

Promotion
of
Investment
in Tourism Infrastructure



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Economic and Social Commission for Asia and the Pacific

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INTRODUCTION

This study is designed to identify some of the major issues related to investment in tourism infrastructure and the expansion of the economic benefits of tourism. While there is no argument about the importance of investing in infrastructure in order to expand tourism activities, there are many different perspectives on how this can best be accomplished. Certainly, establishing the role of public and private sector interests is the key to understanding how infrastructure can be put into place in order to ensure sustainable tourism development at all levels of a society. There is no doubt that eradicating poverty and increasing the quality of life must be seen as important objectives in any development of tourism infrastructure. While the number of international tourist arrivals continues to grow at a significant rate, and as the amount of money being spent increases, there is still concern that the benefits of tourism do not always go to the regions and communities that most need economic development.

Developing countries in particular need to understand the role of investment in tourism infrastructure and how they might ensure that national policies can support sustainable development of tourism infrastructure. Often, this requires the removal of institutional and financial obstacles that make such investment difficult and, at times, counterproductive.

The study is divided into several chapters, providing country-specific information as well as more general information on tourism infrastructure.

Chapter I provides a general introduction to tourism and economic development and therefore provides a conceptual setting for the rest of the study. Chapter II looks at various aspects of tourism infrastructure and investment plus the financing mechanisms that are available to most member economies. Chapter III presents a number of measures that can create a favorable atmosphere for investment in tourism infrastructure. The measures are based on the study as well as the proceedings of the Seminar on Expanding the Economic Benefits of Tourism through Promotion of Investment in Tourism Infrastructure, held in Seoul from 16 to 18 May 2000. Chapter IV provides the conclusion from the study. A synopsis of the country reports presented by the member countries that participated in the seminar is given in the annex. The synopsis provides an insight into the current situation in each country, while also reviewing the present investment situation in tourism infrastructure, and identifying the issues and impediments related to investment in those countries.

I. TOURISM AND ECONOMIC DEVELOPMENT

This chapter seeks to introduce some of the important concepts and concerns associated with expanding the economic benefits of tourism through investment in infrastructure. It is adapted from previous work by the author and colleagues, and was presented in part in a World Tourism Organization publication.¹

There is growing recognition that innovative approaches must be adopted in order to maintain the economic health of many countries, communities and regions. While conditions vary from region to region, tourism has been seen as an important form of economic development. It has also been promoted as a somewhat benign agent of economic and social change, a promulgator of peace through interaction and dialogue, and a service-based industry capable of creating employment and income. The perception that tourism has only positive economic benefits has lessened in recent years, due to the growing awareness and knowledge of the more intangible and indirect economic costs of tourism.

While it can be argued that tourism does offer an important alternative form of economic activity, it must be seen as only one component of a larger series of development initiatives within any economic system. That is not to say that tourism in selected circumstances cannot be the major source of income and jobs in a community or region, but rather that the impact and role of tourism will vary from region to region. Experience has shown that tourism may take many forms and meet a number of tourist motivations. Experience has also shown that destinations can rise and fall in popularity, driven by various factors in the destination's internal and external environment (e.g., political unrest, natural catastrophes and demand or supply-side problems). A destination that is entirely dependent on tourism is much more vulnerable to these shifts than an economy that is well diversified and has tourism as just one of its industries.

¹ Walter Jamieson and Tazim Jamal, 1997, "Contributions of tourism to economic development" in Chuck Gee and Eduardo Fayos-Sola, eds., *International Tourism: a Global Perspective*, Madrid, World Tourism Organization.

A. Economic effects of tourism

The ability of a tourism destination to attract tourism revenues and investment in infrastructure is influenced by a complex number of characteristics, such as:

- (a) Political constraints and incentives (attractiveness of the taxation policies regarding local and foreign investment and imports);
- (b) The resources and conveniences offered (attractions, transportation, access, hospitality, medical and other services, pricing etc.);
- (c) Market characteristics (visitor tastes and preferences, disposable income, propensity to travel, proximity to destination etc.);
- (d) Political stability;
- (e) The ability of the destination to market and promote itself effectively.

The primary and secondary effects of tourism expenditures are discussed later in this chapter. In its simplest form, the economic impact of tourism can be measured as the difference in economic well-being between the income levels that would have existed without tourism activity and the income levels after tourism activity. There are a number of potential tangible and less tangible economic benefits and costs; these are summarized below.

The potential economic benefits of tourism development include:

- (a) Increased resources for the protection and conservation of natural and cultural heritage resources;
- (b) Increased income and improved standard of living from tourist expenditures;
- (c) Increased induced income from tourism expenditures;
- (d) New employment opportunities;
- (e) Increased community visibility leading to other economic development opportunities;
- (f) New induced employment opportunities;
- (g) Increased tax base;
- (h) Improved infrastructure and facilities;
- (i) Development of local handicrafts.

The potential costs include:

- (a) Seasonal employment;
- (b) Low status/paying jobs;
- (c) Inflation;
- (d) Increased costs (land, housing, food and services);
- (e) Pollution;
- (f) Increased traffic/congestion;
- (g) Negative impacts on cultural and natural heritage resources (which could affect tourism revenue over time);
- (h) Increased crime;
- (i) Increased taxes;
- (j) Leakage of revenues and external domination;
- (k) Over-dependence on tourism as a prime economic activity.

In addition to the economic costs discussed above, there are other costs that may have an indirect or long-term impact on the economic contributions of tourism. For example, land values may change as high-priced projects replace traditional and less profitable land uses. If agricultural landowners choose to sell or develop their land for tourism purposes, the tourism economy may have to rely on some food imports to feed the tourists and locals. The loss of traditional land values can also have an impact on the local heritage and sense of place. Moreover, conflict may arise between those landowners who do not wish to see the loss of the historic character of their community and area, and pro-tourism proponents. Residents and speculators who suffer or benefit from rising land prices might join in the fray. Such conflict could escalate as tourism pressures increase, and the resulting scars on the community might take a long time to heal. This short example helps to illustrate that understanding and measuring economic impacts is more complex than simply measuring direct impacts.

It is also important to view economic impacts from a long-term perspective. Environmental degradation and pollution will result in short-term environmental costs and associated economic costs incurred in repairing the damage caused by the pollution. There could also be considerable long-term economic costs to the local, regional, and national economies if the destination is no longer desirable due to the effects of degradation and pollution.

B. Measuring economic impacts of tourism

A major objective of any tourism planning and development process should be to minimize negative impacts and ensure that the benefits are realized in an equitable manner. While there are significant problems on the road to achieving this objective, there is growing recognition that sustainable tourism approaches will help in reaching this goal. There are a number of methods for measuring the economic impacts of tourism activity, some of which are discussed below.

Measuring the economic impact and employment creation activities of tourism should be carried out in an integrated fashion, taking into account direct and indirect job creation as well as the economic well being of the community (taxes, infrastructure development, and provisions, resources for education, etc.). While employment creation is seen as an important objective, concern for the overall local economy must also be a major consideration. As has been discussed, this implies that jobs and economic benefits may be realized from a number of sources other than tourism. It may also imply that jobs are created as the result of private sector entrepreneurial activity as well as community initiative (i.e., cooperatives, development corporations, training opportunities as well as local support for tourism initiatives through the provision of infrastructure).

C. Supply-demand and price elasticities

The economic contribution of tourism activity to a community or region is influenced by a diverse number of factors within and outside the destination. Given that diversity, it is difficult to calculate impacts due to the wide range of effects associated with tourism economic activities, the diverse number of participants involved in those activities, and the complex interrelationships between various sectors.

Tourism economic activity is often explained using the concept of supply and demand. A number of variables influence the demand and supply of a tourism product or service. For example, if the price of a hotel room increases, demand may decrease, as visitors seek other locations or accommodation sources, and the supply of available hotel rooms therefore increases. The supply-demand relationship of tourism goods and services can be influenced by factors such as the price elasticity of demand for tourism. When demand is price elastic, a lower price could generate a higher demand and hence higher revenues. Similarly, if demand is price inelastic, a lower price could result in lower overall revenues. Knowing the price elasticity of demand can aid tourism service providers in designing

their product mix. However, a number of factors affect price elasticity, making it difficult to calculate.²

D. Direct and indirect effects of tourism earnings

The economic benefits of travel and tourism can be derived directly or indirectly. The primary effect is direct benefits that result from direct tourist expenditures for goods and services in the destination. These are realized through business receipts, income, employment and government receipts from the sectors that directly receive the tourism expenditure.

Indirect benefits are generated by the circulation of tourism expenditures in the destination country through domestic inter-business transactions. For example, indirect benefits can be generated from the investment and spending by the businesses that benefit directly from tourism expenditures. The direct business receipts, when re-funneled as investments or used to purchase other goods and services from domestic suppliers (who, in turn, purchase goods and services from other domestic suppliers), stimulate income and employment in other sectors.

In addition, tourism spending within the destination area can create induced benefits. As income levels rise due to the direct and indirect effects of change in the level of tourism expenditure, some of the additional personal income (related to the change in tourism expenditures) is spent within the destination. This results in induced benefits, such as local income and jobs in the local goods and service sector. Hence, the spending by tourists at the destination can create direct benefits in tourism-related services and sectors such as accommodation, hospitality, attractions, events and transportation. This spending can also create a significant amount of indirect and induced benefits in other sectors such as agriculture, construction and manufacturing. Indirect and induced benefits are also referred to as the secondary effect.

E. Multiplier model of tourism revenue turnover

Multipliers measure the effect of expenditures introduced into an economy. Tourism multipliers are used to determine changes in output, income, employment, business and government receipts, and balance of payments due to a change in the level of tourism expenditures in an area.

² A good discussion of the subject is provided by Donald E. Lundberg, M. Krishnamoorthy and Mink H. Stavenga, 1995, in *Tourism Economics*, New York, John Wiley and Sons.

For example, if tourism expenditures increase by 15 per cent due to attendance at a special event in the destination, some of this added revenue (first round of expenditures) may be used by the event to purchase food and other goods from the local economy, as well as on payment of wages, salaries, government taxes etc., (second round of expenditures). The suppliers to the event may then spend the money received from the event on other goods, services, taxes etc., thus generating yet another round of expenditures. Employees from the events and local suppliers to the events may use the additional personal income, derived from the direct and indirect effects of the increase in tourism expenditures, to consume local goods and services.

Some of the added revenues from the increase in tourism expenditures may, however, undergo leakage. For example, revenues may leak out of the local economy in the form of payment for imports or monies saved (without reinvestment). Import payments can take several forms, such as repatriation of profits to foreign corporations and salaries to non-local managers, as well as payment for imported goods and promotion and advertising by companies based outside the destination. Tourism-related commodities and services could be purchased from within the destination, thereby reducing leakages through the creation of economic interrelationships among the goods and service providers in the destination.

The net effect of the successive rounds of spending of added tourism expenditure is the multiplier effect. In essence, tourism multipliers attempt to describe the relationship between direct tourism expenditure in the economy and the secondary effect of that expenditure upon the economy. Some of the factors that affect the multiplier are the size of the local economy, the propensity of tourists and residents to buy imported goods or services, as well as the propensity of residents to save rather than spend (where saving reflects money kept out of circulation, i.e., not reinvested). In mathematical terms, the multiplier can be shown as:

$$\text{Multiplier} = 1/(1 - C + M)$$

where C = marginal propensity to consume (i.e., the proportion of any increase in income spent on consumption of goods and services), and

where M = marginal propensity to imports (i.e., the proportion of any increase in income spent on imported goods and services).

Some common multipliers are:

- (a) The income multiplier, which measures the extra domestic income (primary and secondary) generated by an extra unit of tourism expenditure;
- (b) The employment multiplier, which measures the increased number of primary and secondary jobs created by an extra unit of tourism expenditure;
- (c) The government multiplier, which measures the extra government revenue created by an extra unit of tourism expenditure.

Multipliers can be calculated for a country, region or community. However, the information provided by tourism multipliers has to be very carefully evaluated. Factors such as the size of the destination can significantly affect the multiplier. A smaller economy may have a much smaller multiplier than a larger one since more goods and services might be imported to meet the tourists' needs, resulting in a greater leakage of revenues out of the destination. Hence, multipliers may vary greatly among communities within a country or region. Furthermore, since tourism multipliers can be calculated in a number of different ways, care must be taken when comparing the multipliers of different countries. Multipliers should be examined together with other measurements and indicators in order to determine the positive and negative economic impacts of tourism on the community.

F. Input-output analysis

Studies of the economic impacts of tourism generally include input-output analysis. This kind of analysis helps to demonstrate how economic sectors are related, the number of linkages and the effect of these linkages. This form of analysis is, therefore, a means of analyzing inter-industry relationships in the flow of goods and services in an area's economy, through the chain of producers, suppliers and intermediaries to the final buyer.

Input-output analysis commences with the development of a table that illustrates, in matrix form, how transactions flow through the economy over a given time period. The rows of the matrix show the sales of the total output by each sector to every other sector. The columns demonstrate the inputs required by every sector from the other sectors. When assessing tourism accommodation, the rows in the table would demonstrate the output, i.e., the revenues generated by each industry from the sale of products or services, including accommodation, meals, tour guides and related services

such as laundry, medical services etc. The columns would allow us to see the inputs (goods, services, labour and capital) that go into the output of the accommodation sector, including food, utilities, paper products, advertising and promotion services, wage and salary levels etc.

Using a combination of matrix manipulations, multipliers can be calculated to provide an assessment of the effects of different sectors on each other. While input-output tables are helpful in understanding the linkages of the sectors in the economy, it must be remembered that the information obtained provides a snapshot of inter-industry economic actions at only one point in time.

G. Tourism Satellite Accounts

Satellite accounts provide comprehensive information on a field of economic activity, and are generally tied to the economic accounts of a nation or region. The Tourism Satellite Account is a relatively new phenomenon. For example, the British Columbia Ministry of Development, Trade and Tourism (in the province of British Columbia, Canada), has developed a Tourism Satellite Account as a separate input-output model designed to display tourism's contributions to the province related to the overall input-output model of the province.

A Tourism Satellite Account has also been developed by Statistics Canada in order to assess the significance of tourism to Canada (e.g., its size, structure and economic importance). The account uses concise definitions of tourism and attempts to provide a clear and real measure of tourism-related economic activity. Both direct and indirect tourism activities are accounted for in areas such as, but not limited to, demand, supply, employment, taxes etc. Such a tool is crucial in determining the complex spending patterns of visitors as well as the goods and services that cater to their needs. Some of the advantages of the Tourism Satellite Accounts can be summarized as follows:

- (a) They help governments and businesses determine the value of tourism to the economy, and thereby develop strategies for ensuring competitive advantage;
- (b) They identify the amount of benefit enjoyed by various sectors, and the employment, income, taxes and other benefits that flow from those sectors;
- (c) They provide a comprehensive picture of the size and scale of tourism in a country, and can help to gather support for ensuring adherence to the principles of sustainable tourism development.

