

**Mozambique
Institutions for Managing Tourism Growth
Selected Cases for Mozambique**

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Revised December 1, 2006

Abbreviations

ADP	Asian Development Bank
AFT	Tunisian Land Development Agency
ASONAHORES	Hotel and Restaurant Association (Dominican Republic)
BTB	Bali Tourism Board
BTDC	Bali Tourism Development Corporation
DR	Dominican Republic
EPZ	Export Processing Zone
FONATUR	Tourism Development Fund (Mexico)
FUTUR	Tourism Fund (Mozambique)
GATS	General Agreement on Tariffs (Services)
GEF	Global environment Fund
INFRATUR	Department of Tourism Infrastructure (Dominican Republic)
IFC	International Finance Corporation
IUCN	International Union for the Conservation of Nature
MTPA	Mauritius Tourism Promotion Agency
MEDIA	Mauritius Export Development Agency
MIGA	Multilateral Investment Guarantee Agency
ONTT	Tunisian National Tourism Office
PATA	Pacific Asia Tourism Association
PDFs	Project Development Facilities
SADC	Southern Africa Development Community
TIA	Travel Industry Association of America
TPD	Tourism Projects Department
UNEP	United Nations Environment Program
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Organization
UNDP	United Nations Development Fund
UNWTO/WTO	World Tourism Organization
WWF	World Wildlife Fund

Institutions for Managing Tourism Growth

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I. Tourism

Tourism is different. The characteristics of tourism are important when considering institutional frameworks for growth of the sector. Tourism and manufacturing differ in fundamental ways -- tourism is a service industry; an invisible export industry, which is often not understood. Tourism is not a single sector but cross-sectoral and an agglomeration of different services: transport, lodging, food and beverages services are at its core. Moreover, tourism has forward linkages to other services and activities that can lead to considerable additional value added. Uniquely, production of “tourist goods”, e.g. sale of an overnight stay, takes place at the same place as consumption and the tourist has to go to the destination, rather than the product coming to him/her. Again, tourism sells out of fixed assets (e.g. a bednight¹), unlike most businesses which manufacture goods for sale out of inventory; this means that changing supply is slow (e.g. construction of new facilities) and can only happen over time. The way hotels adapt to changing market trends is to redecorate, reinvest in the property and replace furniture and fixture regularly. To the extent that services can be produced in-country, leakages to pay for imported goods used in tourism can be minimized. These characteristics mean that tourism is vulnerable to changing market trends, to the quality of its staff, and the reputation of its location, amongst other things.

Planning tourism. Tourism planning is a key function of tourism development – whether for an emerging destination or a mature one. As a core aspect of tourism development, it is used as an illustration of the complexity of tourism.

Whereas much tourism has grown spontaneously in response to an asset (for example, Siem Reap in Cambodia), in modern times, the industry has bought into the concept of planning as a process. In other words, countries try to manage and channel demand in ways that ensures sustainable development – this is particularly important where the private sector’s enthusiasm runs ahead of an area’s capacity to support additional development and concrete jungles may result -- e.g. Benidorm in Spain or the Black Sea resorts of Bulgaria at the present time. To this end, an area will develop a master plan which will outline areas to be protected, land uses and zoning for different kinds of construction and infrastructure. These plans can be in several forms but are often maps accompanied by regulations in the form of documents spelling out planning standards. Accompanying regulations cover issues such as environmental and landscape management, architectural standards, development standards (e.g. plot coverage ratios); engineering standards, building codes and standards, and plot coverage ratios. Land, improved with network infrastructure, can be either leased or sold to investors; in either case, an organization will manage the process – either one set up for the location itself (often an authority) or one that manages several sites. There also needs to be regulatory oversight to ensure that properties are operated within the conditions of the master plan – the difficult part is not just to prepare a plan but implement it rigorously.

¹ Also, if a bed or seat remains empty, revenue from that opportunity is lost forever.

In the end, and especially in emerging markets, the core objectives of tourism boil down to managing its growth – increases in both demand and supply. Countries need to understand what growth means for them.

1. Does it simply mean using public resources to catch up with growth in private sector activity, where, for example, infrastructure capacity has not kept up with development²? Or does it require that public investment be targeted and “efficient”, that is, that a public dollar invested returns the maximum benefit in terms of results in guiding development? The first case is the *laissez faire* policy in effect in many regions whose hotel sectors have grown out of control as private interests vie for sites in the area to capitalize on new trends – the coast of Spain, etc. – and infrastructure fails to keep up with development; the second, maximizing the benefit of public investment, implies controls on the growth of expansion, for example, using infrastructure as a policy tool to guide development, or moratoria on construction as Tanzania, Mauritius and Morocco have done effectively (via an occupancy rate criterion, for example).
2. Again, should growth also be “equitable” – in other words, is the location of growth as important as its efficiency? Mexico and the Dominican Republic have clearly sought to spread out the benefits of tourism growth by choosing different regions for development within their respective countries.
3. Thirdly, the quality of growth is important – one looks for the long-term investor with commitment to the destination and who represents the kind of activity sought. There are many developers whose role is to build and sell – without too much regard for the future. Many argue for top-of-the-line tourism and not backpackers, for example, equating high price with quality, often with weak reasoning. In fact, many areas of the world, enjoying high status as tourism destinations (Bali, Nepal, Playa del Carmen (Mexico) today, started out as hippy and backpacker destinations. The lesson is that there are many market niches and they can live side by side if promoted intelligently.
4. Finally, tourism growth is to be “sustainable” – what does sustainable mean? Typically, it means close attention to the economics of growth, a concern for social inclusion and for sound environmental management. While desirable, this is very difficult to achieve and requires trade-offs. For many years, the environmental lobby was rigid and absolute in its criteria for protection, which often meant preservation at all costs, even if that meant no tourism. It has become apparent that the costs of such policies are prohibitively costly and that very few support them. Indeed, it is the coexistence of tourism and conservation that offers the best prospect of some harmony; in effect, a business and an environmental plan are both essential. Business can generate the resources (in economic terms , capture the “rents” inherent in scarce public, irreplaceable goods, such as national parks or public monuments) to finance reinvestment in the environment to ensure

² A critical example just now is in the Dominican Republic, where the growth of demand (and hotel construction) has outstripped local government’s capacity to provide safe drinking water and sanitation. As many tourists are from the European Union, which closely regulates such activities (and tour operators are held responsible for tourists’ health and safety), the country needs to upgrade these services as a matter of priority – it is done so with support from the World Bank.

that it can be passed on to the next generation³. On top of these criteria, others are often imposed – the classic case is poverty reduction, which is often a critical target of public policy. Community based or pro poor tourism has emerged in support of such policies.

This thumbnail sketch of tourism planning suggests that managing growth is complicated but necessary. For the industry, it boils down to some core ideas: managing growth in the light of local circumstances -- managing the expansion of tourism, where growth is sought; managing the quality of tourism where that is a priority; and managing the location of new tourism (or denying growth) where that is a concern. This last idea, managing location, is somewhat different from simply managing growth. It is a specific attempt to bring in local populations' views on where and if tourism expansion should be located⁴. Experience suggests that overall master planning of a country is only useful as a means of setting regional priorities – many countries have tourism master plans that simply gather dust (although there are a number of excellent exceptions – e.g. Maldives). It is more important to develop tourism planning for specific areas faced with key constraints and opportunities (and where financing is available). In this last context, setting the framework is critical -- defining the boundaries of the planning framework; associating stakeholders, giving them the lead in setting the rules of the game and a sense of ownership.

II. Stakeholders

Tourism policies and planning are to a certain extent abstractions. While they can create incentives or disincentives to implementation, planned or otherwise, it is the people concerned by tourism and the institutions in which they work which will ultimately determine success – starting with the community and including all stakeholders. Stakeholder groups are often much wider than is commonly understood, as described below.

Communities. Planning for tourism is accompanied by outreach to the concerned communities and can take place at several levels. Firstly, it can be a purely informational activity to detail what is being planned. However, experience suggests that local communities should be *partners* in the development as citizens, potential employees and even partial owners. Viewed through this prism, the task of implicating local populations can be central to an area's success. In some cases, the community can be the owner. An excellent example is Whistler in Canada's British Columbia, rated by some as the top ski resort in the world. It is, however, a four-season resort which has grown as a community-owned and -led enterprise. It is one of the most successful ventures of its kind in the world (it has had a great deal of help along the way from both Federal and State government for analytical and strategic studies). Other communities debate intensely how much growth they want in their community and set standards that become targets.

⁴ Most of these ideas are based on: Fred P Bosselman, Craig A. Peterson and Claire McCarthy, "Managing tourism growth: issues and applications, Island Press, Washington, D. C. 1999. (www.islandpress.org)

Jackson County in Wyoming and the Lake Tahoe community (touching both California and Nevada) are two other examples in North America. Mexico has Ixtapa. In Asia, the Nusa Dua Resort Development in Bali, Indonesia, is a successful example. In each of these examples, an organization to administer the master plan has been put in place – the instruments at their disposal can range from friendly persuasion, to the range of development tools (plot coverage, densities, etc.) permitted in the area, to an outright veto. It should also be recognized that in some cases – for example in an established resort where demand may be tapering off – that a “rapid response” approach may be warranted. In such cases, a committee of stakeholders is charged with examining the situation and with coming up with solutions – very often solutions lie within the capability of the community itself but have to be brought out by good facilitation, coaching, and empowering the stakeholders.

