

# **Opportunities and Challenges in Tourism Development Roles of Local Government Units in the Philippines<sup>1</sup>**

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## **INTRODUCTION**

Tourism as a product and service oriented industry, could generate widespread benefits and impacts to the economy and society. It could contribute to the achievement of Millennium Development Goals (MDGs) particularly those concerning poverty alleviation, environmental conservation, and generation of employment opportunities for women, indigenous communities and young people. Further, tourism could be a source of revenue (foreign exchange earnings, tax revenue) to the government and because of its multiplier effect, could provide opportunities for local economic development (LED). The direct, upstream, and downstream industries involved in tourism activities have the potential for creating sectoral linkages and economic opportunities in the localities.

The major sub-sectors prevalent in Philippine tourism include ecotourism; medical, health and wellness and retirement; meetings, incentives, conventions and exhibitions (MICE); adventure, outdoor and sports; amusement, entertainment and leisure; and cultural and heritage tourism (Alvia and Libosada, Jr., 2009). In 2005, the Philippines' gross domestic product (GDP) at market prices was estimated at US\$99 billion. Tourism's direct contribution to GDP is around 2% and employment generated is around 1.5 million jobs. In 2006, there were over 3.49 million people directly and indirectly employed in the tourism industry. From 2004 to 2007, the industry registered annual average growth rates of 10.5% and 34.9% in terms of tourist arrivals and receipts, respectively (Gutierrez, 2008). In 2007, travel and tourism contributed an estimated 3.8 million jobs across the economy (or around 8.8% of total employment).

In view of the socio-economic benefits that could accrue to communities, it is imperative that communities capitalise on opportunities from tourism. One of the major

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authorities which provide the key roles to this success is that of local government units (LGUs). LGUs could provide the ideal, authority, infrastructure, policy and planning procedures to maximise the benefit for its communities. LGUs play a major role in a community's development, provide the links between the people and government, address its community's problems and concerns, enforce policies and hold influence over its communities. The LGUs are also intermediaries in channelling the framework of government into each individual community in order to create a beneficial outcome.

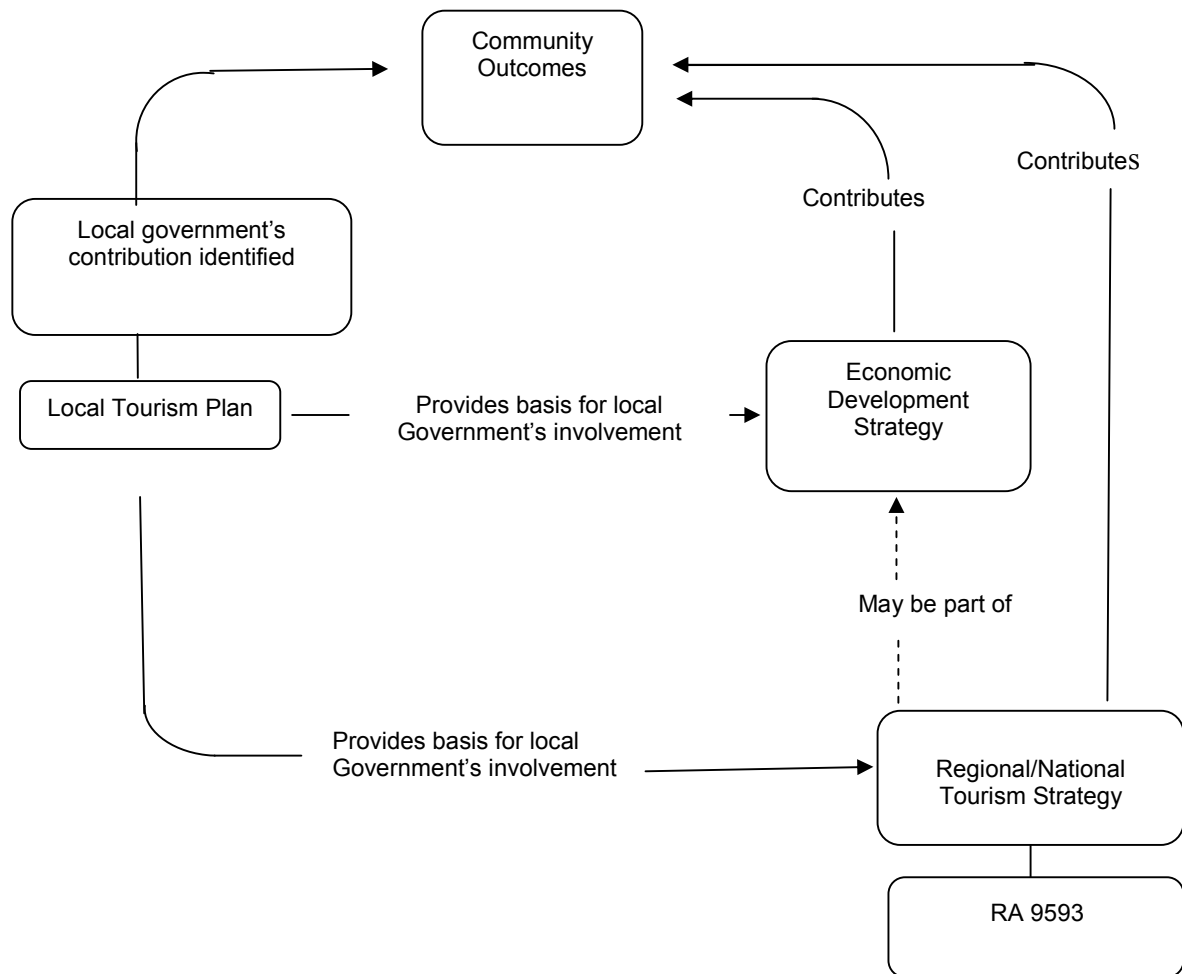
In the context of sustainable development, local governments also play important roles on the success of its local tourism industry, as well as have a strong influence in conserving its resources. Sustainable tourism development refers to the management of all resources that meets the needs of tourists and host regions while protecting the opportunities for the future, in such a way that economic, social and aesthetic needs can be fulfilled while maintaining cultural integrity, essential ecological processes, biological diversity and life support systems (Tourism Act of 2010). Vital to this approach is the contribution of a full range of stakeholders and the community in planning and decision making in order to determine the community's long term interest. On this basis, the local government can have a profound influence on the local tourism industry, and plays a part in conserving the very asset on which its future depends.