H. Cost-benefit evaluation

By applying a number of economic tools and methods, destinations are able to obtain a large array of economic information on tourism; this information can then be used to make decisions. In assessing this information, analysts, planners, and managers have to determine not just whether jobs and wealth are created, but also how the benefits are distributed, what costs result from the development process, and whether the benefits of tourism outweigh the economic, social and cultural costs. It is clear that economic analysis needs to be integrated with other data (environmental, social, cultural etc.) in order to provide a reasonable indication of whether tourism is a good strategy for the destination.

Cost-benefit analysis is an important activity to perform, but is also difficult to carry out, since a number of the costs are very difficult to quantify. How does one measure the “sense of place” or “spiritual happiness” of a population? How does one quantify the loss value of habitat fragmentation to ecological integrity? While strides are being taken to develop full-cost, environmentally-based accounting, some measures may need to remain qualitative rather than quantitative.

Full-scale cost-benefit analysis, while recommended, can therefore be time consuming, expensive and difficult to conduct. Another challenge of cost-benefit analysis lies in identifying who benefits from, and who pays the costs of, tourism. Smaller cost-benefit analyses can be conducted on specific issues to provide information related to tourism.

I. Obstacles to creating economic development from tourism

There are a number of obstacles to creating economic development through tourism. These obstacles are discussed below.

1. Market obstacles

The potential for a region or municipality to attract tourists on a long-term basis is a key factor. Tourism activities, to a very large degree, are dictated by what is considered “popular” at a given point in time. In addition, the ability and interest of tourists to travel and how far they are willing to travel is dependent on a variety of factors, such as income levels, cost of fuel, job security, physical condition and mobility, and travel motivations.

The ability of a destination to conduct a reliable market survey, identify a positioning strategy and promote itself is essential. However, this requires skill and knowledge that is often lacking in many areas. In addition, cooperation in the marketing effort is important but difficult to achieve in many urban and rural settings.

2. Community obstacles

Negative perceptions of tourism are often found at the local level. Tourism activities are not generally viewed as “viable” or “appropriate” business ventures. Generally, tourism is viewed as a short-term activity until more appealing and profitable employment can be found, since many tourism positions pay low wages and are seen as low-status occupations. These perceptions act as a deterrent to local people participating in tourism-related employment.

3. Lack of Infrastructure

As is discussed later in this study there are a number of infrastructure elements that are crucial to the success of tourism at all levels of a country or region. As tourism tastes change and become more sophisticated, and as the competitive environment further develops, countries and destinations will require adequate infrastructure to meet market demands as well as environmental regulations.

4. Environmental obstacles

The emphasis in most tourism activities tends to be on attracting larger numbers of tourists to a region or site, posing problems for environmentally sensitive areas. It is clear that some environments may have to generate high-yielding tourist activities to generate sufficient income while protecting social and natural environments. This is difficult to accomplish in the highly competitive tourism market.

5. Lack of integration

There is limited integration and cooperation between many tourism businesses given that, for the most part, the local tourism industry tends to be fragmented or lacking in tourism expertise.

6. Institutional obstacles

There is very little coordinated governmental support and promotion for tourism development and initiatives. In addition, governmental activities

are often poorly structured to help plan and manage tourism. In other instances, political and other ideologies make tourism planning and management difficult to implement.

7. Employment and training obstacles

There is a serious lack of training and education opportunities in tourism planning and management. The training that is available is often very narrow in focus, and does not address the broader context of tourism and the range of potential opportunities. The scarcity of employment equity and opportunities for women is a serious obstacle in ensuring an equitable distribution of the benefits of tourism activity. In addition, access to education and training is limited for a number of disadvantaged groups.

It is clear from this discussion that there are a number of factors and obstacles that need to be considered in the expansion of tourism. It is essential that an integrated approach be taken. The role of infrastructure in that particular process will be explored in the remaining portion of this study.

II. DEVELOPMENT OF TOURISM INFRASTRUCTURE

A. Public-related tourism infrastructure

The operation of tourism facilities, services and amenities are often dependent on a number of travel infrastructure networks. These networks may include transportation, water supply, energy/power, waste disposal and telecommunications. There is some ambivalence towards the view that all the infrastructure networks must be in place before tourism activity can take place. The reason is that in some developing countries, resort developments appear to function adequately and to the satisfaction of their clients without full infrastructure systems being in place. In the case of some forms of tourism development, the lack of a complete network of modern highways may be advantageous in that the absence of the network acts as a deterrent to the penetration of mass tourism to environmentally sensitive areas.

For some isolated tourism development, such as independent and sometimes remote integrated resorts, all the basic operating infrastructure systems are incorporated in the overall design, while in regard to infrastructure the resort may be self-sufficient without needing any connection to any more general urban or regional systems. The problem with the independent resort unit may be that it solves satisfactorily all its infrastructure needs within its own territory, but by doing so, may “export” some of the water supply and waste disposal problems to other areas.

The most usual case in tourism development is for infrastructure development to precede the completion of the tourism facilities. This may mean that the installation of the infrastructure becomes a public sector responsibility, with some escalation of the cost for development as a contribution to the overall costs of tourism development. A rationale for the infrastructure services being a public sector responsibility includes consideration of the following factors:

- (a) The network of services is most likely available to both tourists and residents of the area;
- (b) Achievement of consistency in standards is desirable;
- (c) The construction of an integrated system may facilitate non-tourism development within the region;

- (d) The network will facilitate development that contributes to the economic welfare of the resort or region;
- (e) The network will need to be maintained by public agencies to ensure that prescribed standards are met.

1. Transportation

Easy access to tourism destinations in terms of international transport and facilities for easy movement within the destinations are generally considered to be prerequisites for the development of tourism. In addition, these two elements are best considered as complementary and a part of a comprehensive communications system.

One of the forces that may impede the cohesiveness and comprehensiveness of a communications strategy is the fragmentation of responsibility for the various modes of transportation and the different route systems and networks.

For planning and management purposes, transportation infrastructure in the Asia-Pacific region can be seen as comprising:

- (a) International air services and international airports;
- (b) Domestic air services;
- (c) Land transport systems and routes;
- (d) Water transport.

(a) International air services

One of the controlling factors of the nature and magnitude of the international visitor market is the availability of international air access. The significant determinants of international visitor numbers using international air services include flight schedules and frequency, seat capacity of aircraft on the routes, proportion of seat capacity dedicated to intermediate points, flight routes and linkages (through hubs), journey times, fares, flight origins (and onward destinations) and choice of airline.

Some of these determinants are themselves affected by such factors as the operating characteristics of the international terminal, including:

- (a) Operational time-frame (hours per day);
- (b) Operational category;

- (c) Operational characteristics including the navigation system, runway, apron (standing area for aircraft) and handling capacity, passenger terminal capacity, cargo handling capacity, fuel storage and car parking;
- (d) Facilitation processes (immigration, customs and quarantine);
- (e) Special facilities (administration, emergency services and VIP lounge).

A satisfactory performance level of all these factors will only partially determine the success of tourism activity; services and facilities that are described in the following sections must match the passenger level.

(b) Domestic air services

Some countries have a poorly developed and serviced internal or domestic air network, whereas others have a reasonable network of airports. It is clear that if the full economic benefits of tourism are to be realized, then a viable network of airports is necessary to accommodate growth and distribute tourism activity. The private sector must be encouraged to set up safe and reliable services to outer regions.

(c) Land transport systems and routes

It is necessary to develop an efficient land transport system to complement a land-use strategy, in order that:

- (a) Major circulation systems can be identified, planned and provided with an adequate budget;
- (b) Major centres and points of tourism can be linked;
- (c) Road systems can be placed into appropriate hierarchical categories;
- (d) Routes can be used to open up new areas and properly service emerging tourism resorts, while also providing access to natural tourism attractions and circuits for tours.

It is not necessary to achieve a comprehensive road network to service tourism; in fact, some routes may be left undeveloped to restrict and limit visitor access.

In a comprehensive land transport system, assessments need to be made of the availability to tourists of adequate private vehicles, buses, taxis, private rental vehicles, and any indigenous “means of transport”. These are

matters best left to private enterprise and market forces, with licensing controls by the government.

(d) Water transport

From the point of view of tourism development, water-based transport is an important item. It can be used to provide access to areas with no road connections, restrict development at other destinations and, in some instances, provide a unique and indigenous tourism experience. In the development of the water transport component of the transport strategy, due recognition should be given to the different types of vessels and their distinct purposes, which include:

- (a) Inter-transport (for residents, business people, government officials, and tourists);
- (b) Circuit transport (primarily by tourists), and access vessels to transport tourists from the “mainland” to offshore resorts;
- (c) Day-trip, sightseeing and excursion boats;
- (d) Short-duration cruise transport;
- (e) Specialized boats for diving, snorkelling, offshore marine pursuits, sport fishing, lagoon cruising and underwater viewing.

The nature of water-based transport is such that a specialized government agency should be responsible for licensing operators.

2. Water supply systems

One of the most important requirements for the development of tourism facilities is an adequate and continuous supply of safe water for drinking purposes as well as domestic and recreational use. In some developing countries, the responsibility for the supply and treatment of water lies with the tourism development project; in other cases it is a responsibility that is accepted by the government in the interests of both the visiting and residential communities.

For some countries, there is an uneven quality and quantity of water in the major townships, smaller townships and rural areas. The upgrading of the various aspects of the water systems then becomes a responsibility of the tourism developer, and there may be a benefit to the adjoining local community.

Water needs are diverse and are increasing. Supply requirements for tourism developments include water for:

- (a) Domestic purposes;
- (b) Hotels and restaurants;
- (c) Laundries;
- (d) Swimming pools and other recreational uses (such as irrigating golf courses);
- (e) Street cleaning;
- (f) Irrigation;
- (g) Fire-fighting.

There are basic quantitative measurements that, while useful, do not take into account the special demands generated by particular factors. These factors can include such aspects as:

- (a) Climatic conditions;
- (b) The tendency towards extravagance in water use by holiday-makers;
- (c) Increased levels of water use in food and drink preparation in remote locations;
- (d) The tendency for corporate and government agencies to be more lavish in their use of water in the maintenance of sites in areas that experience high levels of tourist visitation.

Assessment of the capacity of systems is sometimes frustrated by acts of vandalism, leakage and breakdown of inefficient systems leading to reduction in water pressure, and failures.

Storage systems are needed to ensure adequate supply and constant pressure, in order to provide a reserve against interruptions of flow and for emergency and fire-fighting requirements. The location and siting of reservoirs are critical and must be incorporated into the integrated infrastructure plan.

Distribution systems will be determined by the factors of source and storage. In developed areas with major townships, the water distribution system may be a public responsibility, so that a reticulated system linking many of the developed sectors of the urban areas is in place or is being constructed. For other situations, a direct flow system from storage to usage

points such as resorts or hotels may be the only feasible option. In some countries, especially those with visitors, or dispersed townships or communities, it may be necessary for each major resort and tourism facility to make provision for its own water supply, treatment, storage and distribution. For some resorts, desalination plants may offer the only realistic source of usable water.

3. Energy and power

Power demand reflects the expectations of international visitors who want the standard of services to which they are accustomed. Important considerations are the adequacy of supply to meet peak-load requirements, certainty of service, and compatible power supply types (especially with regard to voltage).

If each major resort and hotel is not required to be responsible for its own power supply, then the public system needs to be designed so as to meet the demands of tourism development created by such requirements as:

- (a) Air-conditioning;
- (b) Swimming pools, spas and other water circulation systems;
- (c) Cooking and food preparation, dishwashing, laundry, dry-cleaning, lighting, entertainment including videos, television, radio, night clubs and discos, and basic hotel servicing, cleaning, and elevators;
- (d) Residents' needs.

The generating capacity of many countries may often be at a crucial threshold, because available supply creates its own increasing demand. In some countries and regions, it may be necessary for each of the major tourism developments to incorporate their own generating facilities to cover the circumstances of local power generating or supply failure. In many cases, the existing power systems are operating close to maximum load conditions, so that major power users such as hotels and integrated resorts need emergency generating capacity. There needs to be a requirement that all new major developments should proceed only after consultation with any national or regional electricity or power generating authority, to ensure that demands for supply are within the capacity of the existing system, or that suitable alternative plans can be prepared.

Power distribution systems take one of two forms: underground systems or above ground systems. There are significant aesthetic,

operational, maintenance and cost differentials between the systems, which need to feature in the preparation of any integrated power distribution plan. In sensitive environmental areas and prestigious tourism districts, it may be that the adoption of underground distribution systems is determined according to aesthetic, rather than cost and operational factors. There must be stringent safety codes related to power generation and power distribution.

4. Waste disposal systems

The disposal of various types of waste is a matter of critical concern, given that the adequacy of the methods chosen for the disposal of liquid waste (sewage) and solid waste will play a significant role in the protection of the health of tourists and the resident community. The adequacy of the method will influence the condition of the environment in general, and of reefs, lagoons, beaches, streams, lakes and groundwater in particular.

Tourism destinations retain attractiveness if, among other things, the environment is clean, pleasant and pollution-free. If the methods of waste disposal prove to be inadequate, then the environment will deteriorate as the result of pollution; the outcome could well be a reduction in tourist visitation levels, with resultant reduced economic benefits. In addition, environmental degradation will be unacceptable to local communities.

The principal objectives of all waste disposal systems should be the complete elimination of health risks and environmental damage. This issue should be considered at two levels:

- (a) The policy level, where the principal consideration is to achieve the highest level of effective waste disposal and the lowest level of environmental degradation;
- (b) The technical level, where the choice and design of the most effective system should be in the hands of planners, architects and engineers, working within the framework of environmental impact assessment procedures.

5. Post and telecommunication services

The accessibility of post and telecommunication services is crucial, especially in view of the size of the Asian and Pacific region. The ease and reliability of communications is especially critical for the business traveller.

The infrastructure system of post and telecommunication services includes postal services, telephones, telexes, facsimile and other electronic

machines, and radio and television relay. In addition to the public networks for such services, some large resorts may operate internal systems of their own. Infrastructure plans for this group of services need to identify transmission route exchanges and relay stations, antenna systems and relays. This is an area of infrastructure that is susceptible to rapid technological changes, with progress into the realm of advanced technology requiring new skills in management and operation.

6. Pollution control mechanisms

It is becoming recognized that the need to achieve and maintain a clean environment is imperative. In general, the degree of environmental cleanliness, the extent to which the environment (especially water and air) is pollution-free, and the degree to which the aesthetic environment is pleasant will influence the tourism attractiveness of a destination. If adequate facilities and infrastructure are not provided to cope with solid and liquid waste products, and if there are inadequate mechanisms of control, then it is likely that the pre-visit expectations of the international visitors will not be met. Consequently, the tourist potential and expected economic benefits will be reduced. Thus, not only will environmental pollution have reduced economic benefit for tourism (through the loss of attractiveness and reduced visitor numbers) but the quality of the environment will also have declined for all users, including the local communities.

To be effective, pollution control mechanisms need the support of a structure that includes:

- (a) Appropriate legislation, supported by laws, ordinances and regulations;
- (b) An agency, or group of agencies, charged with the statutory authority to provide leadership in order to monitor practices and enforce the regulations;
- (c) A set of performance standards;
- (d) An organized system of surveillance, probably public-sector managed;
- (e) A set of penalties for violations and poor performance.