Public sector. The public sector has a critical role to play in tourism, even if tourism is a “private sector activity”. Firstly, investors will probably interact with parliamentarians or elected officials who may be expected to champion their own local electorates. Then, public administration’s role is to create the vision, policy and strategic conditions for translating objectives into action on the ground. The public sector’s stance on policy will condition the private sector’s attitude to investment. A catalytic policy, one that encourages private investment, will be conducive to long-term investment; a policy of command and control will stifle long-term investment. Although investment in hotels should probably always be private (an exception might be an anchor investment in an emerging area), the government is often called upon to invest public funds which will both support local communities and tourism investment. The quality of such investment will be critical to success. Indeed, public investment (and related incentives) should be used as instruments for channeling private investment. It may also be possible in some cases for the private sector to bear the costs of some public investment directly up-front, but this is likely to be an exception⁵ in emerging markets. Governments have not been very good at realizing that they often hold critical cards for investment decision-making. Much development planning in the West (especially England and America) has been based on the idea that control over use of land is fundamental for mastering economic growth. In any event, governments own (or control) the asset being developed; investors have to compete for the choice sites; and it is they (the governments) that can influence key choices as to how they want development to take place – in tandem with other stakeholders’ views.

Private investors. The private sector’s role is to invest in and operate tourism facilities. Investors and operators (tourism operations are often owned by one group and managed by others) run the gamut from small or even micro investors to large corporations with regional or worldwide operations. Thus, some companies have easily-recognized brand images (hotel chains, airlines, travel intermediaries); others operate independently in relative obscurity in their own market *niches*. This variety is important

⁵ On the other hand, recovery over time of these investments through user charges, fees and taxation, should be stipulated.

for product development and creativity in programming tourism offerings⁶. Countries should be careful to encourage foreign and local investors equally – and they will work together. Investors should interact responsibly with government. They typically do this by organizing into professional or trade associations that analyze policy formulations, act as industry advocates and promote the interests of the industry (e.g. through training, setting standards, or creating outreach to related sectors). As is the case with transnational bodies in the public sector, regional organizations also exist in the private sector, the prime example probably being the Pacific Area Tourism Association (www.PATA.org).

Civil society. Civil society is a catch-all name for those groups in society that can be influential in decision-making and includes, for example, NGOs, universities, religious and civic groups. As noted above, some communities should be well integrated into tourism planning to defend their own interests; in others, they may have an agenda to champion, for example, an NGO that may or may not fit with a community's agenda.

Donors. Donors have become more active in tourism in recent years. The World Bank closed its Tourism Projects Department (TPD) in 1979⁷ and for 20 years did very little, except through its private sector affiliates, the International Finance Corporation (IFC) and the (MIGA), which structured private deals (IFC and provided guarantees (MIGA). Now the World Bank Group (WBG) provides support for tourism through multiple sources – the Bank through its private sector, infrastructure and economically and socially sustainable departments; IFC through its traditional means and additional products (Project Development Facilities, PDFs). All agencies provide support for capacity building in multiple areas connected with tourism. It was demand from countries that precipitated a WBG return to tourism – led by environmental, social and private sector concerns.

Other donor agencies are also active in tourism, including the following: the EU has been very active in supporting tourism development (much of it marketing); the UK has funded a pro poor tourism initiative; the Dutch (through SNV) have addressed community-based tourism. There are many international organizations supporting tourism (including UNESCO, IUCN, UNCTAD, UNIDO, to mention a few); NGOs, often supported by donor agencies but more frequently by their own efforts to raise charitable funds, supporting tourism (WWF, IUCN, Conservation International, the Nature Conservancy, etc.). In the author's view, country's should be harmonizing the activities of donors by setting up sector specific working groups, under the government's direction, where programs are debated and information diffused.

In the modern world, people tend to be involved in multiple social and professional organizations and play different roles in them. Given this, it is no longer enough to establish “demographics” (although that may be important – for example, in tourist communities in the West, retired persons), as people fall into different categories under

⁶ In the Riviera Maya in Mexico, excursion companies have no fewer than 90 activities catering to every type of tourist demand.

⁷ Reasons were mainly twofold: complexity in preparation and a perceived “image” problem – that of providing hotels for foreigners in countries with pressing poverty and other issues.

different topics. In politics, for example, they may tend to conservatism in some fields, liberalism in others; they may be coldly analytical in some cases, emotional in others. What is important for tourism, is that they try to forge networks or partnerships between the various stakeholders and that all parties seek to establish a framework of confidence and trust – they can achieve this by sharing ideas, working together, recognizing problems and opportunities in a frank and open environment. When all parties are engaged in formulating solutions and are committed to outcomes, it becomes more difficult for any single person or group to derail a process. Public private partnerships can be simply for information sharing or for decision-making. In Asia, public/private national business councils often have decision-making powers (e.g. Malaysia). New Zealand is famous for the way it analyzed its policy and institutional choices in depth before making any concrete moves – but when it reached agreement, it acted with dispatch. In Africa, public private partnerships tend just to be for information sharing, although a few countries presidential advisory groups are moving to limited decision-making (e.g. Senegal, Tanzania).

Lastly, there are always winners and losers and any analysis of the sector must be aware of how to mitigate the negative effects of any policy or action on those seen to be losing from the policy.

III. Observed models

Models of tourism institutions observed in the real world can be quite varied. It is probably true to say that in most countries in emerging markets where tourism is a sector of focus or importance, there is a Ministry of Tourism, a statutory body responsible for marketing and some level of organization in the private sector. But this is by no means the only possibility and indeed solutions must be tailored to local constraints/opportunities and objectives. For example, in some advanced countries, one finds no ministry of tourism⁸ (e.g. the US, the UK or Ireland) – in these, tourism is a department within another ministry or an organization run autonomously outside government. In the US, tourism is handled by the Department of Commerce and the Travel Industry of America (TIA) is the key private professional association and often the country's "voice" for the industry, although that is changing⁹. In Ireland, tourism is managed by the Irish Tourist Board, an organization funded by government with private board members, and autonomous rights, responsibilities and accountabilities. In many developing countries, where there is a ministry, it is often weak, claiming a small part of a government's resources, unable to convince other departments of tourism's role, and typically having little power at cabinet level.

⁸ There are even some cases of supranational tourism organizations – the European Travel Commission and the Southern African RETOSA being examples, the former covering the EU, the latter the Southern Africa Development Community (SADC).

⁹ The idea behind a low profile for the public sector here is that tourism is a private industry that requires no public support. September 11 brought home to many such countries just how important tourism was and how completely it was integrated with other sectors – countries such as France and Britain in addition to the US were astounded not at the drop in tourism post 9/11, but on the impact of the drop on their economies. The United States has a publicly supported marketing program for the first time in recent years in 2005 and it continues this year.

Legal framework. Legal frameworks depend greatly on the type of legal system in place, mostly commonly, a civil code or common law approach. Tourism law is built up over a period of time with additional laws added as required – such accumulation of laws and regulations can lead to confusion and the need for reform; in some cases, legislation is so out of date with the modern world as to be very cumbersome (or in many cases, colonial legislation was still in place). This is leading to a new approach (with a great deal of convergence between common law and civil code practice), where most countries are moving towards a basic tourism law that sets out the framework for tourism and then add regulations and administrative documents to address the multiple details that have to be agreed upon. Typical areas requiring modernization in tourism legislation are licensing, taxation, standards, regulation and inspection. Mozambique and Australia are good examples. Mozambique set up a new law in 2004 as old legislation was out of date and the ministry was absorbing new functions – mostly in natural resources. It was also the opportunity to revise many areas and update its tourism law. On the other hand, some countries feel the need for comprehensive legislation from the beginning – Australia has recently finished drafting comprehensive legislation that recognizes both the importance and extent of tourism (sports, leisure, environment, social inclusion, etc.).

See www.tourism.australia.com.

Coordination. A critical area for any tourism institution is its role in coordinating with other sectors (tourism is cross-sectoral, as noted above) but, more important, is its capacity to influence and communicate tourism's role in the economy, compared to other sectors. Too often, tourism institutions are seen as drains on economies (massive needs for marketing, for example) and not as export sectors that are sources of growth in revenue, job and wealth creation. While there is a promotional role here, it is much more a role of analysis and availability of data to support the contention that tourism is important – tourism has had notably bad data and a better database with intelligent interpretation is a prerequisite for building a strong case. This is changing as tourism is becoming an option for more and more countries – in Senegal, for example, the minister of tourism is the most senior cabinet position (by way of the minister's long tenure) and this is now translating into higher visibility and even impact. Even where tourism has high visibility, it often has to rely on funding from other agencies – for land acquisition, infrastructure, utilities, investment promotion, loan capital, etc. This means that for those agencies, tourism has to figure as a priority in their investment budgets or the investment may not take place in a timely fashion. Mauritius is a prime case where the government recognized the importance of infrastructure for tourism and emphasized its roads and utilities as priorities in parallel with its efforts to attract foreign (tourism) investment.