Further, local government's institutional capacity to provide for tourism development will be affected by a number of issues, including: individual capacities, resources (financial and physical), community acceptance, and governance.

## **CONCEPTUAL FRAMEWORK**

The role of local government is to promote the social, economic, environmental and cultural well-being of their communities and their involvement in tourism must be related to that. The LGUs have the mandate to craft their own tourism plan which sets out the priorities over the medium to longer term and how the local authority intends to contribute to community well-being. The plan must set out the following the community outcomes as a result of tourism development, how these have been identified and how the local authority will contribute to these. The Local Government Tourism Strategy may contribute to economic development strategies and or regional as well as national tourism strategies and serve as the basis of the role of LGUs (Figure 1).

**Figure 1. Interrelation between local and regional/national tourism strategy and community outcomes** (Adapted from Local Government New Zealand (2004)).



## **TOURISM APPROACH TO LOCAL ECONOMIC DEVELOPMENT (LED)**

The Philippine government sees the need to focus on tourism in order to capitalize on the lost opportunities that could have been captured from it. As early as 2007, the DOT has identified the development of tourism real estates, establishment and modernization of tourist accommodation facilities as priority activities (Business World, 2007).

Republic Act (RA) 9593 also known as the Tourism Act of 2009 was enacted in May 12, 2009. The law is considered as the Omnibus Tourism Code. Its general provision stated in Section 1 is to harness its potentials “as an engine of socio-economic growth and cultural affirmation to generate investment, foreign exchange and employment and to continue to mold an enhanced sense of national pride for all Filipinos”. The state’s perspective of tourism, as with the rest of the other country’s experience and plans, is seen through the direct contributions on job creation, foreign exchange generation and stimulation of large and usually foreign investments.

This policy statement reflects the government perspective on tourism that has remained largely unchanged since the creation of the DOT in 1973. The message has been consistent for almost 40 years: tourism is a powerful economic growth engine for the country with great potential to generate direct and indirect jobs, upgrade the levels of investment, and facilitate foreign exchange movements. Thus, it was not surprising that the policy framework of the 2004-2010 Medium Term Philippine Development Plan (MTPDP) remains “geared towards attracting more visitors, extending their length of stay, and increasing the attractiveness of tourist products to encourage travelers to spend more” (Alampay, 2009 as cited by Javier, 2010).

The Tourism chapter of the MTPDP has a product market, destination, building tourism priority zones and tourism infrastructure focus. Three priorities for product market has been identified –aggressive multichannel promotion of the short-haul beachgoer and sightseeing/shopper, and domestic market segments, related products, and destinations. These markets should receive between 60 and 70 percent of the promotional budget; Niche-based tailored promotion of the short-haul recreation travellers and ecotourists; and the strategic ‘ambassadors’ backpacker and balikbayan segments, and related products. These should receive between 20 and 30 percent of the promotional budget focusing on ‘rifle shot’ promotions aimed at specific niches such as golf, diving, among others; and long-term tactical marketing to the long-haul markets and MICE segments, and related products which should receive 20 to 30 percent of the promotion budget in the long-term, focusing on non-media based campaigns (MTPDP, 2004-2010).

The MTPDP 2004-2010 and the RA 9593 puts premium in establishing the Tourism Economic Zones (TEZs). This shall be the main vehicle for focused development at a local level within the priority destinations together with the creation of a Tourism Industrial and Economic Zone Authority (TIEZA) in place of the Philippine Tourism Authority (PTA). The TIEZA shall designate the TEZs, upon recommendation of any LGUs or private entity or through joint venture of private and public sectors (Chapter IV, Section 60, and RA 9593).

## **POLICY AND INSTITUTIONAL LANDSCAPE OF LGUs ROLES**

The formation of institutional structures and the implementation of tourism policies and strategies require enabling legislation and regulatory framework. Below is a discussion of the policy and institutional setting that govern the tourism industry in the Philippines.