B. Facilities and services infrastructure

In addition to the provision of public infrastructure as described above, the success of any tourism destination is dependent to a large degree on the

nature of the facilities and services infrastructure that are available to the tourist. It is convenient to examine these aspects in three groups:

- (a) Primary tourist facilities and services (accommodation/hotels, restaurants, and travel and tour services);
- (b) Secondary tourist facilities and services (shopping, recreation, entertainment and visitor information services);
- (c) Tertiary tourist facilities and services (health services and care, emergency and safety services, financial services and personal services).

The underlying attitude of the national governments to the concept and process of planning are essential to determining the success of tourism development. For some Asia-Pacific countries, the planning philosophy may be market driven, so that the existence of the various facilities and services, their quality and quantity, and their geographical distribution and association is the outcome of the interplay of market forces.

In contrast, some countries with a philosophical commitment to government guidance or control over tourism development may prefer to pursue policies and practices fitting any development to a carefully prepared land use and economic strategy. The commentary in this chapter is generally relevant to both approaches, although its application is more likely in the controlled approach to tourism planning.

For tourism resort areas, planned on an integrated basis, it is possible to rationalize the provision of facilities and services so that they are complementary in standard, range, distribution and scale. In general, the basic characteristics of tourism facilities and services include:

- (a) Diversity in range, scope, scale, quality and quantity;
- (b) Enclaves or precincts, with some tendency towards linear arrangements along principal linkages and routes;
- (c) Common features of architecture, advertising or site preferences;
- (d) Dominance of “magnet” facilities, either in the form of a major enterprise (such as a major hotel), a distinctive district or precinct of similar enterprises (such as a collection of banking outlets), or in the form of a major retail store.

There is a tendency for facilities and services to concentrate according to type, quality, standard, status and historic legacy. In addition, depending

upon local attitudes and visitor expectations, the distribution of facilities and amenities may be determined by outlets for indigenous crafts, arts and performances. Another aspect that reflects local circumstances is the degree to which the conventional facilities and services are augmented by the loose arrangements of open-air markets. These markets may be held at a defined time of day or perhaps on a particular day in the week in public market places.

The range of tourism planning opportunities and possibilities will be dictated as much by the peculiarity of local circumstances as by the claimed efficiency of these guidelines.

1. Accommodation and restaurants

In terms of investment, especially private investment, tourist accommodation represents the most expensive facility in tourist resorts. In the early stages of integrated plan preparation it is essential to undertake detailed survey of existing tourist accommodation, and a projection of trends and requirements. In addition, at this early stage of planning, assessments should be made of preferred geographical positioning and arrangement (as isolated elements or clustered into precincts), and preferred architectural styles.

There is evidence that the character and composition of tourist accommodation has undergone considerable change in the past few decades. New types of accommodation, such as self-catering units, budget hotel accommodation and camping sites, have evolved to meet market demands for increased levels of independence, self-sufficiency, informality, economy and convenience. Such changes have been influenced by the emergence of the new types of traveller and the tourist who invests in a holiday home or unit in a preferred tourism destination. As the spectrum of travellers has undergone transformation, there have also been changes in the requirements for traditional hotel accommodation.

Noticeable changes have occurred in recent years in the preferences of international tourists in relation to restaurant facilities. The previous inclination to use the restaurant facilities of the tourist hotel, because it formed an integral component of the hotel or resort enclave, is being replaced progressively by a trend towards eating in restaurants of different types. It is claimed, for example, that the provision of good restaurants and other food outlets is a crucial determinant of visitor satisfaction at a tourist destination. The changing demand is adding local and indigenous cuisine to the range of international cuisine. This demand is being met with the

development of restaurants independent of the hotels and integrated resorts. Such restaurants are often based on Asian cuisine, local indigenous cuisine, and use of local products, especially seafood, vegetables and fruit.

2. Shopping

Shopping is another complementary experience that contributes to the overall attractiveness of a tourism destination. As such, it should be considered as an element in the integrated tourism plan. In an increasing number of tourism plans, special consideration is being given to improving the attractiveness of shopping by providing more attention to the detailed design of shopping areas and shopping precincts, together with the hours when shops are open. In terms of the range of merchandise, most commonly the attention of tourism planning is given to outlets that retail imported quality goods, indigenous handicrafts, duty-free merchandise and leisure wear. There are two principal tourism planning issues: (a) the location and distribution of shopping facilities; and (b) the range of goods available, especially the potential contribution by locally made goods.

3. Travel and tour services

Travel and tour services are essential elements in a national integrated tourism plan. These service providers are the intermediaries between tourism destinations and the potential (and actual) visitors. Their functions include greeting services, airport transfers, sightseeing tour operations, servicing individual travellers, servicing tour groups, providing ticketing and accommodation reservation services, and providing links with off-shore tour agencies. In addition, these travel and tour service providers link the tourist with local tourism services and facility operators.

A tangible element of the travel and tour services is attention to detail, especially in supervising the standard of accommodation booked on behalf of clients and the standard of the vehicles used (buses, coaches, taxis, water taxis or boats).

Another element of the travel and tour service that may be a cause of concern is the standard of tour guiding. Some countries are progressing rapidly to a style of training and licensing to ensure that quality service is provided. In addition to tour guiding, many of the activities of the travel and tour services are suited to the operations of indigenous entrepreneurs. There are increasing examples, especially in the development of ecotourism operations, of indigenous entrepreneurs seizing opportunities to capitalize on advantageous natural and cultural circumstances.

4. Recreation and entertainment

It is axiomatic that recreation and entertainment facilities should be deliberately arranged so as to generate interest, to invite participation, facilitate the linkage of complementary tourism land uses and activities, and create an image of vitality and excitement. It may be necessary to ensure that recreation and entertainment venues are buffered from adjoining uses that they might otherwise disturb.

The range of recreation and entertainment facilities will depend not only on the visitor profile and the resultant demand, but also on the scale and location of the resort area. The range may include:

- (a) Cinemas (now largely replaced by in-house video capacities in hotels);
- (b) Multipurpose halls for concerts, theatres, social meetings and local entertainment;
- (c) Open-air theatres (depending on weather conditions);
- (d) Libraries and reading rooms;
- (e) Museums and galleries with exhibits of indigenous crafts, art, folklore and history;
- (f) Night clubs and dance halls;
- (g) Casinos;
- (h) Playgrounds and parks;
- (i) Sports halls;
- (j) Swimming pools (even though the resort concerned may be coastal);
- (k) Golf courses.

5. Health care, and emergency and safety systems

This group of services and facilities provide the community support base for the more high-profile services of accommodation, restaurants, shopping, entertainment and recreation.

The principal services and facilities in this group are:

- (a) Health care (hospitals, medical and accident centres, specialist health care and dental centres, advice on disease prevention, and pest eradication and ambulances);

- (b) Emergency and safety (fire prevention, police, beach rescue and emergency services).

In addition to the general provision of the physical structures and the service personnel (which usually falls to governments), it is becoming incumbent on the major resorts, major hotels and large commercial enterprises to ensure that proper hygiene and sanitary standards are maintained on the premises and in the immediate environs.

C. Infrastructure financing possibilities

With the maintenance and, in some cases, increasing levels of interest in tourism opportunities available in the Asian and Pacific region, the potential for investment is significant. This potential is often facilitated and encouraged by deliberate policies of governments in the region. In addition to general opportunities for investment and development, the range of opportunities comprises two types. First, there are infrastructure needs and opportunities in already established tourism destinations or in new, less-developed destinations. Second, opportunities exist to invest in:

- (a) Accommodation (from major hotels and integrated resorts to small, modest and low-cost accommodation, and accommodation with indigenous communities);
- (b) Ancillary services (restaurants, bars, entertainment, shopping and transport);
- (c) Support services (travel brokering, visitor advice and professional services);
- (d) Tourism enterprises (diving, snorkelling, fishing, sailing and visits to historical sites).

Public infrastructure investment needs remain significant if destinations are to remain competitive and, at the same time, the destination environment is to be safeguarded. As discussed above, the range of infrastructure investment is significant, from larger projects such as airports to smaller-scale concerns such as sewage and water supply at the local level.

Despite the present and potential tourism activity in Asia-Pacific countries, the available hotel and tourism facilities in many areas are limited. In addition to the small critical mass, potential investors may be discouraged by the difficulty of dealing with some government agencies, inadequate infrastructure, the difficulties of tackling the complex land tenure system,

and insufficient investment incentives. These difficulties are being addressed and, in many cases, overcome in most countries in the Asia-Pacific region; this is particularly so because it is realized by the governments that if they do not, the economic benefits of their countries may be at risk. Most conspicuously, many governments have introduced investment promotion incentives, investment legislation, and trade and business directories.

The region, as a whole, presents the potential investor with a number of differences:

- (a) The differences in government systems between the Asia-Pacific countries, each with its own approach to investment and development;
- (b) The differences in tourism development needs;
- (c) The differences in the range of information available on investment support, incentives promotion and application procedures.

This section presents a generalization of known practices and opportunities for the development of financing mechanisms that may provide an informed or satisfactory basis for the support and promotion of tourism activity.

To finance the full range of tourism infrastructure needs, several strategies and sources may be tapped. Among these sources are domestic private investment, foreign private investment sources, and foreign aid (international or government sources). These matters will be considered in this section. In addition, where appropriate, reference will be made to development incentives, relevant legislative structures, government decision-making processes, fiscal incentives and financial incentives. A brief section that examines investment requirements will precede these considerations.

1. Investment requirements

Most Asia-Pacific countries have reached the stage of development where it has become necessary to prepare formal development plans within established objectives, and to facilitate and mobilize resources to achieve the required level of economic development. For many Asia-Pacific countries, development strategies emphasize the need to encourage foreign direct investment. This emphasis is based on the large capital requirements for many large-scale, technically complex infrastructure and up-market forms of development in tourism. For many of the smaller economies, there is an

insufficient domestic investment base to underwrite large projects. As a result, many countries have introduced various forms of assistance directed at encouraging foreign investment encapsulated in special legislation or administrative guidelines and regulations.

It is necessary to clarify the purposes of the investment and the type of projects for which offshore investment is required.

The scope for significant tourism expansion in the immediate future exists in most of the Asian and Pacific region. However, achieving this expansion will require considerable funds in order to overcome what are often major constraints, such as:

- (a) Air transportation;
- (b) Basic infrastructure services;
- (c) Suitable accommodation facilities;
- (d) Recreational facilities (including secondary tourism);
- (e) Promotion and marketing;
- (f) Support services and industries.

In the preparation of a tourism strategy, due recognition should be given to the cost implications and, by inference, the investment requirements. The accuracy of the cost structures and the investment requirements will always be subject to fluctuations in the costs of construction, materials, services and supporting activities, and professional services, all of which will be influenced by exchange rates, the costs of raising finance and general inflationary pressures.

Investment in tourism “hardware” will include:

- (a) Water supply, sewage, telecommunications, roads, power generation;
- (b) New and/or refurbished tourism accommodation (hotels, integrated resorts, guesthouses, and camping sites);
- (c) Specialized ethnic or regional restaurants as the expectations of tourists expand;
- (d) Transport facilities (airports, ports, harbours, road systems and car parks);
- (e) Transport vehicles (motor vehicles, ferries, other maritime vessels, aircraft, helicopters and bicycles);

- (f) Visitor attractions, natural attractions, cultural attractions and recreational facilities.

In addition to this “hardware”, considerable investment will be required in such “software” items as:

- (a) Tourism administration in governments;
- (b) Ancillary administration in governments (customs, immigration and quarantine);
- (c) Marketing and promotion;
- (d) Information exchange;
- (e) Travel and tour agencies;
- (f) Education and training facilities and services;
- (g) Affiliations and memberships in regional and international organizations.

2. Investment sources

The basic sources of investment available to Asia-Pacific countries include:

- (a) Domestic private capital;
- (b) Foreign private capital;
- (c) Foreign aid (bilateral and multilateral assistance);
- (d) Government finance (which may be from any or all of the above).

Foreign investment has played a crucial role in developing many of the leading economic sectors in many of the Asia-Pacific countries. The reasons include:

- (a) The scarcity of local capital funds;
- (b) The scarcity of local technical and professional expertise;
- (c) The lack of preparedness to take risks by private investors;
- (d) The legacy of colonial funding;
- (e) The willingness of multilateral agencies to focus particular assistance on the needs of the Asian and Pacific region;

- (f) The emergence of capital sources (private or public) in developed neighbouring countries that believe they have a responsibility to assist with the development of the region.

3. Foreign aid

For most Asia-Pacific countries, foreign aid continues to play a vital role in meeting government budgetary and development needs as well as the provision of foreign exchange. Official development assistance is bilateral (including targeted aid from one donor nation to a recipient nation) or multilateral (including targeted aid to a recipient nation or group of nations from international or multinational agencies). In the case of both sources, dependency on foreign aid may limit the freedom of action of those nations that are recipients. These limitations may:

- (a) Impose structures on the local economy;
- (b) Limit flexibility in those structures (because of accountability);
- (c) Result in large public sector agencies for maintaining and managing the aid;
- (d) Cause inefficiencies in the private sector;
- (e) Cause strains in the local economy (because it looks stronger than it really is);
- (f) Reduce self-reliance;
- (g) Bring inflationary pressures;
- (h) Inflate consumer demand (especially for tourism and hospitality);
- (i) Expose recipients to pressures from donors.

However, for many countries there are few if any options to the acceptance of foreign aid, no matter what the perceived negatives and disadvantages are. Sources of foreign aid may not be stable, especially as donor sources review their commitments, priorities, interests and availability of funds. Bilateral sources, in particular, may be subject to fluctuations occasioned by changes in political priorities of the donor nation.

Foreign aid to the region comes from multilateral aid (mainly from international organizations), bilateral aid (on a government-to-government basis) and special aid arrangements.

The principal bilateral aid arrangements are conducted on the government-to-government level, and result in aid transfer as budgetary

assistance. These arrangements are conducted between members of particular geopolitical groupings.

Special aid arrangements may be negotiated on a government-to-government or government-to-agency basis for particular prestige projects, schemes of environmental rehabilitation or schemes of regional cooperation.

Asia-Pacific governments need to pursue aggressive strategies to gain access to funding or technical assistance. In addition to national and international aid agencies, the national or reserve banks of many countries around the Pacific Rim are supportive of foreign aid programmes, particularly with regard to lending bank-to-bank support.

It is important for national tourism offices to raise the profile of their claims for aid assistance within the total package being negotiated by the senior economic advisors. Unless the negotiation team is convinced of the need for aid support for tourism projects and development (including institutional support), it is unlikely that tourism matters will achieve priority that is high enough to gain funding. If the national government is seen to be less than enthusiastic, the donor source may delete tourism from the list of worthy projects.