On the other hand, some countries have solved this problem by creating their own agencies – land banks, public sector developers, even hotel companies – with budgets of their own. Tunisia has a very small but dynamic ministry of tourism, a powerful marketing arm (*Office national du tourisme tunisien*, ONTT) and a land bank/public developer (*Agence foncière touristique*, AFT); Mexico has created FONATUR a mixed agency responsible for the development of 50% of Mexico's tourism capacity; similarly, the Dominican Republic created INFRATUR, an infrastructure agency (now disbanded)

in recognition of the fact that its promotional role of unleashing private investment has been realized. This is a remarkable fact – too often, such public agencies are self-perpetuating and instead of disbanding, they find ways to self-perpetuate, whether they are needed or not! On the other hand, Mozambique has given its tourism fund, FUTUR, the right to develop infrastructure, a right that it has not yet been able to exercise (lack of funding). A variation on the institutional model that is finding favor is that of the tourism authority, an independent board with clear rights and responsibilities. In Tanzania, for example, the Ngorongoro Conservation Area has been in existence since 1959; while it operates in the overall context of Tanzania’s tourism and wildlife policies, it has discretion in recommending change, for example, in entry fees. It was instrumental in pushing through a tripling of entry fees in 2005 (to \$100/day), incredibly, with industry support – industry supported the increase and argued only for its gradual introduction to lessen short-term impacts. The Mackinac Bridge Authority, Michigan, is an authority charged with managing the bridge linking lower Michigan to the Upper Peninsula – its key traffic is recreational and, of course, commercial trucking. It has played a major role in writing tourism policy.

IV. The functions

Box 1 gives a stylized illustration of the policy and functional areas required for tourism but, clearly, it may not correspond with any specific existing case – one guideline is that structure follows strategy and that solutions are often unique, although similar patterns emerge. There are a number of factors at play here:

- The stage of economic development plays a role – many countries aspiring to develop tourism do not have the necessary resources to do so as long as social services are not adequately covered. One often finds, however, a bold decision that catalyzes support and helps tourism move to a higher plane, where the costs of supporting tourism in the short-run (foregone activities in other sectors) leads to long-term sustainability. Ireland falls in this category – the government issued instructions to double tourism in ten years – a dynamic Irish Tourism Board (*Bord Failte*) was able to capitalize on that decision and did indeed double tourism in ten years. The Dominican Republic had no tourism when it decided to invest in the sector – based on other islands’ experience, it made a leap of faith and with good planning (and good luck) it introduced tourism successfully. At that time, the DR was an agricultural and mining economy – the creation of INFRATUR (See Annex) and a clear policy were the critical steps in diversifying into tourism.

Box 1: Schematic functions of tourism

<p>Basic policy and regulation Vision, strategy Standards Licensing and regulation Training – professional and vocational Industry relations Coordination with other departments</p> <p>Functions Statistics Tourism information systems Special events Research and analysis Administration and inter-agency coordination Marketing, public relations Planning – types of planning Project development and facility operation Civil works – infrastructure Management of assets – national parks, protected sites</p>	<p>Linkages with related sectors Air transport Commerce and business climate Investment promotion Finance, taxation and incentives Environment Labor and social policy Public works/infrastructure services Handicrafts Agriculture Fisheries and wildlife</p>
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- An incipient industry may require a different institutional framework than a mature one. In the early days, the focus may be on building a core of experience and a cadre of trained personnel, whereas in a mature industry the emphasis moves to an emphasis on, for example, advanced research, competitive advantage, brand image, nurturing creativity, product quality and diversification. In emerging markets, there is little choice but to focus selectively on core priorities and build broader coverage with time¹⁰.
- Where there is no clear strategy (other than opportunism and the *laissez faire* idea of letting developers build unconstrained), there may be a discussion of putting the chicken before the egg. But it is also true that the institutional framework has to start somewhere that makes sense to the players. Unfortunately, this is not always the case – one can think of cases where tourism flips from one sector to the other over time, as if it cannot find a natural home and it becomes a political and administrative football. To cite but two examples, in Malawi, the ministry was suppressed last year and merged with Communications; in Bulgaria, about a decade ago, the sector enjoyed its own ministry, which was later integrated into the Ministry of Economy. Changes in the last government (2004) sent the tourism sector to the Ministry of Culture, where it now sits but in a bureaucratic impasse.
- The authority responsible for tourism has a particular task to coordinate with other ministries – and to establish tourism’s contribution to the economy and society. This is often achieved through a coordinating or inter-ministerial committee. These can be

¹⁰ In these cases, one sees the internet playing a fundamental role in the absence of broader marketing efforts.

powerful tools if seen to solve issues but too often they have no serious mandate, meet once or twice annually and fail to deliver any useful function.

- Single function or multi-function agency? This is an area where multiple possibilities exist depending on the priorities, or otherwise, of tourism. One sees tourism partnered with Environment, Civil Aviation, Commerce, Communications, Culture, and Wildlife – and in the Dominican Republic, even with the Central Bank!

Lastly, in deciding on an institutional framework, there is often latitude for who is responsible for what functions – some are private, some public but both can benefit from inputs from the other. Few would question the role of the ministry to formulate policy, create a vision and design strategy for development. However, it may be much more successful if there are inputs from the private sector showing how a policy may have, for example, negative incentives. Some activities are clearly the domain of the private sector – investment and commercial operations. While government often controls destination marketing budgets – it would appear that the private sector has a better handle on demand. Similarly, the private sector often complains that public training programs are ineffective and provides its own training. These are examples where government and the private sector have joint responsibilities and they are handled variously by committees and more effectively by statutory boards with both public and private representation. Where funding is an issue there may be need for both public and private sector funding.

Critical policy areas. With these considerations in place, the question becomes how to allocate tasks and manage development. The following are probably the key areas that require institutional solutions – either through a ministry (and its agencies); in this, the role of other stakeholders will also be important – particularly that of the private sector. There is always room for interpretation in a specific context – and in the light of the points listed above. These key areas, which need to be carried out one way or the other, are set out below.

- **Policy vision and strategy:** This is the task of the highest agency responsible for tourism in the country but it does require outreach both to the country and the industry to ensure that policy formulation is realistic and that the pros and cons of different approaches have been evaluated. At this level, the authorities will be most interested in what is politically, socially and economically possible in the current context of the country at large. A Ministry clearly gives access to the Cabinet and is closer to the political power but it can also be handled by a lesser body, if relationships and good and there is an open environment.
- **Tourism planning and budgeting.** Tourism planning was discussed early in the report as an illustration of a core set of ideas fundamental to tourism – but not in an institutional context. Budgeting is also central for the key agency with responsibility for tourism. A distinction between operating and capital budgets is probably necessary – for the former, it is part of the remit of the agency charged with tourism and many tourism agencies are allocated little

more than staff costs (leading to severe handicaps). Capital budgeting, however, can be provided in various ways. In many cases, much of the public investment can come from agencies other than those responsible for tourism – roads and public utilities being examples. This can be complicated to manage and may diminish the role tourism plays. In a few countries, agencies have been set up to develop and finance infrastructure and this gives tourism agencies a much stronger role in the sector’s development – see the cases of the DR and Mexico in the annexes. In both cases, a national ministry is responsible for the policy and vision – and a separate agency for developing tourism. These latter can dominate the ministries in that they control access to large amounts of funding; and they have been successful in developing tourism. A variant on that theme is an independent authority with responsibility for a single area or complex (See the Tanzania Ngogongoro conservation Area authority in the annex).

- **Licensing.** This is one of the most contentious of tourism issues. Many countries require multiple licenses – industry specific ones such as the right to sell overnight rooms, to sell food to sell drink and tobacco, to operate a casino (or an equestrian center, etc.); there are also many generic licenses to operate a business, operate vehicles, fire controls, etc. Independent of their cost, which can be considerable, typically, licenses begin and end at different periods and can create bureaucratic nightmares. A great simplification is to have all license requests to be on a single or a few forms – and better still if a single license can be issued to cover say a hotel in its entirety. Typically, ministries retain control of licensing but it is not out of the question for it to be delegated to a tourism office.
- **Regulation.** This is closely linked to licensing. The trend in public utilities is to create independent regulatory authorities and thus separate policy making and regulation. This is also occurring in tourism. In tourism, design of standards and inspection tends still to be lodged in the highest authority. A big issue is hotel or tourism classification¹¹ where there are no set standards as yet. Thus governments can set up systems (that vary between countries); hotels and tourism enterprises can self-regulate; tour operators set their own standards (often at more modest levels that countries tend to suggest); and independent agencies (Mobil Guide, for example) also set standards. These issues may be addressed under the current round of GATS but it has not yet happened. UNWTO, with support from UNDP, is also attempting to set standards for hotel and tourism classification but this has not led to general adoption. In some cases, tourism regulation is being farmed out to statutory bodies and, in others, the private sector engages in self-regulation.
- **Marketing.** Tourism market niches are debated hotly in most countries – many seeking only the “top end” or the “top tier” tourists. Alas, the world

¹¹ For many years, hotel and entertainment tariffs were also closely regulated but in more and more countries, pricing has been deregulated.

does not work like that – in fact, many popular destinations today were started by hippies or back packers? (Bali, Mexico, Nepal, Turkey, etc.). Moreover, different niches can and do coexist together and can be mutually reinforcing¹². This is not the place for a discussion of marketing strategy and tactics – but it is an area where the different stakeholders, public private and civil, can play an important role. In countries dominated by mass markets, the tour operators tend to do most of the marketing via their brochures and the brand of the country is never really established. In a highly competitive world, countries need to establish their own place in the sun. Marketing is a very contentious issue – with many operators seeking state funds for destination marketing but also anxious to have a major say in what is developed as a marketing strategy. This is an area where there has to be synergy from both government and the industry. Frequently, some governments have independent but state dominated agencies (Maldives), others have seen the wisdom of a real partnership (Ireland) and even fewer have left it to the private sector (Dominican Republic).

