

CHALLENGES OF TOURISM DEVELOPMENT

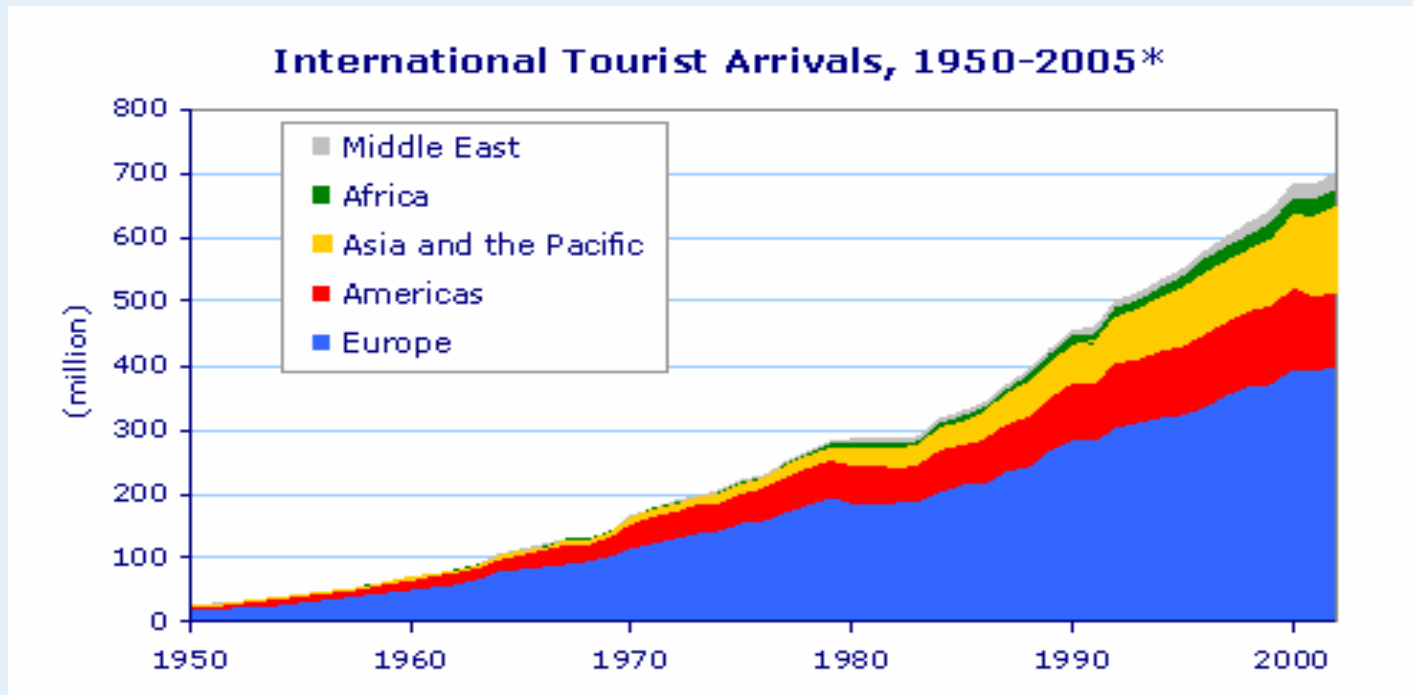
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Why bother with the tourism sector?

- Background and rationale



6.5% annual growth of the International Tourist Arrivals since 1950
...and the Tourism sector is poised for more growth: India, China
and the demographic transition in Europe and the USA

Why bother with the tourism sector?

- Background and rationale cont...

...but more importantly

Africa, Asia and the Pacific and the Middle East has increased their market shares from 3% to 29% of total international arrivals

Most countries have comparative advantage in tourism and the sector can reach remote and rural areas and help address poverty alleviation

But why the need for intervention?

Africa and the Middle East grew only by a third of the growth in Asia and the Pacific

And, more than 80% of Poverty Strategies view tourism as a central driver of economic (shared) growth

Why bother with the tourism sector?

