The Concept Of Local Economic Development Based On Circular Economic Specialization And Integrated Governance

Ahmad Rifal Ari Sanjaya*
Universitas Negeri Semarang, Indonesia
*Corresponding autor, email: ahmadrifalariansanjaya062@gmail.com

ABSTRACT

INTRODUCTION

In today’s rapidly changing global landscape, economic development has become an increasingly complex and multifaceted endeavor. Traditional models of development often focus solely on economic growth without sufficient consideration for its broader social and environmental impacts. As a result, many regions around the world continue to grapple with persistent inequalities, environmental degradation, and social unrest.

In response to these challenges, there has been a growing recognition of the need for alternative approaches to economic development that prioritize sustainability, inclusivity, and resilience. One such approach that has gained traction in recent years is the concept of Local Economic Development (LED) based on Circular Economic Specialization and Integrated Governance.

Circular Economic Specialization emphasizes the importance of transitioning
from linear, "take-make-dispose" models of production and consumption to circular systems that promote resource efficiency, waste reduction, and the regeneration of natural resources. By keeping resources in use for as long as possible, extracting maximum value from them during their use, and then recovering and regenerating products and materials at the end of their service life, circular economic models offer the potential to create economic growth while minimizing negative environmental impacts.

Integrated Governance, on the other hand, recognizes the interconnectedness of various stakeholders, institutions, and decision-making processes within a given region or community. It emphasizes the need for collaborative and participatory approaches to governance that engage all relevant actors in the planning, implementation, and monitoring of development initiatives. By fostering cooperation and coordination among government agencies, businesses, civil society organizations, and local communities, integrated governance frameworks seek to maximize the effectiveness and sustainability of development efforts.

Combining these two principles—Circular Economic Specialization and Integrated Governance—offers a holistic approach to local economic development that promotes not only economic prosperity but also social equity and environmental sustainability. By harnessing the potential of circular economic models to create value from waste and by-products, while simultaneously fostering inclusive and participatory governance structures, regions can unlock new opportunities for growth, innovation, and resilience.

Building upon previous research in this field, studies such as those by Ghazinoory et al. (2017) and Murray et al. (2017) have highlighted the potential of circular economic principles in driving sustainable development at the local level. Ghazinoory et al. emphasized the importance of circular economy strategies in reducing resource scarcity and environmental degradation, while Murray et al. underscored the role of integrated governance mechanisms in facilitating collaboration and coordination among diverse stakeholders. By integrating insights from these and other studies, this paper seeks to contribute to a deeper understanding of how LED initiatives can effectively leverage circular economic principles and integrated governance frameworks to promote sustainable and inclusive economic development.

Regional development planning in Indonesia has not yet progressed ideally due to several development challenges, which hinder sustainable development and the realization of SDGs commitments. These development challenges need to be managed by realizing innovative regional development concepts so that regional development can progress integratively and sustainably, thereby stimulating development and the fulfillment of global commitments. The concept of Local Economic Development (LED) is present to address development issues, primarily in overcoming regional disparities and poverty. This concept offers region development based on circulation, integration, and sustainability. Thus, the Local Economic Development concept is expected to provide a solution to regional development issues in Indonesia, thereby stimulating development and the fulfillment of SDGs commitments.

LITERATURE REVIEW

Based on the explanation provided, it can be understood that regional development planning plays a crucial role in development, both spatially and non-spatially. Essentially, regional development planning is the process of formulating and
implementing development goals on a supra-urban scale (Friedmann & Alonso 1965). Therefore, regional development planning is essentially carried out to develop the local economy based on a region by utilizing regional resources optimally. Thus, in the spatial dimension, regional development planning functions to utilize land and resources to regulate market forces, meet public needs through infrastructure and utility regulation, and serve as a reference for the government in decision-making; while in the non-spatial dimension, regional development planning functions to realize the vision and mission of development, provide direction and strategies to achieve development goals sustainably, and establish development activity stages to enhance social welfare through optimal utilization of regional resources (KK Regional and Rural Planning 2020). Consequently, regional development needs to be strategically planned and implemented to achieve the desired development, while also realizing the SDGs goals for sustainable development.

In realizing strategic regional development planning, one aspect that can be intervened in regional development planning is by developing innovative regional development concepts. The concept of regional development itself is a combination of theories and models that evolve from an interactive process that combines the basics of theoretical understanding with practical experience for dynamic implementation (Hariyanto & Tukidi 2007). Thus, this concept of regional development can be summarized as an approach and modeling developed based on the needs of a region as a general guideline to realize the vision-mission of regional development. Historically, the concept of regional development has been proposed over time based on the phenomena of the times. According to Hariyanto & Tukidi (2007), the history of the development of the concept of regional development is divided into five periods, including: (1) The first period where Walter Isard examined regional growth based on physical, socio-economic, and cultural factors; (2) The second period where Hirschmann (1950) proposed the polarization effect theory and the trickling-down effect along with the theory of unbalanced regional growth; (3) The third period where Myrdal (1950) developed the theory of interregional relationships in the form of backwash effect and spreadwash effect; (4) The fourth period where Friedmann (1960) developed the theory of growth centers; and finally (5) The fifth period where Douglass introduced the rural-urban linkage model. However, although the development concepts proposed by these experts are still helpful in guiding some development cases in the current era, due to the continuous and highly dynamic advancement of time, there is still a need for the development of more innovative regional development concepts that can address the challenges of the present time.