If it is difficult to gain high priority for tourism in general government searches for foreign aid, tourism agencies may resort to advocating support from more project-focused donor agencies, including conspicuous infrastructure components that may be attractive to such agencies. They may also target specialist donor agencies (such as the World Tourism Organization or the United Nations Development Programme (UNDP) to solicit support for plan preparation exercises.

Donor agencies will scrutinize the projects, programme cost structure, time scale and recommended staffing arrangements. It may be that to secure national preferences, Asia-Pacific governments will need to concede to operational preferences of the donor agencies.

4. Foreign private investment

It has been established that the presence of any of the following factors will frustrate potential private foreign investment:

- (a) Inadequate government support;
- (b) Insufficient investment incentives;
- (c) A lack of supporting infrastructure;

- (d) Difficulties in tackling complex land tenure systems;
- (e) A multiplicity of agencies, many with overlapping functions;
- (f) Excessive time required to obtain decisions;
- (g) A lack of adequate local expertise;
- (h) Inadequate training schemes.

These are matters over which national governments have some control and influence.

In order for privately funded tourism investment to be encouraged and facilitated, it is necessary for Asia-Pacific countries to introduce a range of financial and other incentives, appropriate legislation and appropriate decision-making systems.

It is evident that, in many cases, the national policy on tourism (if there is one) is often unclear or poorly articulated, and information on the tourism sector is usually inadequate for potential investors. These factors continue to create a poor image. Therefore, to attract foreign investment, Asia-Pacific governments have to improve the image of their competence.

There is evidence that most governments in the region have recognized the need to attract foreign investment to provide economic growth in their countries, and they are responding to that need by introducing investment promotion measures and investment legislation, together with business and investment guides and directories.

In order for governments to encourage and facilitate foreign investment in tourism projects in their countries, it has become necessary to introduce an appropriate legislative framework and develop a set of decision-making procedures. These decision-making processes must be capable, within a reasonable timeframe, of achieving an outcome in the best interests of the potential investor, the national government and the local community.

Alternatives to a legislative framework include:

- (a) Specific legislation that focuses on tourism development in general, or on particular facets of tourism development (such as hotels), with the opportunity for the general provisions to be carried over into other aspects of tourism development;
- (b) Specific legislation that establishes an agency with responsibility for overseeing tourism planning and development, such as a tourism development authority or tourism bureau;

- (c) General legislation that facilitates, monitors, controls and regulates foreign investment for any development purpose.

Each of these alternatives has its advantages and disadvantages. Some national governments exercise control through general powers supervising the economy. Although there may be some merit in operating without legislation that can be used specifically to manage tourism development, the existence of a specific legislative framework is indicative to the investment community that tourism is being taken seriously.

An additional procedural matter is the establishment of conspicuous decision-making mechanisms. Such mechanisms should include clear articulation of the ministry responsible for supervising tourism planning and development, specification of monitoring processes, nomination of promotion responsibilities, and specification of the sequence of decision-making. This process should culminate in the nomination and identification of the point in the decision chain at which decisions can be expected.

The most important specifications are:

- (a) Governmental agencies to be included;
- (b) The sequence of steps;
- (c) The first point of access into the decision process;
- (d) The participants in each of the steps;
- (e) The responsibilities of those participants (in general and at each step)
- (f) The expected outcomes of each step;
- (g) The likely points of negotiation and partners in those negotiations;
- (h) The final outcome (certificate of approval, letter of eligibility, and a development license or a similar document).

It will be necessary for national governments to determine the configuration of the decision-making structure that is most suited both to its governmental structure as well as the nature and level of development of tourism in that country. Not all Asia-Pacific countries will need (or could operate) a complex decision-making system.

In order for the system to work efficiently, it may be necessary to create special agencies or committees with responsibility for:

- (a) Carefully screening the off-shore interests incorporated in tourism projects, especially the sources of finance;
- (b) Scrutinizing tourism projects and investment applications of particular types;
- (c) Scrutinizing the documentation at crucial phases in the decision sequence;
- (d) Facilitating coordination between different government departments and other agencies;
- (e) Ensuring the efficient passage of any proposal or application.

Such committees may be ad hoc entities, formed as and when necessary. Alternatively, they may be permanent, standing committees with a regular calendar of meetings.

5. Types of incentives

The mobilization of the tourism development strategy is dependent upon a partnership of public sector investment (especially in infrastructure) and private sector investment (especially in projects and enterprises). At every stage of implementation, there is a need for governments to stimulate private investment by creating a favourable context for investment in general with specific tourism-related fiscal, financial and other incentives. This need is sometimes met by a series of general investment incentives under some form of enterprise stimulation legislation or by being incorporated in revenue and taxation legislation or in the form of particular tourism project legislation. In the Asian and Pacific region, there is considerable variation in the legislative framework for stimulating private investment in tourism development. Clearly, there is no one model that will fit easily into the different governmental systems and structures or into the various levels of maturity achieved by Asia-Pacific countries.

Several broad categories of incentives may be used:

- (a) Financial incentives, through which a government provides grants or loans from its own resources or through a government financial institution;
- (b) Quasi-financial incentives, through which a government provides loan guarantees, subsidies or exchange rate guarantees, or a differential grant that covers the gap between official and commercial lending rates;

- (c) Fiscal incentives, through which a government provides tax holidays and deductions, customs duty exemptions, concessions or capital expenditure allowances;
- (d) Other incentives of considerable diversity, including training facilities, profit repatriation and work permits.

Before embarking upon any strategy of incentives in any of the categories, governments should develop a preferred expectation on such matters as:

- (a) Whether the government should interfere in market forces;
- (b) Whether the government should assume particular development and investment responsibilities in infrastructure development and incentives, provision of training facilities and programmes, supporting transport services, and the construction and operation of facilities such as hotels and attractions;
- (c) Whether the government should become involved directly in a commercial enterprise or partnership, and if so to what level and type of risk;
- (d) Whether the government should use its various structures and systems to guide tourism development into particular strategies with a particular emphasis (such as strategies and development in ecotourism);
- (e) Whether the government should relieve the private sector of some of the essential services, for example, by operating the national airline, in order to reduce dependency on off-shore commercial decisions;
- (f) Whether the government should facilitate development, especially by providing assistance in land negotiations with indigenous owners.

These various matters are important pre-conditions for the creation of an appropriate tourism investment strategy. Other important considerations include:

- (a) The determination of the overall nature and scope of tourism activity that will fit comfortably with national economic, socio-cultural and environmental strategies;
- (b) The prescription of levels of resident-foreign ownership and involvement;

- (c) The determination of levels of importation (goods, services and skills) before the balance of payments becomes distorted, as well as prescriptions that will control the leakage of benefits.

In addition, governments must decide which types and by how far the range of incentives are to be direct, with active government involvement in finance, or indirect, with a government pursuing a multiplicity of roles in terms of support, facilitation, encouragement and assistance.

The following subsections briefly refer to the scope of the various types of incentives that may be considered. It is not claimed that each type will be suited to the circumstances of every government, or that each type needs to be included in the range of incentives offered by any particular government. As with all aspects of policy and planning, the precise government response will be determined by local circumstances.

(a) *Financial and quasi-financial incentives*

The need for financial or quasi-financial incentives will depend on the general availability of financial services to the private sector and on the government's attitude towards its responsibility for complementing private investment with public investment. This responsibility can include construction and maintenance of infrastructure services (water supply, waste disposal and road construction), as well as grants and loans for the construction and operation of tourist facilities such as accommodation, resort complexes, and entertainment and recreation venues.

Government involvement through direct incentives may be possible for major development projects through the provision of direct loans to private developers and negotiations with international agencies for funding.

In the case of finance for small-scale indigenous projects, the government may provide direct finance (grants or loans) or support the project by assisting with professional services.

If a government is to become involved in direct financial incentives, it will need to determine such matters as the scale of loans, grant limitations, predetermination of project viability, periods of repayment, conditions on the use of the finance provided, and conditions on such matters as training for local residents. In addition, that government will need to develop a policy on the use of loans from foreign sources.

(b) *Fiscal Incentives*

These incentives are less direct than grants and loans. Their indirect nature does not make any specific financial demands on, or commitments from, governments. In most cases, the implication for the national budget is that these are a source of revenue. Each government must decide whether the incentives are sufficient inducements for tourism development; however, there are no precise criteria for making such decisions.

The intention of the fiscal incentives is to make investment in tourism projects more attractive, less risk-prone, more capable of returning a profit and more sustainable.

The range of fiscal incentives is extensive. Fiscal incentives may include:

- (a) Allowances (e.g., for underpinning investment, supporting projects, depreciation or modernization and refurbishment);
- (b) Concessions (e.g., for losses due to payment of tax, to offset construction costs of new vessels, on import duties, for providing training to employees, and on port and excise taxes);
- (c) Tax assistance (i.e., exemptions from company tax, reduced tax levels during pioneer status, tax holidays, moratoriums, tax credit for interest on foreign loans, tax exemption on re-invested profit, tax deductions for providing training, income tax exemption for foreign employees, and tax deductions for support of national marketing programmes).

In some cases, the investment incentives may be tied to requirements and assistance that are related to:

- (a) Concession periods;
- (b) Limitations of scope;
- (c) Assurances that the supported project will incorporate employment of local labour, use of local produce, provision of training opportunities to upgrade the skill levels of local labour and provisions to assist the general promotion of the tourism area.

Despite the scope of fiscal incentives, which can be the outcome of shrewd financial planning and strategy formulation by governments, such incentives may not be sufficient to attract the level of tourism development

that is considered desirable and appropriate. Therefore, governments may need to generate a range of companion incentives.

(c) *Companion incentives*

Several acute problems exist in various Asia-Pacific countries that need to be addressed if private investment is to be attracted. These issues include the problem of obtaining land for the development of hotels and resort facilities in suitable and attractive locations, the peculiarities of land ownership and land leasing, the level of availability of government savings and private savings, and the availability of local entrepreneurial and managerial skills and experience.

Because the availability of fiscal and financial incentives may not be sufficient to attract the level of private investment considered necessary, governments may need to consider a range of companion or complementary incentives, including:

- (a) Seed money as loan equity;
- (b) Assistance with land negotiations, especially with indigenous land owners;
- (c) Providing training facilities (i.e., courses, schools, colleges and teaching staff);
- (d) Guarantees of promotion through the Visitor's Bureau;
- (e) Ease of repatriation of profits;
- (f) The provision of work permits for key workers and staff;
- (g) Write-off costs of critical appliances and plants (air conditioners and solar heaters).

A major incentive, in certain circumstances, may be the declaration of the nation as a "tax haven", with the removal of restrictions on corporate tax, income tax, estate duties, capital gains tax and sales tax.

It must be realized that the strategy of incentives is to provide a competitive edge for one resort destination/nation over another. In the highly competitive environment of tourism, that edge of advantage may not be of long duration. In any case, incentives alone will not ensure the creation and maintenance of a satisfactory level of tourism activity. Any tourism destination will need a combination of economic, environmental and socio-cultural advantages to begin to make a mark in the region and then to progress positively through the life cycle of tourism destination areas.

Having reached a stage of maturity, the destination area will need to build additional attractive features, including investment incentives, if it is not to lose its edge to competition in the region.

This competitive advantage will cause the strategy of incentive creation to be dynamic, designed to meet the peculiar circumstances of each Asia-Pacific nation.

(d) Incentive protocols

In a few cases, formal legislative or regulatory provisions exist that govern incentives for foreign and/or local investment, for the economy in general or for tourism in particular. Governments generally consider most investment proposals to be beneficial to national development. Some governments have statutes that confer discretionary powers to grant incentives, including tax exemptions and customs duty concessions. However, there are few cases of an extensive, integrated system. In most cases, application for investment projects has to be made to relevant ministers, and those applications are passed through a network of committees and advisors; they may be judged, not against a set of published criteria, but on a case-by-case basis. This means that the granting of approval for the project and the granting of incentives will depend on the merit of the proposal. Some governments have established a specific bureau or committee to appraise, evaluate and recommend action for major proposals. The relevant minister may make the final decision for small-scale projects, while the Cabinet may decide on large-scale projects involving high levels of capital investment.

It is likely that the administration of investment incentives on a case-by case basis will not be conducive to effective decision-making (because of problems of consistency, confidence or equity), the implementation of the tourism strategy (because of the distortions decisions may impose) or efficient, delay-free decision processes. The investment incentive process must be conspicuous, transparent, regular (following a time scale), clear and defined, supported by legal enactment and composed of a package of incentives (fiscal, financial and companion incentives).

In addition, as events have demonstrated in the region, political and economic stability is an over-riding requirement for the creation of a favourable investment climate.

The purposes of the incentive package are to relieve the national budget of undue burdens, provide initial development momentum, support

programme acceleration of that momentum, and provide flexibility so that projects can be encouraged and facilitated. Such a package should not be considered immutable or permanent. Each aspect of investment incentives should be subject to regular review, with a frequency at least as regular as the national economic strategy.

6. Domestic investment

With the exception of the more economically developed countries in the Asian and Pacific region, the lack of an adequate local capital base for major projects is a major constraint to tourism development. It is generally accepted that tourism development in the Asian and Pacific region will be dependent largely on foreign investment. However, there are opportunities for the involvement of local communities and indigenous entrepreneurs through joint ventures, land for equity exchanges, employment, and training schemes to achieve the necessary entrepreneurial, managerial and operational skills.

There is a strong case to be made that Asia-Pacific countries should develop strategies that, in the long term, may lead to reduced dependence on foreign sources of investment finance. Such a case may be predicated on the expectation that a heavy dependence on foreign sources may contribute to undermining national and individual initiative.

The vulnerability to external forces could be reduced by a number of internal strategies, such as:

- (a) Revision of subsistence strategies, so that even without large injections of capital, surplus production in rural areas can be accessed by tourism resorts (“subsistence affluence”);
- (b) Involvement of indigenous communities in low technology and low environmental impact projects, especially to meet the preference of some tourists for authentic experiences;
- (c) Creation by government of a tourism development fund (to be operated within the framework of the national development bank).

The creation of a national tourism development fund specifically to assist local entrepreneurs could be considered an imperative strategy, given the generally low level of reserves of domestic private capital. This would become the responsibility of the government, operated through the national development bank, and targeted at domestic entrepreneurs seeking funding

for small-scale enterprises for which commercial banks are reluctant to lend.

D. Institutional framework for infrastructure development

There is considerable evidence of the need for an effective institutional framework if tourism development is to be coordinated, efficiently supervised, monitored and integrated into the overall scope of national economic, environmental and social planning. It is important that the institutional framework encompasses organizations from both the public and private sectors. A coordinated framework is necessary because of the fragmented nature of the tourism industry.

The public sector, the private sector, non-profit organizations and the community play important roles in tourism planning and infrastructure development.

The principal perspective of the public sector is to manage development in order to achieve community goals within the public interest. For the private sector, the principal function is to provide facilities and services to tourists while maximizing returns on the investment.

The World Tourism Organization has described the distinctiveness of the roles of the public and private sectors by the principle that governments should not seek to do what the private sector is able and willing to do. However, in many cases of large-scale development, the private sector and the government may work in a partnership. Other partnerships may develop where governments assist indigenous landowners with the commencement of an enterprise to be managed eventually by indigenous communities.

