Public-Private Dialogue

USING PPD TO BUILD COMPETITIVE INDUSTRIES

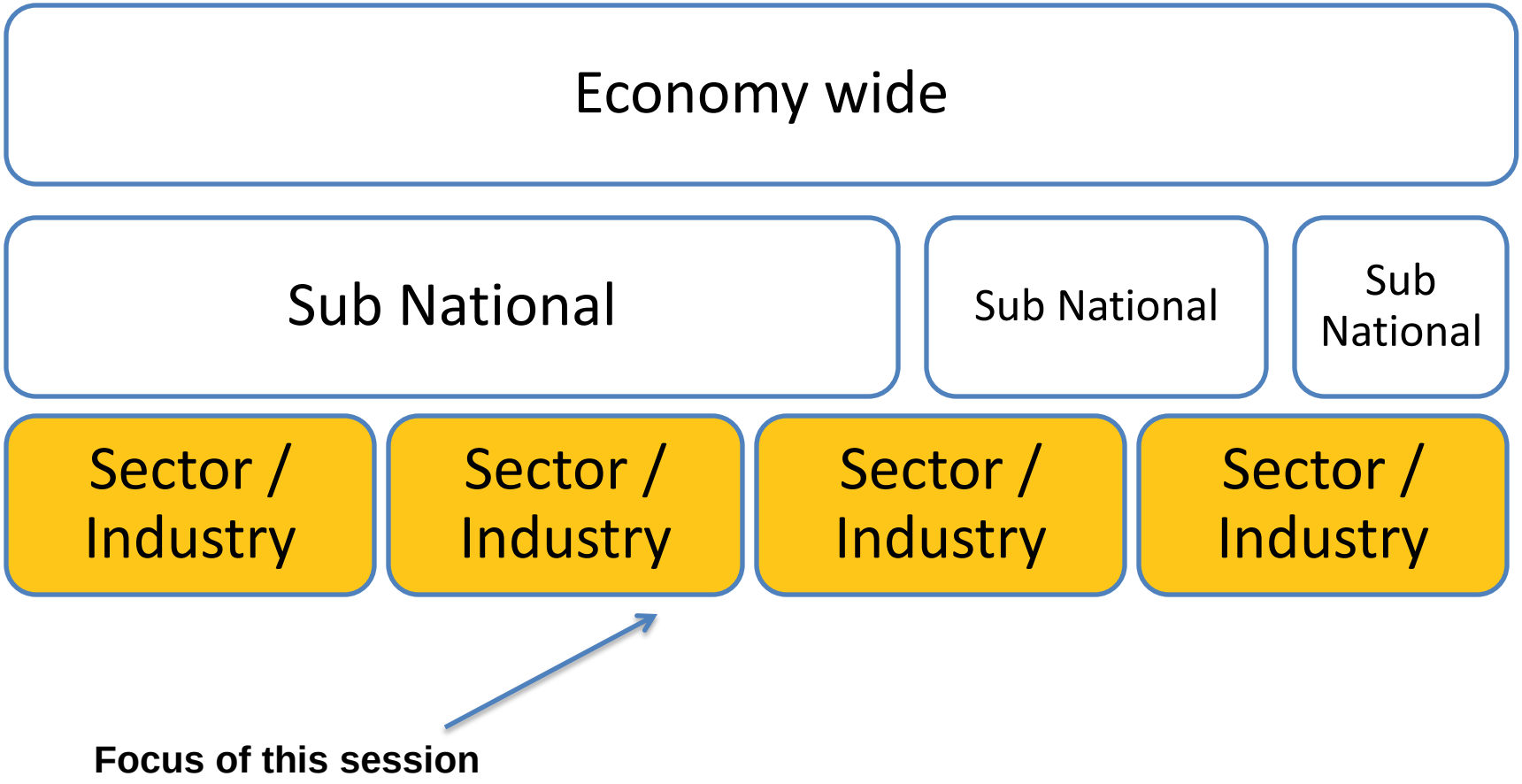
How Dialogue Drives Investment and Employment at the Sector Level

Suhail Kassim
Emiliano Duch
Benjamin Herzberg

Stanford Public Policy

THE WORLD BANK

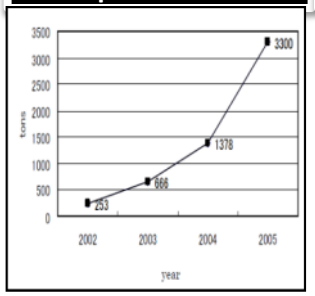
PPD TAKES PLACE AT DIFFERENT LEVELS OF THE ECONOMY



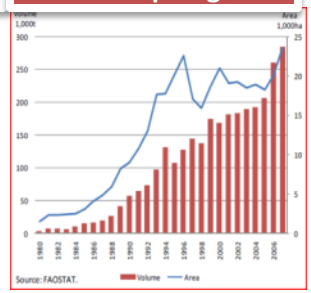
SUCCESSFUL INDUSTRIAL DEVELOPMENT HAS OFTEN BEEN ACCOMPANIED BY STRONG DIALOGUE, WHICH LED TO COLLABORATIVE ACTIONS