- **Training.** Training used to be the domain of the state – and still is in many. Britain has a comprehensive system of tourism training from craft skills, to vocational education with apprenticeships and other schemes and many opportunities for higher level training. This does not mean that the private sector does not do its own training – *Accor* has its own university and many companies insist on training their staff “the company way”. Many professional associations have training (along with marketing) high on their agendas; certainly product quality is largely defined by the quality of human resource development. Where there was no national public facilities, private schools, often unlicensed and unregulated, would spring up. Given these conditions, tourism training is a major concern for both industry and government – the tendency is for more private participation both in determining what programs should be and also in financing them.
- **Statistics.** The tourism industry is well known for the poor quality of its statistics – perhaps because they are so difficult to define. What is clear is that countries and enterprises are going to have to have better data to inform decisions as the industry becomes ever more competitive. The UN System of Accounts has generated the “tourism satellite account” which goes a long way to solving the problem; but it is an expensive and long-term process that only a few developed countries can support (Canada is an excellent example – and Maldives and Seychelles, although they do not use the TSA, collect much the same information. Beyond that, the industry requires more expenditure and satisfaction studies – and more rigorous supply side evaluations. Institutionally, solutions should be thrashed out in a team environment

¹² Turtle Island, Fiji, is famous for its exclusive enclave with room rates in excess for US\$1,000 daily. Guests at this facility have donated money to communities on the island that has been used to provide dormitories for backpackers who use the dorms and hence generate currency for the villagers who use them to build schools and social services. www.sustainabletravel.org

bringing together the agencies for: Tourism, Finance, Immigration, the Central Bank and Industry, as well as the National Statistics Office and the private sector.

- Lastly, the category called “linkages with other sectors” clearly requires high exposure and close cooperation – with an emphasis on joint public private partnership.

In the end, there is no formulaic solution – stakeholders need to work together under a dynamic and charismatic leader to get things done and make them work. The strategy should drive the structure, as noted above.

V. Examples of Institutional Frameworks

Annex 1 gives examples of institutional frameworks from countries around the world. In general, the format is a core of information on the country; a summary of the importance of tourism; a description of the institutional framework; and lastly some discussion on what the strengths of the country’s framework are perceived to be. The countries are: Bali (Indonesia), Dominican Republic, Maldives, Mauritius, Mexico, Tanzania, and Tunisia. A summary of each follows.

Bali. Bali is recognized world-wide for its culture (religious music, dance, drama and traditional village life) and its tourism that has developed into a major industry. Several factors can be considered state of the art: the Indonesian decentralized government system that pushes authority and responsibility to institutions at the local level; incorporation of the traditional village governance (*banjar* system) into decision-making; in parallel, religion has a clear structure, hierarchy and oversight that dictates what is purely religious and what can be described as ceremony suitable for sharing with tourists either in temples (three different areas) and purely public arenas; and the integration of culture and religious traditions and tourism in a dynamic process that provides space for culture, religion and tourism to evolve and flourish.

Dominican Republic. The DR has become the largest generator of tourism in the Caribbean islands. It had the unusual feature of a Department of Infrastructure (INFRATUR) in its Central Bank responsible for sparking tourism development – it did this and the agency has now been closed and its functions transferred to the State Secretariat for Tourism. All too often, governments are unwilling to recognize that agencies have served their purpose and closed them – this is admirable in the case of INFRATUR and the private sector has taken over development of tourism. ASONEHORES, the professional tourism association leads a dynamic private sector. It is one of the most effective in the world both at retaining its members and their interest but also at defending the interests of the sector and generating resources well beyond member fees (revenue for conferences, etc.). It is a very strong economic development partner. It set up a promotion council funded by its members.

Maldives. The Maldives enjoys one of the most prized tourism sectors in the world. They are a very enterprising people and since tourism started in the 1970s the government has used professional advice very well in three successive master plans (many master plans gather dust but those in the Maldives have been effective action documents). Perhaps, necessity being the mother of invention, they have acquired outstanding skills in merging the needs of the environment and tourism. Their environmental regulations are respected (one resort per island, 20% plot coverage ratio; building height limited by tree line, etc.) as are their standards for on-site infrastructure (desalinization, sanitation and power generation), which has to be tailored to each island site. The government is now establishing benchmarks to better monitor progress on environmental issues. It is worth noting that tourism and civil aviation are combined in a single ministry (this is, however, quite recent).

Mauritius. Mauritius found itself as a single sector economy after independence (1968) and set about diversification through export-led growth – including tourism. It started with Export Promotion Zones (EPZ) and much of that legislation fed directly into tourism. Tourism, as an export sector, has much in common with EPZs (i.e. it requires serviced sites). Air Mauritius was an essential partner, arranging pooling agreements with major carriers such as British Airways and Air France (and relying on that rather than charters which was strongly discouraged). The country has a complete range of institutions supporting tourism – starting with the Export agency (MEDIA) that encouraged inward investment, including for tourism, but also a ministry, promotion board and active private sector. Its instruments include incentives, loans and a one-stop-shop; and it managed expansion of capacity to ensure that prices and occupancies remained high. Lastly, Mauritius recognized that: (a) infrastructure was central to tourism and promoted its coordinated development; and (b) the need for qualified staff – Mauritius is well known for the quality of its service.

Mexico. Mexico has a State Secretariat of Tourism both at the federal and state levels – it has set up a strong national brand and also identified several areas with their own brand – for example, the Riviera Maya in the Caribbean. It also set up an agency to develop tourism regions in the country, FONATUR which has been instrumental in promoting five integrated development regions around the country (with others underway) – master planning, infrastructure development and sale of plots to tourism (and residential) investors. FONATUR is a very powerful instrument that helps focus all decisions in investment in one place. Mexico also has a strong private sector in construction and real estate and they have moved into tourism, developing both hotel and residential properties.

Tanzania. Tanzania has managed its wildlife and tourism (and antiquities) under the same ministry and has legislation for wildlife that is as good as any anywhere; it is now embarking on a major regional program of coastal zone management for its entire length¹³ its promotion is handled by the Tanzania Tourism Board. Wildlife safaris are of

¹³ Linked to an ambitious program with Kenya and Mozambique to develop a fifty-year vision for the coast.

course the lifeblood of African tourism and Tanzania has managed its maintaining high standards and good levels of occupancies. Its wildlife training college serves the entire East Africa region. Tanzania was also a pioneer in setting up authorities to manage particular sites – the Ngorongoro Conservation Area Authority having functioned relatively well for almost 50 years.

Annex 1: Selected Countries Tourism Institutions

Bali, Indonesia

Population:	3 million
Climate:	Tropical to temperate
Total landmass:	5,632 sq. km.
Tourism activities	Unique culture, complemented by beach and surfing
Total arrivals:	1.5 million (2004)
International tourism receipts	US\$ 2 billion (2004)
Employment in tourism	20,000 +
GDP	n/a

Tourism in Bali. Indonesia's tourism development during the past 30 years is widely hailed as an economic triumph and crucial pillar of the country's overall advancement. Yet, just one of Indonesia's 6,000 inhabited islands annually attracts a large part of the country's total international visitors - and, just one island generates as much as a third of the country's tourism receipts. This island, which is less than one third of one percent of Indonesia's total landmass, is Bali. After early beginnings, mostly for surfing, serious tourism growth in Bali began with the development of the Nusa Dua complex in the 1970s. The soul of the Bali tourism experience is its rich cultural heritage. The permeable boundaries of culture and the diversity of tourism activities make the isolation of one from the other quite difficult. Bali also offers sun and sand coastal locations, as well as countryside villages, and hillsides laced with rice terraces and surrounded by lush mountain landscapes. "The Island of the Gods" appears to have the right mix of natural and cultural assets for an enduring tourism product. Today, Bali hosts 1.5 million tourists, about 30% of all tourism to Indonesia, and generates about US\$1.2 billion.

There are four principal market segments traveling to Bali. The first, groups traveling to Bali as part of a package tour, are typically lodged in star-rated hotels and shepherded around the island to key cultural sites. A usual stay is 3-4 days. International business travelers, working in key areas throughout Indonesia, are inclined to stop over in Bali for a few days of leisure. Unlike the carefully orchestrated visits, the third group, backpackers and budget travelers, arrive on the island under independent arrangements. With few time constraints and a desire to experience all of Bali's culture and nightlife, these travelers may stay several weeks. They are also inclined to return for additional stays. A fourth segment is domestic visitors. Many arrive from Indonesia's populous urban centers, such as Jakarta; this segment is more price-sensitive than the others.

Japan is the largest market (22%), followed by Australia (18%) and Taiwan (12%); Europe generates about 13% and the US 3%; the balance comes from Asia (Korea and Malaysia). Bali also receives many domestic visitors.

Bali's assets are:

- Its unique form of Hinduism giving rise to a rich village cultural life
- Sun and sand

- Variegated interior with terraced mountains, inland lakes and volcanoes
- Handicrafts and textiles including batik, masks, woodcarving, silver
- Its people and their traditions

Institutions The Government Indonesia, based on local autonomy, is organized into the province, regency and district as well as the village. The key agency for tourism in Bali is the **Bali Tourism Authority**, which is described in the Provincial Local Regulations Number 2, 2001, on "Formation, Organization Structure and Working Procedures of Local Services". In addition there are number of other public organizations involved:

- Bali Tourism Development Board (BTDB), was created by presidential decree in 1972, as the coordinating and integrating organization for tourism development on Bali – as a link between local organizations (*banjar*, see below) and the government in order to assure that the Balinese would be represented in tourism development planning and decisions;
- Bali Tourism Development Corporation (BTDC, 1973) created to implement the Bali tourism master plan, particularly in Nusa Dua; and
- Bali Tourism Board (BTB), a relatively new organization, established in March 2002 by the Governor of Bali, is charged with ensuring sustainable tourism on the island.