One of the principal purposes of tourism planning is to bring into harmonious balance the different interests of the various stakeholders. This balance may be achieved through the establishment of an appropriate multi-faceted institutional framework. In some tourism development plans, an effective institutional framework is considered to be one of the principal determinants of successful tourism development.

III. SUGGESTED MEASURES FOR CREATING A FAVOURABLE ATMOSPHERE FOR INVESTMENT IN TOURISM INFRASTRUCTURE

A variety of strategies and measures can be implemented to ensure a favourable atmosphere for investment in tourism infrastructure. In this chapter, the range of measures is presented for consideration by member economies as well as regional organizations and agencies.

A. National level

1. Create a clear picture of the role of tourism in solving social, economic and environmental problems

There is an urgent need for countries to emphasize, both to their own population as well as to the external community, the important role that tourism can play in solving a range of social, economic and environmental problems. This will require detailed studies of existing problems and the role that sustainable tourism development can play in achieving societal objectives such as the alleviation of poverty and the improvement of the quality of life of women. It is only with this kind of information that government departments as well as aid agencies will understand that tourism is an essential development tool. Even more importantly, emphasis should be placed on the fact that if economic and social issues are to be dealt with, investment decisions in overall infrastructure development must support tourism initiatives.

2. Creation of tourism investment information centres

Within an increasingly competitive global market there is an urgent need to provide investors with relevant information on infrastructure possibilities. Countries could therefore consider the establishment of tourism investment information centres to assist national as well as foreign investors. The centres would provide a one-stop service for tourism investment by providing information on investment opportunities and regulations in the tourism industry.

3. Encourage cooperation and integrated tourism development planning

Given the fragmented nature of the public sector as well as private sector aspects of the industry, there is an urgent need for cooperation among all relevant stakeholders. Specific steps could include:

- (a) The encouragement of other governmental agencies in addition to tourism departments to become involved in tourism investment;
- (b) Increased cooperation between various organizations including the international community, the private sector and relevant government agencies, in order that tourism infrastructure investment is seen as a legitimate development tool for country economies;
- (c) The development of investment programmes and policies in consensus with all the stakeholders. This cooperation will ensure that various government departments as well as the private sector will be more likely to work with one another;
- (d) Involvement of the town and country planning agencies in integrating area development plans with tourism development.

4. Creation of a positive investment climate

Evidence now suggests that investors are looking for stable and transparent economies in which to invest. In order to achieve this condition, the following strategies could be considered:

- (a) The creation of official procedures that will encourage investment in all aspects of infrastructure and remove the need for corruption as a means of getting things done;
- (b) The development of a comprehensive and transparent legal system and framework as well as legislation that will allow effective implementation and support of infrastructure investment;
- (c) Improvement of the investment environment on a continuous basis, e.g., by alleviating administrative regulations and providing efficient support for information distribution;
- (d) Making incentives more flexible, through consultation or negotiation if necessary, with individual foreign investors rather

than by the uniform criterion that may not recognize specific needs and local conditions;

- (e) Increasing lease periods on land and reviewing land rents on a regular basis in an open and transparent manner;
- (f) The provision of strong protection for foreign investment, backed by the force of law;
- (g) Making revolving lines of credit available to the private sector for tourism projects that support strategic societal objectives.

5. Creation of special tourism investment zones

Consideration should be given to establishing special zones where investment incentives and clearly understood procedures are in place for tourism development. Within the zones there could be support for infrastructure development, especially in key environmental and public sector areas such as water supply, electricity and telephone. Within those areas there must also be special interest bank loans for infrastructure investment.

6. Support human resource development

Attracting investment requires that governments as well as private sector stakeholders are aware of the investment procedures and conditions of the global market. In addition, investors must be assured that there is a reliable source of trained personnel in all aspects of tourism activity. Governments and the private sector should therefore consider the establishment of tourism institutes in order to supply the required work force. It is important to stress that training and capacity-building must address actual demands.

7. Create opportunities for strategic product development

Given the definition of infrastructure adopted in this study, it is vital that all aspects of the tourism environment be considered. This requires strategic investment in infrastructure that will support local as well as national development. Specific strategies can include:

- (a) Increased accessibility for existing and potential tourist markets by investing in various forms of transportation facilities and modes;
- (b) Investment in cultural as well as natural heritage sites and attractions, given the importance of these aspects of a destination in meeting overall tourism needs;

- (c) Development of places of pilgrimage by providing the requisite infrastructure facilities;
- (d) Development of the attraction of tourism destinations based on several themes including: islands and beaches, highland resorts, eco-tourism, historical places, cultural attractions and technical parks.

8. Adopt innovative means of delivering quality infrastructure development

Countries should assess the adoption of build-operate-transfer arrangements to attract foreign investment in tourism infrastructure development. This will require that careful study be undertaken of the costs and benefits of such arrangements, and that public officials are well trained in the development of contracts and arrangements that will benefit all stakeholders. In addition, very careful analysis should be made of the feasibility of such arrangements before any contractual commitments are made.

9. Other measures

Other measures that could be implemented in order to create favourable conditions for investing in tourism infrastructure include:

- (a) Increasing local autonomy. Special consideration should be given to ensuring that the autonomy of local government is further enhanced thereby providing local authorities with the incentive to develop policies and approaches to attract and support foreign investment in infrastructure;
- (b) Investing portions of the results of taxation in tourism infrastructure development. Mechanisms should be put into place to tax those benefiting from the tourism economy. One way to ensure that tourism strategies are supported is to direct portions of the tax receipts directly back into investment in tourism infrastructure. This will convince taxpayers that their money are being used in an open and productive manner;
- (c) Development and use of appropriate applications of new technologies for promoting tourism products. Development of the information technology aspects of tourism is essential if the full benefits of tourism infrastructure investment are to be realized;

(d) Stopping income leakages at the local level. One of the major issues in trying to encourage local investors to contribute to the infrastructure development relates to the significant leakages that often occur from tourism activity. Stopping such leakages also has the added advantage of ensuring that the economic and social needs of local people are enhanced through tourism development. Specific actions can include:

- (i) Involving local communities at all levels in all aspects of the policy-making, planning, and management decision-making process;
- (ii) Training and the provision of financial as well as technical assistance that will support the creation of locally owned and operated small and medium-sized enterprises. This will help to maintain tourism incomes within the community;
- (iii) Encouraging tourism development that makes use of local agricultural products and materials. This may require some investment, but the long-term benefits are that the local community will have the capacity to benefit directly from tourism development;
- (iv) Creating taxes that stay within the local community to help to support infrastructure development;
- (v) Ensuring that capacity-building initiatives are designed to develop trained local workers to assume both managerial as well as lower-level positions within the tourism industry. Local governments may wish to give preference to tourism developments that employ local labour and help to build capacity of local people.

10. Monitoring the effectiveness of investment in tourism infrastructure

It is essential that governments at all levels effectively monitor the benefits as well as the costs of investment in tourism infrastructure. This information is vital not only to guiding national as well as local level public sector investments, it is also an essential area of information for encouraging investment by the private sector at the national or and international levels.

B. Regional level

A great deal can be done at the regional level to ensure that there are sufficient resources to expand opportunities for investment in tourism infrastructure at all levels. Some of this effort can occur through cooperation between countries, and some initiatives can be taken by organizations such as ESCAP to achieve these objectives. Specific strategies could include:

- (a) A review of current initiatives and existing strategies to assess their effectiveness in encouraging tourism investment;
- (b) The Asian Development Bank (ADB) and the World Bank could ensure that their existing policies view investment in tourism infrastructure as an essential dimension of their social and environmental programmes;
- (c) Multilateral agencies and institutions should assist governments in recognizing the economic and social contribution of tourism, and they should include tourism in mainstream programmes for job creation, export promotion and investment stimulation;
- (d) ESCAP could take initiatives to establish an information technology network through which the member countries could provide and use information related to investment in tourism infrastructure;
- (e) ESCAP could provide consultative services on investment in the member countries.

IV. CONCLUSIONS

The search for sustainable tourism does not entail “throwing the baby out with the bath water”. Direct and indirect forms of government intervention might be necessary to ensure the protection of natural resources and the equitable distribution of economic benefits from tourism development. At the same time, incentives have to be provided to the private sector to encourage financial investment in development activity that adheres to the principles of sustainable tourism. Encouraging cooperation and collaboration among the diverse actors, as well as public-private sector partnerships, should assist in reducing potential and actual conflicts of interests and values. In addition, these actions should facilitate the more efficient use of resources and capabilities to achieve the destination’s economic objectives.

If countries, regions and communities are to be in a position to take advantage of tourism as a form of economic development, a number of changes will be required and specific programmes will need to be put in place to encourage investment in infrastructure. Such changes and programmes include:

- (a) Better tourism planning and management practices;
- (b) Coordination of activities at all levels of government operations;
- (c) Improved cooperation between businesses and communities, as well as between the public and private sectors;
- (d) Improved impact assessment and monitoring practices;
- (e) The design and delivery of a wide range of tourism-related educational and training opportunities;
- (f) The provision of marketing and promotional assistance;
- (g) More equitable access to employment, promotion, education and training for marginalized population groups;
- (h) The establishment of tourism support and resource centres.

One important strategy will be to eliminate obstacles to the creation of economic development in the tourism sector. These actions can include:

- (a) Ensuring tourism strategies and plans must be linked with a broader set of initiatives and community or economic development plans;

- (b) Providing for more coordination, both at the policy and action levels among the various agencies involved and between the different levels of government;
- (c) Fostering cooperation among businesses and tourism operators, which is essential given that one business or operation can be directly affected by the success or quality of another. Models of tourism partnerships must be explored in the areas of planning, management, marketing, and funding for tourism ventures;
- (d) Encouraging financial institutions to play a role by working with local communities and entrepreneurs to help provide investment funds;
- (e) Educating all stakeholders in the fact that cooperation among neighbouring regions and communities is most important;
- (f) Education and training programmes that are necessary in order to ensure that local residents are in a position to obtain the necessary skills and knowledge for participating effectively in the tourism process;
- (g) National, regional and local tourism-related policies, which are required for providing direction for sustainable tourism development. Maintaining local government control over decision-making and keeping tourism within the capacity of local resources are two strategies for managing the core-periphery problem. Hence, government policies may have to be set on foreign investment in tourism (addressing forms, types, profit distribution, etc.), training and educating of local residents within the destination areas, and on the use of natural and common goods. Stimulating domestic tourism and encouraging local participation in tourism development can also help to address core-periphery problems;
- (h) Financial incentives and assistance, which are required in aiding tourism service providers to cope with the problems that are created by the seasonal nature of most tourism activity. For example, financial assistance may allow diversification into off-season and shoulder season activities by attracting specific user segments during these periods through marketing and promotion assistance.

This study has attempted to identify a number of key issues and obstacles in encouraging investment in tourism infrastructure. There is an urgent need for governments and agencies at all levels to create a climate for investment that ensures equitable distribution of benefits, and clear and transparent decision-making.

Annex

CURRENT TOURISM SITUATION AND ITS ECONOMIC BENEFITS IN MEMBER ECONOMIES

This annex is a synopsis of the country reports presented by the relevant member economies and provides the reader with an insight into the current situation in each country, while also looking at the present investment situation in tourism infrastructure in the member country economies. It also identifies the issues and impediments related to investment in those economies.

A. BANGLADESH

1. Current situation in tourism development and economic benefits

Bangladesh has remarkable beaches, archaeological and historical relics, flora and fauna, natural scenery, tribal lifestyle and indigenous culture. However, there are no definite or coordinated steps being taken in Bangladesh to increase the national economy by developing these resources. The latest five-year development plan and other plans of Tourism Development have been prepared with the assistance of the World Tourism Organization and the United Nations Development Program.

Nationally, private sector tourism investments are carried out in an uncoordinated manner and have not been able to achieve any noticeable progress. Little foreign investment has been attracted. Also it has not been possible to create the opportunities to highlight the image of Bangladesh thereby depriving the country of much needed investment and capital for social and cultural purposes.

2. Issues and impediments related to investment in tourism infrastructure

Issues and impediments include:

- (a) A lack of priority afforded to the tourism sector in Bangladesh;
- (b) Unhealthy trade unionism;
- (c) Political unrest;

- (d) Procedural delays due to bureaucratic administrative procedures;
- (e) Rampant corruption that actually discourages foreign investment;
- (f) Inadequate funding by the government in the tourism sector.

**3. Suggested measures for creating a favourable atmosphere
for investment in tourism infrastructure**

Suggested measures include:

- (a) Tax holiday for 10 years;
- (b) Relief from double taxation, subject to bilateral agreements;
- (c) Complete exemption of income tax on salaries of foreign technicians for three years subject to certain conditions;
- (d) Laws that secure all foreign investments;
- (e) No ceiling on the extent of foreign investment;
- (f) Permitting the full repatriation of profit and capital;
- (g) Permitting the repatriation of investment including capital gains;
- (h) Freedom from national import policy restrictions;
- (i) Enterprises to be allowed to procure raw materials and hire labour locally;
- (j) Permitting of inter-zone and intra-zone exporting.

B. CAMBODIA

1. Current situation in tourism development and economic benefits

Since 1993, the tourism industry has become a major contributing factor to the economic development of Cambodia. A variety of local and foreign investments have been made in the form of economic activities and infrastructure development. Much of the economic activity has been focused on Phnom Penh and, to a lesser extent, Sihanoukville and Siem Reap. Hotels, restaurants and other tourism sector enterprises are estimated to contribute about 1.8 per cent of GDP, although this does not capture the full extent of tourist spending in the retail and transportation trades. In 1995, the tourism industry generated \$US100 million in national revenue, rising to approximately \$US143 million in 1998. This trend reflects the steady increase in economic benefits from tourism development in Cambodia.

2. Present situation in investment in tourism infrastructure

The Ministry of Tourism has set up a tourism development zone, covering more than 1,000 hectares, which is expected to attract more than US\$ 1 billion in foreign investment for hotels, commercial centres, hospitals, sports facilities etc. In order to support foreign investment in the country, the Cambodia Investment Board has provided competitive incentives for investors. Several tourism projects were signed in Cambodia last year in the area of infrastructure development, including international airports in Phnom Penh and Sihanoukville, and hotel construction in Phnom Penh and Siem Reap. Incentives for investing in Cambodia are:

- (a) A fast-track investment approval process;
- (b) Competitive investment incentives;
- (c) One-stop service;
- (d) Low labour costs;
- (e) Plentiful natural resources;
- (f) Preferential trading status;
- (g) Strong economic growth and sound macroeconomic conditions;
- (h) A strategic location from which to serve the Mekong Six countries.

3. Issues and impediments related to investment in tourism infrastructure

The issues and impediments include:

- (a) Insufficient infrastructure (roads, public facilities, electricity and water supplies);
- (b) Inadequate service systems (telecommunications and public information);
- (c) A lack of marketing information programmes;
- (d) Low service quality in air transportation;
- (e) A lack of a land transport system;
- (f) Inadequate and low standard of water transportation services.