### **Republic Act No. 7160 of 1991- The Local Government Code**

The Code (Section 17) provides for LGU’s responsibility in basic services and facilities that include tourism development and promotion programs, tourism facilities and other tourist attractions, including the acquisition of equipment, regulation and

supervision of business concessions, and security services for such facilities. LGUs, as a corporate entity (Section 15) are also vested corporate powers with full autonomy (Section 22) in proprietary functions and management of their economic enterprises. However, the condition that this provision is subject to the limitations provided in this Code and other applicable laws negates the ‘full autonomy’.

The recent emphasis of the current administration towards the practice of the LGUs as corporate entities became very favourable for the tourism industry. Tourism together with agribusiness development was seen as the LGUs best bet for increasing local revenues. These two sectors were identified by the initial four pilot LGU clusters where the Local Governance Support Program-Local Economic Development (LGSP-LED) operates. The LGSP-LED is an eight-year collaborative program of the Governments of Canada and the Philippines implemented in partnership with the Department of Interior and Local Government (DILG) and geared towards reducing poverty by strengthening local governance and supporting sustainable LED (LGSP-LED, 2009).

In terms of structure, the Local Development Councils (LDCs) at the provincial, city, and municipal level (Section 109) have the mandate to formulate socioeconomic development plans and policies; public investment programs; local investment incentives to promote the inflow and direction of private investment capital. At the same time, the LDCs are the ones that appraise and prioritize socioeconomic development programs and projects. The *Sanggunian* approves local development plans which are submitted to the regional development council, which shall be integrated into the regional development plan for submission to the National Economic and Development Authority, in accordance with existing laws.

Also very recently, a Memorandum Circular (DILG-MC 2010-113) was issued by the DILG encouraging provinces and cities for the creation of a Local Economic and Investments Promotions Officer (LEIPO). The LEIPOs are tasked primarily to facilitate the preparation, coordination, and execution of local economic and investment promotion policies, projects, and activities of the provincial/city government. Tourism development was identified by the LEIPOs as a good investment priority as planned in the initial roll-out of the LEIPOs orientation on LED (Javier, 2010).

### **Republic Act No. 9593 - The Tourism Act of 2009**

The Act provides for the development of a national tourism action plan for implementation by national and local governments; enlisting the participation of local communities, including indigenous peoples, non-government organizations (NGOs), people’s organizations (POs) and the private sector. It also emphasizes capability-building of LGUs, in partnership with the private sector, in the management of local tourism projects and initiatives, and the establishment of tourism enterprise zones (TEZs).

### ***Local tourism development planning***

LGUs, in consultation with stakeholders, are encouraged to utilize their powers under the Local Government Code to ensure the preparation and implementation of a tourism development plan, the enforcement of standards and the collection of statistical data for tourism purposes. The plan should integrate zoning, land use, infrastructure development, the national system of standards for tourism enterprises, heritage and environmental protection imperatives in a manner that encourages sustainable tourism development (Section 37).

### ***Institutional arrangements***

The Department of Tourism (DOT) shall be the primary planning, programming, coordinating, implementing and regulatory government agency in the development and promotion of the tourism industry. It shall monitor the LGUs' compliance to national standards in the licensing of tourism enterprises; and ensure the proper coordination, integration, prioritization and implementation of local tourism development plans. It shall provide technical assistance to LGUs in destination development, standard setting and regulatory enforcement; preparation, implementation and monitoring of local tourism development plans, gathering of statistical data, and enforcement of tourism laws and regulations.

There are a number of activities where LGUs have to coordinate with DOT. These include:

- integration and coordination of local and national plans for tourism development
- approval (by LGU resolution) of designating TEZ
- designation of a permanent position and performance of functions of a tourism officer in every province, city or municipality where tourism is a significant industry
- promulgation (also in consultation the private sector industries and other tourism stakeholders) of rules and regulations on the operation of all tourism enterprises, such as a national standard for licensing, accreditation and classification of tourism enterprises
- establishment of tourist information and assistance centers at strategic locations (province, city or municipality where tourism is a significant industry)
- provision to DOT of an inventory of all the resources available to the DOT for use in the implementation of the Act
- periodic reporting to the DOT on the status of tourism plans and programs, tourist arrivals, and tourism enterprises, among others, within their jurisdictions
- issuance of timely advisories on the safety or viability of travel to particular places
- report to DOT of incentives provided by LGUs for tourism enterprises through, among others, reductions in applicable real estate taxes and waivers of fees and charges

### ***Rationalization of tourism areas, zones and spots***

Under the Act, the Philippine Tourism Authority (PTA) is reorganized as the Tourism Infrastructure and Enterprise Zone Authority (TIEZA). The TIEZA shall be a body corporate which shall designate, regulate and supervise the TEZs as well as develop, manage and supervise tourism infrastructure projects in the country. TEZ is an area specifically defined or organized as a tourism area, zone or spot under any special or general law, decree or presidential issuance (Section 32).

With respect to tourism zones, areas or spots not organized into TEZs, the DOT, through appropriate arrangements, may transfer control over the same or portions thereof, to another agency or office of the government, or to a LGU upon DOT approval. The Department shall exercise supervisory powers over such agency, office or LGU in accordance with the terms of the transfer or the development plan of the zone, area or spot.

No TEZ shall be designated without a development plan duly approved by the TIEZA and without the approval, by resolution, of the LGU concerned. LGUs which comprise, overlap, embrace or include a TEZ in their territorial jurisdictions shall retain their basic autonomy and identity in accordance with the Local Government Code.