In addition to these agencies, the traditional village system is integrated into the modern system and helps explain how culture and tourism can coexist – and thrive. The earlier system includes the *Banjars* (grouping 3,000 persons roughly with one temple) and the *Desa Adat* (grouping several *banjars* together, with three temples). These groups are very influential in what goes on at the village level and are intimately involved, for example, on which rituals and dances can and will be performed and under what conditions – including distribution of any revenues.

Private sector. There are numerous private sector organizations in Indonesia and Bali, including:

1. Indonesian Hotel and Restaurant Association, Bali Chapter (274 members)
2. Association of Indonesian Tour and Travel Agencies, Bali Chapter (262 members)
3. Indonesian Tour Guide Association, Bali Chapter (6000 members)
4. Bali Tourism Transportation Association (125 members)
5. Society of Indonesian Professional Convention Organizers, Bali Chapter (43 members)
6. Indonesian Tourist Attraction Organization, Bali Chapter (85 members)
7. Indonesian Marine Tourism Association, Bali Chapter (103 members)
8. Pacific Asia Travel Association, Bali and Nusa Tenggara Chapter (110 members)
9. Bali Village tourism marketing and promotion association (163 members)
10. Bali Hotels Association includes 65 general managers representing 13,000 hotel rooms.

In addition to these professional organizations, there also exist some private cultural and religious organizations:

- Consultative and Promotional Council for Cultural Affairs (*LISTIBIYA*). *LISTIBIYA* comprises leaders in the arts and dance. The governor of Bali as the nominal chairman heads this organization, which focuses on maintaining artistic standards. Performance groups across the island wishing to perform for tourists are required to register with and be certified by *LISTIBIYA*, in recognition that having professional standards and quality control are key to the success of sustainable cultural tourism success; and
- *Hindu Dharma Parishad*. With the development of international tourism on Bali, this private group assumed the expanded role of monitoring proper religious practice related to the Hindu religion and its interaction with tourists. With respect to tourism, this included defining appropriate forms in day-to-day Hindu worship, as well as supervising architectural plans for renovation of temples such as the mother temple, *Besakih*.

Discussion. With the plethora of organizations on Bali, at first blush, one is surprised that anything is achieved there! But this would be foolhardy. It takes a mature society to interact in different ways and at different levels – and the national government’s recognition of the need for local autonomy has contributed greatly by facilitating such action within the government’s normal organizational and functional framework. Bali has achieved a remarkable goal by both growing its tourism and retaining a dynamic evolving culture, in spite of the pervasive and evident signs of the infiltration of Western culture.

Dance, music and drama are inextricably linked in Bali and are so important that a whole week in the Balinese calendar is devoted to them. The religion itself sets out guidelines and rules for performances, including four different types of dance (from religious to entertaining); four styles of dance (from refined to funny); and also where the different dances can be performed – from the inner sanctum of temples to public stages. In addition, the *banjar* system links religion and secular life so that the boundaries between them become blurred – indeed tourism seems to have been fully integrated into village life. Lastly, the two private sector groups also play an important role in ensuring maintenance of quality, morality and integrity in cultural life – not that this is seen as an imposition in Bali all; it is simply part of everyday life.

There may be lessons for other cultures to learn from Bali. In Africa, there are some parallels: the chief system is recognized formally in Zambia, for example, and local chiefs are still respected and wield influence. In West Africa, secret social organizations (e.g. in Cameroon) still adjudicate problems between people in a quite effective way. Or is a unique situation not replicable elsewhere?

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Dominican Republic

Population:	9 million
Climate:	Tropical to temperate
Total landmass:	49,000 sq. km.
Tourism activities:	Sun and sand, mostly all-inclusive History and culture (food and music)
International arrivals:	2.8 million (2003)
International tourism receipts:	US\$ 3.2 billion (2003)
Employment in tourism:	20,000
GDP:	US\$20.9 billion (2002)

Tourism in the Dominican Republic. In 1972, there were no more than 1,600 hotel rooms in the Dominican Republic (compared to 9,000 in Puerto Rico and 6,600 in Jamaica) and one international airport. The first integrated resort was the Playa Dorada cluster. Today, there are about 60,000 hotel rooms and five international airports. The Dominican Republic now hosts more tourists than any other destination in the Caribbean. It is a mass tourism based on charter flights from North America and Europe. About 1.2 million tourists arrive from North America, two thirds from the US and one third from Canada; Europe also sends about 1.2 million visitors, mostly from France, Germany, Spain the UK, and Italy. Significantly, some half a million trips to the DR are by Dominicans returning from the *Diaspora*.

The Dominican Republic has interesting tourism assets:

- The sea, coral (DR has 14% of the world's coral) and its pristine beaches
- Fishing, sailing, canoeing and diving.
- Whale and turtle watching
- 14 national parks
- Highest mountains in the Caribbean (Pico Duarte, 3,175m.)
- Lowest point in the Caribbean (*Lago Enriquillo*), 40 meters below sea level
- Long valleys and rich agriculture supplying the tourism industry
- Horseback riding, biking and hiking trails
- Amber and larimar (semi precious stones)
- Fine cuisine and music (*meringue*)
- Cultural and historical heritage - colonial zone of Santo Domingo

Institutions. The Ministry in charge of tourism in the DR is the State Secretariat of Tourism, responsible for tourism policy and strategy. It was the Central Bank, however, that gave the impulsion to the tourism industry in the early days, with authority to finance and build infrastructure and manage tourism developments. It created a department called the Department for Tourism Infrastructure (INFRATUR, modeled on Mexico's FONATUR, discussed elsewhere in this report) that was instrumental in developing the country's first major tourism project. The first was Playa Dorada, near the northern city of Puerto Plata, a cluster of about 2,000 rooms (which has since expanded to about 17,000). However, under the Monetary and Finance Law of 2002, The Central Bank was

obliged to close INFRATUR to concentrate on its core business. It transferred responsibility for policy on tourism infrastructure development and planning to the Ministry of Tourism; its supervision and maintenance function in Playa Dorada was passed to an association made up of hotel owners in the zone; it is currently concluding a deal to sell a golf course and hotel remaining in its portfolio to a group of Dominican and US investors; an hotel credit operation (and responsibility for building regulations and development standards) has been transferred to the Department of Development and Financing (DEFINPRO) in the Central Bank.

Private sector. The national hotel and restaurant association, ASONAHORES, is an apex organization representing the tourism professions (70% hotels; 30% restaurants). It has not made an effort to recruit associations of other tourism professionals, such as tour operators and travel agents. Its roots go back to the 1960s when it represented restaurants more than hotels. It is an umbrella agency with associations in each of the tourism regions. For example, the Playa Dorada Hotel-owners Association (the private group that took over operation of the Playa Dorada resort from INFRATUR) is the associated group for Puerto Plata. ASONAHORES has evolved into a powerful agency that brings together 80% of the country's hotel investors and certainly all of the bigger ones. It supports its regional offices and has managed to generate commitment and trust for tourism development – perhaps not surprising for a small county that has investing in 60,000 hotels over a 30 year period. Its members include the powerful groups that have launched tourism in the DR, as well as small operators and it offers lessons for other countries on how to generate motivation amongst the membership and to be a tough advocate for free enterprise in the tourism industry.

Discussion. The Puerto Plata project was the first of several large projects that came on stream over a 20 year period, in particular the world-famous, exclusive La Romana resort (*Casa de Campo*). *Casa de Campo* has grown into a resort with real estate development drawing on its famous Teeth of the Dog golf course; the town of La Romana has also grown beyond recognition and modernized. Boca Chica, located around a public beach area, 30 km from the city was also an early development. Subsequently, another major area, which shot the Dominican Republic into its dominant position in the Caribbean today, came into being, Punta Cana, a major hotel complex of over 40 hotels and several real estate developments. It began with two purchases of plots in Bavara and Punta Cana areas (in the East of the country) by Spanish interests and the latter by investors who sharpened their skills in Playa Dorada, in partnership with Julio Iglesias and Oscar de la Renta). While Playa Dorada had been developed by the government, in Punta Cana, private developers realized the Punta Cana and subsequent developments (including an international airport; water supply by aqueduct; sewerage and sanitation systems; and a private power generating plant serving the tourism and local communities). These partnerships with Spanish interests forged a lasting relationship with Spain's major tour and travel companies (Barceló, Sol Meliá, Occidental, Riu) with other interests in the Caribbean (Cuba, Mexico).

In the hotel industry worldwide, ASONAHORES is remarkable in that it generates 20% of its revenue from its members and derives 80% from producing events and shows, such

as the annual hotel investment conference. It is unusual for a professional association to derive the bulk of its revenues from commercial endeavors but ASONAHORES has been entrepreneurial in many ways. In some ways, it has eased the government's role by taking over some functions. For example, ASONAHORES was aware that government's marketing effort which was not creating a brand for the country (both because resources are limited and also because of bureaucratic management) – indeed in many countries where all inclusive chains dominate, it is usually the companies that do the marketing by default. To improve the situation, ASONAHORES set up a non-profit Tourism Promotion Council to raise funding for tourism promotion privately (the State is represented on the council but the private sector manages the activity, thus complementing the State's efforts in destination marketing).