4. Suggested measures for creating a favourable atmosphere for investment in tourism infrastructure

Several measures could be introduced:

- (a) Develop a comprehensive legal system framework as well as legislation to allow effective implementation and support of infrastructure investment;
- (b) Provide sufficient infrastructure, facilities, utilities, training and promotional activities for improving and facilitating the international travel and tourism industry;
- (c) Seek private sector investment in infrastructure development;
- (d) Increase cooperation between various organizations including the international community, the private sector and relevant government agencies.

C. FIJI

1. Current situation in tourism development and economic benefits

With an annual income of over \$US400 million, tourism is Fiji's largest gross foreign exchange earner. In Fiji, tourism investment is largely an activity for the private sector. But due to its contribution to the economy, the government realizes that it also has a critical role to play in providing infrastructure and marketing support for the industry. Great success in tourism development has been achieved when the government and the private sector have worked in close partnership. Fiji has some accommodation facilities of world class standard. Compared to competing destinations, there are relatively few international hotel management groups.

2. Present situation in investment in tourism infrastructure

The existing tourism areas need to be improved and expanded in terms of infrastructure development including road access, water supply, sewerage, water disposal and telecommunications. A broad range of incentives and concessions are provided to facilitate tourism investment activity including the Hotels Aid Acts, assistance under the Hotels Aid Act, Tourist Vessels Investment Allowance, Supportive Projects Industry Allowance, a Short Life Investment Package and the Five-Star Package.

3. Issues and impediments related to investment in tourism infrastructure

The advantages and constraints of climate:

- (a) Fiji enjoys a tropical climate that allows the production of a wide range of foods, both for local consumption and export. On the other hand, the climate is punctuated by extremes in the form of hurricanes, floods and drought. These extremes have serious economic, social and environmental consequences for the country;
- (b) Fiji is part of the global economy, which means that it is no longer immune to negative international developments such as the recent Asian economic crisis;

- (c) The cost of utilities such as electricity and telecommunications are relatively high due to the lack of competition as well as inefficiency in the public enterprises concerned. In contrast, water and sewerage charges are highly subsidized;
- (d) The cost of doing business is high (time spent dealing with authorities, submitting applications, waiting for approvals etc.). Delays and uncertainty are major disincentives to investors.

4. Suggested measures for creating a favourable atmosphere for investment in tourism infrastructure

Measures that could be introduced include:

- (a) Changing the economic environment of Fiji in source markets to become more competitive as a tourist destination;
- (b) Using appropriate applications of new technologies for communications or the promotion of products;
- (c) Providing adequate air transport services;
- (d) Converting interest in visiting Fiji into actual travel;
- (e) Catering to visitors' needs in terms of products, services and infrastructure to enable Fiji to provide the right products and services for future needs.

D. INDIA

1. Current situation in tourism development and its economic benefits

Tourism is currently an important segment of the Indian economy and it has become an instrument for the promotion of handicrafts, arts and cultural heritage of the country. The tourism industry in India has been declared a priority sector for foreign investment. International tourist arrivals during 1999 totalled 2.48 million, and foreign exchange earnings from tourism during that year were an estimated \$US2,916.79 million. Tourism plays a major role in promoting large-scale employment opportunities in India. Direct employment in the tourism sector during 1997-1998 was an estimated 13.75 million persons, while total employment (including indirect employment due to tourism) reached an estimated 32.57 million. A large percentage of that total was generated in remote areas.

2. Present situation in investment in tourism infrastructure

The infrastructure for tourism in India comprises not only onsite facilities such as hotels, restaurants etc, but also all forms of transport and communication infrastructure and basic amenities. Several agencies therefore need to be involved. The Ministry of Tourism of India is in the process of formulating a new tourism policy that aims to achieve necessary linkages and synergies in the policies and programmes of concerned agencies by establishing effective coordination mechanisms at the central, state and district levels. The focus of the policy will be to develop tourism as a common endeavour by all agencies concerned at the central and state levels, and it will also include public sector undertakings and the private sector. Therefore, the government has launched many activities focused on infrastructure and human resource development in support of the tourism industry, which will be completed by the various agencies involved.

3. Issues and impediments related to investment in tourism infrastructure

The issues and impediments include:

- (a) Inadequate basic infrastructure facilities, i.e., international and domestic airports, rail services, road networks;

- (b) A lack of adequate incentives for attracting foreign and domestic investment in infrastructure development.

4. Suggested measures for creating a favourable atmosphere for investment in tourism infrastructure

The measures could include:

- (a) Increase the roles of the public and private sectors in tourism development;
- (b) Establish an effective coordination mechanism among government agencies as well as between the public and private sectors;
- (c) Improve the quality of existing international/domestic air and land transport (rail services and road network) and increase accessibility to the destinations;
- (d) Maintain heritage sites and improve tourist facilities;
- (e) Upgrade product development;
- (f) Provide guidance and financial assistance for state governments in preparing tourism master plans, identifying tourism resources, and in setting priorities for development circuits and projects;
- (g) Involve the town and country planning agencies in integrating area development plans with tourism development;
- (h) Develop the places of pilgrimage by providing the requisite infrastructure facilities with a view to promoting domestic and international pilgrim tourism.

E. INDONESIA

1. Current situation in tourism development and its economic benefits

Travel and tourism produced 9.1 per cent of Indonesia's GDP in 1997; by 2007 that contribution should increase to 10.1 per cent. Total revenue from tourism in 1998 was \$US4,361.09 million, a decrease of 18.05 per cent over 1997. Visitor expenditure per visit decreased to \$US940.18, 8.39 per cent less than 1997. The average expenditure per visitor per day was \$US102.42, an increase of 5.28 per cent over 1997. The pattern of distribution for visitor expenditure in 1998 was: accommodation, which recorded the biggest receipts at 19.01 per cent of the total, followed by domestic flights at 12.28 per cent, and food and beverage at 9.63 per cent.

2. Present situation in investment in tourism infrastructure

Most areas of the economy including various tourism sectors are now open to foreign investment, except for certain subsectors such as the retail trade and support services. In order to promote investment, the government provides various incentives such as 100 per cent tax-free credit on imported machinery, and exempted/reduced import tariffs on raw materials for production. Total foreign investment in hotel accommodation during January-November 1998 amounted to \$US369.9 million in 45 projects. For restaurants and recreation, there was one project each of \$US0.8 million and \$US1.9 million, respectively. For marine tourism there were six projects totalling \$US1.8 million. Compared with the same period in 1997, foreign investment in hotel accommodation increased by 4.16 per cent in 1998 from a total of \$US354.8 million in 1997. The total projects increased by 125 per cent from 20 projects in 1997 to 45 projects in 1998.

3. Issues and impediments related to investment in tourism infrastructure

The issues and impediments include:

- (a) Inadequate tourism facilities in main tourist destinations such as Bali and some areas in Java;
- (b) A policy on transportation is needed to support national economic development;

- (c) A lack of railways in some provinces;
- (d) The need to invest in the tourism business.

4. Suggested measures for creating a favourable atmosphere for investment in tourism infrastructure

The measures could include:

- (a) Industrial countries could support the developing member countries in implementing their tourism infrastructure development plans;
- (b) ESCAP could assist with a study concerning investment in tourism infrastructure in the member countries including Indonesia;
- (c) ESCAP could take the initiative in establishing an IT network through which the member countries could use and provide information related to investment in tourism infrastructure;
- (d) ESCAP could provide consultative services on investment in the member countries;
- (e) Each member country should provide strong protection for foreign investment, backed by the force of law. The protection would be for, but not limited to:
 - (i) Protection against nationalization;
 - (ii) Settlement of disputes under the International Convention for the Settlement of Investment Disputes (ICSID);
 - (iii) Each member country should refrain from taking discriminatory action against foreign investors.

F. ISLAMIC REPUBLIC OF IRAN

1. Current situation in tourism development and economic benefits

Tourism has not featured previously as a major economic priority, although it has shown some occasional development. However, some new hotel projects currently underway illustrate confidence in future growth. Therefore, the government now intends to develop tourism as an activity in the national economic and social development plan. Tourism offers an opportunity for development not only for its contribution to the economy, but as a vehicle to further dialogue among nations and reinforce a sense of national identity. In 1997, it was estimated that tourism generated approximately 1.5 million jobs.

Foreign income earned through tourism has increased during the past three years, from \$US350 million in 1997 to \$US480 million in 1998 and \$US650 million in 1999. Average expenditure per visitor was \$US100 a day. A total of 488,908 visitors visited the Islamic Republic of Iran in 1995, 573,449 in 1996, 764,092 in 1997 and 1,007,597 in 1998. Neighbouring countries generate over 76 per cent of visitors to the Islamic Republic of Iran. By the year 2005, the country is expected to receive 4 million visitors, thus creating a significant economic impact on the national economy.

2. Present situation in investment in tourism infrastructure

The infrastructure of the country is developing and improvements are continuously being made in water and power supplies, telecommunications, roads and airport facilities. The government is formulating longer-term perspectives, while immediately encouraging development mainly through private and public sector cooperation. Government records show that there are 15 new hotels and tourism establishments currently under construction. Although all new projects listed may be delayed, this trend demonstrates private sector confidence and a positive investment climate for tourism development in the country.

3. Issues and impediments related to investment in tourism infrastructure

The issues and impediments include:

- (a) A lack of a well-trained labour force for the tourism industry;
- (b) Ineffective cooperation between the public and private sectors in tourism infrastructure development.

4. Suggested measures for creating a favourable atmosphere for investment in tourism infrastructure

The measures could include:

- (a) Enhancing privatization and cooperative activities in the development of the tourism industry (public/private partnership project);
- (b) Strengthening planning, policy-making and supervision of the tourism industry through Iran Touring and Tourism Organization (ITTO);
- (c) The development of training, research and planning programmes aimed at expanding the tourism sector to meet international standards;
- (d) Developing access to the country and the relaxation of entry and visa requirements and processing;
- (e) Selecting an appropriate marketing policy that will attract a particular type of tourism compatible with the country's values system, customs and way of life;
- (f) The establishment of a hotel and tourism management training centre;
- (g) Developing suitable conditions for promoting national and international tourism in order to create more job opportunities;
- (h) The development of an advocacy and marketing programme to represent the chosen image of the Islamic Republic of Iran in relation to the tourism industry;
- (i) Ensuring the quantitative promotion of human resources and tourism services in line with international standards.

G. LAO PEOPLE'S DEMOCRATIC REPUBLIC

1. Current situation in tourism development and economic benefits

The government of the Lao People's Democratic Republic has been formulating a policy on tourism development in the national social-economic development plan. Tourism is one of the eight priorities in the national development plan. The policy being adopted encourages increasing tourist arrivals in the country and, according to National Tourism Authority statistics, international tourism activity in the Lao People's Democratic Republic has increased markedly since 1990 with an average annual growth rate of 70 per cent. With regard to attracting more tourists, the National Tourism Development Plan has been adopted and regulations on tourism industry activities have been issued with a view to expanding the strengths and potential of tourism in the long term. During 1998-1999, tourist arrivals increased by 40 per cent, generating approximately \$US90 million in revenue.

2. Present situation in investment in tourism infrastructure

Accessibility to the Lao People's Democratic Republic has improved in the past few years. Road access is possible from China, Thailand and Viet Nam. Air transport is also available through several airlines, e.g., Thai Airways International and Lao Aviation. The government is encouraging foreign investors to invest in the country by giving support to investors and providing competitive incentives. Foreign investors may invest in two ways:

- (a) A joint venture with one or more Lao investors;
- (b) A wholly foreign-owned enterprise.

From 1988 to 1998, 30 foreign direct investment projects were initiated in the tourism sector, amounting to more than \$US600 million. In addition, the Lao People's Democratic Republic has established a joint venture with Malaysia's Syuen Corporation, involving a total investment of more than \$US200 million. The project is currently underway.

**3. Issues and impediments related to investment
in tourism infrastructure**

Not reported.

**4. Suggested measures for creating a favourable atmosphere
for investment in tourism infrastructure**

Not reported.

H. MALAYSIA

1. Current situation in tourism development and its economic benefits

The tourism industry is currently the country's third most important industry in terms of foreign exchange after the manufacturing and palm oil industries. Its contribution to GDP growth is small at 8 per cent but the impact of the tourism industry on the economy can be seen in foreign exchange earnings, sectarian impact, government taxation revenues and employment generation.

Malaysia received a total of RM 10.4 billion (\$US4.16 billion) from the 7.1 million tourists who visited the country in 1996. This is the highest figure ever achieved by the country, having increased from RM 9.2 billion in 1995 (7.5 million tourists) and RM 9.7 billion (6.2 million tourists) in 1997. The tourism sector has created an ever-increasing number of job opportunities, rising from 106,200 in 1995 to more than 150,000 in 1996. However, in 1997-1998, the labour force was affected by the economic slowdown of the country. It was expected to recover from the year 2000 onwards and should soon provide more employment opportunities in Malaysia.

2. Present situation in investment in tourism infrastructure

The investment in tourism infrastructure came from the federal and state governments as well as from the private sector. The government allocated RM 547,120,000 (\$US143.98 million) in the Sixth Malaysia Plan (1991-1995) for 344 tourism infrastructure development projects and RM 702,767,000 (\$US184.94 million) for 305 such projects in the Seventh Malaysia Plan (1996-2000). Under the Eighth Malaysia Plan (2001-2005), the government has allocated approximately RM 2.4 billion (\$US630 million).

The government has provided the incentives in order to encourage local as well as foreign investors to invest in tourism infrastructure. The agency involved in the approval or licensing of new investments in tourism infrastructure projects is the Malaysia Industrial Development Authority (MIDA). Based on the number of incentive applications approved by MIDA for the three-year period of 1997-1999, investment in promoted activities,

such as hotels, resorts and other tourism infrastructure is currently on a downward trend. The drop in the number of investments could be strongly linked to the economic crisis that hit the country in 1997-1998. However, it is expected to recover from the beginning of 2000 as a result of the economic upturn.

3. Issues and impediments related to investment in tourism infrastructure

- (a) The financial constraints faced by the government and private sector, due to the economic slowdown and financial crisis in 1997-1998, have affected the programmes and plans for development of tourism infrastructure;
- (b) Negative reports on Malaysia by the foreign press, e.g., the labelling of Malaysia as a politically unstable, extremist Muslim country unsafe for foreign tourists;
- (c) The lack of identification and development of tourism projects that suit local and foreign tourists;
- (d) Competition with other countries, particularly in the same region, to attract tourists;
- (e) The tourism industry is still considered a new industry in Malaysia, and tourism awareness among the population has yet to become widespread.

