the same locality. The consumer travels through the chain to the final product where producers and consumers with very different socioeconomic and cultural levels meet, which can cause some effects for the host population (Lepp, 2008). One of the advantages of this direct encounter with the consumer is the knowledge of actions that may improve the involvement of agents and stimulate their clustering.

The dissertation is useful for demonstrating the details with a VCA approach. The importance of VCA is that attention is on the impacts of tourism that occur through the supply chains and across sectors, rather than on merely examining direct impacts on tourism service providers (as per illustrate in literature review; Ashley et.al, 2008). Although gaps in the literature are mentioned, most of the study aims to conclude with one or two numbers (ratios) that indicate the level of increased economic activity (or income or employment) deriving from each unit increase in final demand (a technical term related to tourist spending) in tourism. It does not measure flows to particular groups, nor does it assess linkages between them. But it does provide more of the 'big picture' of tourism impact, in a way that is easier to compare with other destinations or interventions. Significantly, these linkages then provide the understanding on the opportunities towards poverty alleviation especially through mainstreaming tourism.

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TOURIST ARRIVALS TO MALAYSIA

Table 1: International Tourists Arrivals to Malaysia by Region, 2008 – 2009

Region	2011	Share %	2012	Share %
ASEAN	16,636,977	75.4	18,386,363	77.8
Asia Exc. ASEAN	2,890,801	13.2	2,972,203	12.5
Europe	1,010,860	4.6	1,150,594	4.9
Oceania	486,775	2.2	599,592	2.5
Americas	345,217	1.6	345,768	1.5
Africa	143,356	0.7	98,742	0.4

Source: Tourism Malaysia, 2012

Visitors from ASEAN account for vast majority of foreign arrivals to Malaysia. For example, in 2012, the ASEAN countries contributed 77.8% of total foreign arrivals. Singapore is by far the largest source market, accounting for approximately 54% of international tourist arrivals in 2012. Other important markets are Indonesia, Thailand and Brunei. China and India are also significant contributors to arrivals whilst Australia, the UK and Japan are Malaysia's top three long-haul markets.

Table 2: Average Length of Stay International Tourists in Malaysia, 2000 – 2010

Year	Average Length of Stay (nights)
2000	5.8
2001	6.1
2002	7.8
2003	7.2
2004	6.0
2005	7.9
2006	6.2
2007	6.3
2008	6.4
2009	6.5
2010	7.0
2011	6.8
2012	7.2

Source: Tourism Malaysia, 2012

Table 3 shows the length of stay of the tourist in Malaysia which shows that tourist spending averagely 7.2 nights in 2012 compare to 6.8 nights in 2011. This is significantly with the increasing number of hotels that sustaining the tourism supply in supporting Malaysia's economy.

Table 4: Average Tourist Expenditure, 2008 – 2012

Year	Expenditure Per Capita (RM)	Expenditure Per Diem (RM)
2008	2,247.40	351.20
2009	2,310.30	360.70
2010	2,378.50	367.10
2011	2,480.20	375.30
2012	2,517.40	380.20

Source: Tourism Malaysia, 2012

The average per capita expenditure in Malaysia in 2012 was RM 2,517.40 with an average daily spends of RM 380.20 (Table 4). Total expenditure per trip varies considerably between nationalities, with visitors from the Middle East being Malaysia's biggest spenders followed by tourists from European long haul markets. In 2012 the top five nations in terms of average visitor expenditure were Saudi Arabia, Oman, UAE, Australia and UK (Table 5).

Table 5: Top 10 Nationalities by Average Visitor Expenditure, 2010 – 2012

Rank	2010		2011		2012	
1	Saudi Arabia	7,915.6	Saudi Arabia	7,968.6	Saudi Arabia	7,991.6
2	UAE	6,100.8	Oman	6,513.1	Oman	6,412.2
3	Australia	3,655.8	UAE	6,283.3	UAE	6,315.7
4	UK	3,517.4	Australia	3,981.7	Australia	3,974.7
5	Netherlands	3,283.7	UK	3,699.0	UK	3,797.6
6	South Africa	3,257.1	South Africa	3,331.3	South Africa	3,427.6
7	Others	3,198.7	Russia	3,388.8	Russia	3,422.9
8	Belgium	3,158.2	New Zealand	3,084.4	Denmark	3,119.9
9	Other Asia	3,012.9	Denmark	2,991.8	Ireland	3,114.0
10	Hong Kong	2,986.4	Ireland	2,925.5	New Zealand	3,104.2

Source: Tourism Malaysia, 2012

Table 6: Components of Tourist Expenditure, 2012

Component	Percent (%)
Accommodation	31.2
Shopping	26.8
Food and Beverage	17.7
Local Transportation	10.4
Domestic Airfares	4.9
Organized Tour	4.1
Entertainment	3.0
Miscellaneous	1.9

Source: Tourism Malaysia, 2008

In terms of tourism expenditure, the accommodation sector stands as the foremost tourists' attraction as compared to other tourism activities (Tourism Malaysia, 2012)

(refer Table 6). Shopping and food are also activities preferred by tourists and emerged as a major feature of expenditure. The trend significantly emphasizes the need for providing quality accommodation in the tourism sector to support the tourism growth in Malaysia.

Table 7: Employment in Tourism Related Industries

Year	Employment in the related industries		Total employment
	Number ('000)	Annual change	Number ('000)
2005	1,511.5	-	10,045.4
2006	1,554.6	2.9	10,275.4
2007	1,568.8	0.9	10,538.1
2008	1,677.6	6.9	10,659.6
2009	1,759.5	4.9	10,897.3
2010	1,842.6	4.7	11,776.8
2011	1,984.4	7.7	12,123.0

Sources : Malaysia Tourism Satellite Account, 2005-2011

Tourism-related industries being a service industry and relatively labour intensive, accounted for almost 2.0 million jobs in 2011. Employment in the tourism-related industries registered a growth of 7.7% in 2011 as compared to 4.7 % in 2010. In 2011, the share of employment in the related tourism industries was 16.4 % compared to the previous year's share of 15.6 %. Among the types of employment involve are in accommodation such as hotels and resorts, in food and beverage sector such as restaurants, tour guide, and guest service provider.