COUNTRIES AND SECTORS STUDIED

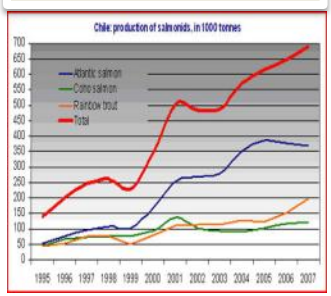
Ethiopia Cut Flowers



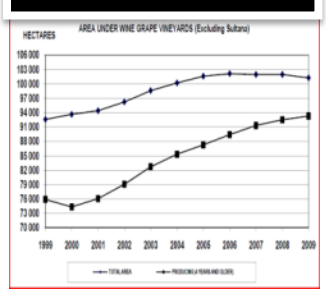
Peru Asparagus



Chile Salmon

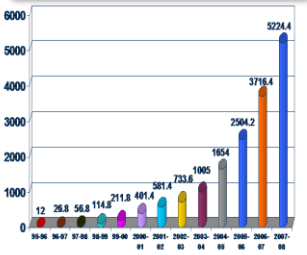


South Africa Wine

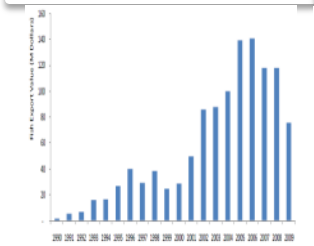


Morocco Auto Parts

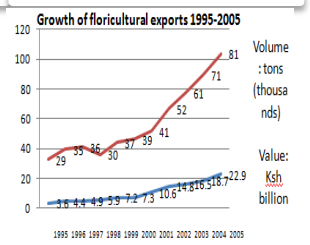
Andhra Pradesh ICT



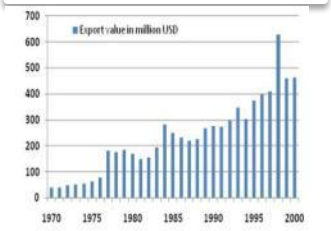
Uganda Fishing



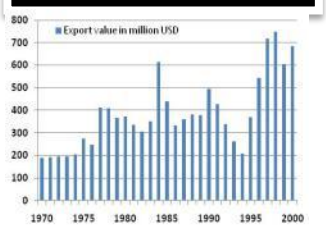
Kenya Cut Flowers



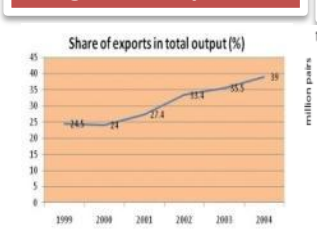
Kenya Tea



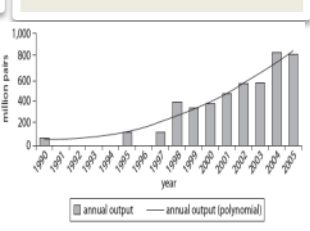
Sri Lanka Tea



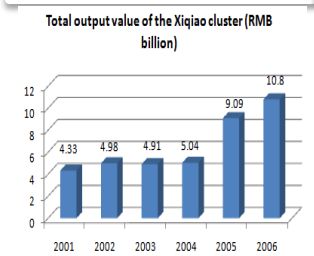
Nigeria Computers



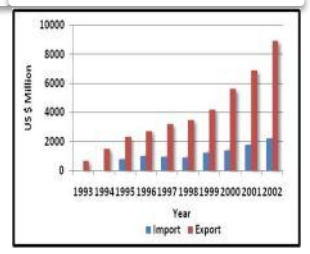
China Footwear



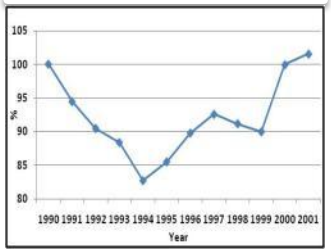
China Textile



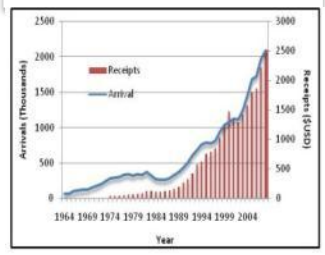
China HH Appliance



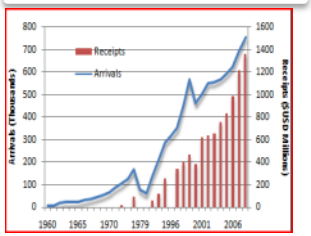
S. Africa HH Appliance



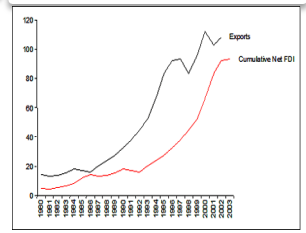
Costa Rica Ecotourism



Tanzania Ecotourism

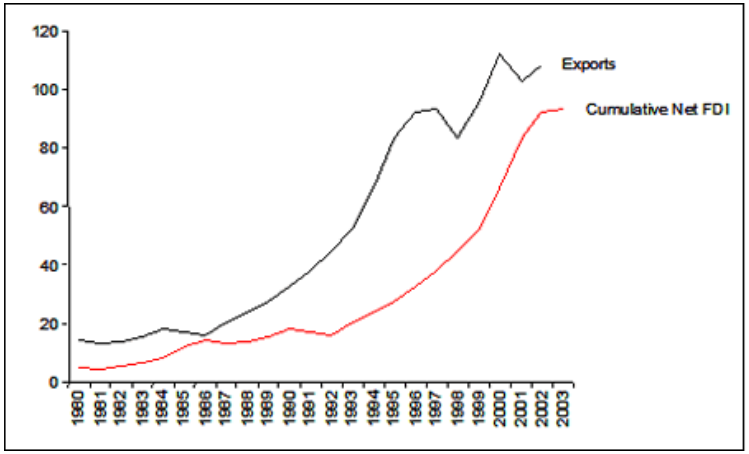


Malaysia Electronics

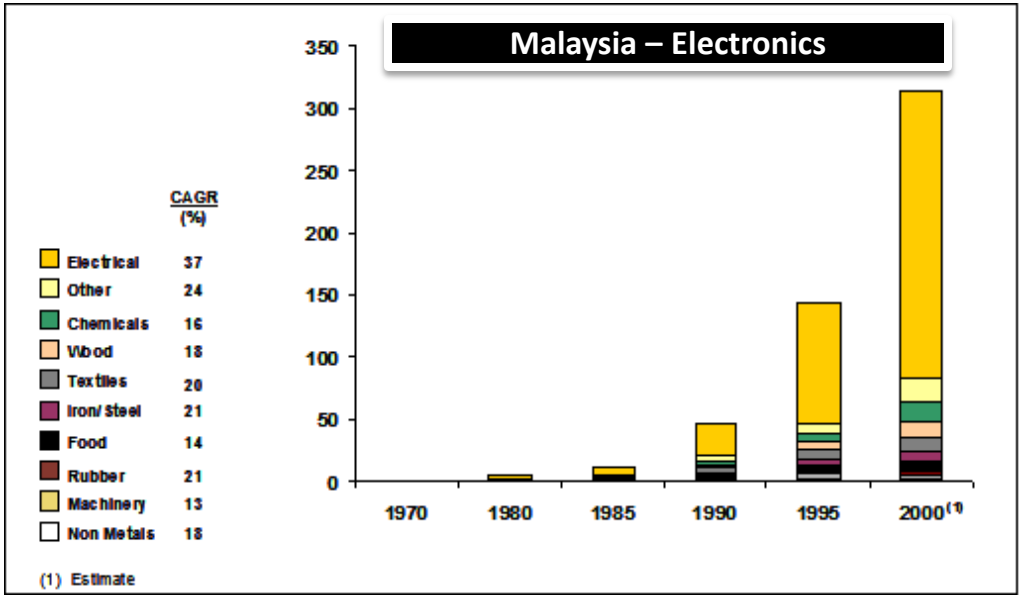


Source: Kassim, Majumdar, Sudan, Stanford University research team, Watson, Zeng, Herzberg, World Bank Group, 2011

ACCELERATING GROWTH THROUGH SECTOR COMPETITIVENESS



Export Growth and Cumulative Net FDI, Malaysia, 1980-2003 (US$b)



Composition of Malaysia's Total Manufactured Exports by Product, 1970-2000 (%)

The Second Industrial Master Plan introduced two new strategies:

- The "manufacturing plus-plus strategy"
  - Move Malaysian industries along the value chain from assembly-based and low value-added activities towards higher value-added activities, such as R&D and product design, and distribution and marketing; and
  - Shift the whole value chain to a higher level through productivity-driven growth through the utilization of high technology and an increase in total factor productivity, with emphasis on knowledge-based and capital intensive manufacturing.

- "Cluster-based industrial development"
  - The development of competitive industry clusters through the integration of key industries, suppliers, supporting industries, critical supporting business services, infrastructure and institutions; and
  - Adding value to Malaysian industrial production by creating upstream and downstream links - i.e., by promoting upstream development such as R&D and downstream development such as sales and marketing - and further developing domestic SMEs.

Source: Kassim, Majumdar, Sudan, Stanford University research team, Zeng, World Bank Group, 2011

LEARNING FOR THE MEDITERRANEAN

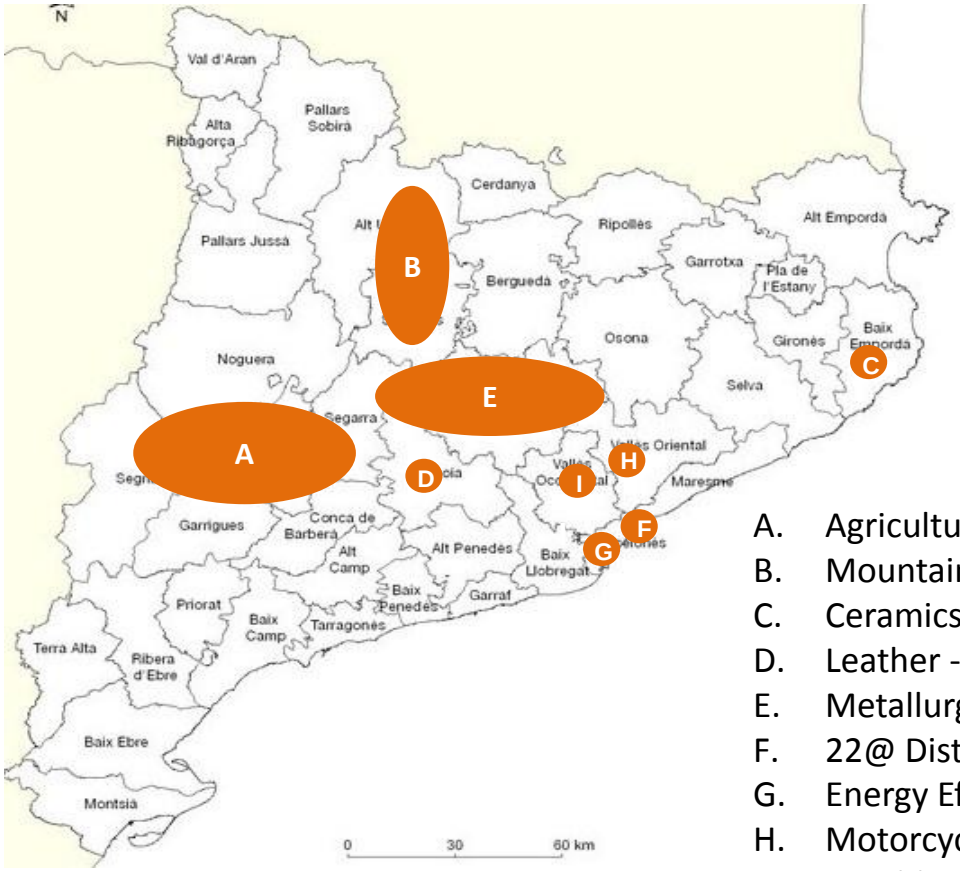
Comparison of 2 sectors in 5 countries

- Egypt, Lebanon, Malta, Spain and Turkey

Cruises

Citrus

THE LOCAL DEVELOPMENT PPD CASES IN CATALONIA AND SPAIN



A. Agricultural Machinery - Lleida
B. Mountain Areas – Solsonès
C. Ceramics - La Bisbal
D. Leather - Igualada
E. Metallurgy - Bagès
F. 22@ District - Barcelona
G. Energy Efficiency - Barcelona
H. Motorcycles - E.Vallès
I. Mould Makers - W. Vallès

Source: Institute Cartografic de Catalunya, 2002 (base)

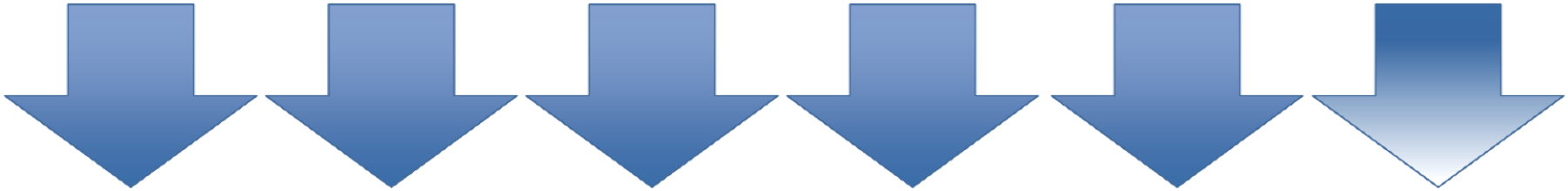
Rose Farming in Ethiopia

AN INDIAN BPO

Asparagus Farming in Peru

PILLARS OF COMPETITIVENESS

1	2	3	4	5	6
Regulatory and tax environment	Infrastructure	Access to finance	Skilled and trained labor	Access to new technologies and R&D	External factors