Under the Act, The Philippine Conventions and Visitors Corporation (PCVC) are reorganized as the Tourism Promotions Board (TPB). The Bureaus for Domestic and International Tourism Promotions, and the Office of Tourism Information of the Department, are absorbed into the Tourism Promotions Board. The DOT, the TPB and the TIEZA shall prioritize promotion and development assistance for LGUs which successfully adopt and implement their tourism development plans.

### ***Funding schemes***

The Act provides for the Tourism Development Fund to be disbursed and administered by the DOT for the development, promotion and marketing of its tourism and other projects. DOT may provide financial to LGUs for the preparation, implementation and monitoring of their tourism development plans.

Tourism enterprises registered with the TIEZA shall further be ordered to pay back taxes in the amount equivalent to the difference between the taxes that they should have paid had they not availed of the incentives under the Act and the actual amount of taxes being paid by them under the same incentive scheme. The back taxes to be collected shall be computed up to three (3) years directly preceding the date of promulgation of the decision or order finding that the tourism enterprise violated the terms of its accreditation. The proceeds of these back taxes shall be distributed as follows: one-third to the National

Government; one-third to the LGUs concerned, to be shared by them equally in case of more than one such LGU; and one-third to the TIEZA.

One unique feature of the RA 9593 is the shared governance of both national and local governments in tourism development. The shared governance approach hopefully will ensure the cooperation of each agency in performing n tourism development plans.

### ***Shared Governance***

The Act is also explicit in the delineation of the shared responsibilities between national and local governments. It is the responsibility of both national local governments to prepare and implement tourism development plans, enforcement of standards and collection of data for tourism purposes. It is imperative to national governments to assist the LGUs in planning and law enforcement. This means that tourism development is both a responsibility of national and local governments.

**Table 1. Summary of National-Local Roles and Tourism Shared Governance**

| <b>Functions</b>             | <b>National Government</b>  | <b>Shared Governance</b>   | <b>Local Government</b>   |
|------------------------------|---|--|---|
| Tourism Development Planning | (a) Formulate tourism policies, plans and projects for the development of tourism as an engine of socio-economic and cultural growth; | LGUs to ensure the preparation and implementation of a tourism development plan, the enforcement of standards and the collection of statistical data for tourism purposes. The development plans shall integrate zoning, land use, infrastructure development, the national system of standards for tourism enterprises, heritage and environmental protection imperatives that encourage sustainable tourism development. | Formulate tourism plans and programs                                    |
|                              | (b) Supervise and coordinate the implementation of tourism policies, plans and project  |  | (ix) Investment support services, including access to credit financing; |
|                              | (n) Ensure the proper coordination, integration, prioritization and implementation of local   |  |   |



|                   |   |   |   |
|-------------------|---|---|---|
|                   | tourism development plans with that of the National Government;   |   |   |
| Tourism Promotion | (e) Provide an integrated market development program to attract people to visit The Philippines and enhance the prestige of the country and the Filipino people in the international community;   |   |   |
|                   | (f) Represent the government in all domestic and international conferences and fora, and in all multilateral or bilateral treaties and international agreements concerning tourism, and ensure government implementation;   |   |   |
| Tourism Standards | (i) Support, advance and promote the protection, maintenance and preservation of historical, cultural and natural endowments, in cooperation with appropriate government agencies and the private sector, and take appropriate measures against acts and omissions contrary to these objectives;                | The DOT shall develop and support training programs to enhance the capability of LGUs to monitor and administer tourism activities, and enforce tourism laws, rules and regulations in their respective jurisdictions. Funding for such programs shall be shared equitably between the Department and the LGUs concerned. | (xi) Tourism facilities and other tourist attractions, including the acquisition of equipment, regulation and supervision of business concessions, and security services for such facilities; |
|                   | (k) Evaluate tourism development projects for the issuance of permits and the grant of incentives by appropriate government agencies, establish a databank of tourism areas and projects for investment purposes, and encourage private sector investment and participation in tourism activities and projects; |   |   |
|                   | (l) Formulate and promulgate, in consultation with the LGUs, the private sector industries and other tourism stakeholders, rules and  |   |   |

|  |   |  |  |
|--|---|--|--|
|  | regulations governing the operation and activities of all tourism enterprises, including but not limited to a national standard for licensing, accreditation and classification of tourism enterprises, impose reasonable penalties for violation of accreditation policies and recommend to the LGUs concerned the suspension or prohibition of operation of a tourism enterprise; |  |  |
|  | (m) Monitor the LGUs' compliance to national standards in the licensing of tourism enterprises,   |  |  |
|  | (o) Provide technical assistance to LGUs in destination development, standard setting and regulatory enforcement;   |  |  |
|  | (p) Undertake continuing research studies and survey to analyze tourism economic conditions and trends and compile and integrate a statistical databank;  |  |  |

### **The National Tourism Action Plan, 2004-2010**

The Plan addresses:

- Transportation and infrastructure - e.g., improving air/sea access to the Philippines; liberalizing civil aviation; promoting seamless travel to and from tourism gateways and satellite destinations; developing related infrastructure
- Marketing and product development - enhancing the Philippines' image as a safe, secure and tourist-friendly destination; synchronizing public and private sectors' marketing and promotional efforts
- Environment, social, cultural concerns - to conserve and protect the national, physical, and ecological resources; research and development; advocacy and capacity building for tourism stakeholders on protection and preservation of natural and cultural resources
- Investments and economics - encouraging investments in existing and new tourism enterprises through tourism enterprise/economic zones, rationalization of

incentives for tourism projects and continued investment liberalization; promoting greater involvement of local communities in tourism

- Institution building and human resource development - institutionalizing public-private sector partnerships in the formulation, implementation and monitoring of the NTAP

Related to the Action Plan is the Tourism Master Plan of the Philippines (1990 – 2010) which was formulated in 1990 which emphasizes tourism development on an environmentally sustainable basis and social cohesion and cultural preservation at local level. The strategies identified are: cluster development approach based on the establishment of three main international gateways and associated satellite destinations; a niche/mass market approach based on a diverse mix of special interests; a balance of development between foreign and domestic tourism. Regional Tourism Plans were envisioned to be blueprints for the development of the regional destinations and site specific tourism master plans have also been formulated.

### **Executive Order No. 111 and the National Ecotourism Strategy**

This EO was issued on 17 June 1999 to establish the guidelines for ecotourism development in the Philippines, and thereby created a National Ecotourism Development Council to make policy along with structures to review and approve ecotourism projects. Prior to this EO, a joint DENR-DOT Memorandum Circular No. 98-02 provided the guidelines for ecotourism for development of the Philippines and created the Ecotourism Steering Committee which includes the Concerned Local Government Unit representative.

Pursuant to EO111, the National Ecotourism Strategy (NES) was completed in April 2002 to promote an integrated approach for the protection of natural resources while at the same time generating economic opportunities for local communities. Its preparation was undertaken through a series of regional stakeholders' consultation and national planning workshops that emphasized a bottom-up and top-down approach for harnessing ideas, information and experiences in developing the country's ecotourism sites.

### **Republic Act No. 7916 - Special Economic Zone Act of 1995**

This Act provides for the creation, operation, administration and coordination of Special Economic Zones in the Philippines, creating for this purpose, the Philippine Economic Zone Authority (PEZA). PEZA is the national investment promotion agency and a government owned corporation, attached to the Department of Trade and Industry. In 2002, the DOT entered into a Memorandum of Agreement (MOA) with PEZA that will grant Special Economic Zone status to tourism development zones and tourism estates upon registration with PEZA subject to the issuance of the required Presidential Proclamation. The PEZA shall consider for registration tourist-oriented enterprises to be

located in PEZA-registered tourism development zones/tourism estates which are enclosed by the DOT as enterprises that will be established and operated with foreign tourists as primary clientele.

PEZA grants fiscal and non-fiscal incentives to developers of economic zones, - export producers and IT service exporters. PEZA offers ready-to-occupy locations to foreign investors who are export producers or IT service exporters in world class and environment friendly Economic Zones and IT parks/buildings. Recently, tourism has been included as a priority investment sector opening the way for the designation of tourism economic zones.

## **EMERGING ISSUES AND CHALLENGES**

There is a wide array of concerns that LGUs could address in making decisions towards developing the tourism industry (Table 1). While LGUs are in a strategic position to plan and facilitate tourism development in their areas of jurisdiction, they are also challenged by the realities of expanding roles and responsibilities, budget pressures, prioritization given a constraint in resources, as well as governance issues. LGUs must find ways to cope with these realities such as building networks, pursuing adequate funding and enhancing local organizations.

In making decisions and actions, considerations include community needs (e.g., potential for economic growth, employment, potential to increase the tax base of the LGU); structural (statutory/legal procedures, experience and skills of decision makers); inter-personal relations (e.g., community pressure and/or conservation groups).

**Table 1. Tourism decisions and action that could be taken by LGUs.**

| <b>Concern</b>        | <b>Decision/action</b>  |
|-----------------------|---|
| <b>Information</b>    | Supporting economic development of local/regional tourism products                                    |
|                       | Local/regional tourism promotion and operation of tourist offices                                     |
| <b>Planning</b>       | Supporting completion of local/regional tourism development plans and strategies                      |
|                       | Long term vision for tourism having regard for social, economic and environmental factors             |
|                       | Local tourism development policy  |
| <b>Controls</b>       | Policies on zoning criteria, permissible development criteria, other controls for tourism development |
|                       | Providing guidelines and controls for facilitating tourism development possibilities                  |
|                       | Architectural and engineering designs of specific tourist facilities                                  |
|                       | Safety, health and environmental integrity requirements for tourism developments                      |
| <b>Development</b>    | Development applications approvals for tourism-related land uses, services and facilities             |
|                       | Varied or waived assessment criteria or standards regarding local tourism developments                |
|                       | Specific licenses, permits or other consents to be granted for tourism developments                   |
|                       | Assessing the commitment, compatibility and intentions of developer-operators                         |
| <b>Land use</b>       | Determining future/present land use zones for incremental tourism development                         |
|                       | Determining specific suitable sites which show permissible development of land for tourism            |
| <b>Infrastructure</b> | Infrastructure changes for enhancing the tourist experience and/or visitor management                 |
|                       | Recreational, open space and infrastructure plans in the local region                                 |
| <b>Funding</b>        | Establishing fees, taxes, rates etc. from tourism developments and other visitor amenities            |
|                       | Funding consultancies, expert advice and research to address tourism issues and development problems  |

Source: Richins (2000)

Some emerging issues are discussed below.