TOURISM ORGANISATION IN MALAYSIA

The tourism organization in Malaysia is complex and influenced by the three-tier form of government i.e. Federal government, State governments and Local Authorities.

The National Tourism Organisation

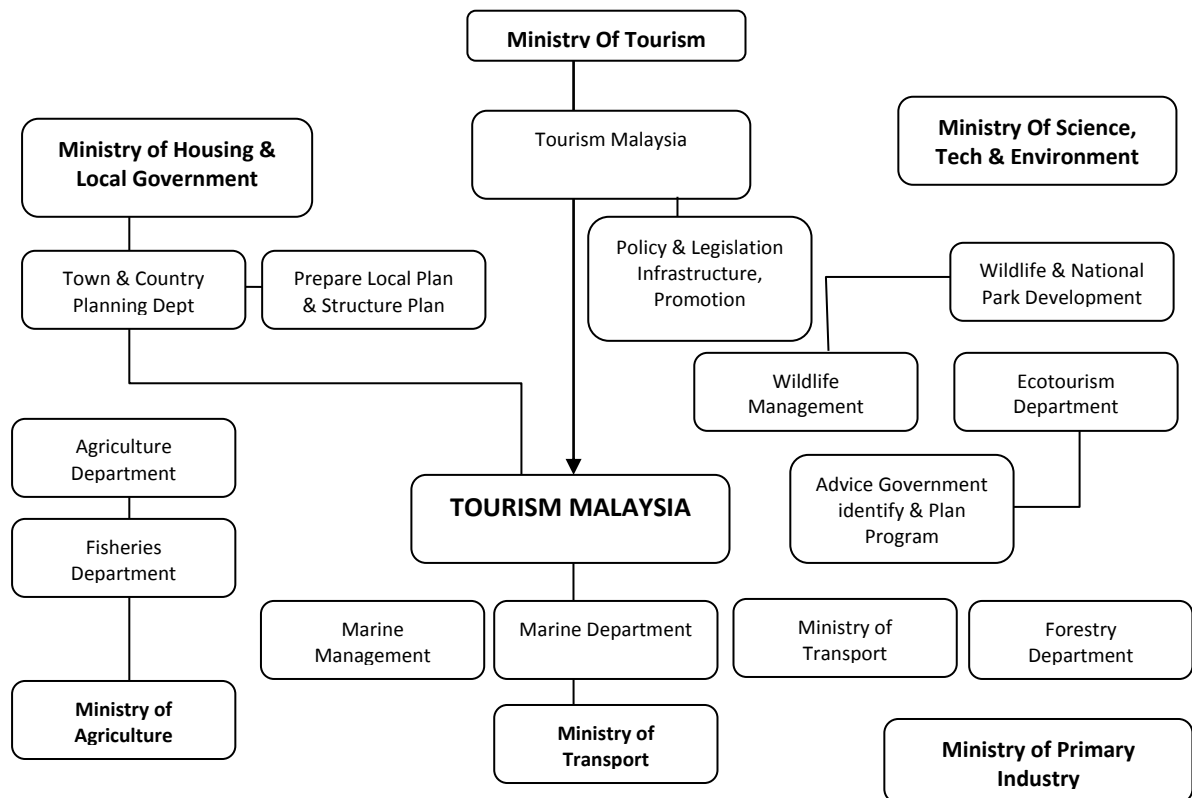
Essentially, tourism is a Federal affair and the overall policy planning is carried out by the Ministry of Tourism. Meanwhile, the Malaysia Tourism Promotion Board (MTPB) is responsible for the marketing and promotional aspects of tourism. Figure 1 shows some important ministries and departments engaged with planning, maintaining and controlling tourism activities in Malaysia. In the light of figure below, it is not surprising that there is overlapping jurisdiction between these federal government agencies. For instance, jurisdiction over agro tourism/homestay programme is problematic given the active involvement of Ministry of Tourism and the Department of Agriculture.

It can be surmised without cynicism that MOT's real task is not merely to provide the overall framework and direction for tourism product development but to integrate the fragmented programmes formulated by the related agencies.

The federal government proposed four strategies to encourage tourism development as follows (Government of Malaysia, 1971 in Marzuki, 2010 p88):

- i. To propose more destinations and tourism infrastructure in every state to encourage more interstate tourists.
- ii. To develop more tourist destinations and tourism infrastructures along the main road for domestic foreign tourists.
- iii. The development of tourist destinations and infrastructures will focus on the Northern and Southern Peninsular Malaysia.
- iv. Air transport development for Sabah and Sarawak.

Figure 1: Government Departments Involved in Tourism Development in Malaysia



Source: (After Mohamed, 2002 in Marzuki, 2010)

State Tourism Organisation

State Economic Planning Unit (SEPU) is entrusted to formulate strategies and policies related strategies and policies related to tourism development within each state. As tourism in Malaysia is private-sector led, both the federal and state governments are only required to provide the infrastructure to facilitate private investments. However, the provision of tourism infrastructure includes not only the ‘hard’¹¹ infrastructure but also the ‘soft’¹² infrastructure.

The federal government set up the State Tourism Action Council (STAC) in 2002 for each and every state in Peninsular Malaysia, in response to the state governments’ request to have representation on tourism matters in state level. Established under MOT, the STACs are supposed to form a link between the federal government and

¹¹ ‘Hard’ infrastructure such as roads, airports, jetties, boardwalks, bridges, etc.

¹² ‘Soft’ infrastructure in the form of organisation of special events such as Malaysia Mega Sale carnival, Citra Warna Carnival, Malaysia Open House etc.

the various state governments on tourism related matters. STACs are empowered to carry out product development and organizing events but so far their efforts have been focused mainly on the latter (Hamzah, 2004).