- Background and rationale cont...

The tourism sector is driven by the private sector but needs public sector intervention...

The challenges of the tourism sector:

Competitiveness and the Business enabling environment

The Multi-sectoral in scope: transport, accommodation, food and beverages, tour operation, security, safety, health and insurance etc.

The co-ordination problems – across sectors and also across donors

Externalities from tourism activities – sustainability and shared growth

Findings and Observations from operations

- Challenges of a Tourism Planning

Project Identification

Project Preparation

Project Implementation

Project Evaluation

Project identification and preparation

Country awareness and demand

Understanding of the tourism sector in the economy

Most PRSP's identify tourism as a key economic driver

Still a limited number of agencies respond but,
a change is under way!

How to address the tourism sector?

– a business enabling environment: Competitiveness of the
tourism sector

Diagnostic tool box for assessing the business enabling
environment in the tourism sector

Dianostic tools for assessing the business environment in the tourism sector

Surveys

Benchmarking

Case studies

Situational analysis =>

Tourism Value chain analysis

Preparation: Understanding the tourism sector and identifying constraints

Survey instruments:

- Visitor Surveys (Expenditure and behavior/satisfaction)
- Market Evaluation (Surveys, interviews)
- Economic Impact survey
- Tourism Resources Survey – Uniqueness, capacities, development status and location
- Tourism firms Survey
- Stakeholder Survey and Institutional Assessment
- Framework survey (laws, regulations, incentives, investments)
- Human Resources survey
- Tourism investment climate surveys

Tourism Investment Climate Surveys

The Doing Business database: Singapore the top performer overall, The Maldives top performer paying taxes

The Investment Climate database: Bureaucracy, Finance, Informality etc.

Cross-cutting but what about sector specific issues: competition, licensing

Already the World Bank has collected IC data on the tourism sector in more than 30 countries world wide:

Operationalizing and updating these data to help design projects

Benchmarking sector specific tourism investment climate issues

Openness indicator: Benchmarking ease of visiting countries

Country	Total ranking	Process time	Visa requirements	Visa fees
Maldives	1	1	1	1
Samoa	1	1	1	1
Seychelles	1	1	1	1
Solomon Islands	1	1	1	1
Marshall Islands	5	1	1	20
Nicaragua	7	16	15	20
Vanuatu	8	22	12	19
Bahamas	9	25	22	1
Philippines	10	25	16	32

But also Taxation and transport indicators...

Attracting foreign investment

-Tourism Investment Incentives

Above all a business friendly environment eg. Maldives, Dominican Republic and Namibia

Key sectors: Transport and accommodation

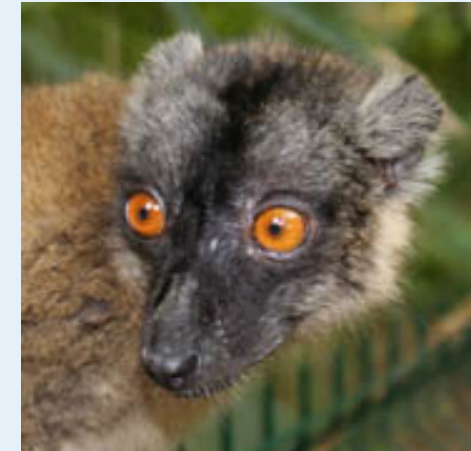
Key issues: Competition, Infrastructure and finance, land

Mauritius a combination of a fair business environment and fiscal incentives:

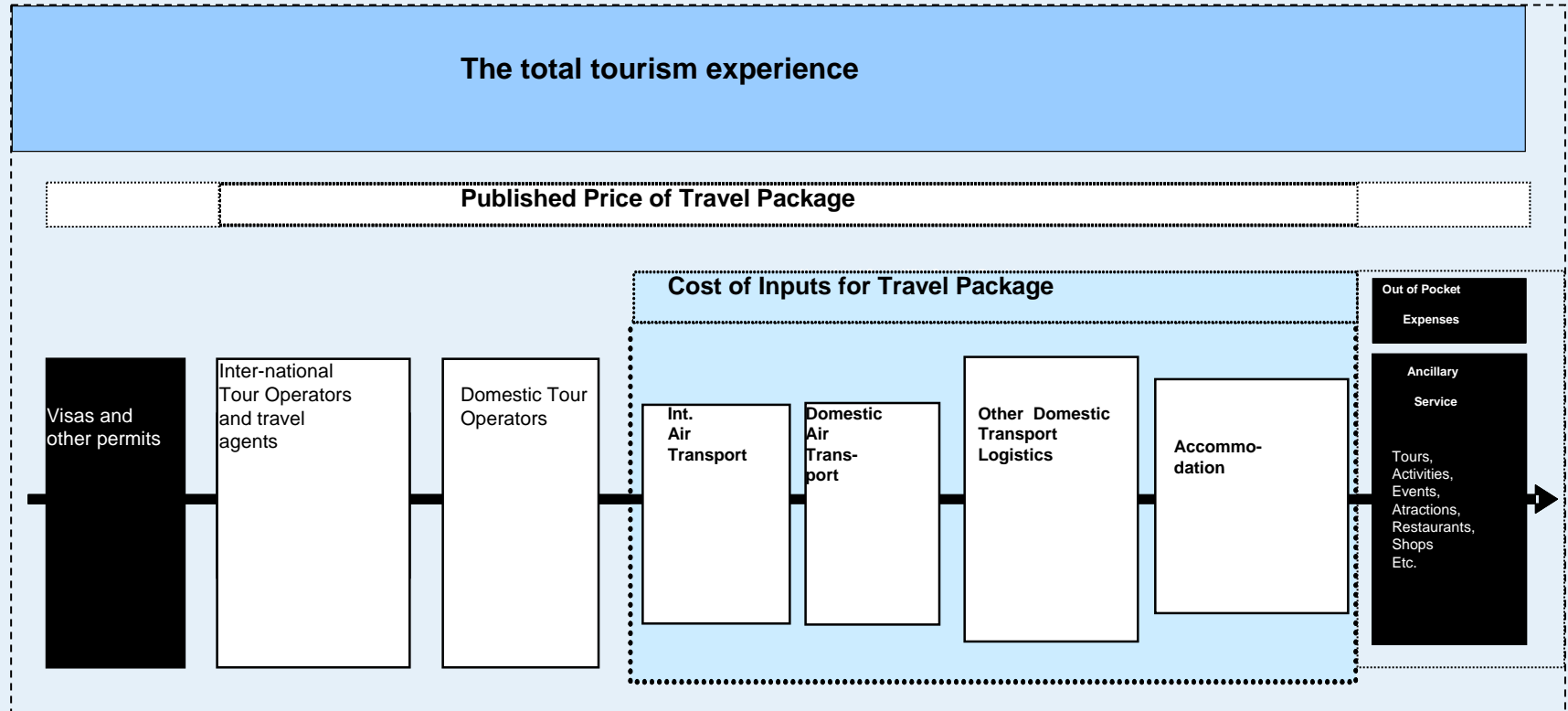
Value added tax in SSA

Madagascar	Mauritius	Seychelles	Mozambique	Tanzania	South Africa
18%	15%	7%	17%	20%	14%

In Mauritius tourism investors get :
lower corporate tax rates,
Exemption from customs and excise duties
Cheap land and reduced rates for water and electricity
Etc.



The tourism value chain - Competitiveness



The Tourism Value Chain approach

- A basis for growth and competitiveness strategies
- Microeconomic issues at sector level
- Practical tangible solutions
- Focus concrete policy dialogue

The tourism value chain helps to define overall priorities – the itinerary based approach

Applications: Mozambique, Sri Lanka, Brazil, Ethiopia, Madagascar, and Cambodia

More is coming...