## **Conditional Provisions on Autonomy of LGUs**

The Local Government Code bestows corporate powers to LGUs, but this is conditional upon the limitations provided in the Code and other applicable laws, thus negating the LGUs 'full autonomy' power. DOT still exercises control in terms of ownership of tourism facilities. TIEZA (formerly PTA) remains responsible for infrastructure development.

DOT, being the lead agency in tourism development, laments the capability of the LGUs in its regulatory mandate (as per Local Government Code), for example in licensing of tourism businesses, generation and management of tourism-related data to guide decision making in tourism development. On the other hand, the LGU's autonomy in tourism development is constrained with the provisions of the Tourism Act where most related activities at the local level have to be coordinated with DOT.

The powers of the LGUs under the Local Government Code pertaining to the issuance of business permits, licenses and the like will not be diminished. However, accreditation by DOT is required in the issuance of these licenses by LGUs. When an enterprise fails to obtain or loses accreditation, the DOT shall notify the LGU concerned so that it may take appropriate action in relation to an enterprise's licenses and permits to operate.

The new law maybe a wake-up call for the LGUs as far as exercising autonomy is concerned but is a challenge in national-local coordination. In addition, it will be an exercise in anticipatory local tourism planning.

## **Ecotourism Research and Information**

Tourism knowledge base will help guide and facilitate the expansion of the sector. This will help in identifying sites for tourism development; developing research agendas, programmes and partnerships; and, improving the supply of data and information to all partners and stakeholders. Community profiling of resources and skills will be necessary if tourism is identified as a job creator.

Reliable research and statistics are a major weakness of the tourism industry. Although there are actions to improve the quantity and quality of data collected by the DOT and LGUs, there is still the need to develop a consistent and reliable database. LGUs have an important role in generating this database which should include characteristics of tourists from the different source markets (e.g., what they do, length of stay, how much they spend); inventory of resources (e.g., how many hotels, rooms, location, standards); utilization of resources (e.g., occupancy rates, bed nights sold in different forms of paid accommodation by source market); profiles of main international

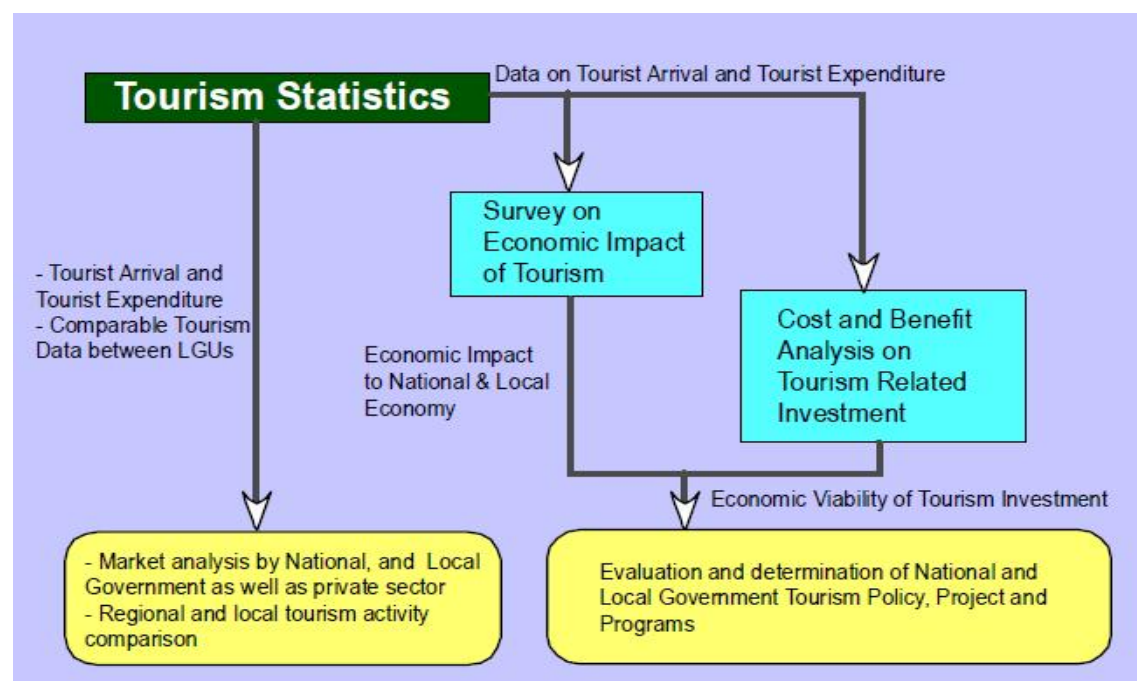
source markets (e.g., size of markets, motivations, travel patterns); more comprehensive profile of domestic market.

Research-related activities that may be done at the local level include generation of statistics on tourism, cost and benefit analysis, economic impact analysis as well as analysis of impacts of policies (Figure 2).

In the Philippines, the most-often cited problems by tourists include garbage, peace and order, heavy traffic, lack of information, and poverty (DOT in Cruz, 2000).