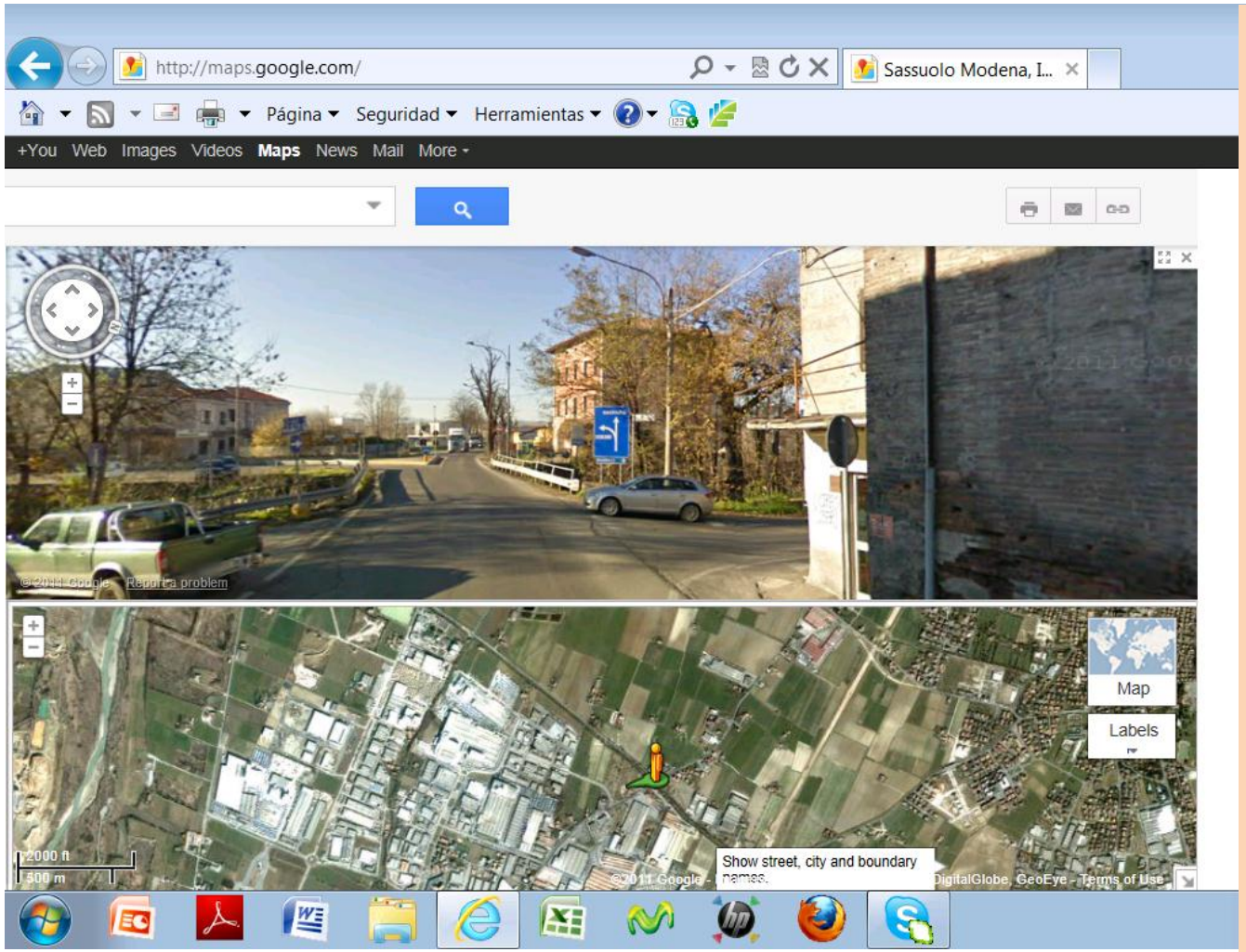


COMPETITIVENESS

- **Quality**
- **Price**
- **Timeliness**

WHAT ACTION ARE BEST FOR THE SECTOR?

For instance, is infrastructure is important?



Access road to Sassuolo (Italy) ceramic tiles cluster.

30% world production 60% world exports

Single lane bridge!!!

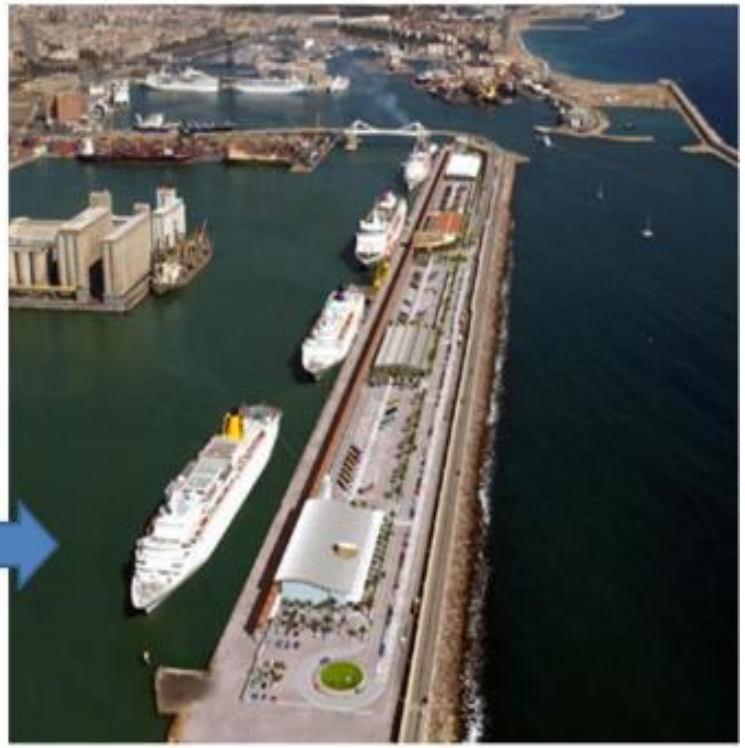
Source: Duch, Competitiveness LLC, 2011

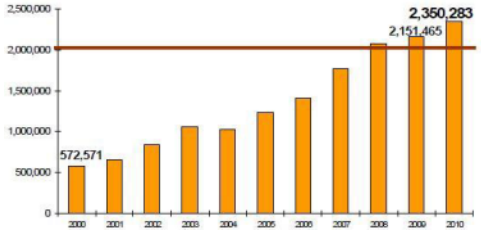
WHAT ACTION ARE BEST FOR THE SECTOR?

For instance, is infrastructure is important?

From a "welcome tent" for cruises at the beginning of the 1990's...

... to 7 terminals in 2010





Cruise sector – Spain

Source: Duch, Competitiveness LLC, 2011

THREE CATEGORIES OF ACTIONS

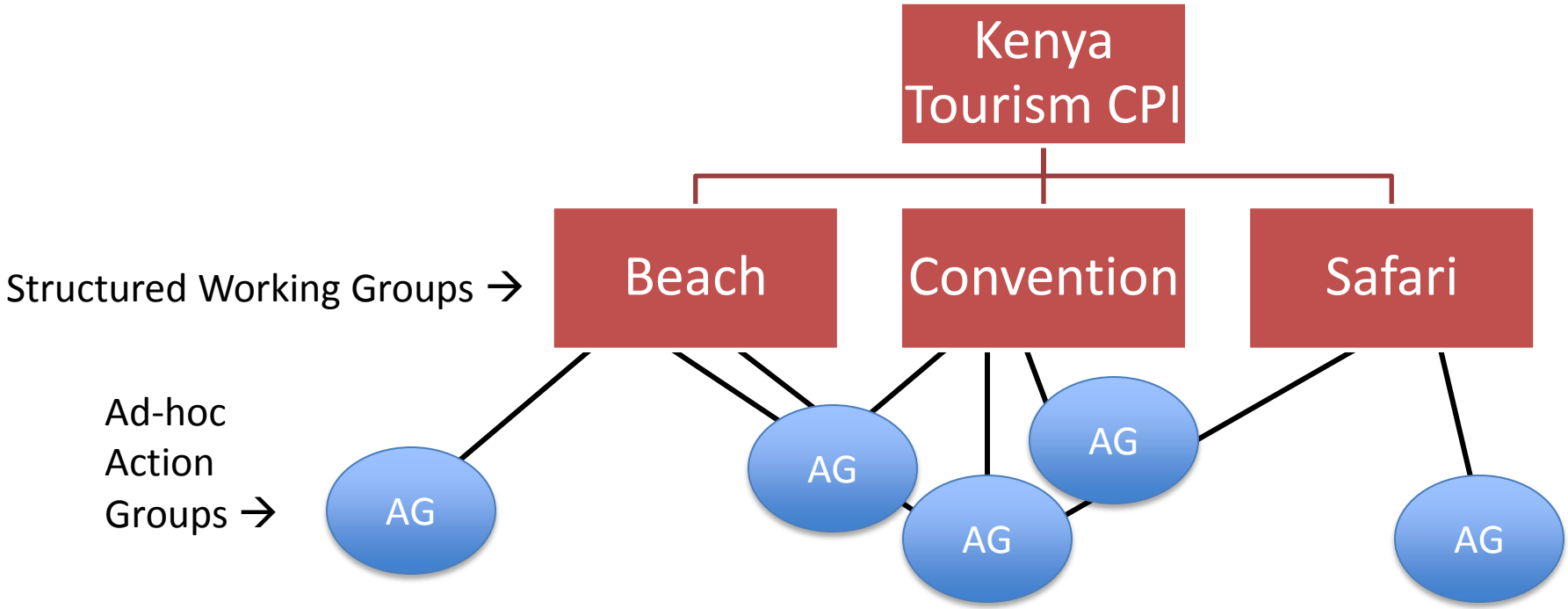
1	**Public**	e.g. Industry-specific policy and regulatory reforms, specialized tax regime, incentives regime, industrial land programs, institutional streamlining and coordination, etc.
2	**Public-Private**	e.g. PPPs, joint investment, investment promotion, skills partnership between academia and private sector, last mile utility provision, innovation partnerships, etc.
3	**Private**	e.g. Joint procurement platforms, joint standard setting, private sector-led certification, joint investment and trade promotion projects, joint training, venture capital, etc.

INDUSTRY-LEVEL COLLABORATIVE ACTION MATRIX

		1	2	3	4	5
		Regulatory and tax environment	Infrastructure	Access to finance	Skilled and trained labor	Access to technologies and R&D
1	Public					
2	Public-Private					
3	Private					