Lessons from value chain studies:

In long-haul destinations air transport determines as much as 60% of total package cost

Hotels account for as much as 25% of total package costs

The amount of out-of-pocket expenses varies greatly

Lessons from Value chains studies

In emerging destinations gaps are crucial

- Gaps in the Institutional set-up: marketing
 - Tour operators
 - Local value added
- Product development

Competition policy

Small bits of infrastructure

Access to Land

Product development

Solutions – good practice

The SEZ-like environment in the Maldives

The self-dependency of the Dominican Republic

Integrated Tourism Development Plans – 11 cases

- Maldives
- Uganda
- Shandong (China)
- Mongolia
- Philippines
- Mozambique
- Greenland
- NW Russia
- Namibia
- Thailand
- Ghana

Plan Output and Framework Support

- Strategies for products including product diversification, marketing, positioning, image, HRD and training, spatial development, facilities and services.
- Investments, foreign currency earnings, employment, community involvement
- Financial consequences on different levels and stakeholders
- Licencing, institutional development, partnerships, investment incentives, building laws, accommodation facilities rating

Plan Implementation

- Detailed Plans for tourism areas
- Financial sources for implementation
- Action Program by year – who should do what and who will finance

Namibia made 5 working committees:

Accommodation, registration, classification and grading,

Legislation on nature conservancy

Financial Incentives,

Spatial development,

Creation of Namibia Wildlife Resorts,

Creation of Namibia Tourism Board,

Overall Key Issues

- Partnership and involvement of stakeholders on different levels
- Private-public sector partnership
- Government Commitment on the political level – support development finance – interministerial coordination
- Private sector business environment incl. Seasonality and income sources
- Sustainability and protection of resources (natural and cultural)
- Socio-economic considerations

Good Practice Cases

- Maldives
- Namibia

WHY:

- The private sector/investors
- Government commitment and guidance
- The product
- The market

The Maldives

	1974	1980	2000	2004
Number of tourists	8,000	35,000	461,000	617,000

The tourism sector is now a major driver of the Maldives economy with a direct contribution of 33% to the GDP excluding sectors linked to tourism

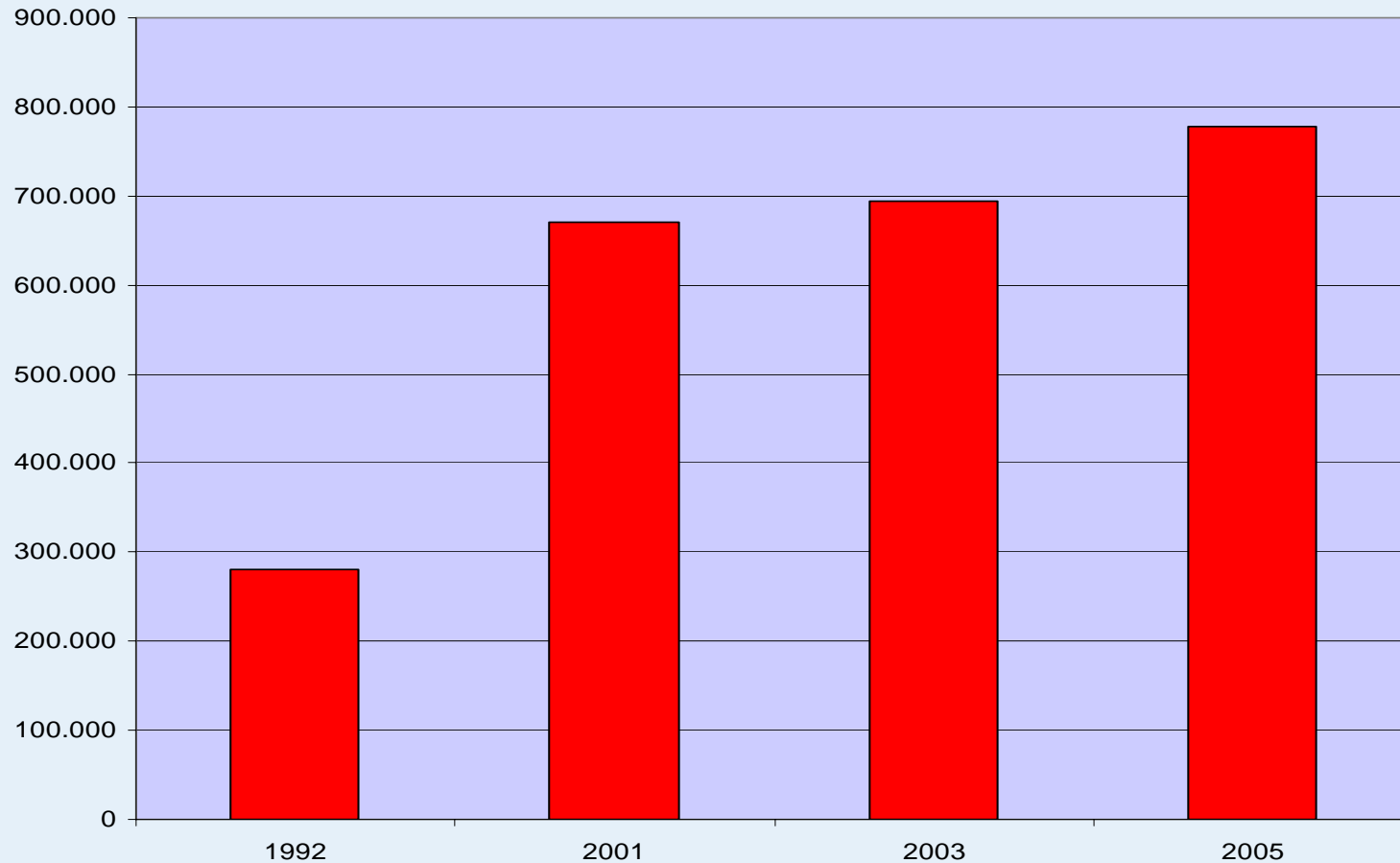
The tourism sector contributes to more than 44% of total taxes