Local Tourism Organization

At the local authority level, the bulk of the tourism-related projects carried out are in the form of street improvement and beautification programmes to create a vibrant focal point cum tourist attraction within their cities/town such as *Bintang Walk* in Kuala Lumpur, *Hang Tuah Mall* in Melaka, *Star Walk* in Alor Star, etc. Local authorities do not regard tourism as their core business since their establishment under the Ministry of Housing and Local Government (*Kementerian Perumahan dan Kerajaan Tempatan –KPKT*) is for the purpose of providing and maintaining public facilities such as recreational areas, landscaping and garbage disposal. Lack of mechanism for direct revenue also another reason why they cannot actively involved in tourism since all the income from tourism are channeled back to the federal government coffers. KPKT, (2003) stated that local authorities need to be more proactive in the planning, management and promotion of tourism, where the local authorities are now required to not only ‘Think Tourism’ but also to ‘Act Tourism’.

FULL LIST OF INTERVIEW RESPONDENTS

- Recorded Interviews

Interview No.	Designation	Place / Organisation	Group of Interview
1	Director	Setiu District Council	Professional Bodies
2	Director	Fisheries Department (<i>LembagaKemajuanIkan Malaysia-LKIM</i>)- Setiu	Professional Bodies
3	Assistant Director	WWF Malaysia	Professional Bodies
4	Head of Unit (Tourism)	East Coast Economic Region Development Council (ECERDC)	Professional Bodies
5	Head of Village	Setiu Head of Villages (<i>JawatankuasaKetua-KetuaKampung-JKKK</i>)	Professional Bodies
6	Assistant Director	Tourism Terengganu	Professional Bodies
7	Head	Fishermen's Wife Association (KUNITA)	Professional Bodies
8	Head	Women Association of Setiu (PEWANIS)	Professional Bodies
9 & 10	Head	Fishermen Association / Homestay Setiu	Professional Bodies Accommodation Manager
11 & 12	Director	Ping Anchorage Sdn. Bhd / Terrapuri Heritage Village Resort .	Tour Operator / Accommodation Manager
13	Manager	Aryani Resort	Accommodation Manager
14	Manager	Merang Suria Resort	Accommodation Manager
15	Manager	Sutra Beach Resort	Accommodation Manager
16	Manager	Penarik Inn	Accommodation Manager
17	Manager	Pandan Laut Resort	Accommodation Manager

- Unrecorded Interviews (Field notes)

Interview No.	Designation	Place / Organisation	Group of Interview
18	Fisherman 1	Penarik Village	Actor of Fisheries Value Chain
19	Fisherman 2	Mangkuk Village	Actor of Fisheries Value Chain
20	<i>Taukey</i> (Middleman)	Private Organisation	Actor of Fisheries Value Chain
21	Fish Trader	Penarik Village	Actor of Fisheries Value Chain
22	Aqua culturist 1	Pengkalan Gelap Village	Actor of Aquaculture Value Chain
23	Fish Cage Wholesaler	Private Organisation	Actor of Aquaculture Value Chain
24	Fish Retailer 1	Permaisuri Fish Market	Actor of Fisheries and Aquaculture Value Chain
25	Fish Retailer 2	Setiu Fish Market	Actor of Fisheries and Aquaculture Value Chain
26	Manager / Owner	Penarik Fish Cracker Processing	Actor of Fisheries Value Chain
27	Handicraft Producer 1	Pengkalan Gelap Village	Actor of Handicraft Value Chain
28	Handicraft Producer 2	Penarik Village	Actor of Handicraft Value Chain
29	Handicraft Wholesaler	Private Organisation	Actor of Handicraft Value Chain
30	Handicraft Retailer 1	Pengkalan Gelap Street Stall	Actor of Handicraft Value Chain
31	Handicraft Retailer 2	Permaisuri Market	Actor of Handicraft Value Chain

EXAMPLE OF INVITATION LETTER



School of Management
University of Tasmania
Locked Bag 1316, Launceston
Tasmania 7248 Australia

Tel: +613 6324 3558
Fax: +613 6324 3369

Manager,
Sutra Beach Resort & Spa
Kampung Rhu Tapai,
Merang, Setiu, 21010
Terengganu
Tel: +603 2711 0901/ +609 653 1111
Fax: +603 2711 0902 / +609 653 1226

Date: 5 January 2011

Dear Sir

Re: Proposed PhD Study

Ms Norhazliza Abd Halim, a lecturer in Faculty of Built Environment, UniversitiTeknologi Malaysia is currently completing her Doctor of Philosophy at the University of Tasmania, Australia under the supervision of Professor Trevor Sofield and Professor David Adams, from School of Management. Her research for doctoral study is under the title '*Pro-Poor Tourism and Rural Poverty Alleviation in Malaysia*'.

Tourism is a driver economic growth and major source of employment for developing countries. The tourism industry can provide significant opportunities for community development through sustainable employment, income generation and therefore contribute to the alleviation of poverty. The purpose of this study is to investigate the ways in which tourism can benefit local communities and particular how tourism can be used to reduce poverty for example through local employment and purchasing policies. The focus of this study is on Setiu Wetland, Terengganu, Malaysia and the surrounding communities, and all stakeholders involved within this area.

You have been approached to be part of this research because we believe that as the manager of Sutra Beach Resort, as one of the major accommodation provider in Setiu,

you could share and contribute your knowledge and experiences on the planning, development and management of tourism in Terengganu.

We would like to conduct an interview with you with the student investigator. The interview will take approximately 30 – 40 minutes and will be guided by interview questions and the discussion will be based on topics about tourism and rural development that you feel comfortable discussing. If you agree, please arrange the suitable time and day for the interview session in between **23 January until 31 January 2011**.

Your contributions in this research will be used in the PhD research and possibly in journal articles and presented in conferences. We also greatly appreciate if you could appoint a suitable representative from your department to assist the researcher in obtaining the information needed for the research, shall you be unavailable for the discussion. Participation is voluntary and you or your representative are free to withdraw from the project at any time and to withdraw from any unprocessed data previously supplied. However, we do sincerely hope you will agree to participate in this study.

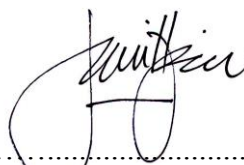
For further information, please contact the student investigator at +60133127699 or email at **nabd@postoffice.utas.edu.au**; or with the chief investigator at **Trevor.Sofield@utas.edu.au**.