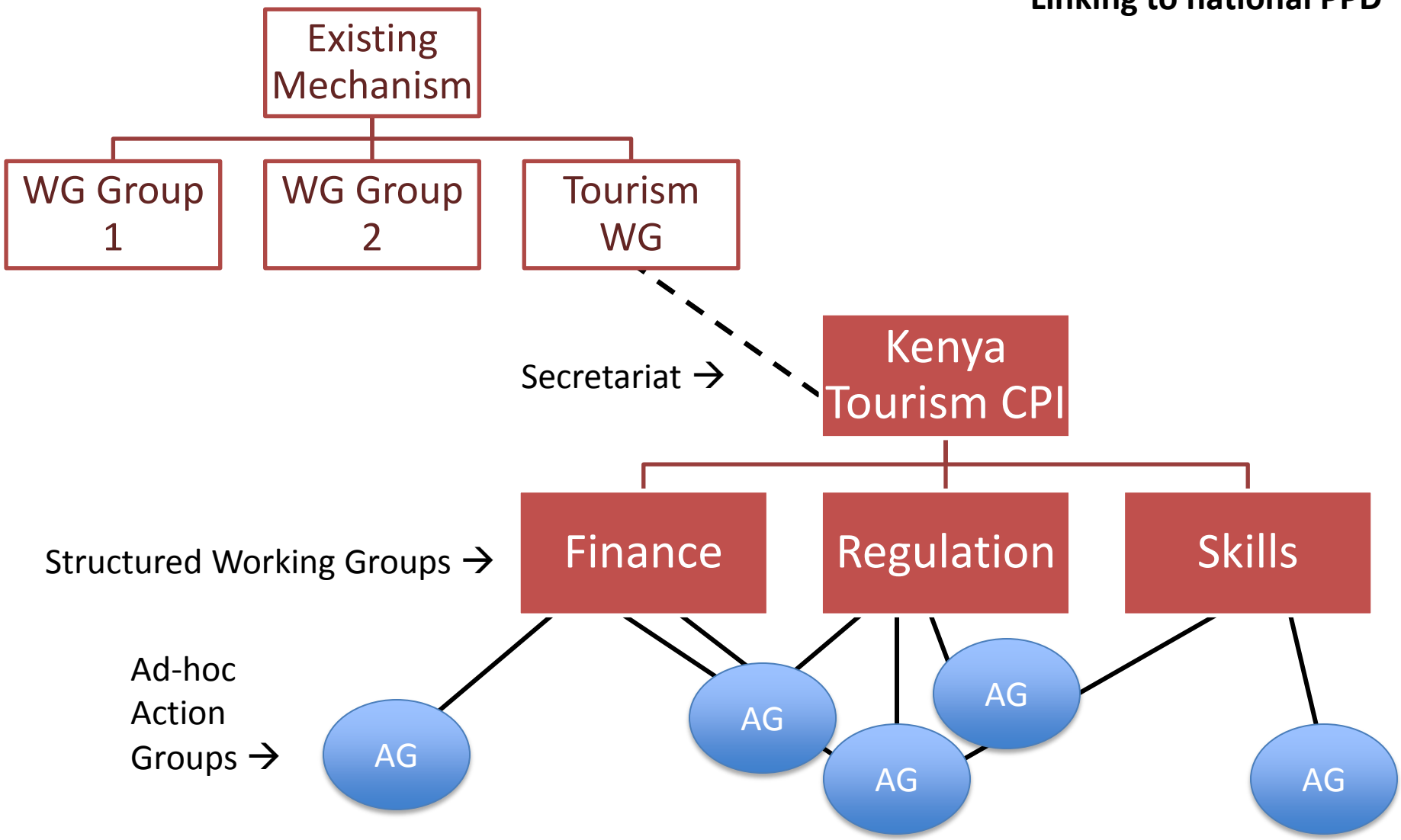
STRUCTURE

Example: Kenya Tourism CPI



STRUCTURE

Linking to national PPD



SALMON EXPORT FACILITY IN CHILE

ANCHORAGE

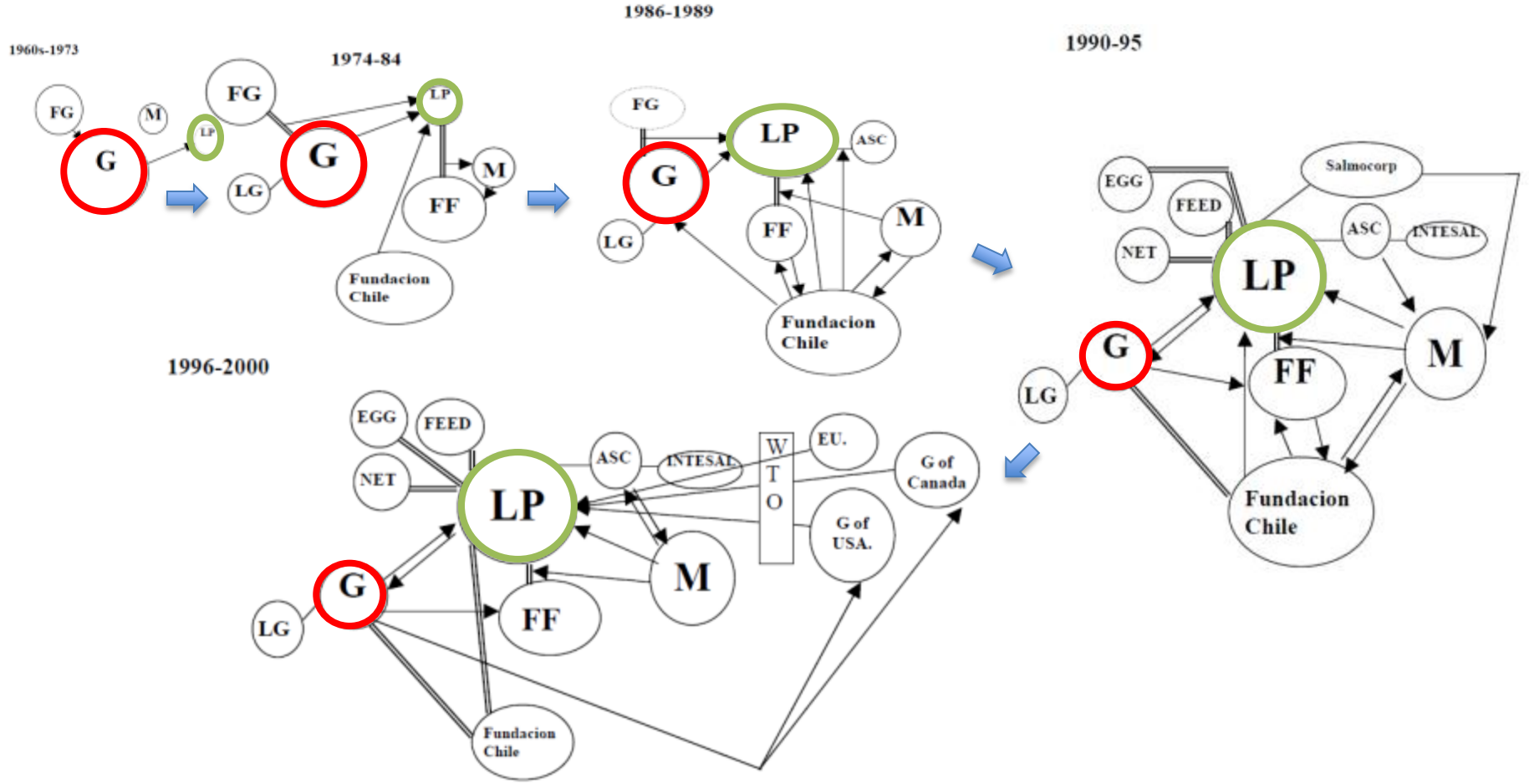
Organizational capability and export performance: the salmon industry in Chile

Michiko Iizuka
SPRU, Science & Technology Policy Research
University of Sussex

First Draft, Jan. 5, 2004

Anchors can be multiple and moving

The evolution of the organizational structure for Chile's salmon industry …



Note: LP: Local Producers, FF: Foreign Firms, FG: cooperation from Foreign Government, M: Market, G: government, LG: Local Government, ASC: Industrial Association.,
Direction of influence are expessed in the following arrows:
Strong → Weak → Mutual collaboration

ANCHORAGE

Organizational capability and export performance: the salmon industry in Chile

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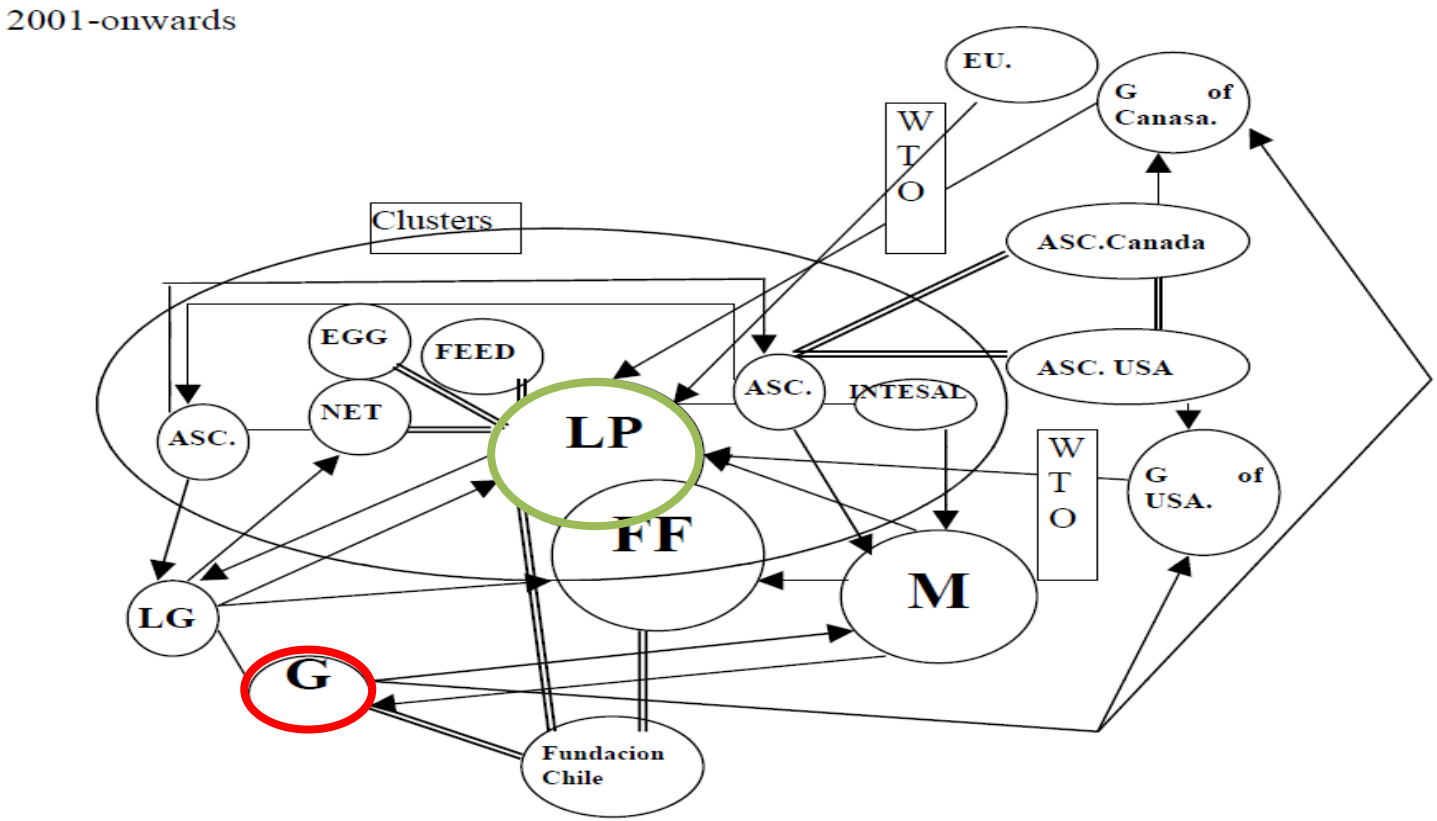
Anchors can be multiple and moving

… leading ultimately to a competitive exporting sector structure:



Note: LP: Local Producers, FF: Foreign Firms, FG: cooperation from Foreign Government, M: Market, G: government, LG: Local Government, ASC: Industrial Association.,
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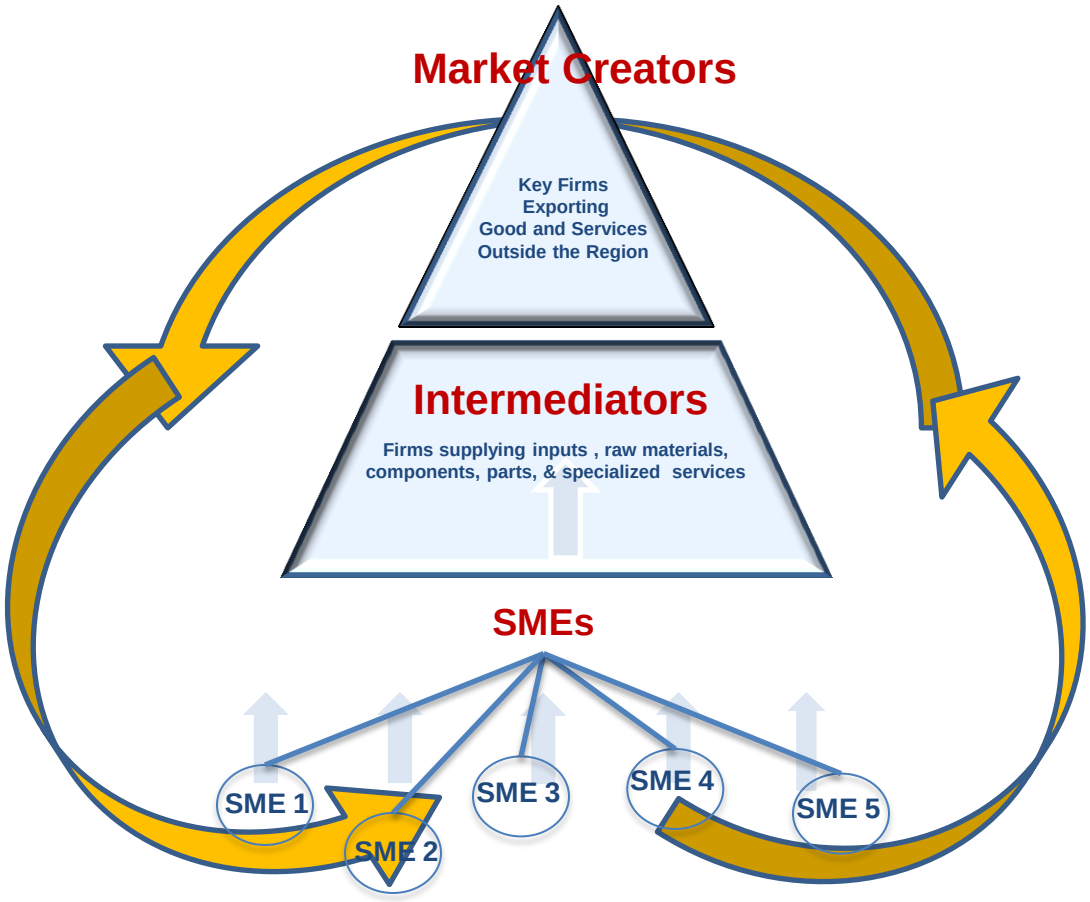
PARTICIPATION

AN ECOLOGY OF FIRMS



PARTICIPATION

Example: Malaysia PEMUDAH

1000 movers and shakers from 200+ MNCs, SMEs, Government & Ministries

Source: Watson 2011, adapted from PEMUDAH

OBJECTIVES SETTING

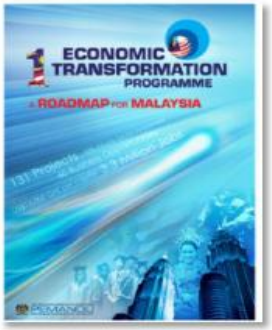
Example: Malaysia PEMUDAH

Gross National Income (GNI)

- Target US$ 15,000 per capita
- USD 523 billion GNI
- 6% GDP growth per annum

Transformational Actions

- 12 NKEAS
- 131 EPPs
- 60 BOs
- Transformational approach
- Private sector led
- 6 SRIs (competitiveness)



People / Jobs

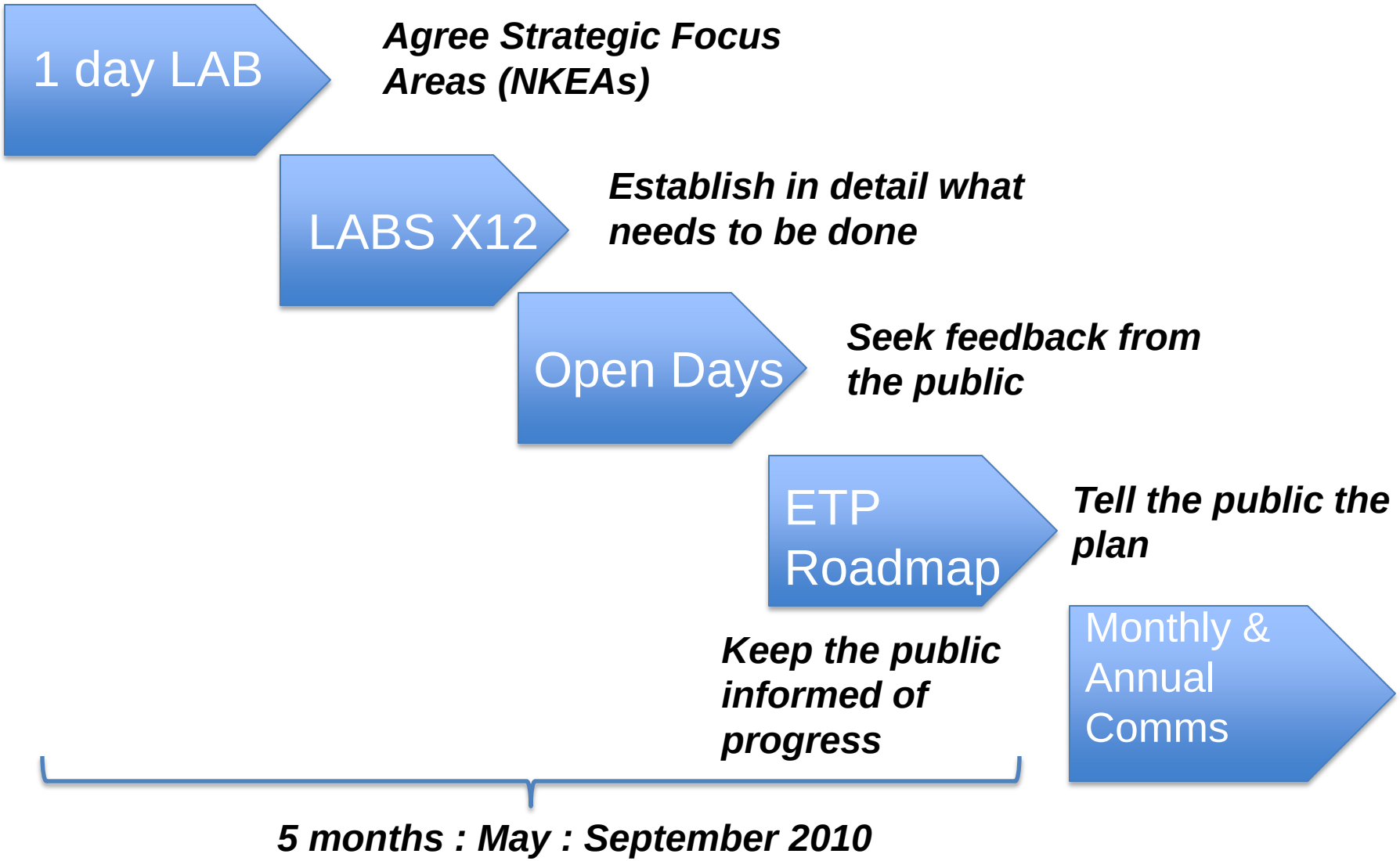
- 31.6 million population
- 3.3 million additional jobs

Investment

- USD 444 billion investment
- 92% private investment
- 8% public investment
- 73% DDI
- 27 FDI

Source: Watson 2011, adapted from PEMUDAH

MALAYSIA'S ECONOMIC TRANSFORMATION PLAN: FROM STEP 1 TO STEP 4 IN 7 MONTHS



Source: Watson 2011, adapted from PEMUDAH

MALAYSIA: ACHIEVING IMPACT THROUGH QUICK WINS

On Efficiency

- 3 days to start a business from 11 days previously
- 1 day to register a property from 41 days previously
- Establishment of New Commercial Courts to expedite disposal of cases
- Introduced the Malaysia Corporate Identity Number (MyCoID) at 5 Government Agencies
- Established a One-Stop-Centre (OSC) at local authorities in Peninsular Malaysia to expedite approval of construction permits
- Increased the number of e-Payment facilities to 279 Services with 117 Agencies
- Reduced time taken for approval of Halal certification from 60 days to 30 days
- Developed Business Licensing Electronic Support System (BLESS) which is in the 2nd phase roll-out that includes renewal
- Reduced time taken for post Employment Pass Application Approval

On Policy

- Contributed to the outcome of the review of the Foreign Investment Committee (FIC) Guidelines
- Reduced the number of Abandoned Housing Projects from 148 to 136
- Removed age limit for expatriates especially for those qualified and has valuable working experience
- Issuance of ID Card to participants of Malaysia My Second Home (MM2H) Programme
- Automatic Approval for expatriates with salaries of more than RM8,000
- Introduced continuous monitoring and enforcement by Road Transport Department (JPJ) which has reduced touting activities in KLIA
- Expatriates are allowed to apply for Permanent Residence (PR) status after living in Malaysia for 5 years
- Spouse of a Malaysian citizen can work or be involved in any form of business in Malaysia under Long Term Social Visit Pass (LTSP)

INDUSTRY-LEVEL COLLABORATIVE ACTION MATRIX

		1	2	3	4	5
		Regulatory and tax environment	Infrastructure	Access to finance	Skilled and trained labor	Access to technologies and R&D
1	Public					
2	Public-Private					
3	Private					