More than 14,000 people directly employed in the resorts

The tourism sector contributes with 80% of foreign exchange earnings

Namibia

International Tourism arrivals in Namibia 1992-2005



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Problem Cases

- Ghana
- Mongolia
- Thailand
- Caspian Sea (Iran)

WHY:

- Projects premature
- Lack of enforcement
- Lack of political backing
- Financial resources

Difficult Projects

- Greenland
- Shandong
- NW Russia
- Uganda

WHY:

- Seasonality
- Demand/Economic activities
- Commitment – private/public sector partnership
- Security
- Protection of the resource base
- Finance

Timing

- Timing of infrastructure with investments and with marketing and promotion is crucial
- To make a national integrated master plan takes 8-12 months
- Community involvement takes 3 to 5 years (depending upon the project)

SUSTAINABLE TOURISM DEVELOPMENT - - 14 cases

- Kenya Wildlife Service (KWS)
- Namibia Conservancies and Community Involvement
- Dashilan Cultural Heritage and Restoration
- Tunxi Old Street, Huangshan, Anhui, China
- Zambia Wildlife Authority (ZWA)
- Wuzhen Water Town (close to Shanghai)
- Lake Hovsgul in Mongolia
- 7 Different Pilot Projects in the South Pacific (Fiji, Tonga, W.Samoa, Papua New Guinea, Solomon Islands, Vanuatu and Kiribati).

Dashilan



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Tunxi Old Road



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Issues of Regional Tourism Development

- South Pacific (TCSP – SPTO)
- SADC countries – RETOSA
- East Africa

Other Major Projects

- Proinvest Tourism Partnership Conference in the South Pacific February 2005
- Tourism Development of the South Pacific
- Tourism Best Cities in China programme
- Development of Tourism in NW Russia
- FEMIP Tourism Development

Conclusions and Findings

- The Participative Process
- Institutional framework
- Uniqueness
- Use of planning tools and instruments
- Political support
- The entrepreneurship of the private sector
- The Planning Process – Top down or bottom up