Thank you for your time and we are looking forward to receive your approval.

Yours sincerely,



.....
Professor Trevor Sofield



.....
Ms Norhazliza AbdHalim



UNIVERSITY
OF TASMANIA

EXAMPLE OF CONSENT FORM

Consent Form [CF.G1] [date] – Head of Household

CONSENT FORM FOR HEAD OF HOUSEHOLD

Title of Project: **Pro-Poor Tourism and Rural Poverty Alleviation in Malaysia**

1. I have read and understood the 'Information Sheet' for this project.
2. The nature and possible effects of the study have been explained to me.
3. I understand that the study involves exploring the views, and experience of tourism impacts on local communities, in ways that strengthen economic benefits to the local. It involves:
 - i. Completing the questionnaire which takes approximately 15 to 20 minutes. The vite the participants to share their views and experience on tourism benefiting them either directly or/and indirectly;
4. I understand that participation involves the risk(s) that the participants may feel uncomfortable during the interview but my participation in this study is completely voluntary and that they are either free to decline to participate, without consequence, at any time prior to or at any point during the activity, or at liberty to withdraw if they believe there could be any discomfort or risk or sensitivity for them.
5. I understand that all research data will be securely stored on the University of Tasmania premises for five years or at least five years, and will then be destroyed or will be destroyed when no longer required.
6. Any questions that I have asked have been answered to my satisfaction.
7. I agree that research data gathered from me for the study may be published provided that I cannot be identified as a participant.
8. I understand that the researchers will use any information I supply only for the purposes of the research.
9. I agree to my participation in this investigation and understand that they have the right to decline answering any questions during the interview and to withdraw from the study at any time without any consequences; and if I wish so, may request that any data supplied to date be withdrawn from the study.

Name of Participant:

Signature:

Date:



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Consent Form [CF.G1] [date] – Head of Household

Statement by Investigator

☐ I have explained the project & the implications of participation in it to this volunteer and I believe that the consent is informed and that he/she understands the implications of participation.

If the Investigator has not had an opportunity to talk to participants prior to them participating, the following must be ticked.

☐ The participant has received the Information Sheet where my details have been provided so participants have the opportunity to contact me prior to consenting to participate in this project.

Name of Investigator

Signature of Investigator

Name of investigator _____

Signature of investigator _____ Date _____



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OF TASMANIA

EXAMPLE OF PARTICIPANT INFORMATION SHEET

Participant Information Sheet [IS.G5] [date] – Professional Bodies

1

[Group 5: Professional Bodies]

PARTICIPANT INFORMATION SHEET (PROFORMA) SOCIAL SCIENCE/ HUMANITIES RESEARCH (PROFESSIONAL BODIES)

PRO-POOR TOURISM AND RURAL POVERTY ALLEVIATION IN MALAYSIA

Invitation

You are invited to participate in a research study into the role of tourism in rural poverty alleviation. The study is being conducted by Ms Norhazliza Abd Halim, a PhD student in the School of Management at the University of Tasmania, Australia, in fulfillment of her doctoral studies under the supervision of Professor Trevor Sofield and Professor David Adams, in the School of Management. Ms Norhazliza Abd Halim is also a lecturer at the Universiti Teknologi Malaysia (UTM).

1. 'What is the purpose of this study?'

The purpose of this study is to investigate the ways in which tourism can benefit local communities and particular how tourism can be used to reduce poverty for example through local employment and purchasing policies. The focus of this study is on Setiu Wetland, Terengganu, Malaysia and the surrounding communities, and all stakeholders involved within this area.

2. 'Why have I been invited to participate in this study?'

You have been identified as a possible participant by the investigator team because of your key role in interfering with local communities in Setiu Wetland, Terengganu. You are invited to participate in this study because your views as a key informant in professional bodies are considered to be valuable for this study and your participation will provide you with the opportunity to express opinions and share experiences and have them used to inform the research. As one of the main stakeholder for decision making in development of Setiu, your role of the area and understanding of the communities are fundamental in obtaining relevant information for this study.



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Participant Information Sheet [IS.G5] [date] – Professional Bodies

2

3. 'What does this study involve?'

Participation in this study will involve the following:

The interview: If you have given your consent, you will be invited to participate in an interview of approximately 30 to 40 minutes with the student investigator, Ms Norhazliza Abd Halim. The topics to be covered in the interview will be on the roles of your organization as one of the professional bodies in rural and tourism development of Setiu Wetland and relate with the poverty alleviation. The interview will be audio-recorded and the activities related to this study, involving your interaction with the local communities will be observed by the researcher with your permission.

It is important that you understand that your involvement in this study is voluntary. While we would be pleased to have you participate, we respect your right to decline. There will be no consequences to you if you decide not to participate. If you decide to discontinue participation at any time, you may do so without providing an explanation. All information will be treated in a confidential manner, and your name will not be used in any publication arising out of the research. All of the research will be kept in a locked cabinet in the office of the School of Management, University of Tasmania. All research data will be securely stored on the University of Tasmania premises for five years or at least five years, and will then be destroyed or will be destroyed when no longer required.

4. Are there any possible benefits from participation in this study?

It is the intention of this study to improve the economic circumstances of local communities especially the 'low-income' group. It is possible that you will notice an improvement in the infrastructure development for the tourism in the area by the state and federal government. The number of tourist arrival also increasing due to the several tourism products and activities that have been introduced. We expect there will be direct and indirect benefits to the local communities for example from tour operators bringing tourists to the surrounding area. It may also result in improving the public-private partnership in the area. We will be interested to hear if you experience any other benefits from your organization's roles to this area.



UNIVERSITY OF TASMANIA

Participant Information Sheet [IS.G5] [date] – Professional Bodies

3

If we are able to take the findings of this small study and link them with a wider study, the result may be valuable information for others and it may lead to useful addition to the body of knowledge of tourism as a potential for poverty alleviation in Malaysia or across the world.