Other concerns include frequent occurrences of natural calamities and protection of indigenous peoples' rights to ancestral domains. These indicators are monitored at the level of the tourist site or municipality, but the practicality of these indicators will be contingent on primary data collection.

**Figure 2. Research-related activities essential for tourism development.**



Source: DOT-JICA 2007

### **Certification and Accreditation**

Certification is a valid instrument to motivate local stakeholders to develop structures to encourage and support improvement of business units, working to a standard that will give them peer recognition, staff morale, and other aspects which make firms more competitive. The label of this certification is considered as added value that leads to acceptance in the marketplace.

The Philippines has only around 338 hotel and resort establishments with 27,466 rooms available for tourists nationwide. Around 37% is concentrated in Metro Manila. Of the better quality hotels and resorts accredited by the DOT, 20% are internationally managed. In terms of the total number of hotels and resorts recognized by the DOT, this percentage is only 5% (Pantig and Smith 2005).

The DOT accredits establishments (using de luxe, first class, standard and economy ratings) on a voluntary basis in order to assure quality services. The monitoring system of DOT's accreditation needs to be enforced as tourists complain of the inability of establishments to meet accreditation level.

With the new Tourism Act, primary tourism enterprises shall be periodically required to obtain accreditation from the Department as to the quality of their facilities and standard of services. These include travel and tour services; land, sea and air transport services exclusively for tourist use; accommodation establishments; convention and exhibition organizers; tourism estate management services). For secondary tourism enterprises (those not mentioned above), accreditation shall be voluntary. The DOT may delegate the enforcement of the system of accreditation to LGUs that have adopted and successfully implemented their tourism development plans. The system of accreditation is based primarily on levels of operating quality and efficiency. Tourism facilities or establishments can already secure their licenses from the local government units but prior accreditation from the DOT is required. This again reinforces the regulatory role of DOT.

Other challenges in certification and accreditation relate to the process and costs involved in application, implementation by tourism firms, and operation of a program (Font, nd). Although certification, e.g. of quality in hotels has started to include environmental concerns, consideration of socio-cultural issues remains to be addressed.

### **LGU funding and exercise of corporate powers**

To address budget pressures, LGUs need to improve capability for income generation, e.g., revenue-earning businesses. The context of public entrepreneurship has to be embedded in LED approach for tourism development. Legitimately vested with corporate powers, the challenge therefore, for LGUs and local chief executives (LCE) is how to establish a business climate and harness local entrepreneurial competencies.

### **EXAMPLES OF GOOD PRACTICES AT THE LOCAL LEVEL**

LGUs should build its commitment to tourism in terms of awareness raising, planning and relationships. Host communities must be among the primary beneficiaries of tourism activity at the local level. Local people should develop a strong sense of ownership of tourism resources in their area. Strategies or models adopted by various localities could



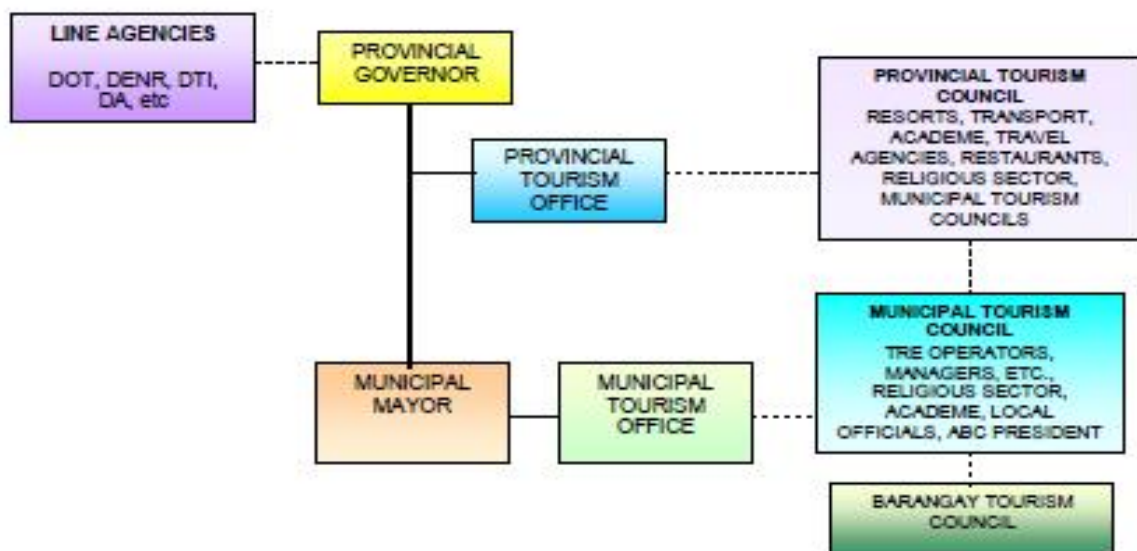
be examined to learn lessons from these experiences and help in designing options appropriate to specific situations or circumstances. Some of these are discussed below:

***Central Philippines – An illustration of institutional set-up for tourism***

The Central Philippines tourism program adopts an institutional mechanism as shown in Figure 3. Governed by elected officials, LGUs are the direct interface between the local residents and government. LGUs can initiate tourism-related development projects. Provincial Tourism Offices (PTOs) and Municipal Tourism Offices (MTOs) are LGU units that have direct involvement in tourism. The local government tourism office (TO) primarily functions as a tourism promotion unit that coordinates or organizes events, represents the area at tourism road shows/fairs, and produces relevant materials. However, as tourism is a new industry for many LGUs, few have established tourism units with appropriately qualified personnel.