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Maldives

Population:	203,000
Climate:	Tropical to temperate
Total landmass:	330 thousand sq. km.
Tourism activities	Sun and sand on individual atolls, crossroads of cultures
Total arrivals:	618,000 (2004)
International tourism receipts	US\$ 478 million (2004)
Employment in tourism	14,000, half guest workers
GDP	US\$ 96 billion

Tourism in the Maldives. Before tourism (1972), the Maldives were underdeveloped, unnoticed and largely cut off from the world economy. Their principal products were salt tuna, exported regionally, along with subsistence agriculture and trading to meet domestic needs; there was also a tradition of boatbuilding and manufacturing coir rope, which it still maintains. The activity originally attracting tourists was originally the diving *niche* and it was only later that sun, sand and surfing became magnets. The Maldives now have close to 100 internationally competitive resorts, an impressive fleet of sailing safari vessels, a presence in the world of international professional surfing and an enviable brand image. In 2004, Maldives hosted a record number of tourists (618,000, representing over 5 million bednights) before the tsunami of December 26, 2004. The Maldives has also had to overcome multiple obstacles: distance from markets and difficult access between the atolls and islands; import of over ninety percent of capital and operating equipment and supplies; shortage of potable water, a spread-out network of islands that permit no economies of scale for infrastructure; and a workforce that is (more than) 50% expatriate.

Tourism assets are outstanding:

- About 1,000 small islands and atolls
- Coral reefs with abundant tropical fish
- The islands are on the fringe of the two regional tropical monsoons
- Internationally recognized brand—Kuoni’s top or second top destination in the world consistently
- Sustained marketing

Institutions. The Maldivian government has been quite efficient in leaving the private sector to get on with its business. Control over the sector is exercised through leasing of islands, limiting access to the islands in the atolls, as well as guidelines for construction and implementation of resorts, as spelt out below. Beyond that, the government has tried to be a catalyst for investment. The private sector, for its part, has been responsible in building attractive properties. Together, they have introduced a modern tourism sector that is the envy of many countries.

Tourism in the Maldives is the responsibility of the Ministry of Tourism and Civil Aviation, under Law 2/99, modified to include Civil Aviation subsequently. It is responsible for planning, policy and implementation of certain functions, such as

marketing (through the Maldives Tourism Promotion Board and the Government Tourism Information Office in Germany). The Ministry has conducted itself very astutely as tourism has grown and matured. It has relied on international advice under two tourism master plans. The first tourism master plan (FTMP) covered the period 1983-1990 and set a ceiling of 12,000 beds. The plan was successful in that it “captured that entrepreneurial spirit of the Maldives private sector quite succinctly” and at the same time channeled growth away from a *laissez faire* model threatening tourism’s future. It also developed the concept of Malé as a hub at the center of an industry with growth poles to be selected where needed regionally. The FTMP also recommended that the then Department of Tourism become a Ministry, which it did in 1988. The second tourism master plan (STMP) covered the period 1995 – 2005. It recognized the pre-eminent role of the private sector in resort development and underscored the government’s role “to facilitate the business environment whereby the private sector can operate efficiently”, rather than by providing infrastructure. Indeed, a key emphasis is on facilitating private provision of infrastructure. This is a formula that has worked remarkably well wherein resorts provide their own infrastructure under guidelines from government. In a nutshell, while the FTMP focused on growth, the STMP emphasizes the quality of growth – its distribution, human resource development, the environment, institutions and finally marketing and promotion. The government has been particularly efficient in putting in place environmental design standards to protect the environment, as discussed below. The Ministry works closely with the Ministries of Planning and Finance and the Central Bank on tourism matters.

The private sector is represented by the Maldives Association of Tourism Industry (MATI), representing mostly the resort industry – it has few members from travel intermediaries, transporters and linked services, such as shopping. Much of its agenda has been focused on the process of leasing islands and particularly the length of the lease and the process of awarding leases. Views on the relationship between government and industry are mixed. Many in the travel industry (tour operators and travel agents) do not see the need for a trade association. On the other hand, there is a fairly strong current of discontent with some government policies (leasing, quality of marketing, human resource development, the business environment), all of which would benefit from a space for frank, professional discussion. There is a public private partnership but it has not yet developed to the point where there is mutual respect and trust.

Discussion. The broader issues of environmental management are beyond the scope of this note but the interaction between tourism and the environment are brought up here as major determinants of the quality of both tourism and of environmental management. The harsher forms of degradation – coral and sand mining, dragnet fishing and poisoning and dynamiting fish have all been outlawed in the Maldives and protection measures are in place for the resort islands, including development standards on each island (see below). The main areas are marine biodiversity and coastal zone management, including natural barriers (fringing coral reefs), shoreline and beach planning; coastal land forms; coastal vegetation, such as sea grass (important for green turtles), forests and the extent to which exotic plants are invasive.

Maldives is currently developing benchmarks of these elements as a means of enhancing quality control and has gained a reputation as a model of environmental probity, albeit in conditions that do not pertain in many places. Their main focus is the policy framework for carrying capacity and construction on the islands:

- New projects must have an environmental impact assessment and mitigation plan
- Setbacks from the high water mark of 40 meters
- Ground coverage ratio of no more than 20%
- Height of buildings is limited to treetop level
- Environmentally sound provision of autonomous infrastructure (solid waste treatment and disposal, water supply and sanitation, power generation)
- Close attention is paid to beaches and sand erosion/accretion

Developers have the right to pierce the coral protecting the island if necessary, to build a small harbor for transfers/ excursions/ and supplies and to combat the effects of sand erosion/accretion. This was certainly one factor leading to damage during the tsunami but it is a question of finding better solutions rather than prohibiting marine access.

The construction industry in Maldives has grown as tourism has progressed. It is unique in the sense that practically all building materials have to be imported in bulk, broken down into lots and shipped from the port to the islands; there is little storage space available and so construction is hostage to importation. In former times, the construction industry used coral rock for building. Coral dredging is now outlawed, as is mining of sand. Sand and aggregates for construction are imported from India. With construction of resort facilities in full swing, the potential for negative environmental impacts caused by construction is high in terms of soil and beach engineering, land reclamation and landscaping. Moreover, there is scope for recycling building and demolition waste. With this in mind, the Government is moving to:

- Strengthening its capacity to analyze the environment scientifically (including profiling and mapping)
- Implementing benchmarking criteria for critical marine life (available from UNEP or the Global Environment Fund, GEF)
- Codification of environmentally sound building standards and upgrading the building code
- Introducing construction indices, such as costs per m², or per room
- Monitoring standards for solid waste, effluents from sanitation systems
- Better supervision of construction, possibly with specialized firms

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Mauritius

Population:	1 million
Climate:	Tropical
Total landmass:	1,865 sq. km.
Tourism activities	Sun and sand, luxury
Total arrivals:	761,063 (2005)
International tourism receipts	US\$ 1.0 billion (2005)
Employment in tourism	23,000 (in hotels over 10 rooms)
GDP	US\$ 5 billion

The Mauritian tourism industry is an example of successful collaboration between the public and private sectors, with the help of international strategic partners in major hotel chains, airlines, cruise companies and travel agencies.

Tourism in Mauritius. Mauritius presents an image of a consistently successful resort destination with some of the world's best resort hotels and catering to high income tourism – it is a sun and sand destination with 90% of hotels on the beach front. The government planned access to beaches for tourism development in great detail (*pas géométrique*). The number of tourists reached 761,063 in 2004, slightly exceeding the carrying capacity the government set for itself in 1997¹⁴. The government has maintained standards by declaring moratoria on construction when it has felt that occupancies have dipped too far – room occupancy is just over 60% currently but revenues are relatively robust by international standards. Currently, it has over 100 hundred large hotels (over 80 rooms; there are also signs of a burgeoning bed and breakfast market). Mauritius' top three markets are France (including Réunion), the UK and South Africa, which account for 60% of the market.

Air Mauritius has been aggressive negotiating arrangements with major airlines to serve these markets, such as British Airways, Air France, SAA, etc.; it does not encourage charter operations. Mauritius is far from its main markets in Europe but that very distance has helped nurture its image of exclusivity (it has, nonetheless, a 30% visitor repeat rate). It also faced stress from moderate security concerns, and weak implementation of environmental plans (in spite of having been one of the first countries to have an environmental action plan).

Mauritius assets for tourism are:

- Tropical island with sandy beaches
- Very high quality of service and staff
- Superb resort facilities

Institutions. At independence, Mauritius had a governmental department, the Mauritius Government Tourist Office (MGTO). This was quickly dispensed with and now the responsibility for tourism has evolved to the Ministry of Tourism, Leisure and External

¹⁴ A KPMG study concluded that Mauritius' carrying capacity would be about 750,000 (by 2002). On the other hand, the current Prime Minister, Dr. Navinchandra Ramgoolam, has said that he wishes to see 2 million tourists by 2010.