5. What if I have questions about this research?

If you would like to discuss any aspect of this study please feel free to contact either the research chief investigator, Professor Trevor Sofield at Trevor.Sofield@utas.edu.au on +613 6324 3186 or co-investigator, Professor David Adams at David.Adams@utas.edu.au on +613 6324 3583 or student investigator, Ms Norhazliza Abd Halim at nabd@postoffice.utas.edu.au on +613 6324 3558. Either of us would be happy to discuss any aspect of the research with you. You are welcome to contact us at that time to discuss any issue relating to the research study.

This study has been approved by the Tasmanian Social Science Human Research Ethics Committee. If you have concerns or complaints about the conduct of this study should contact the Executive Officer of the HREC (Tasmania) Network on (+613) 6226 7479 or email human.ethics@utas.edu.au. The Executive Officer is the person nominated to receive complaints from research participants. You will need to quote [HREC project number].

Thank you for taking the time to consider this study.

If you wish to take part in it, please sign the attached consent form.

This information sheet is for you to keep.

QUESTIONNAIRE FORM FOR HOUSEHOLD

Appendix QL.G1



No:.....

PRO-POOR TOURISM AND RURAL POVERTY ALLEVIATION IN MALAYSIA

HOUSEHOLD SURVEY QUESTIONNAIRE

University Of Tasmania and Ministry of Higher Education Malaysia

Contact Person: Norhazliza Abd Halim

Phone: +6013 3126679

Email : nabd@postoffice.utas.edu.au

We'd really like to have your input on this survey. Your help will be greatly appreciated.

This is a PhD research with the title as above. We would like to request your participation in a survey aimed at tourism impacts to the local communities and how it can enhance the poverty alleviation in the Setiu Wetland area – in ways that strengthen economic benefits to local communities. Setiu Wetland is getting popular as an ecotourism spot in East Coast of Malaysia. However, its locals receive small marginal economic benefits from the tourism activities. In order to improve this situation, we are exploring the economic linkages and tourists' expenditures in this area. Your feedback can make a difference!

Thank you very much for your cooperation.

PART A: SOCIODEMOGRAPHIC PROFILE

(n =)

1. Gender
☐ Male ☐ Female
2. Age
☐ 25–34 ☐ 45–59
☐ 35–44 ☐ 60 or more
3. Education level
☐ Higher Degree (College/graduate degree) ☐ Primary School
☐ Secondary School ☐ No formal education
5. Occupation
☐ Farmer ☐ Skilled/technical
☐ Fisherman and Aqua-culturist ☐ Self-employed/business
☐ Retiree ☐ Casual Work
☐ Full-time Employed (hotel, restaurant) ☐ Unemployed
4. Is this your main source of income? ☐ Yes ☐ No
 If No, what is the other source of income _____ and
 How much you get per month? _____
5. Location of household: _____ village
6. Zone of Location
☐ Close to the Beach (CTB) ☐ Far from the Beach (FFB)
7. Period of Residence in Setiu
☐ Born here ☐ more than 10 years
☐ Less than 10 years

PART B: LIVELIHOOD

8. Number of family members including yourself:
☐ 1 – 3 ☐ 6 – 8
☐ 4 – 5 ☐ more than 8

9. Household Income Sources :

Income Sources	No. of Person
Fisheries Sector	
Husbandry	
Forestry	

Agriculture	
Tourism and Handicraft (hotel, travel agencies, homestay etc.)	
Labour	
Other	

10. Are you the only earning member of your family? ☐ Yes ☐ No

If No, who are the other household members whose earning a wage? _____

11. Average family monthly income

- ☐ < RM300 ☐ RM701 – RM1, 000
☐ RM301 – RM500 ☐ RM1, 001 – RM1, 500
☐ RM501 – RM700 ☐ > RM1, 500

12. What is your perception of livelihood on the local area (CTB or FFB)?

(Score on the scales below where no impact is 0, the greatest positive impact is +3, and the greatest negative impact is -3)

Aspect / Score	-3	-2	-1	0	+1	+2	+3
Economic							
Social							
Environmental							

13. What is your perception of livelihood your income?

(Score on the scales below where no impact is 0, the greatest positive impact is +3, and the greatest negative impact is -3)

	-3	-2	-1	0	+1	+2	+3
Low Income (less than RM500)							
Middle Income (RM501 – RM1000)							
Middle High Income (more than RM1000)							

PART 3: COMMUNITY'S LEVEL OF READYNESS FOR TOURISM

*If your income is from tourism-related industry or once working with tourism-related industry, please answer Q14 – Q19. If Not, straight to Q20.

14. Type of business /work

- ☐ Hotel / Resort ☐ Homestay
☐ Souvenir Shop ☐ Handicraft / Performing Centre
☐ Travel Agent / Tour Operator ☐ Others (Please specify):

15. Name of the business /position _____
16. Start working _____ until _____
17. Income per month (RM) _____ per year (RM) _____
18. Did you get any increase of the income since you are working? ☐ Yes ☐ No
 If Yes how much _____ since _____
 If No why _____
19. Do you have access to any assistance programs/training to start your work/business?
☐ Yes ☐ No
 If Yes, what type of programs/training _____
 If No, why? _____
20. What is your perception on Economic effect of Tourism to the local community
☐ Negative ☐ Less Beneficial ☐ Very Beneficial
☐ No Changes ☐ Beneficial
21. What is your perception on Social effect of Tourism to the local community
☐ Negative ☐ Less Beneficial ☐ Very Beneficial
☐ No Changes ☐ Beneficial
22. What is your perception on Employment Opportunities from Tourism
☐ Yes ☐ Not Really ☐ No
23. How do you think the tourism effects the involvement of local women?

Economic Effects	High	Moderate	Low
As entrepreneurs			
In fisheries sector			
In farming			
In handicraft sector			
In tourism related (hotel, travel agent, homestay etc.)			
In restaurants			
In performing arts			
Others (please specify)			

THANK YOU

QUESTIONNAIRE FORM FOR TOURIST

Appendix QL.G2



No:.....

**PRO-POOR TOURISM AND RURAL POVERTY ALLEVIATION: A CASE STUDY IN SETIU
WETLAND, TERENGGANU, MALAYSIA**

TOURIST SURVEY QUESTIONNAIRE

University Of Tasmania and Ministry of Higher Education Malaysia
Contact Person: Norhazliza Abd Halim
Phone: +6013 3126679
Email : nabd@postoffice.utas.edu.au

We'd really like to have your input on this survey. Your help will be greatly appreciated.