Kassim and Herzberg, World Bank Group

JORDAN MEDICAL TOURISM INDUSTRY-LEVEL COLLABORATIVE ACTION MATRIX

Table 2: Constraint Matrix for Medical Tourism in Jordan

Critical Success Factors	Policy/ Regulatory	Workforce	Infrastructure	Finance	Innovation	Industry Collaboration
Strong brand image as a location with high medical standards		• Shortage of qualified medical skills • Cultural bottlenecks (attitudes on being paid to be hospitable)		• Lack of financing available to sector	• Not enough research and innovation in medicine • Not enough spillovers from state-of-the-art centers	• Lack of more aggressive marketing/ad campaign to new markets, focused on safety and quality
Operating at best practice level regarding medical safety and technology		• Overall quality of medical falls short of best practices		• Lack of financing available to sector	• Not enough research and innovation in medicine • Not enough spillovers from state-of-the-art centers	• Insufficient coordination between universities, research institutions and hospitals
Cost of comparable quality medical care significantly below EU & US	• Medical licensing • Slow proceed-ings and lack of enforcement for malpractice cases			• No malpractice insurance		• Lack of industry collaboration to lower costs
Perception of political stability in the country and the region	• Government's inability to sustain reforms; lack of policy options to satisfy demonstrators					
Bundled medical and religious/spiritual offerings					• Lack of innovative product offers cutting across other tourism segments	• Insufficient collaboration with agents in religious/spiritual tourism sector
Seamless one-stop interface with customer					• Lack of basic initiatives, such as go-to website for information on segment, offers etc.	• Tourism industry (facilitators, hospitals, hotels, insurance) highly fragmented, lack of coordination
High-end after-care facilities meeting international standards		• Shortage of qualified medical skills • Cultural bottlenecks (attitudes on being paid to be hospitable)	• Lack of quality inputs (food, bed sheets, toiletries) • Lack of high-end post-op hotels	• Lack of financing available to sector		• Hotel industry highly fragmented, lack of coordination

Table 4: First matrix in constraint ranking

Critical Success Factors	Importance	Gap between current level and needed level	Contribution of each constraint to gap for each CSF (rows)						Total Contribution
			Workforce	Regulatory	Finance	Physical Infrastructure	R&D, Technology, Innovation	Industry Collaboration	
Strong brand image as a location with high medical standards	High	**50%**	20%		10%		20%	50%	100%
Operating at best practice level regarding medical safety and technology	High	**30%**	40%		10%		30%	20%	100%
Cost of comparable quality medical care significantly below EU & US	High	**10%**		45%			25%	30%	100%
Perception of political stability in the country and the region	High	**40%**		80%				20%	100%
Bundled medical and religious/spiritual offerings	Low	**40%**					50%	50%	100%
Seamless one-stop interface with customer	Medium	**30%**					25%	75%	100%
High-end after-care facilities meeting international standards	Low	**30%**	10%		30%	50%		10%	100%

Table 5: Second matrix in constraint ranking

Critical Success Factors (implied performance level requirement)	Weights	Gap between current level and needed level	Contribution of each constraint to gap for each CSF (rows)						Total Contribution
			Workforce	Regulatory	Finance	Physical Infrastructure	R&D, Technology, Innovation	Industry Collaboration	
Strong brand image as a location with high medical standards	5.00	**50%**	20%		10%		20%	50%	100%
Operating at best practice level regarding medical safety and technology	5.00	**30%**	40%		10%		30%	20%	100%
Cost of comparable quality medical care significantly below EU & US	5.00	**10%**		45%			25%	30%	100%
Perception of political stability in the country and the region	5.00	**40%**		80%				20%	100%
Bundled medical and religious/spiritual offerings	1.00	**40%**					50%	50%	100%
Seamless one-stop interface with customer	3.00	**30%**					25%	75%	100%
High-end after-care facilities meeting international standards	1.00	**30%**	10%		30%	50%		10%	100%

Table 6: Third matrix in constraint ranking

Critical Success Factors (implied performance level requirement)	Weights	Gap between current level and needed level	Contribution of each constraint to gap for each CSF (rows)						Total impact of closing gap (raw scores)
			Workforce	Regulatory	Finance	Physical Infrastructure	R&D, Technology, Innovation	Industry Collaboration	
Strong brand image as a location with high medical standards	5.00	**50%**	5.0		2.5		5.0	12.5	25.00
Operating at best practice level regarding medical safety and technology	5.00	**30%**	6.0		1.5		4.5	3.0	15.00
Cost of comparable quality medical care significantly below EU & US	5.00	**10%**		2.3			1.3	1.5	5.00
Perception of political stability in the country and the region	5.00	**40%**		16.0				4.0	20.00
Bundled medical and religious/spiritual offerings	1.00	**40%**					2.0	2.0	4.00
Seamless one-stop interface with customer	3.00	**30%**					2.3	6.8	9.00
High-end after-care facilities meeting international standards	1.00	**30%**	0.3		0.9	1.5		0.3	3.00
									81.00

Table 7: Final matrix in constraint ranking (for UK/US/Russia market)

Critical Success Factors (implied performance level requirement)	Weights	Gap between current level and needed level	Contribution of each constraint to gap for each CSF (rows)						Total impact of closing gap (normalized)
			Workforce	Regulatory	Finance	Physical Infrastructure	R&D, Technology, Innovation	Industry Collaboration	
Strong brand image as a location with high medical standards	5.00	**50%**	6.2		3.1		6.2	**15.4**	30.9
Operating at best practice level regarding medical safety and technology	5.00	**30%**	7.4		1.9		5.6	3.7	18.5
Cost of comparable quality medical care significantly below EU & US	5.00	**10%**		2.8			1.5	1.9	6.2
Perception of political stability in the country and the region	5.00	**40%**		**19.8**				4.9	24.7
Bundled medical and religious/spiritual offerings	1.00	**40%**					2.5	2.5	4.9
Seamless one-stop interface with customer	3.00	**30%**					2.8	**8.3**	11.1
High-end after-care facilities meeting international standards	1.00	**30%**	0.4		1.1	1.9		0.4	3.7
			14.0	22.5	6.0	1.9	18.5	37.1	100.0

Table 8: Final matrix in constraint ranking (for Middle East market)

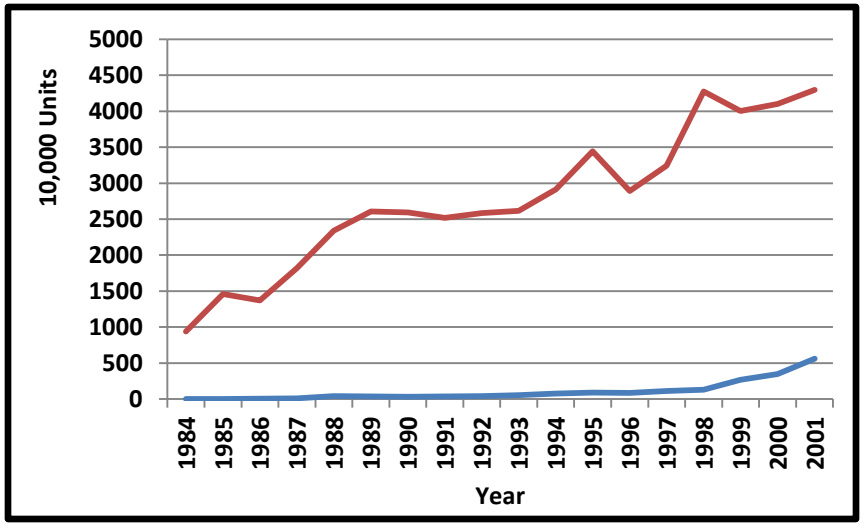
Critical Success Factors (implied performance level requirement)	Weights	Gap between current level and needed level	Contribution of each constraint to gap for each CSF (rows)						Total impact of closing gap (normalized)
			Workforce	Regulatory	Finance	Physical Infrastructure	R&D, Technology, Innovation	Industry Collaboration	
Strong brand image as a location with high medical standards	5.00	**25%**	4.4		2.2		4.4	**11.0**	21.9
Operating at best practice level regarding medical safety and technology	5.00	**30%**	**10.5**		2.6		7.9	5.3	26.3
Cost of comparable quality medical care significantly below EU & US	1.00	**10%**		0.8			0.4	0.5	1.8
Perception of political stability in the country and the region	3.00	**15%**		6.3				1.6	7.9
Bundled medical and religious/spiritual offerings	3.00	**40%**					**10.5**	**10.5**	21.1
Seamless one-stop interface with customer	3.00	**30%**					3.9	**11.8**	15.8
High-end after-care facilities meeting international standards	1.00	**30%**	0.5		1.6	2.6		0.5	5.3
			15.4	7.1	6.4	2.6	27.2	41.2	100.0

Household Appliances Case Study: China

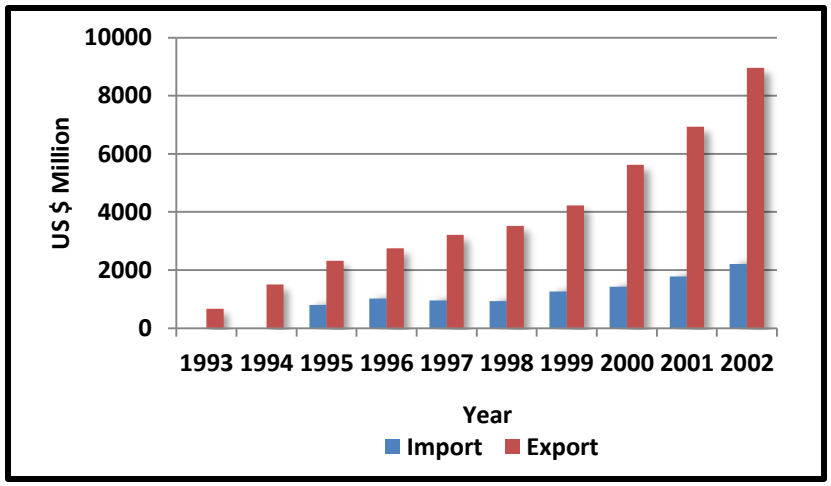
Sector Competitiveness Story:

- Largest world producer of major appliances (i.e. refrigerators, washing machines, cookers), 24.8% of world production (2001)
- Shipments of refrigerators, air conditioners and washing machines: 161.5 million units, 12.6 % growth (2010, expected by iSuppli).
- Haier: largest white goods manufacturer (2010)

Annual Output of Refrigerators(Blue) and Televisions (Red)



China's Imports and Exports of Household Appliances (1993-2001)



Public Policies and Public-Private Collaborations

- In 1999, household appliances industry was targeted as an export-oriented industry. The policy of targeting not only conveyed a signal to commercial banks that investments in household appliances industry were safe, but also created incentives for local government to develop this industry.
- In 2003, the policy of "promoting the reform of state-owned enterprises and strategic cooperation with foreign and private capital" was adopted. Growing domestically-sourced capital poured into this industry.
- Emphasis on infrastructural programs, like road construction and electrification program helped the enterprises to penetrate rural markets.
- The government stimulus plan for both rural areas and urban areas in 2009 successfully boosted domestic demand and helped enterprises maintain a reasonable growth in terms of revenue during the economic downturn.