Communications, set up under Act No 19/2004, which succeeds prior legislation. The same Act also created a Tourism Authority (TA) and a Tourism Advisory Committee (TAC). The Minister¹⁵ is responsible for creating the vision and policy of the government, and appoints the chairpersons of the TA, TAC and the MTPA (below). The TA has as objectives to optimize the social, economic and environmental benefits of tourism and ensuring its sustainability. It has a board of mixed public and private sector members. Its functions are to formulate policy, coordinate activities across sectors, issue guidelines for development, and to advise the minister on the structure of license fees and on legislative issues. It is also the regulatory agency responsible for licensing. The TAC is also made up of public officials and private officials, including most of the professional associations in Mauritius. The Mauritius Tourism Promotion Authority (MTPA) was created in 1996 to: promote Mauritius abroad as a tourist destination; provide information to tourists; initiate any actions necessary to promote cooperation with other tourism organizations; and conduct research into market trends and opportunities and disseminate such information and other relevant statistical data on Mauritius. Just this year, the government created a Tourism Fund to implement infrastructure and tourism projects (with an emphasis on eco and cultural tourism).

Private sector. Mauritius has a dynamic private sector represented at the highest level by the Joint Economic Council, an apex organization to promote private enterprise and the interests of the private sector – it has several committees, including tourism. The Mauritius Chamber of Commerce and Industry (MCCI) is the leading agency promoting trade, industry and tourism. It is active mostly in trade matters in Mauritius and maintains extensive networking overseas. The Mauritius Employers Federation defends the interests of its members and provides advice on industrial relations, training and productivity, management, SMEs and occupational safety and health. For tourism, the apex organization is the *Association des Hôteliers et Restaurateurs de l'Île Maurice* (AHRIM). Other key associations are the Association of Inbound Operators (AIOM) and the Mauritian Association of IATA Travel Agents (MAITA).

Discussion. On the eve of independence in 1968, Mauritius was a mono-crop country – sugar. By the mid-1980s, Mauritius has set up its Export Processing Zone (EPZ) scheme which was very successful. The stabilization and structural adjustment programs at the time were helpful in addressing macro and external balances and to consolidation of the economy. By 1990, manufacturing was more important than sugar in the economy with about 500 companies operating in the country. Whilst embarking on export-led growth, the government did not forget human rights – Mauritius has one of the best HR records in Africa. Its success is rooted in democracy, political stability, clear policies, consistency in management of the economy, sound infrastructure, and a firm belief in free enterprise. Preservation of the environment is also a priority and led to tourism.

¹⁵ Importantly, the role of the Ministers of Tourism has been one of active promotion of the sector abroad. For example, the flamboyant Sir Gaetan Duval placed Mauritius on the French tourism map by attracting top French actors and actresses and the general European jet set. This promotion of international figures has continued throughout the development of the industry and has been highly successful. Prince William, Manchester United Football Club, J.K. Rowlings raised the awareness of Mauritius in the UK. Italian actors, actresses and politicians did the same in Italy. President Chirac uses Mauritius as a holiday get away. The country has also actively promoted the Mauritian *diaspora*.

Several other aspects have marked the Mauritian experience. Firstly, a concern for quality service is high on the list – the government provides incentives for entrepreneurs to release their staff for training (the Hotel School is a high quality operation that now offers twinning training programs with other countries in Africa). In the general education system, students are encouraged to learn four languages.

The success in developing the Mauritian tourism industry depended on a wide range of factors. Firstly, it needed to diversify out of sugar; but while seeking diversification it insisted on new sectors being fully integrated into the overall economy. Mauritius possesses natural and man-made attractions, enjoys sub-tropical fauna and flora complemented by a multi-ethnic and culturally diverse and friendly population.. These tourism assets are its main strength, especially backed up by well-designed and run hotels, and reliable and operational services. The National Tourism Policy emphasizes low impact, high-spending tourism. Select quality tourism is favored, and although such tourism is not the only type, it constitutes the main segment. Mauritius has also pursued niche markets with high profile marketing. Secondly, tourism was the result of successful collaboration between the public and private sectors, with the help of international strategic partners in major hotel chains, airlines, cruise lines and travel agencies. Thirdly, as noted above, it paid great attention to development of beach areas and concomitantly tourism could not have grown without sound infrastructure (roads, airports and air transport, ports for cruise ships and yachts, and sound health service offered free to tourists. As a result, local entrepreneurs opened taxi and small bus companies, handicraft and sports activities as well as food supplies for the hotels. Economic development had come to the poorest parts of the island.

Mauritius has a well developed financial sector (banks, leasing company, stock market, venture capital fund and offshore banks) and it offers fiscal incentives to attract investment and has double tax agreements with about 20 countries. Incentives are custom designed by sector (e.g. EPZ, Pioneer status, strategic local enterprise, SMEs, Hotel Management Incentives and Hotel Development Certificate, as shown below.

Hotel Management Incentives	<ul style="list-style-type: none"> • 15% corporate tax • Tax free dividends for 10 years • Free repatriation of profit, dividends and capital (subject to Bank of Mauritius approval) • Term loans and overdrafts at preferential rates.
Hotel Development Certificate	<ul style="list-style-type: none"> • 5% corporate tax • Tax free dividends for 10 years • Exemption of customs duty on importation of equipment per agreed list • Free repatriation of profit, dividends and capital (subject to Bank of Mauritius approval) • Term loans and overdrafts at preferential rates.

Mauritius is a member of Lomé Convention giving access to European markets, COMESA (with about 20 countries in Africa) and SADC, the South African Development community. The government is encouraging all firms to emphasize quality standards (ISO 9000).

The Ministry of Industry operates a one-stop-shop and Customs and Excise deals with import/export procedures expeditiously via the Electronic Data Interchange system and the Mauritius Export Development (MEDIA) Authority stands ready to help in every aspect of export development and to attract FDI.

Sources:

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Mexico

Population:	102 million
Climate:	Tropical to temperate
Total landmass:	1,958 million sq. km.
Tourism activities	Sun and sand (all-inclusive), culture
Total arrivals:	20.6 million (2004)
International tourism receipts:	US\$ 11.6 billion (2004)
Employment in tourism:	270,000 (est.)
GDP:	US\$637 billion

Tourism in Mexico. Mexico is the world's 8th most visited country and ranks in 12th place in terms of foreign revenue earnings from tourism; in both categories, it is the leader in Latin America. The Riviera Maya is the most recent region to develop south of Cancun – it has grown from 1,500 rooms in 1995 to 30,000 at the beginning of 2006; its annual occupancy, in spite of the hurricane last summer, was 72% (compared to 86% in 2004 and about the same for the first few months of 2006). The country has attractive tourism assets that allow it to compete globally, including:

- Attractions: Vast stretches of beach and dramatic coastline
- Wildlife (Mexico has the world's 5th largest biodiversity)
- A vibrant culture
- Privileged geographic location and easy access to U.S. market,
- An extensive and diversified 35 billion-dollar tourism industry.
- Human capital with experience and dedication
- Systematic destination marketing

Institutional framework

The Ministry of Tourism, (*Secretaría de Turismo*, SECTUR¹⁶) is authorized under law dated December 31, 1992, which also covers the National Tourism Development Fund (FONATUR) and the Promotion Council (CMPT); separate regulations statutes detail the functions of these agencies. SECTUR's functions are to program tourism activity within the country's national plans and identify tourism development zones, enhance the country's economic, social and cultural living standards in tourist areas; assure coordination between state and municipal agencies in tourism; determine the instruments for creation, conservation, improvement, protection and promotion of tourism based on its assets and attractions and ensure environmental and social balance in destinations; protect foreign and national tourists alike; optimize the quality of services; promote public and private participation in tourism; promote pro poor tourism and protect the cultural and historical patrimony; guarantee equal opportunity for access to tourism development. SECTUR is responsible for regulating, licensing and inspecting the sector (and the Law has a section on sanctions) and for tourism training. SECTUR also operates and National Tourism Registry which is voluntary and feeds into a national inventory of tourism services. It operates an Executive Commission for Tourism designed to coordinate tourism activities across government agencies through agreements to be

¹⁶ SECTUR also has a manifestation at the state level.

reached by the parties. The Tourism Promotion Board (*Consejo Mexicano de Promoción Turística*, CMPT) operates under the authority of the Ministry and includes both private and public representatives on its board and can also receive resources from public and private sources. Its annual budget is over US\$ 75 million. Lastly, Mexico has 16 overseas tourism representation offices.

The National Fund for Tourism Development (FONATUR)

FONATUR, a fund of the Ministry of Finance, is Mexico's tourism sector planner and developer, responsible for large national-scale projects. It has a Technical Committee with SECTUR, the Ministry of Finance, the Ministry of Social Development and the Central Bank represented on it. Its capital is all public. It provides its support to regional projects (state and municipal) in Mexico and emphasizes sustainability. It can also work with small- and medium-sized businesses. It is the main force in developing sustainable, competitive and well-financed tourism projects that can reflect well on Mexico and contribute to its international image in tourism. It is concerned with protecting the environment and ensuring social responsibility to favor regional development, create jobs and wealth and ensure that reasonable wage policies are practiced in the industry.

Methodology. A master plan is a requirement for each project and covers, land use and zoning, infrastructure, environmental, social and economic issues and determines the feasibility of the overall plan. It finances all infrastructures and works in resorts and can build hotels for lease to operators. FONATUR can sell or lease property or simply manage and retain ownership. It works with private tourism entrepreneurs to develop its resorts (under joint ventures, limited liability companies, etc.) and can hold minority shares in such projects. It assists in securing finance and necessary licensing and administrative approvals. FONATUR's procedures are rigorous and complete.

The Mexican Federal Government created the National Trust Fund for Tourism Development (FONATUR) as a public trust and part state-owned entity by law (Federal Gazette, January 28, 1974). Its resources were placed in trust with *Nacional Financiera*, S.A.. This framework was revised in 2000 (with the abolition of two older agencies) and a new trust established under the Federal Tourism Law (Federal Gazette, December 31, 1992), as well as the law on Federal Law of Part State-Owned Entities. These are still the instruments that regulate FONATUR. Under FONATUR's umbrella, there is an associated organization handling maintenance, Baja Maintenance and Operation (*Baja Mantenimiento y Operación*, BMO).