RESEARCH METHODOLOGY
This was qualitative research. Qualitative research is a methodological approach used to explore and understand phenomena in depth by examining subjective experiences, meanings, and perspectives. In qualitative research, the emphasis is on understanding the context and complexities of the phenomena being studied. Researchers often engage directly with participants to gather their perspectives and insights, allowing for a nuanced understanding of the topic under
investigation. This approach is particularly useful for exploring complex social, cultural, and psychological phenomena where quantitative methods may not capture the depth of human experiences.

**FINDINGS AND DISCUSSION**

Quoting from the official UNDP website, the Sustainable Development Goals (SDGs), also known as the Sustainable Development Goals, are a consensus among world leaders of the United Nations (UN) in 2015 to call for global action to end poverty, protect the planet, and ensure peace and social well-being. The SDGs consist of 17 main goals along with 169 targets expected to be achieved by 2030. These 17 goals are interconnected, so actions in one area will affect outcomes in other areas. On the other hand, integration of actions in these areas is emphasized to achieve a balance between social, economic, and environmental sustainability. Thus, creativity, knowledge, technology, and resources need to be utilized as effectively and efficiently as possible to achieve the SDGs goals, both across all sectors and targets.

Unfortunately, the realization of SDGs targets in Indonesia itself still faces many obstacles, one of which is due to regional development planning that has not been implemented ideally. This is because there are still many issues in regional development planning, where these issues arise from the gap between planning and implementation of regional development in a region. The problems of regional development will vary, but generally, these problems arise due to untapped regional strengths, unresolved weaknesses, missed opportunities, and unanticipated threats (East Lampung District Government 2016, p. IV-1). Thus, these problems create challenges in development, from social, economic, environmental development to governance (Republic of Indonesia 2020).

The development issues include poverty, disparities and inequalities between urban and rural areas as well as regions, concentrated development in Western Indonesia, limited infrastructure and accessibility in underdeveloped areas, and suboptimal governance (Budianta 2010; Republic of Indonesia 2020). Consequently, the regional development planning overshadowed by various issues hinders development and obstructs the realization of SDGs in Indonesia, especially for SDGs Goal 8. Supporting inclusive and sustainable economic growth, full and productive employment, and decent work for all, Goal 10. Reducing inequality within a country, along with Goal 11. Building inclusive, safe, resilient, and sustainable cities and settlements. Based on the explanation, it can be understood that regional development planning plays a crucial role in development, both spatially and non-spatially. Essentially, regional development planning is the process of formulating and implementing development goals on a supra-urban scale (Friedmann & Alonso 1965). Thus, regional development planning is essentially carried out to develop the local economy based on a region by utilizing regional resources optimally. Therefore, in the spatial dimension, regional development planning functions to utilize land and resources to regulate market forces, meet public needs through infrastructure and utility regulation, and serve as a reference for the government in decision-making; while in the non-spatial dimension, regional development planning functions to realize the vision and mission
of development, provide direction and strategies to achieve development goals sustainably, and establish development activity stages to enhance social welfare through optimal utilization of regional resources (Regional and Rural Planning Board 2020). Thus, regional development needs to be strategically planned and implemented to achieve the desired development, while also realizing the SDGs goals for sustainable development. In realizing strategic regional development planning, one aspect that can be intervened in regional development planning is by developing innovative regional development concepts. The concept of regional development itself is a combination of theories and models that evolve from an interactive process that combines the basics of theoretical understanding with practical experience for dynamic implementation (Hariyanto & Tukidi 2007). Thus, this concept of regional development can be summarized as an approach and modeling developed based on the needs of a region as a general guideline to realize the vision-mission of regional development. Historically, the concept of regional development has been proposed over time based on the phenomena of the times.

According to Hariyanto & Tukidi (2007), the history of the development of the concept of regional development is divided into five periods, which include: (1) The first period where Walter Isard examined regional growth based on physical, socio-economic, and cultural factors; (2) The second period where Hirschmann (1950) proposed the polarization effect theory and the trickling-down effect along with the theory of unbalanced development where regional growth does not occur simultaneously; (3) The third period where Myrdal (195) developed the theory of interregional relationships in the form of backwash effect and spreadwash effect; (4) The fourth period where Friedmann (1960) developed the theory of growth centers; and finally (5) The fifth period where Douglass introduced the rural-urban linkage model. However, although the development concepts proposed by these experts are still helpful in guiding some development cases in the current era, due to the continuous and highly dynamic advancement of time, there is still a need for the development of more innovative regional development concepts that can address the challenges of the present time.