Sources: Weaver (1998), Honey (2008), World Bank Databank

Household Appliances Case Study: China

	1970-1980	1980-1984	1986-1992	1992-2000	2001 - 2010
Public	**1979**: "The Report on Shifting the Emphasis from Heavy Industry to Light Industry" was published.	**Early 1980s:** Local governments invested massively and regarded the household appliances industry as "pillar industry".	**Prior to 1992:** Government was (1) carefully monitoring FDI, (2) imposing strict regulations on foreign ownership, (3) controlling import licenses for machinery and electronic products, (4)imposing high tariff protection.	**1995**: Targeting specific enterprises, picking the winners **Mid 1990s:** Setting standards **1999:** The industry was targeted as export-oriented industry	**2003**: The policy of "promoting the reform of state-owned enterprises and strategic cooperation with foreign and private capital" was adopted. **2008-2009:** Economic stimulus plan
Public/ Private		**Early 1980s**: (1) Government helped military enterprises to shift to producing civilian durables. (2) Government helped import assembly lines for household appliances and build refrigerators factories. (3) Government offered tax holidays to household appliances enterprises	**1985**:Ministry of Light Industry adopted the "fixed production base system" and granted production permits to approved factories only	**Mid 1990s:** (1)Government helped strong enterprises to engage in international operations **1999:** Allowing for reduction of royalty payments of domestic firms	**2009:** Providing energy-saving subsidies to enterprises
Private				Joint-venture enterprises, overseas expansion	Overseas expansion, International strategic alliances

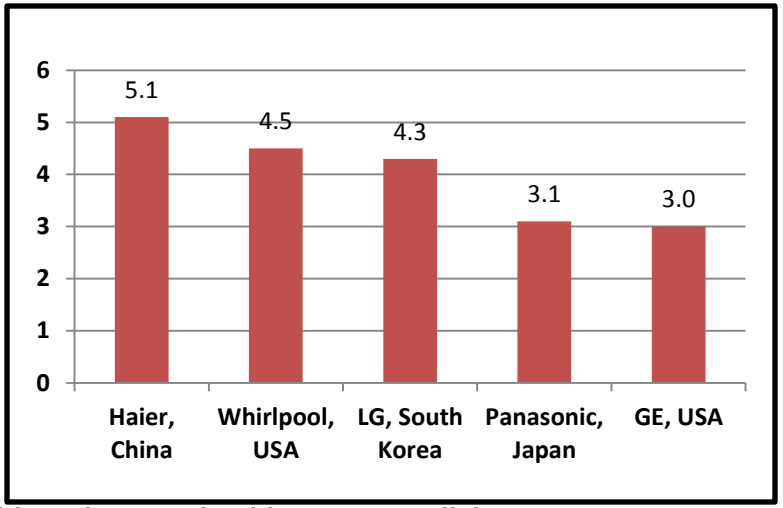
Sources: Weaver (1998), Honey (2008), World Bank Databank

Household Appliances Case Study: South Africa

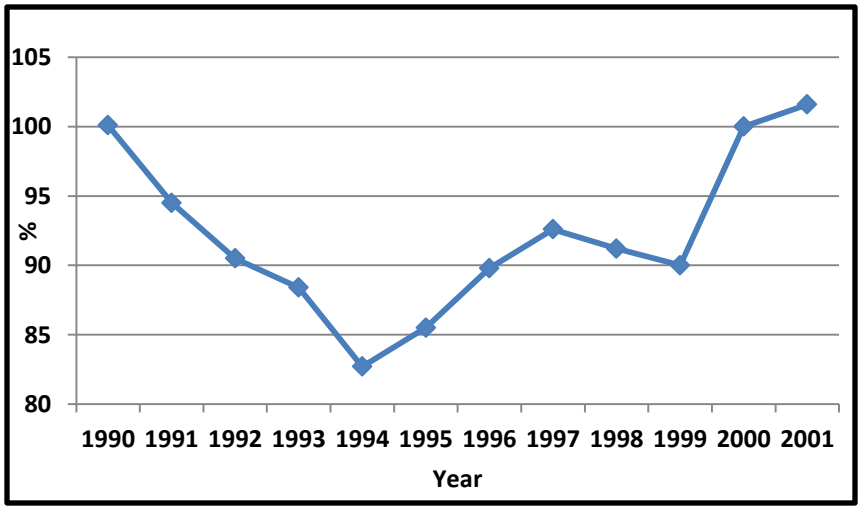
Sector Competitiveness Story:

- 23th world producer, 2nd in Africa (2001)
- Production: Major Appliances 696, 000 units (2001)
- Nu-World & Amalgamated Appliances (AMAP) : manufacture, import, export and distribute various household appliances under different brands.
- Shrinking employment in electrical machinery sector:77,000 (late 80s) -33,000(2004)

World Market Share of Main Producers for Major Appliances (2009)



Actual Indices of the Production of Major Household Appliances Base: 2000 (100 percent)



Public Policies and Public-Private Collaborations

- In 1994, government adopted a policy of rapid tariff liberalization. Compared to other industries under the same category of electrical machinery sector, the tariff protection in household appliances industry remained significant.
- Electrification programs starting from late 1980s were successful to help household appliances enterprises to penetrate the rural markets.
- Since 1994, new schemes have been introduced to attract foreign investment in manufacturing, such as Tax Holiday Scheme and Small and Medium Manufacturing Development Program.

Sources: Weaver (1998), Honey (2008), World Bank Databank

Household Appliances Case Study: South Africa

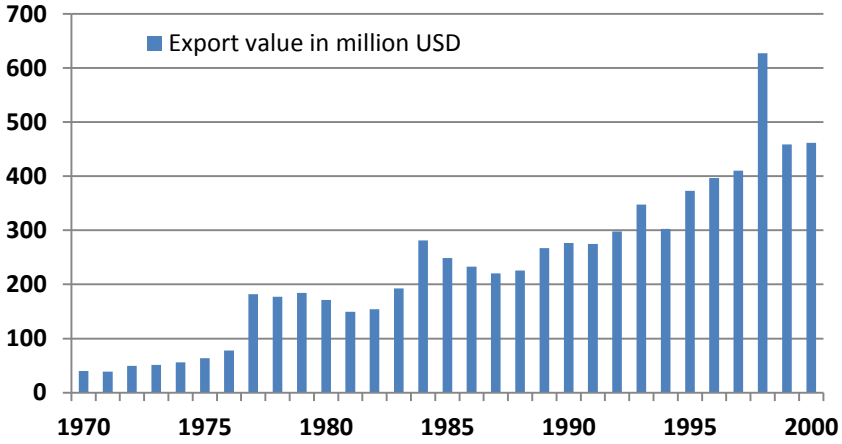
	1980-1984	1980-1994	1994-2000
Public	**1971**: (1) Government set out the "Ground rules" and limited the number of manufacturers within Southern African Customs Union to four; (2) Proposals of tariff protection for the infant industry were implemented.	**1986:**The Standardized Chassis Scheme was recommended by government to lessen the enterprises' dependence on imported components and to reduce moral hazard **Late 1980s:** Electrification program was initiated	**1994**: Liberalized trade, dismantled the system of surcharges and reduced tariffs for a variety of industries.
Public/ Private		**1989**: The structural adjustment program, which seeks to penalize net foreign exchange usage, and to encourage more competitive pricing, was introduced. **1990:** General Export Incentive Scheme (GEIS) was introduced to help firms offset the price disadvantage.	**From 1994:** (1)Tax Holiday Scheme was started; (2) Small and Medium Manufacturing Development Program (SMMDP) was designed for promoting manufacturing investment.
Private		Under significant protection from the government	Liquidation of some enterprises, shrinking employment

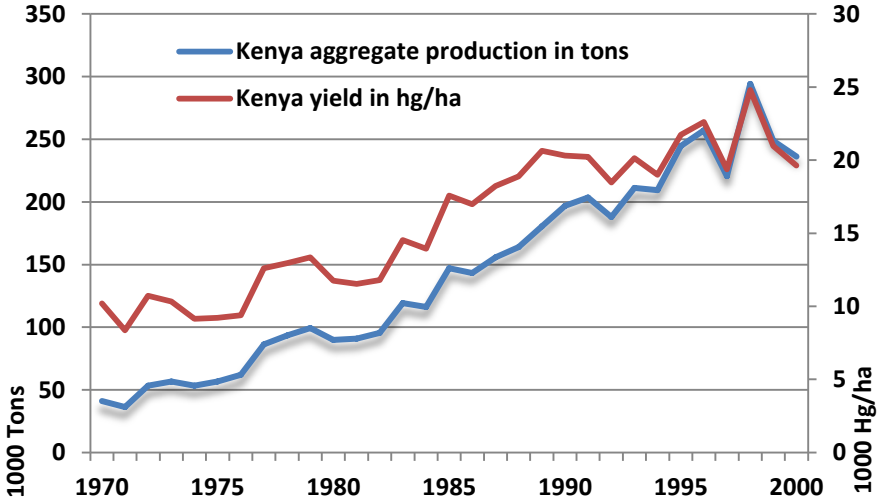
Sources: Weaver (1998), Honey (2008), World Bank Databank

Tea Case Study: Kenya

Sector Competitiveness Story:

- Becoming world's largest exporter of black tea in this period
- continuous production and yield increases
- amongst highest productivity of any tea producer
- Yet achieving lower prices than key competitors India or Sri Lanka: quality issues





Public Policies and Public-Private Collaborations

- Throughout Kenya Tea Development Authority (KTDA) provided beneficial support to smallholders, subsidized supply of fertilizers and providing a range of other vital services
- Relative non-interference with large plantations
- Liberalization of tea sector in the 1990s with deregulation of markets and prices, institutional reform and macroeconomic reform