This is a PhD research with the title as above. We would like to request your participation in a survey aimed at tourism impacts to the local communities and how it can enhance the poverty alleviation in the Setiu Wetland area – in ways that strengthen economic benefits to local communities. Setiu Wetland is getting popular as a ecotourism spot in East Coast of Malaysia. However, its locals receive marginal economic benefits from the tourism activities. In order to improve this situation, we are exploring the economic linkages and tourists' expenditures in this area. Your feedback can make a difference!

Thank you very much for your cooperation.

PART A: SOCIODEMOGRAPHIC PROFILE

(n =)

1. Gender

☐ Male ☐ Female

2. Age

<input type="checkbox"/> Younger than 25	<input type="checkbox"/> 25–34
<input type="checkbox"/> 35–44	<input type="checkbox"/> 45–54
<input type="checkbox"/> 55–64	<input type="checkbox"/> 65 or more

3. Education level

<input type="checkbox"/> Higher Degree (College/graduate degree)	<input type="checkbox"/> Secondary School
<input type="checkbox"/> Vocational/technical school	<input type="checkbox"/> Primary School
<input type="checkbox"/> Tertiary School (SPM)	<input type="checkbox"/> No formal education

4. Occupation

<input type="checkbox"/> Professional	<input type="checkbox"/> Skilled/technical
<input type="checkbox"/> Public servant	<input type="checkbox"/> Self-employed/business owner
<input type="checkbox"/> Staff in private agency	<input type="checkbox"/> Unemployed
<input type="checkbox"/> Worker in factory	<input type="checkbox"/> Retiree
<input type="checkbox"/> Clerical/service	<input type="checkbox"/> Student

5. Country / Place of Residence (please state):

PART B:**SECTION 1: DESTINATION SELECTION AND MOTIVATION**

6. Travelling Companion

<input type="checkbox"/> Alone	<input type="checkbox"/> Club / Society
<input type="checkbox"/> Couple	<input type="checkbox"/> Business Associates
<input type="checkbox"/> Family & Friends	<input type="checkbox"/> Others (please specify)

7. Travel Motivation

<input type="checkbox"/> Study / Research	<input type="checkbox"/> MICE
<input type="checkbox"/> VFR	<input type="checkbox"/> Transit
<input type="checkbox"/> Business	<input type="checkbox"/> Holiday

8. Factors Attraction of Setiu

<input type="checkbox"/> Nature	<input type="checkbox"/> Cultural
<input type="checkbox"/> Location	<input type="checkbox"/> Package Price
<input type="checkbox"/> Highlighted events	<input type="checkbox"/> Others (please specify)

9. Accommodation during your stay

☐ Resort ☐ Chalet ☐ Lodging ☐ Homestay ☐ Others

Please state the name:

10. Length of stay in Setiu area: In Terengganu:

11. Are you visiting Setiu Wetland with tourist package? ☐ Yes ☐ No

12. Source of information about Setiu

☐ Internet ☐ Travel books
☐ Brochures / poster ☐ Travel Agent
☐ Family and friends ☐ Broadcast and television
☐ Tourist Information Centre ☐ Articles in magazines and newspapers
☐ Others (please specify):

SECTION 2: TOURISTS' PERCEPTION

13. What is your perception on local community participation in tourism activities?
 (Your answer could be more than one)

Activities / Services	Tick (/)
Carrier and Guide	
Selling	
Food Service	
Guesthouse and homestay	
Handicraft	
Transportation	
Employee in Business	
Rubbish Collection	
Cultural	
Other Services	

14. Would you revisit this place? ☐ Yes ☐ No

Please state your reason/s:

15. Would you recommend this place to others? ☐ Yes ☐ No

Please state your reason/s:

SECTION 3: QUESTIONNAIRE FOR ESTIMATING VISITOR SPENDING ON TRIPS (DISCRETIONARY SPENDING / OUT-OF-POCKET EXPENSES)

Please can you estimate how much you / your family / group spent on the following items throughout this vacation at Setiu Wetland. Please report all spending by you and other members of your party throughout your itinerary except for the package price. Include all spending for goods and services during your stay in the local area. Enter spending to the nearest RM in each category below. Enter **0 (zero)** if you did not spend any money in a particular category.

Spending category	c) Spending in Setiu Wetland by your party (Expenditure of your party in RM)
Travel Agents Guides
Inter-City Transportation Bus Taxi Coach
On-Site Expenditure	
Accommodation Hotel / Resort Chalet / Lodging Homestay
Food & Beverages Restaurants Hotel restaurant Groceries Food stall Fruit stall
Attraction / Activities Fee Fishing <i>Kelong</i> Fishing Coconut Drinks Mangrove Replanting Boat cruise Small Medium Industry Trips – Crackers, Salted Fish, Sauces etc. Others:

Spending category	c) Spending in Setiu Wetland by your party (Expenditure of your party in RM)
Local Entertainment / Cultural activities <i>Menora / Makyong</i> <i>Wayang Kulit</i> Kite Making
Gifts/souvenirs/shopping Handicraft Local Non-Food Product
Local Transportation Car Rental Boat Bicycle
Total

16. What is your preference on selecting food service (Please rank from 1 to 4)

Type of Food Service	Option
Formal Restaurant	
Restaurants	
Hotel's Restaurant	
Informal Restaurant	
Small food shop (<i>Warung</i>)	
Roadside stalls	

THANK YOU

APPENDIX IX

INTERVIEW FORM FOR ACCOMMODATION MANAGER

Appendix IL.G4



No:.....

PRO-POOR TOURISM AND RURAL POVERTY ALLEVIATION IN MALAYSIA

ACCOMMODATION MANAGER INTERVIEW QUESTIONS GUIDE

University Of Tasmania and Ministry of Higher Education Malaysia

Contact Person: Norhazliza Abd Halim

Phone: +6013 3126679

Email : nabd@postoffice.utas.edu.au

We'd really like to have your input on this survey. Your help will be greatly appreciated.