4. Suggested measures for creating a favourable atmosphere for investment in tourism infrastructure

- (a) Create a distinct Malaysian image and develop new tourism products, while preserving, improving and enhancing the national heritage, and conserving the environment;
- (b) Enhance Malaysia's image as an attractive tourism destination through the development of promotional tourism activities such as shopping festivals, health tourism, education tourism, eco-tourism etc.;
- (c) Develop further the attraction of tourism destinations based on several themes including islands and beaches, highland resorts, eco-tourism, historical places, cultural attractions and technical parks;
- (d) Develop human resources required by tourism-related industries in all fields and at all levels;

- (e) Enhance further the development of basic facilities infrastructure;
- (f) Review the National Tourism Policy in order to prepare for new challenges in the new millennium;
- (g) Provide financial facilities to local investors who are investing in tourism infrastructures;
- (h) Develop further research and development of infrastructural requirements;
- (i) Review the current fiscal and monetary policies with regard to the development of the tourism industry.

I. MALDIVES

1. Current situation in tourism development and economic benefits

Tourism in Maldives has undergone impressive changes since its inception in the early 1970s. Until now, the country has enjoyed sustained GDP growth averaging 8-12 per cent accompanied by modest inflation. The population has consistently enjoyed rising living standards. The size of the industry has expanded, as have all other complimentary industries. Approximately 70 per cent of foreign exchange inflows into the economy come directly from tourism. The government invests revenue generated from tourism in social development and other community/infrastructure projects. Without tourism, the government ability to spend on such programmes would be highly restricted.

Tourism also generates direct and indirect employment opportunities for the population. However, the true potential of tourism has yet to be exploited because a fairly substantial proportion of the industry is still in the hands of foreigners. Foreigners occupy over 40 per cent of all jobs in the tourism sector, which results in the country losing a substantial amount of tourism revenue in the form of wage remittances. This situation needs to change if the real benefit of tourism for the economy is to be attained.

2. Present situation in investment in tourism infrastructure

Since the inception of tourism in the early 1970s, the industry has boomed and investments in the supporting infrastructure have materialized. Maldives experienced its initial years of tourism with a relatively underdeveloped airport that had very basic facilities. The government recognized the importance of an international airport and gave priority in its infrastructure development agenda to upgrading the airport. Apart from the main airport, transferring guests to the resorts is another major issue. At present, two modes of transfers, speedboats and seaplanes, are used to move guests from the airport to the resorts. However, both modes are inconvenient in times of rough seas. Therefore, there is a need to invest in the development of regional airports in order to minimize the need for domestic transfers.

The government has taken the lead role in promoting investments in infrastructure, and has made considerable inroads in establishing airports,

airstrips, harbours, jetties and other facilities. The finance for these investments in tourism infrastructure is generated from various sources; a considerable share comes from the government budget that in turn is financed by revenues flowing in from the tourism sector. In addition to resort transfer mechanisms and airport upgrading and expansion, the government needs to be concerned with the issue of human resource development. Specifically, it needs to promote human capacity-building and training of professionals who can deliver world-class service to clients.

3. Issues and impediments related to investment in tourism infrastructure

- (a) An absence of an investment bank and the inability of the domestic economy to finance tourism infrastructure investments;
- (b) Very high interest rates for funds borrowed from banks together with short repayment periods, which affect the decisions of investors in infrastructure investment;
- (c) Low levels of support and cooperation from the private sector in tourism infrastructure development.

4. Suggested measures for creating a favourable atmosphere for investment in tourism infrastructure

- (a) Establish an investment or development bank;
- (b) Encourage private sector involvement in infrastructure development;
- (c) Increase lease periods on land and review land rents.

J. MONGOLIA

1. Current situation in tourism development and economic benefits

Mongolia receives more than 100,000 visitors per year and has much to gain from expansion of its tourism sector. By supporting tourism development in Mongolia, the government provides opportunities to the private sector to participate in tourism. The economic benefits of the past few years materialized in part because of private enterprises' active participation in this sector. Analysing the economic benefits of 1997, 4 per cent of Mongolia's gross national product (GNP) was derived from tourism. In 1996, the export earnings of Mongolia totalled \$US424.3 million, and \$US29 million coming from tourism (6.8 per cent of all income). Today, the income from tourism is still increasing, and by 2015 it will be more than \$US232 million. The number of tourism employers in 1997 was 2,300 and there could be more than 4,000 by 2005.

2. Present situation in investment in tourism infrastructure

The government received loans and technical assistance from ADB totalling \$US36 million for expanding and upgrading Ulaanbaatar's Buyant-Ukhaa airport. After the expansion has been completed, more international flights can be expected and flights from Europe will be able to make transit stops. Six domestic airports are planned for the north-east, centre, west and north-west regions, and Ulaanbaatar and Gobi. Mongolia currently has one international airport and 21 domestic airports. There are many opportunities for foreign investment in tourism development in Mongolia, and there is great optimism about the potential returns on investment.

Other supporting infrastructure, including some regional airports and the road system connecting the three urban centres, needs to be improved and upgraded. Urban transport needs to be expanded and a repair shop established. All these activities will require large amounts of capital. While international air accessibility is helping the country in its economic and social development, the country also needs to attract foreign investors from the private sector. A new foreign investment law has established Mongolia's good intentions and commitment to welcoming foreign investors. Foreign investors will be invited to develop a designated zone for tourism. To facilitate the necessary infrastructure development, the country is considering adopting a build-operate-transfer arrangement for foreign investors.

3. Issues and impediments related to investment in tourism infrastructure

- (a) Current air access to Mongolia is limited to only two flights from Japan and Korea;
- (b) Inefficient restaurant service, a lack of coffee, and a lack of basic facilities and room maintenance are areas that need priority improvement;
- (c) An unreliable and uncomfortable domestic air service;
- (d) A poor road network/highway system and a low standard of maintenance;
- (e) An inadequate wastewater system at tourist camps in rural areas;
- (f) Inadequate telecommunication lines in rural areas;
- (g) Hotels intended to offer high standards and international-level facilities are suffering from management and service problems.

4. Suggested measures for creating a favourable atmosphere for investment in tourism infrastructure

- (a) Strengthen vocational education in tourism;
- (b) Increase foreign and international investment and technical assistance in infrastructure development;
- (c) Adopt build-operate-transfer arrangements to attract foreign investment in tourism infrastructure development;
- (d) Development by the National Tourism Council of smooth and effective implementation of the tourism development policy. The Council should also coordinate the activities and institutional relations between tourism entities, related ministries and professional associations in order to ensure compliance with laws and regulations on tourism development;
- (e) Require businessmen and policy makers concerned with tourism to change their attitudes, styles of thinking and behaviour in order to develop economic approaches that are appropriate to generating economic benefits from tourism.

K. MYANMAR

1. Current situation in tourism development and economic benefits

The government recognizes the tourism industry as a major source of foreign exchange earnings and job opportunities for local communities. The income from tourists stays in the community and is accumulated by the local people with a multiplier effect. Of the \$US35 million earned from the tourism industry in 1999, only a small percentage went into the government's budget. However, Myanmar is quite cautious of the negative impacts of tourism on social and cultural values. Therefore, every measure is taken to minimize the possible negative effects that might be caused by the influx of tourists on the local populace. Tourism in Myanmar is balanced between economic benefits and social and cultural values.

2. Present situation in investment in tourism infrastructure

The tourism industry has attracted more foreign investors than any other sector. As of 1999, there were 41 hotel apartments and commercial complex projects with investments amounting to over \$US1.18 billion. Most hotel projects are in Yangon and are being constructed on a build-operate-transfer basis. Infrastructure remains a major constraint for rapid tourism development of Myanmar. To overcome the problem, the government has rushed through many projects to improve existing facilities and has undertaken new infrastructure projects. However, government efforts have been seriously constrained by lack of funding from international organizations such as ADB or the World Bank.

To expand the economic benefits of tourism, promotion of investment in tourism infrastructure is a major requirement. Myanmar still needs improvement in infrastructure mainly in the energy, communication and transport (road networks, international airport, bridges and rail) sectors. There is still a need for international class hotels in major tourist sites and many opportunities exist for investment in developing golf courses, beach resorts, tourist villages and amusement parks. In order to increase foreign investment, the government has adopted a market-oriented economic policy since 1988 and provided various incentives to investors.

**3. Issues and impediments related to investment
in tourism infrastructure**

- (a) Inadequate basic infrastructure;
- (b) A limited budget and a lack of overseas assistance in infrastructure development;
- (c) A negative international image that discourages many tourists and investors from visiting Myanmar.

**4. Suggested measures for creating a favourable atmosphere
for investment in tourism infrastructure**

- (a) Increase government commitment and support for infrastructure development;
- (b) Encourage active participation by the private sector in developing tourism infrastructure;
- (c) Close cooperation and support of ASEAN and individual neighbouring countries, which could contribute to the endeavours of Myanmar in tourism development.

L. NEPAL

1. Current situation in tourism development and economic benefits

Tourism has become a leading foreign currency earner in Nepal. In 1998, foreign currency earnings through this sector totalled \$US152.5 million, a significant amount for a small country such as Nepal. In 1998, tourist arrivals totalled 463,684, which was a 9.9 per cent increase over the previous year. Tourism contributed about 4.4 per cent of GDP.

An important aspect of tourism is its employment-generating potential. The living standard of residents in tourism activity areas is far better than their counterparts in districts where there is no tourism. In addition, tourism has acted as a tool for promoting traditional handicrafts and curios in the domestic and international markets.

2. Present situation in investment in tourism infrastructure

Four sources for funding infrastructure investment in Nepal are:

- (a) The public sector, with funds raised through taxation or domestic borrowing;
- (b) Local entrepreneurs with their own funds and/or loans;
- (c) Foreign investors;
- (d) Aid donors.

To attract more foreign investment, various policy measures have been taken, including relaxing the bureaucracy of the administrative machinery, trade liberalization, tariff rationalization, tax reform and financial sector reform. The industries that build and operate roads, tunnels, ropeways, bridges, trolley buses and trams have received national priority. In addition, various government incentives are offered to encourage foreign investment in infrastructure development related to tourism activities.

3. Issues and impediments related to investment in tourism infrastructure

A major problem with the Nepalese private sector is that it is small, disorganized and limited in its capacity to raise resources and invest in any form of equity.

**4. Suggested measures for creating a favourable atmosphere
for investment in tourism infrastructure**

None were suggested.

M. PAKISTAN

1. Current situation in tourism development and economic benefits

Tourism ranks as one of the top 10 foreign exchange earning industries in Pakistan. During 1997/98, total export earnings of Pakistan were Rs 373,160 million, to which tourism contributed over 3 per cent (Rs 4,516 million). During the same period, tourism constituted roughly 10 per cent of GDP, while income generated indirectly from tourism constituted nearly 20 per cent of GDP. These figures are indicators of the high performance of tourism compared to other sectors of the economy in Pakistan.

During 1998, Pakistan earned \$US97.9 million from tourism. The actual earnings could be at least three times this figure due to a premium of Rs 1.50 to Rs 2.50 in the open currency market over the official party rate. Tourists tend to convert their money on the open market. The tourism industry is very important to the country as it is capable of more rapid expansion than most other sectors of economic activity. In addition, it results in distribution of income among various income groups.

2. Present situation in investment in tourism infrastructure

Due to the low priority accorded to tourism in the country's Five-Year Plans, the public sector financial allocation and actual releases of funds have always remained short of the demand made by the Ministry of Tourism. In addition, due to a lack of proactive incentives and concessions, the private sector investment envisaged during the Five-Year Plan periods did not fully materialize. Foreign investment flow into Pakistan also remained severely restricted due to a lack of tourism infrastructure in the northern areas and other places of tourism merit. In addition, no management steps were taken to create an institutional framework to deal with investment.

Despite many shortcomings and a lukewarm attitude towards tourism development, the government invested Rs 445,682 million in tourism from 1990 to 1998. The private sector investment in tourist accommodation during the same period was estimated to be around Rs 3,000 million on a self-financed basis.

3. Issues and impediments related to investment in tourism infrastructure

- (a) Inadequate and poor maintenance of infrastructure for tourism projects, particularly those located in northern areas along the legendary Kara Korum Highway;
- (b) A perceived image that tourism resources are inaccessible to tourists;
- (c) The location of prospective tourism sites in sensitive areas;
- (d) Bottlenecks in privatization of on-going/operational public sector tourism projects;
- (e) A lack of high profile and professional investors in tourism projects due to the small scale, seasonal characteristics or perceived high risk of tourism sites.

4. Suggested measures for creating a favourable atmosphere for investment in tourism infrastructure

- (a) A revolving credit line of at least Rs 1,000 million should be provided by the government for lending at a concessionary rate of interest through the Regional Development Finance Corporation to the private sector for projects in tourism;
- (b) Tourism should be developed on a self-reliant basis. Where private sector investment is not forthcoming, the government could play a catalytic role;
- (c) The government should arrange a Tourism Investment Fund (TIF) to provide concessions and incentives, and wherever necessary to reimburse the same. This fund may also be used for investment on a matching grant basis with the private sector;
- (d) All the beneficiaries of tourism should be taxed in order to provide a source of revenue. The government should also contribute through its Public Sector Development Plan, if the above amount falls short of requirements;
- (e) A chain of inexpensive, but neat and clean hotels should be constructed on a concept of public-private sector joint ventures along major tourist routes;
- (f) The government-managed (Pakistan Tourism Development Corporation) profitable motel chain could be leased out to

national and multinational companies. Money thus generated could be invested in virgin areas that have a tourism value;

- (g) Investment should be encouraged through a capital market by the flotation of shares with some sovereign guarantee to minimize the risk to investors;
- (h) All concessions and incentives should be tied to a specific time period to prompt the investors to accurately schedule their investment plans;
- (i) All investment programmes and policies should be developed in consensus with all the stakeholders, including the Ministry of Tourism, Ministry of Finance, Export Promotion Bureau, Board of Investment, local authorities etc.

N. THE PHILIPPINES

1. Current situation in tourism development and economic benefits

From 1995 to 1999, visitor arrivals in the Philippines grew at an annual average rate of 6.7 per cent. By the end of 1999, visitor arrivals had increased to 2.17 million, after experiencing a 3.2 per cent drop in 1998 as a result of the Asian economic crisis. The tourism industry in the Philippines generates many economic benefits for the country. In 1999, the tourism sector accounted for 10.77 per cent of GDP. It also generated 2.31 million direct and indirect jobs for Filipinos in the same year, amounting to 8.24 per cent of the national total. By 2010, the contribution of tourism to GDP is projected to increase threefold to \$US21.86 billion, or 14.7 per cent of GDP.

2. Present situation in investment in tourism infrastructure

From 1992 to 1999, the Department of Tourism launched 572 projects amounting to a total investment of P 105.6 billion. The accommodation sector accounted for the biggest share of the tourism investments at 71 per cent. The transportation sector registered a share of 8 per cent while other related services, including tourism estates, recorded a 20 per cent share. The following actions helped to stimulate the rapid growth in tourism investments:

- (a) The establishment of an Act that authorized 100 per cent foreign equity participation;
- (b) The designation of tourism as a high priority in the Investment Priorities Plans (IPP);
- (c) The enactment of a Build-Operate-Transfer (BOT) Law, which greatly boosted infrastructure development in the country. The BOT programme has also encouraged private sector participation in airport development. The government has signed a 25-year contract with one private company to develop a third international airport terminal building, which is expected to accommodate 10 million passengers.