The concept of Local Economic Development is developed based on the regional development issues in Indonesia that hinder regional development, thus this concept is primarily designed to address regional disparities and poverty. The concept of Local Economic Development, namely the concept of circular economy and integrated governance, is a regional development concept that adheres to the values of circulation, integration, and sustainability. Therefore, it can stimulate regional development and achieve development goals and SDGs, especially for SDG Goals 8, 10, and 11. The detailed explanation of this theory is tabulated in the following table:

<table>
<thead>
<tr>
<th>Local Economic Development Theory</th>
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<td>According to Blakely (2002), the theory of Local Economic Development (LED) is used to stimulate</td>
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<td>employment opportunities by utilizing human, natural, and institutional resources in strategic</td>
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economic sectors. This theory develops and enhances the role of endogenous development elements in local socio-economic life and views their functional and spatial interconnections and integration with broader regions. Therefore, it can be concluded that LED is a form of partnership between local governments, community-based groups, and the business world to create job opportunities and stimulate economic growth using available resources (Helsming, 2003).

Based on the understanding of the regional development theories above, the model of the Local Economic Development Concept can be formulated as follows:

Based on the illustration of the model, this development concept consists of three stages. In the first stage, it is apparent that there is still a gap between development regions. Naturally, this is based on the reality of regional disparities existing in Indonesia. Using the Core-Periphery Theory as the basis for regional growth, the Core or central region represents areas or cities that are already advanced, while the periphery represents areas or villages that are still lagging behind compared to other areas. In the central region, the regional economy has developed, where various economic sectors have already grown. These economic sectors are developed based on the Smart Specialization theory to develop specialization in commodities and flagship products, and also based on the Doughnut Economy theory to guide the circulation of money flow along with goods and services, thereby creating circulation that mutually renews and restores each other. The development of these economic sectors is supported by Integrated Governance, which is the development of government governance based on LED and good governance. Meanwhile, the economy in the periphery region is still lagging behind, so there are still few growing economic sectors. Although the economic sectors are still limited, the direction of development for the economic sectors in the periphery region is similar to the central region. To assist in the development of the periphery region, using the Rural-Urban Linkage theory and the circulation relationship of the Doughnut Economy, the central region sends its available resources to several periphery regions to strengthen those periphery regions and enhance integration among them.
In the second stage, with the assistance of the central region, the previously peripheral regions eventually develop into major regions like the central region. Their regional economies have also advanced and developed, allowing them to become centers themselves. The remaining peripheral regions will be developed with the assistance of the already developed regions, as done in the first stage.

In the third stage, the peripheral regions no longer exist and have transformed into advanced regions that are interconnected and linked in circulation with each other. Thus, the previous regional disparities have disappeared, and these regions can competitively compete with each other and support each other through integrative relationships.

The details regarding the development of governance along with its economic systems are outlined in the table below:

Table 2. Development of Governance and Economic System Concepts

<table>
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<tr>
<th>Local Economic Development</th>
<th>Model</th>
<th>Description</th>
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**Development of Governance: Integrated Governance**

The concept of Integrated Governance is a governance concept developed based on LED and good governance. This concept emphasizes coordination among stakeholders with empowerment and human resource development supported by financing and innovation. The coordination among stakeholders is wrapped with mentoring, cooperation, and resources according to the principles of good governance.

Although the Local Economic Development Concept has been designed to bring about changes for the advancement of regional development, it certainly still has some weaknesses that need to be anticipated. To understand what the Local Economic Development Concept offers, its strengths and weaknesses are outlined in the table below:

<table>
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<tr>
<th>Advantages</th>
<th>Disadvantages</th>
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<td>Regional development considers environmental capacity for sustainable development</td>
<td>Regional development is carried out gradually and requires a considerable amount of time and resources, thus necessitating greater commitment and effort to achieve.</td>
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<tr>
<td>Integrated regional development where each region supports each other, thus eliminating disparities between regions</td>
<td>Regional development still needs to be modified</td>
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</table>
CONCLUSION
The concept of regional development is aimed at empowering all stakeholders, including communities, businesses, and governments, to collaborate and participate in economic and development activities. This concept is developed to address regional disparity and poverty issues in regional development, thereby removing obstacles to sustainable development and achieving SDG commitments, especially to realize SDG Goals 8, 10, and 11. The concept of regional development is directed towards empowering all stakeholders, including communities, businesses, and governments, to collaborate and participate in economic and development activities, or abbreviated as circular economy, is a concept that adheres to the values of circulation, integration, and sustainability. In this development concept, regions are developed through three stages, where briefly, regional development is carried out by developing peripheral regions or lagging areas with assistance from core regions or advanced areas through resource provision so that previously lagging regions can become advanced and developed, thus achieving integrated and competitive regions without disparities. The governance developed in this concept is Integrated Governance, which emphasizes empowerment and human resource development accompanied by integrative coordination among stakeholders. Meanwhile, the economic system developed in this concept is Circular Economy Specialization, where the development of an economy based on circulation and sustainability enables mutual renewal and restoration, while also considering the social foundation and ecological ceiling. Thus, by developing the concept of Local Economic Development, regional development issues in Indonesia can be addressed, leading towards sustainable economic development and realization.

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