This is a PhD research with the title as above. We would like to request your participation in a survey aimed at tourism impacts to the local communities and how it can enhance the poverty alleviation in the Setiu Wetland area – in ways that strengthen economic benefits to local communities. Setiu Wetland is getting popular as an ecotourism spot in East Coast of Malaysia. However, its locals receive small marginal economic benefits from the tourism activities. In order to improve this situation, we are exploring the economic linkages and tourists' expenditures in this area. Your feedback can make a difference!

Thank you very much for your cooperation.

PART A: GENERAL INFORMATION

(n =)

Position of the respondent	
Hotel / Lodge name	
Job description (i.e: major duties and responsibilities)	
Length of time in organization	
Length of time in this position	

PART B: HOTEL DETAILS

1. When is this resort / hotel opened?
2. Quality Rating _____ and average guest rack rate: _____
3. Accommodation Location (collect brochure): _____
4. Room supply

Type of room	No. beds	Room rates (Peak season)	Room rates (Low season)

5. Average guest length of stay: ____ nights; Low season: ____ nights; Peak season: ____ nights
6. Room Occupancy

Figures for 2010	Low Season 2010 %	High Season 2010 %	Average for 2010 %
Room occupancy			

7. Average nos. of customers per month: _____
8. Average Revenue structure of hotel's business per annum.

Business Category	Average in RM'000	Percentage (%)
Room rental		
Food service		
Other services		
Total		

PART C:**SECTION 1: STAFF RECRUITMENT**

9. Staff numbers by origins in hotel services:

	No. of Employees	Local Setiu	Terengganu and Others	Monthly Salary Average (RM)
Managerial				
Dining room and Kitchen				
Administration				
Housekeeping				
Front desk				
Supervision				
Security				
Other				
Total				

10. Employment by the hotel:

	No.	Total Wages per year
Full-Time Employees		
Part-Time / Casual Employees		
Poor Background worker		
Malay Poor Worker		
Total		

11. What is the typical staff turnover? _____ % per year

12. Do you have any special employment policies (such as family benefits, training, promotions, revolving funds, credit schemes, health benefits, transportation, etc) for workers?

13. What % of your staff is from a poor background? _____%

SECTION 2: GUEST DETAILS

14. Where are your guests from?

Own State residents	Own country residents	Singapore, Indonesia & Thailand	Other international (specify)	Total
				100%

15. What % of your guests are staying with you, for?

Leisure	%	Conference	%
Business	%	VFR	%
Other (specify)	%	Total	100%

SECTION 3: TOUR OPERATOR

16. What Operators does the hotel mostly work with

Names _____

Locations _____

17. How long have you been working with these operator? _____ years

18. Hotel expenditure

	Average Expenditure (RM)	% of total operating costs (if financial figures not given)	% of good by value from:		
			Local	Own Country	Elsewhere
Staff	RM	%	%	%	%
Food & Beverages (Fish, meat, vegetables, fruits, etc)	RM	%	%	%	%
Power & utilities (electricity, gas, water & sewerage)	RM	%			
Soft furnishing (arts, crafts, etc)	RM				
Staff Uniforms	RM	%	%	%	%
Room Amenities (Bed linen, toiletries', etc)	RM	%	%	%	%
Other	RM	%	%	%	%
Total Costs	RM	%	%	%	%

19. Revenue:

2010:	Revenue:
Room revenue	RM
Food & beverages	RM
Other	RM
Total	RM

PART D: PERCEPTION ON LOCAL LINKAGES

20. Do you support other Community Based Tourism (CBT) businesses? If Yes, what business and how?
21. Ideas about how to increase local linkages between other sectors such as fisheries and handicraft (forward and backward)?
22. Measures to tackle low-season occupancies and plans to reduce seasonality;

FOOD SECTOR (Seek to increase supply of Setiu Wetland fresh food into hotel, resort, local restaurants, and support expansion of specialty food sales to tourists)

23. Opportunity to establish collaboration with other businesses such as local restaurants to provide quality food from local resources.
24. Possibility where feasible, to assist fishermen and producers to increase out-of-season production of seafood and fish to cater to the tourist trade by promoting them to tourists.
25. Opportunity to strengthen market mechanisms between fishermen and restaurants so that demand and supply are complementary.

CRAFT SECTOR (Seek to increase supply of Setiu Wetland local handicraft into hotel, resort, local restaurants, and support expansion of specialty handicraft sales to tourists)

26. Possibility to explore feasibility and partnerships for expanded production of handicraft supply to the tourism chain.
27. Possibility to support local producers/vendors at rural tourism sites, so that weavers / handicrafts entrepreneurs in rural villages can sell directly to hotel/resort.
28. Possibility to assist producers to upgrade into new tailor-made products with higher value added. For example, weaved and paper products (bags, purses, notebooks) that are personalised for the customer, or include explanation of product origins and how they were made; processed food products with English labeling and travel-friendly packaging; expansion of local specialty food product ranges for local and international tourists.

THANK YOU

INTERVIEW FORM FOR PROFESSIONAL BODIES

Appendix IL.G5



No:.....

**PRO-POOR TOURISM AND RURAL POVERTY ALLEVIATION: A CASE STUDY IN SETIU
WETLAND, TERENGGANU, MALAYSIA**

PROFESSIONAL BODIES INTERVIEW QUESTIONS GUIDE

University Of Tasmania and Ministry of Higher Education Malaysia

Contact Person: Norhazliza Abd Halim

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Email : nabd@postoffice.utas.edu.au

We'd really like to have your input on this survey. Your help will be greatly appreciated.

This is a PhD research with the title as above. We would like to request your participation in a survey aimed at tourism impacts to the local communities and how it can enhance the poverty alleviation in the Setiu Wetland area – in ways that strengthen economic benefits to local communities. Setiu Wetland is getting popular as a ecotourism spot in East Coast of Malaysia. However, its locals receive marginal economic benefits from the tourism activities. In order to improve this situation, we are exploring the economic linkages and tourists' expenditures in this area. Your feedback can make a difference!

Thank you very much for your cooperation.