In addition, the government has invested in tourism infrastructure by applying for a loan from an international organization. The large loan,

P 436.6 million, is for a water supply system, a sanitation and sewerage system and a solid waste management system. Another P 1.44 billion will be used for road improvement, environmental zoning and the formation of a project management team. It is clear that the Philippines is very aware of the significance of infrastructure investment for supporting tourism activities.

3. Issues and impediments related to investment in tourism infrastructure

The following issues and impediments need to be addressed at the international, national, regional and local levels, in order to set the stage for expanding the benefits from tourism infrastructure development:

- (a) Government policies do not support measures for developing the tourism sector. Tourism is not given priority status in the national agenda or in the allocation of budgets. This leads to limited support from other government agencies related to infrastructure development, particularly road, airport, and seaport development;
- (b) Government procedures are often very cumbersome for investors;
- (c) There is too much bureaucracy and corruption in the bidding and awarding of contracts especially for road, airport and seaport development;
- (d) Foreign investors are not allowed to own land.

4. Suggested measures for creating a favourable atmosphere for investment in tourism infrastructure

- (a) A review of current initiatives and existing regimes affecting or likely to affect tourism growth should be undertaken. ESCAP or the World Tourism Organization could assist the government in undertaking the task and in developing appropriate mechanisms;
- (b) ADB and the World Bank should readjust their existing policies to consider support for tourism infrastructure vis-à-vis social and environmental programmes on poverty alleviation and sustainable development;
- (c) The government should move towards an open and competitive market through the implementation of the General Agreement on Trade and Services;

- (d) Policy makers and decision makers should make travel and tourism a strategic economic development and employment priority;
- (e) Multilateral agencies and institutions should assist governments in recognizing economic and social contributions of tourism. They should include tourism in mainstream programmes for job creation, export promotion and investment stimulation;
- (f) The government should eliminate barriers to infrastructure development by increasing access and incentives for airport development, modernization of air traffic control systems and structure, the improvement of highways and roads, and the development of parks, beaches and convention facilities.

O. REPUBLIC OF KOREA

1. Current situation in tourism development and economic benefits

Tourism is an important industry in the Republic of Korea. It affects production, foreign exchange earnings, personal income and the employment rate of other industries. In 1999, foreign tourists visiting the Republic of Korea totalled 4.60 million, a rise of 9.46 per cent over the preceding year, while the number of Koreans travelling overseas totalled 4.3 million, a sharp increase of 41.18 per cent. As a result of the Asian economic crisis, outbound traffic in 1998 plummeted by 32.5 per cent. Although Korean figures rebounded sharply in 1999, the surplus trend continued, with total expenditures amounting to \$US2.5 billion. In 2003, the Republic of Korea is expected to have more than 10 million inbound and outbound tourists, which is certain to have a significant impact on the national economy.

2. Present situation in investment in tourism infrastructure

The Republic of Korea has invested in various projects related to tourism including:

- (a) Tourism complexes. A total of W 1,799 billion was invested in various Korean tourism complexes in 1998. In order to induce private investment, the government has provided incentives to investors and designated tourism complexes as “social infrastructure” as stipulated in the Private Capital Promotion Law;
- (b) Tourist sites. In 1998, a total of W 5,258 million was invested in eight tourist sites. Half of the invested amount came from the central government and the other half from local governments. Since 1984, a total of W 15,167 million has been invested in developing model campgrounds in tourist sites nationwide;
- (c) Farming area and fishing village tourism resource development. By the end of 1998, a total of W 12,432 million, supported through a government loan, had been distributed to 397 tourism farms, eight resort areas, and 235 private home lodging villages. Another W 1,750 million was spent on developing museums and resort complexes in fishing villages.

Foreign investment in the tourism sector totalled \$US2.3 billion in 1997, \$US332 million in 1998 and \$US600 million between January and September 1999.

3. Issues and impediments related to investment in tourism infrastructure

- (a) A lack of consistency in foreign investment promotion policy;
- (b) Conflicts between different governmental departments;
- (c) Problems related to government policies, with regard to realizing objectives;
- (d) Laws and regulations that do not comprehensively support foreign investment, such as labour and land regulations, financing regulations and infrastructure. For example, in metropolitan areas, it is prohibited to use land for tourism development due to urban planning laws, metropolitan maintenance planning laws etc.;
- (e) High land prices and high labour costs compared with competing Asian cities (except Singapore and Japan);
- (f) In terms of the labour market, rigidity is another factor that constrains foreign investment. The rigidity is a product of several factors:
 - (i) The social atmosphere in the Republic of Korea does not allow for the adjustment of the labour force by market mechanisms;
 - (ii) A lack of autonomous negotiation between labour and management;
 - (iii) An inefficient salary and promotion system.

4. Suggested measures for creating a favourable atmosphere for investment in tourism infrastructure

- (a) The government should select target businesses and then carry out promotional activities for inducing investment;
- (b) The government should provide more incentives to investors and provide comparative advantages over other countries in terms of bringing foreign investment to the tourism sector;
- (c) The investment environment should be improved on a continuous basis, e.g., by alleviating administrative regulations and providing efficient support for information distribution;

- (d) Activities such as related research, preparation of effective strategies through policy evaluation, and promotion and advertising should continue to be implemented;
- (e) The incentive system should actively attract foreign investment. It should be improved because most of the current incentives for tourism investment will be effective only until 2002;
- (f) The tourism industry suffers from the Foreign Investment Promotion Act that limits free conditions for foreign investor participation;
- (g) There should be no limitation on the size of an investment;
- (h) Incentives need to be made more flexible, through consultation or negotiation if necessary, with individual foreign investors rather than by the current uniform criterion;
- (i) Greater in-depth analysis of the spillover effects of investment is required, especially in the areas of industrial and regional development;
- (j) The autonomy of local governments, in terms of foreign direct investment (FDI) incentives, needs to be further enhanced, thereby expanding the role of local governments in inducing foreign investments;
- (k) Possible harmful competition among local governments should be avoided when providing incentives;
- (l) An Investment Support Centre for the tourism industry should be established that could provide useful information on investment in the tourism industry, consult with foreign investors, support a one-stop service for tourism investment and hold investment seminars.

P. SRI LANKA

1. Current situation in tourism development and economic benefits

Tourism is an essential activity in undertaking economic and social development in Sri Lanka. The hotel and tourism sector is the fourth highest foreign exchange earning industry in the country, with gross earnings of \$US168 million in 1996. From 1966 to 1999, the contribution of tourism to the national economy rapidly rose from Rs 1.6 million to Rs 9,285.4 million, respectively. The country was expecting to receive 460,000 arrivals by end of 2000 and; if the current trend continues, Sri Lanka can expect up to 1 million tourist arrivals in 2004. The number of people employed in the tourism industry, both directly and indirectly, is about 80,000. Tourism thus has a great impact on the economic development of the country.

2. Present situation in investment in tourism infrastructure

In keeping with the high priority given to the tourism sector, several initiatives are currently being carried out. Those initiatives are described below.

(a) Initiatives in human resource development

These initiatives include:

- (a) The government considers human resource development to be a priority, and tax incentives and financial support are provided to the respective institutions. The government is committed to building a hotel and tourism school in Colombo with a total investment of \$US6.5 million;
- (b) Expansion of training for educated unemployed rural youths in Sri Lanka.

(b) International transportation network initiative

Since 99.9 per cent of foreign tourists travel to Sri Lanka by air, an effective transportation network is very important. The new management of Sri Lankan Airlines plans to introduce flights to new destinations and new stopovers, using modern aircraft.

(c) *Internal transportation*

The two main initiatives concerned with internal transportation include:

- (a) A comprehensive network of roads to reach tourist attractions is being spread throughout the country. Existing roads have been upgraded and elevated roads have been constructed to facilitate transportation;
- (b) Waterways development. Boating facilities are available for tourists for recreational purposes.

(d) *Promotion of tourism investment*

The Board of Investment has introduced incentives in the form of tax exemptions, duty-free imports and the relaxation of controls on foreign exchange holdings. The incentives provided by the government have mainly attracted investment in the hotel sector. The present hotel capacity is 13,670 rooms. That figure is projected to increase to 21,000 rooms by 2004, which will accommodate the target of 1 million tourists.

**3. Issues and impediments related to investment
in tourism infrastructure**

- (a) Inadequate coordination of environmental management and tourism development;
- (b) A lack of well-trained staff for meeting the various requirements of the tourism industry;
- (c) An inadequate network for disseminating and exchanging information on the various aspects of tourism;
- (d) A lack of cooperation between the public and private sectors in identified projects;
- (e) Inadequate infrastructure;
- (f) A lack of improvements in transportation;
- (g) Insufficient promotional efforts.

**4. Suggested measures for creating a favourable atmosphere
for investment in tourism infrastructure**

- (a) Introduce measures to attract high-yield tourists;

- (b) Develop a marketing strategy emphasizing the creation and sustaining of a positive image of Sri Lanka as a substantive and well-established tourist destination offering facilities and experiences that are distinct Sri Lankan products;
- (c) Establish a domestic tourism strategy to expand the existing product base and encourage a greater level of holiday movements in addition to pilgrim movements;
- (d) Increase accessibility to Sri Lanka for existing and potential tourist markets, particularly by air;
- (e) Develop goods and services to meet the increasing needs of the tourism industry, and thus optimize the economic benefit of tourism development to Sri Lanka;
- (f) Improve human resources development to meet the existing and future needs of a quality tourist destination;
- (g) Modify the organization of tourism activities in order to bring about related improvements in the private sector, increase coordination between tourism and interrelated sectors, and introduce streamlining to facilitate the development of the tourism sector;
- (h) Emphasize the environmental, social and cultural aspects to ensure that development of the tourism sector is sustainable, that it meets the needs of the local population as well as international and domestic tourists, and that the future potential is protected and enhanced.

Q. THAILAND

1. Current situation in tourism development and economic benefits

In 1999, Thailand's inbound tourism market reached 8.28 million tourist arrivals with an annual growth of 6.70 per cent. It is estimated that travel and tourism generated Baht 782 billion, which contributed 4.85 per cent of Thailand's total GDP. By 2010, it is expected that travel and tourism will generate Baht 3.1 trillion. Taxes received from the tourism industry amounted to approximately Baht 79 billion or 11.3 per cent of total taxation in 1999, whereas tourism operating expenditures were around Baht 13 billion or 2.5 per cent of the total expenditures.

Tourism plays an important role in national employment; it created around 3.4 million jobs or 11 per cent of total employment in 1999. By 2010, this share is expected to grow to 4.8 million jobs or 13 per cent of total employment. It is clear that the tourism industry creates jobs and produces many economic benefits for Thailand.

2. Present situation in investment in tourism infrastructure

In 1999, capital investment in the Thai travel and tourism sector is estimated at Baht 134 billion or 7.7 per cent of total investment. By 2010, it is projected to reach Baht 672 billion or 8.1 per cent of total investment.

The Board of Investment (BOI) is the sole government agency responsible for encouraging foreign investment in Thailand in nearly all sectors, while the Tourism Authority of Thailand (TAT) is responsible for tourism promotion, product development and advising BOI on tourism investment. Although technical development and basic industry are the priority areas of BOI, it also encourages investment in tourism because it creates job opportunities, earns foreign exchange and contributes to the growth of regions outside of Bangkok. Financial and tax incentives are provided to foreign investors in tourism-related sectors, which are divided into four main areas: accommodation; transportation, supporting activities such as leisure, sports and environmental protection, and recreational activities that promote tourism. Since 1977, BOI has approved 593 tourism-related projects for investment privileges.

Other governmental agencies such as the Airports Authority of Thailand and the Ministry of Transport and Communications are also responsible for tourism-related infrastructure. The domestic, regional and intercontinental flights radiating from Bangkok to key destinations within Thailand and around the world give rise to the provision of services. Thailand's transportation system is also very well developed in terms of its extensive road network. In the tourist destinations of Chiang Mai, a mass transit system project is being launched in order to improve accessibility for tourists within the city as well as to solve problems of traffic congestion.

3. Issues and impediments related to investment in tourism infrastructure

Most applications for investment promotion in Thailand fall within two categories, i.e., accommodation and transport. Impediments to increasing investment in tourism infrastructure are:

- (a) The granting of special privileges mostly in Zone 3, comprising 60 provinces outside Zones 1 and 2 (which cover Bangkok and its 15 surrounding provinces), with the aim of expanding economic development to rural areas. However, the privileges granted are not enough to attract investors to Zone 3. A lack of basic infrastructure in some rural areas also deters investors from investing in Zone 3. The privileges in Zones 1 and 2 are few and the return on investment is low, so some investors do not want to risk establishing businesses in those areas;
- (b) Difficulties in following some conditions that are related to investing under promotional schemes;
- (c) The absence of an agency responsible for giving specific information on the rules, regulations and incentives for tourism investment. Coordination between BOI and TAT is not effective enough to encourage foreign investment;
- (d) Tourism investment is not a BOI priority area.

4. Suggested measures for creating a favourable atmosphere for investment in tourism infrastructure

- (a) Establish a Tourism Investment Information Centre to assist foreign investors;

- (b) Encourage other governmental agencies in addition to BOI and TAT to become involved in tourism investment. Supporting measures required for investment from other agencies include:
- (i) Infrastructural support in special investment zones, in the form of water and electricity supplies and telephone services;
 - (ii) Financial support through the reduction of fees for water and electricity supplies, and special interest rate bank loans for investment in promotion zones;
 - (iii) Set up tourism training institutes in the investment promotion area in order to supply the required workforce;
 - (iv) Facilitate and expedite the official procedures involved in investment.

R. VIET NAM

1. Current situation in tourism development and economic benefits

The tourism industry generates significant economic benefits for Viet Nam. From 1990 to 1997, the number of foreign visitors increased from 250,000 to 1.7 million. However, as a result of the Asian economic crisis, the number of foreign visitors declined in 1998. Therefore, the government issued many strong policies to attract tourists, and in the first six months of 1999 the number of visitors to Viet Nam increased by 18 per cent.

Employment is one economic benefit of tourism. At present, 130,000 persons work in tourism and millions work for businesses related to the tourism industry. The industry's average contribution to the country's GDP over the past three years was 5.8 per cent.

2. Present situation in investment in tourism infrastructure

In 1988, the government issued a law on foreign direct investment (FDI). During the past decade, the FDI policy has been changed several times. By the end of 1998, total FDI capital in the Vietnamese tourism industry had reached \$US11 billion, with 273 projects related to tourism services, transport, restaurants and hotels, as well as golf and other tourism-related sports and recreational activities.

3. Issues and impediments related to investment in tourism infrastructure

- (a) Poor basic infrastructure (road networks, airports, communications etc.);
- (b) A lack of capital for domestic investment purposes.

4. Suggested measures for creating a favourable atmosphere for investment in tourism infrastructure

- (a) Introduce relevant policies and laws on FDI in Viet Nam to encourage foreign and domestic investors to participate in infrastructure development;
- (b) Provide incentives for FDI, such as reducing the rental cost of land and exemptions from various taxes.