FONATUR has developed five Integrated Planned Resorts (IPRs): Cancun, Los Cabos, Ixtapa, Loreto and the Bays of Huatulco, seaside resorts that today enjoy worldwide recognition and competitive advantages over other national and international tourist destinations, such as having a Master Plan, urban-resort planning mechanisms, an Annual Construction Program operated by FONATUR and an Annual Maintenance Program. These five destinations offer about 250 hotels (36,800 rooms), with occupancies in excess of reached 60%. The destinations over 50% of Mexico's foreign revenue from tourism,

and host nearly 40% of its foreign visitors. Many of these are recognized international destinations.

FONATUR is currently working on several new projects: Puerto Cancun in Cancun, Puerto Los Cabos in Los Cabos, the third section of Cancun, Polygon III in Los Cabos, and Puerto Escondido and Golden Beach, in Loreto.

Foreign Investment in the Tourism Sector. Mexico has a stable, open and deregulated economy. It has investment grade status with the world's three leading credit rating agencies. Tourism is a national priority for Mexico, giving foreign investment all of the means and legal guarantees necessary. Mexico's regulatory framework fully backs foreign ownership in the majority of economic fields and activities, including real estate, allowing 100% participation in shared capital. Mexican laws governing foreign investment provide legal guarantees, offer security to Mexican and foreign investors, and simplify the paperwork involved in registering foreign investments, as well as in the unrestricted repatriation of profits, bonuses, dividends and interest payments, among other things.

Private sector agencies

Discussion. One can question the need for a public national tourism development fund. But there is no denying that FONATUR was very active in promoting tourism – perhaps even urbanization around tourism, for most of its areas have developed into autonomous communities. A key effort has been on employee housing which is often a bone of contention in tourism areas – as land prices rise employees are priced out of the market. In the Riviera Maya, for example, there is virtually no other industry than tourism, which now employs hundreds of local citizens in relatively good working conditions (minimum wage \$1,200/year, plus tips which can double salaries) On the other hand, FONATUR has been accused of not respecting environmental regulations and that it has sold lots to hotel investors at low prices. With the private sector now focusing on real estate devoted to tourism, might Mexico follow the example of the DR?

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Other sources for Mexican tourism information

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Tanzania

Population:	36 million
Climate:	Tropical to temperate
Total landmass:	945 million sq. km.
Tourism activities	Wildlife safaris, sun and sand, culture
Total arrivals:	575,000 (2003)
International tourism receipts	US\$ 731 million (2003)
Employment in tourism	about 30,000 (all aspects)
GDP	US\$ 11 billion

Tourism in Tanzania. The government issued a new Master Plan at the turn of the century which has a strategic focus on developing the southern part of the country, as the northern regions are becoming saturated. The UK and USA are the top generators of travel to Tanzania (Kenya is also very high and this is likely to be foreigners visiting both Kenya and Tanzania). Tanzania has managed to maintain high prices in spite of changing market conditions, unlike Kenya which lowered prices in a time of crisis and has been unable to raise them to former levels. Assets include:

- Outstanding natural and wildlife assets in the north around Arusha, such as Serengeti Plain, Ngorongoro Crater, Mt Kilimanjaro
- Sun and beach assets in Zanzibar and the mainland coast
- Olduvai Gorge and the Rift Valley
- Numerous market niches – hunting, water sports, birding
- Twenty five percent of landmass is protected
- Handicrafts, particularly Makonde wood carving
- National parks in the south (Selous and Ruaha)
- Dar es Salaam is rapidly becoming a hub for tourism, well supplied with hotels
- Stable democratic government
- Engaging personality of Tanzanians

Institutions. Institutional reform in Tanzania started in the early 1990s, marking a major shift from government-led to private sector-led development. The role of government has changed from direct engagement in commercial activities to regulation, marketing and investment promotion, facilitation and service promotion. As a regulator, government is called upon to provide the capacity to formulate policies and strategies, supervise their implementation and design incentives to promote private entrepreneurship in the industry. The government's regulatory function will also cover setting and enforcing environmental protection, safety and security standards. Public sector institutions can be categorized into those responsible for policy, taxation, investment, facilitation and provision of utilities and other services.

Responsibility for tourism policy in Tanzania lies with the Ministry of Natural Resources and Tourism (MNR&T)¹⁷. The legal framework for tourism covers the policy framework,

¹⁷ This covers only the mainland. Tourism is not a "union" issue and Zanzibar manages its tourism with its own set of agencies.

the regulatory and licensing framework “TALA”); and environmental legislation. While Tanzania’s tourism legislation is somewhat dated, it is introducing a new tourism law to streamline the sector. The vision of the Ministry is to ensure sustainable conservation of natural and cultural resources and tourism and ensure the participation of local communities, NGOs and the private sector in conserving and managing natural resources for the benefit of present and future generations. The operating mission of the Ministry is to formulate policies and strategies designed to: lead to sustainable conservation management of natural and cultural resources and the environment; promote and diversify tourist attractions; and increase the sector’s contribution to national income and foreign exchange earnings.

The Ministry has four main operating divisions (tourism, wildlife, forestry and fisheries, and antiquities) and has several agencies under its control: the Tanzania Tourist Board; the Hotel and Tourism Training Institute; Tanzania National Parks (TANAPA); Ngorongoro Conservation Area Authority (NCAA); College of African Wildlife Management (CAWM) at Mweka; Serengeti Wildlife Research Institute (SWRI); and Tanzania Wildlife Company (TAWICO). The Wildlife Department controls hunting and issues licenses to hunt. This public sector structure is well adapted to Tanzania’s brand of wildlife and safari tourism and allows for interaction between the players in the sector.

Private sector. The private sector is expected to undertake investments in promotion and development of the tourist industry. Government policy currently recognizes private sector investment as the engine of growth of the sector. Government policy recognizes private sector investment as the engine of growth of the sector. In recent years there has been considerable increase in private investment in tourism. The umbrella Tourism Confederation of Tanzania (TCT) is the focal point for dialogue with the Government about tourism interests. It brings together travel agencies, tour operators, hotel keepers associations; air operators; hunters’ associations; and others.

Lastly, the National Business Council, chaired by the President, includes a chapter on tourism which has been active in debating policy matters and taking decisions on bottlenecks to growth. For example, when the government recently voted to triple the entry fees in Ngorongoro Conservation Area, the business council was involved along with the TCT and principally, the tour operator association; they agreed on a tripling of the entry fee to US\$100.

Discussion

Tanzania has some of the most effective laws for tourism and particularly for wildlife and biodiversity; implementation and regulation has improved greatly in recent years. The four departments of the Ministry give it sweeping powers over both tourism and wildlife, the lifeblood of the sector and antiquities, although this last group has not enjoyed full support. Tanzania has used the device of protecting lands for as much as 25% of its national territory and this has certainly resulted controlling degradation. The Ordinance for the Ngorongoro conservation area, originally conceived to protect the rights of Maasai pastoralists, has taken on great importance as a tourism destination protected by law.

Ngorongoro Conservation Area Ordinance¹⁸. The general purpose of the Ordinance is to make provision for the conservation and development of natural resources therein and for purposes connected therein. Section 5 establishes the Ngorongoro Conservation Area Authority (NCAA) (the composition of the Board of Directors is established in Schedule 4 to the Ordinance) and creates the position of Conservator of the Area, to be appointed by the President. Its functions include: to conserve and develop the natural resources of the Conservation Area, to promote tourism within the Conservation Area, to safeguard and promote the interests of Maasai citizens, to promote and regulate the development of forestry within the Conservation Area. To this end, it issues: controls and restrictions on entry and residence in the NCA; controls on grazing and protection of natural resources in the NCA; destruction or removal of vegetation; use of water sources; gathering honey or forest produce; forestation or reforestation; protection of slopes; drainage of lands; construction of buildings or works; construction of roads; and closure of any lands being "despoiled". In a related matter, the Wildlife Conservation Act restricts taking of animals within or within 1 km. of the NCAA boundaries without permission of both the Director of Wildlife and the Conservator of the NCAA. Section 6(3) specifies which rules can be made by the Minister (mostly authorizing the NCAA to regulate particular activities or functions). Cultivation is prohibited within the NCAA boundaries (s. 9). The NCAA is given explicit authority to take various actions for prevention of soil erosion and conservation of natural resources and prohibits, restricting or controlling the use of land for any purpose. Subsequent subsidiary legislation made under the **General Notice 12/72** also applies directly to the tourism industry, and specifies that every tourist or visitor who enters or wishes to enter the NCA must first obtain a tourist permit. A special Crater or Olduvai Gorge permit is required for those intending to visit the Crater or the Gorge and tourists must be accompanied by an official guide. Professional guides and safari attendants are also required to be licensed by the Conservator

Sources

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Tourism in Tanzania: Investment for growth and diversification, MIGA, World Bank Group 2002.

<http://www.tanzania.go.tz/>

¹⁸ It was established in 1959 by Ordinance No. 413 as amended by the Game Parks Law (Miscellaneous Amendments) Act No. 14 of 1975 and inscribed on the UNESCO World Heritage List in 1979. Approved as part of Serengeti-Ngorongoro Biosphere Reserve in 1982