PART A: GENERAL INFORMATION

(n =)

Position of the respondent	
Organization of the Respondent	
Job description (i.e: major duties and responsibilities)	
Length of time in organization	
Length of time in this position	

PART B:**SECTION 1: MANAGEMENT**

1. What is your organizational structure? If any, which department involve in tourism / rural poverty alleviation?
2. In general and specific, what are your organization's roles and responsibilities for tourism/poverty alleviation in Setiu / Terengganu?
3. If for example, tourism/poverty alleviation programs are to be planned, how would your organization go about it?
4. How do you translate decisions into action in your organization? For example how will you communicate decisions about involving more poor in tourism enterprises to the respective enterprises?
5. In order to undertake tourism for poverty alleviation activities, what kind of support does your organization need?
6. Does your organization support employment opportunities for the poor; Create business opportunities for the poor; collective benefits for the poor communities; Does your organization support the training, empowerment, awareness for the poor? Is your organization involved in mitigating negative social, cultural and environmental impacts of tourism on the poor? Any programs directed specifically at women? At youths?
Follow up question:
 - a. Who are/should be the stakeholders involved in tourism for poverty alleviation activities? How should they be involved?
 - b. Does your organization interact with any other stakeholders on issues related to tourism and poverty alleviation? If yes, which stakeholder, what kind of interaction and what for?
7. What are the regulations (e.g. registration requirements), policies (e.g. trade policy), direct assistance (e.g. provision of training) or problems (e.g. conflicting interests) provided?

LINKAGES BETWEEN TOURISM AND POVERTY ALLEVIATION (seek to revamp the rural product offer in terms of activities and shopping items, and increase the time spent by tourists in rural areas)

8. Whether and where there is scope to assist villagers to establish simple business facilities and start developing networking with the tourism sector?
9. How effective has the government/NGOs/private agencies continue investing in basic village infrastructure, such as toilets and transport access, which facilitate stop-offs by tourists and provide a magnet for other enterprise development?
10. How far are the villagers ready to receive new plans to improve economic benefits? Do they want more or this is enough?
11. What can government do in future to help alleviate poverty in Setiu Wetland?

INTER-SECTORAL LINKAGES WITH TOURISM (Seek to increase supply of Setiu Wetland fresh food into local restaurants, and support expansion of specialty food sales to tourists)

12. Opportunity to establish collaboration with other businesses such as homestay, local restaurants to provide quality food from local resources.
13. Possibility where feasible, to assist fishermen and handicraft producers to increase supplies and product cater to the tourist trade by promoting them to tourists.
14. Opportunity to strengthen market mechanisms between fishermen and handicraft producer with restaurants so that demand and supply are complementary.
15. Opportunity to explore potential to further improve and upgrade local specialty foods as shopping items.
16. Possibility to support local producers/vendors at rural tourism sites, so that weavers / handicrafts entrepreneurs in rural villages can sell directly to tourists.
17. Possibility to assist producers to upgrade into new tailor-made products with higher value added. For example, weaved and paper products (bags, purses, notebooks) that are personalised for the customer, or include explanation of product origins and how they were made; processed food products with English labeling and travel-friendly packaging; expansion of local specialty food product ranges for local and international tourists.
18. Possibility to maintain/set up the night market and shopping as integral parts of the rural product as the destination evolves (e.g.: have night markets every night / day especially during peak season).
19. Possibility to work with the private sector to invest in hospitality skills to enable local people to operate the industry as it evolves.
20. Possibility to develop understanding of PPT within government and the private sector, so that all see it a principle to incorporate into how daily work is done (i.e. always with a view to checking, expanding and prioritizing options for the poor) and not as a single product.

*Follow-up questions:

21. In your perception, what are the 5 main local economic sector that poor people involve directly and indirectly:
 - a. _____
 - b. _____
 - c. _____
 - d. _____
 - e. _____

22. Rate the level of importance in Fisheries and aquaculture sector, and handicrafts sector which determine criteria of setiu wetland (rank from 1-least importance to 5-very important)

Setiu Wetland Specificity	Core Criteria	Fisheries and Aquaculture					Handicraft				
		1	2	3	4	5	1	2	3	4	5
Pro-poor growth opportunity through unique / niche products or services	Presence of unique/niche products or services due to highly location specific diversity (in the form of products, culture, or knowledge)										
	Equitable participation of poor/disadvantaged groups as producers or labourers										
	Potential for pro-poor income increase										
	Potential forward/backward linkages between large and small enterprise										
Potential for Employment generation and Pro-Poor Income	Potential for enterprises (large and small) to create new employment opportunities as the value chain develops or expands.										
	High percentage of the profit margins going towards the poor.										
	Within framework of national and regional strategies (ODOI – One District One Industry)										

Setiu Wetland Specificity	Core Criteria	Fisheries and Aquaculture					Handicraft				
		1	2	3	4	5	1	2	3	4	5
Accessibility	Resource availability										
	Distance to markets										
	Efficiency of infrastructure										
	Weight/volume of products										
	Availability of communication infrastructure										
	Availability of natural resources; sustainable development										
	Transportation										
Marginality	Linked to mainstream markets										
	Number of SMEs operating in the value chain and to add value to raw materials and gain higher earnings.										
	Capacity to understand/fulfil market demands										
	Negotiation capacity										
	Ability to bear with market risks										
	Growing demand for product or service from the tourism industry.										
Diversity	Potential for economies of scope through diversified but interlinked activities										
	Potential for management systems to increase the productivity and earnings of enterprise in the value chain										

THANK YOU

LIST OF MAIN QUESTIONS FOR VALUE CHAIN ANALYSIS ACTORS

1. What is the core processes and product flows of each supply chain?
2. Who are the main actors in each supply chain? How they link with each other?
3. What are the knowledge and flows of information that important to each supply chain?
4. What are the value and quantity at different levels of the value chain from producer to end customer?
5. What are the institutional responsible in any level of the chain? What are the programmes initiatives in each sector?
6. What are the opportunities and constraints of each level of value chain?
7. What are the main issues identified in each supply chain?
8. How to overcome the above constraints and recommend for the intervention in order to increase the opportunities for every value chain?