Private sector participation is through the Provincial/Municipal/Barangay Tourism Councils. Provincial or municipal/city tourism councils are private entities, the memberships of which usually comprise 60% private entities and 40% government representatives. These councils help organize the local tourism industry into a cohesive organization that promotes the growth of the sector and the area. Barangay Tourism Councils, with the same set-up as provincial or municipal tourism councils, focus on the tourism affairs and concerns of the barangay or village. Tourism councils are composed of influential people in the locality such as local politicians, relatives of politicians, civic organizations, and businessmen.

**Figure 3. Local government institutional arrangements for tourism, Central Philippines**



**Legend:** ----- liaison arrangement; \_\_\_\_\_ hierarchical arrangement

Source: DPT-JBIC 2007

There are other tourism associations with homogenous organization or varied representations organized in the different areas of Central Philippines. However, the levels of involvement and organizational sophistication vary greatly between areas.

### ***PCCI Biztour5 Program***

Another notable practice is the tourism program called Biztour5 launched by the Philippine Chamber of Commerce and Industry (PCCI) in 2006 to augment the government's efforts in promoting tourism development. The Biztour5 Program aims to achieve "Five As" through the development of business and investment opportunities along the 5As. The 5As forming the tourism supply chain refer to: arrival (pre-arrival marketing, air/sea/land transport, air/sea ports); access (roads, terminals, & related infrastructure); accommodation (hotels, lodging, & restaurants); attractions (natural & man-made), and activities (rest, recreation, & education). The scheme allows LGUs to work in cooperation with their neighbouring areas to cover whichever component, or "A", a particular place is lacking (Alvia and Libosada, 2009).

### ***Tourism Award***

The Philippines has instituted tourism industry awards, which are cooperative projects of government and the tourism industry. For instance, the *Kalakbay Award*, given every two years, recognizes the best hotels, resorts, travel agencies, tour operators, tourism frontline workers, local tourism councils and ecotourism products. Environmental practices form part of the criteria for selection of best hotels and resorts, but the weights assigned to them are quite low.

### ***New Zealand's Postcards from Home'***

The local government tourism strategy of New Zealand could also be considered. Referred to as 'Postcards from Home', the strategy recognizes the role for local authorities in ensuring that their communities benefit from tourism. Local government leads, enables and works in partnership with other stakeholders to ensure a successful and sustainable tourism sector. Options reflect local needs for structuring Regional Tourism Organisations and other local marketing activities. "Postcards from Home" noted the very wide range of roles which local authorities can play in tourism including: owner of tourism facilities/services, operator of tourism facilities/services, funder of tourism marketing/services, community facilitator, planners of infrastructure, services and facilities, regulator, and/or providers of infrastructure, services and facilities. Local government will lead, enable and work in partnership with other stakeholders to ensure a successful and sustainable tourism sector."

### ***Public-private partnership***

Tourism should be integrated with the local economy, participation of communities from the planning to implementation and management should be encouraged. Public-private partnership and external investments should be promoted. Examples of strong private-public partnership in tourism development should be emulated as in the case of Olango Bay in Cebu, and Panglao Craft Village at Panglao Island Tourism Estate in Bohol. To enhance revenue generation from tourism, LGUs should consider environmental costs equitably through direct and indirect contributions, fees, and charges. The Mt. Pinatubo Tourism Project for example, helped establish a cooperative that serve guided tours to Mt. Pinatubo's Crater Lake. Tourists pay user fees, which are used for conservation of the trekking route and maintenance of public facilities and created livelihood for the cultural community.

### **CONCLUSION**

The foregoing discussion provided us the big picture on opportunities and challenges of stakeholders roles in tourism development particularly the national and local actors and institutions.

Internal to the LGU is the challenge of what the key offices enabling roles will be considering the relationship with national government. This is particularly evident in what the local legislative council policies and the executive offices programs will be in support of tourism businesses and balancing call for sustainable development. These are in the areas of leading investments in the local tourism areas, developing strategies based on a better understanding of tourism needs, the need for increase dialogue with business, evidence based decisions, specially on the negative impacts of tourism, shift in ad-hoc to anticipatory management, and last is the thinking of a “whole of government approach” to tourism development in general or harnessing governmental and private bodies towards local tourism goals.

Internal to national government is the challenge of what key offices enabling roles will be in considering its relationship with the LGUs. This is particularly evident in what coordination mechanisms is to be adopted specially in enforcement and compliance to tourism standards and in building competencies in tourism development planning. These are in the areas of making sure that tourism development plans are translated in major local policies and embedded in LGU budgets, coordination in marketing local tourism areas at various promotional levels, and assistance in aftercare services for tourism business retention, expansion and diversification.

This brings us to a conclusion that both national and local roles in tourism development are anchored on its enabling (planning, promotions, research and business assistance) and regulatory (enforcement, compliance and conservation) roles and its delicate balance.

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