Data Source: FAOSTAT

Tea Case Study: Kenya

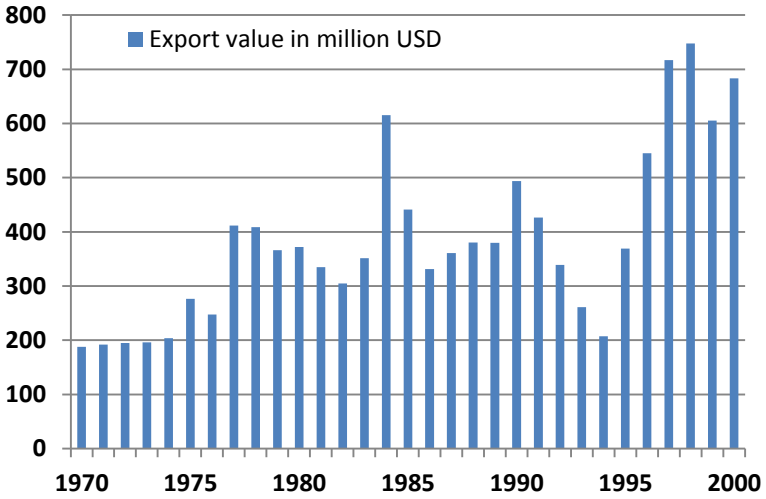
	1970s/1980s	1990s
Public	**Throughout:** Non-interference with large estates **1982:** introduction of progressive export taxation between 10 and 25 percent	**1989-1994:** devaluation of KES by 160 percent **Throughout:** policies of liberalization including the removal of price controls in products and input markets, dismantling trade restrictions and transfer of commercial function from public to private sector, reduction of government scope In provision of inputs and credit facilities to mainly public goods
Public/Private	**Throughout:** consistent support of smallholders through Kenya Tea Development Authority (agricultural cooperative with private share in governance): subsidized fertilizers, expertise and a whole range of other services to smallholders (over 50% of total production)	**Continuation** of KTDA support, some restriction of KTDA autonomy
Private	**Throughout:** Investment, expansion of acreage, strong usage of high-yielding hybrids	**Continuation** of investment, acreage expansion, yield increases

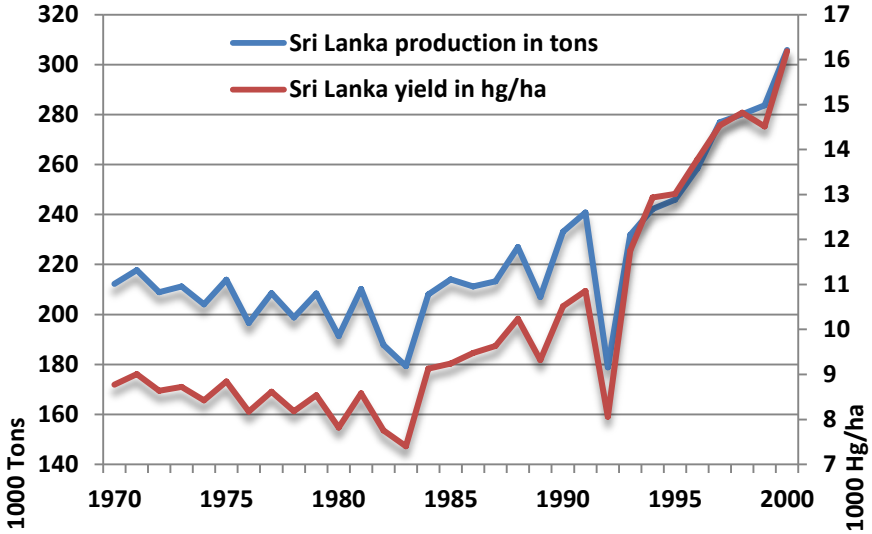
Source: FAOSTAT

Tea Case Study:
Sri Lanka

Sector Recovery Story:

- Stagnating production and yield in 70s and 80s (losing position as world's largest export of black tea)
- recovery and growth in 90s
- Able to achieve high prices in market due to quality





Public Policies and Public-Private Collaborations

- Starting from the 1970s on Sri Lanka nationalized tea plantations, heavily taxed exports and put through legislation of labor policies heavily skewed in favor of employees. Equally there were some attempts to increase local value chain participation
- In the 1990s a reversal of this policy returned the tea industry to profitability. Sri Lanka's government reduced taxes, state ownership and market controls. Additionally a devaluation was implemented.

Data Source: FAOSTAT

Tea Case Study: Sri Lanka

	1970s	1980s	1990s
Public	**1971/1975:** Land Reform Laws Nationalizing and redistributing tea plantations **Throughout:** high taxation (ad-valorem, tea cess, corporate income)	**Throughout:** government attracts external funds for development/rehabilitation programs, gradually lowers export taxes in presence of overall high levels of overall taxation	**1989-1994:** devaluation of Sri Lankan Rupee by 25 percent **1992:** abolition of export and ad-valorem tax for tea, transfer of state estates to private management **1995:** privatization of estates
Public/Private	**Throughout:** policies to increase local value chain participation: tax reduction for packed tea, subsidies for packaging material imports, import tax reduction on machinery for packaging, tax-free import of tea for blending, attempts to establish Colombo auction, national shipping corporation	**Continuation** of policies to increase local value chain participation	
Private	**Throughout:** reduced investment, some private firm exit	**Throughout:** reduced investment, some private firm exit	**After 1992:** Increasing investment, acreage in response to profitability

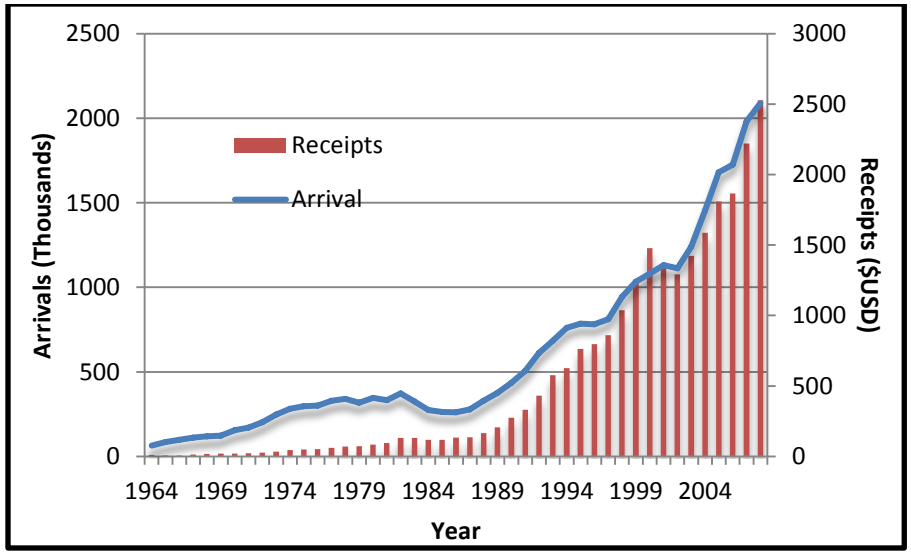
Source: FAOSTAT

Ecotourism Case Study: Costa Rica

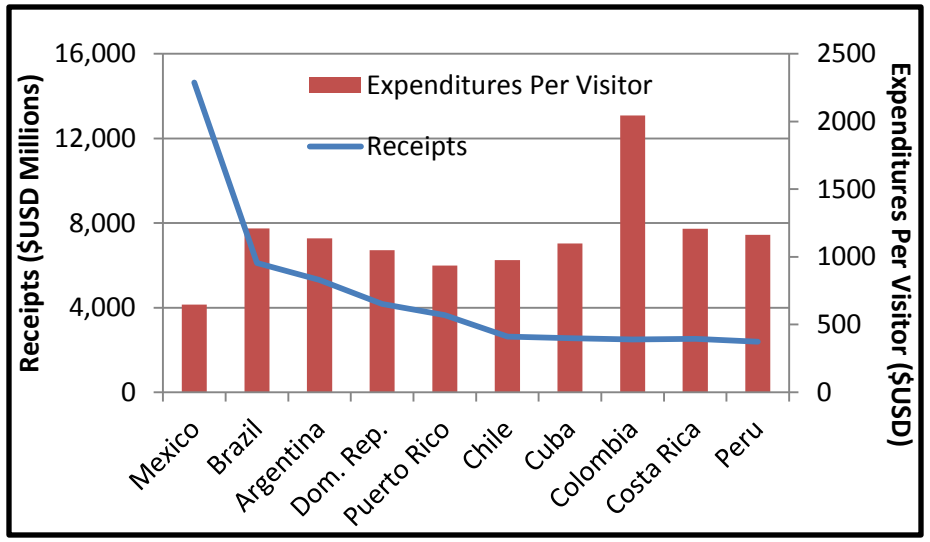
Sector Competitiveness Story:

- #1 source of foreign exchange; 18.5% of total exports (2008)
- 13% of Costa Rica's employment is attribute to the tourism sector (2007)
- 109% increase in visitors to National Parks from 1991 to 2007
- 300 accommodations (1990) to 2,500 accommodations (2007); 61 hotels are CST certified

Tourism Arrivals and Receipts, Costa Rica



Top 10 Latin American Countries for Tourism Receipts (2008)



Public Policies and Public-Private Collaborations

- Land purchases for parks done both by the government and the private sector, which results in a combination of national and private parks.
- Loans from IMF, USAID, and World Bank causes the government to turn more investment-friendly and opts for privatization of its tourism industry.
- Debt-for-nature swaps, which turn Costa Rica's debt into investment into its ecotourism sector.
- Overall emphasis on infrastructural enhancement surrounding the national parks by the public sector, complimented by eager investment into actual tourism projects by the private sector

Sources: Weaver (1998), Honey (2008), World Bank Databank

Ecotourism Case Study: Costa Rica

	1930-1979	1980-1985	1986-1990	1991-1995	1995-2000	2001 - 2010
Public	**1931**: ICT (National Tourism Board of Costa Rica) created **1970/1971**: First National Parks Established		**Late 1980s**: MINAE raises $45 million for Parks through Debt-for-Nature swaps	**1992**: National Parks cover 21% of Cost Rica's territory **1994**: Rise in entrance fee into parks **1995**: SINAC is created	**1996**: CST created **1996**: Park fees are lowered but differentiated	**2002**: 2 of Costa Rica's most popular parks raise park fees 2005: Costa Rica requests $20 million loan from IDB for tourism infrastructure development
Public/ Private		**1984**: Investment incentives for hotels, air/sea travel, car rental agencies, and travel agencies is passed. **1985**: "Tourism Development Incentives Law" exempts property taxes and import duties for certain projects	**1987**: ICT arranges loans to investors from private banks	**1994**: The president begins allocating $15 million to promote Costa Rican tourism as the ideal sector to invest in		2007: 61 hotels have been CST certified to this date
Private		**1984**: The national-airline LACSA becomes privately owned		**1991**: by this time, 7 private parks have been established		

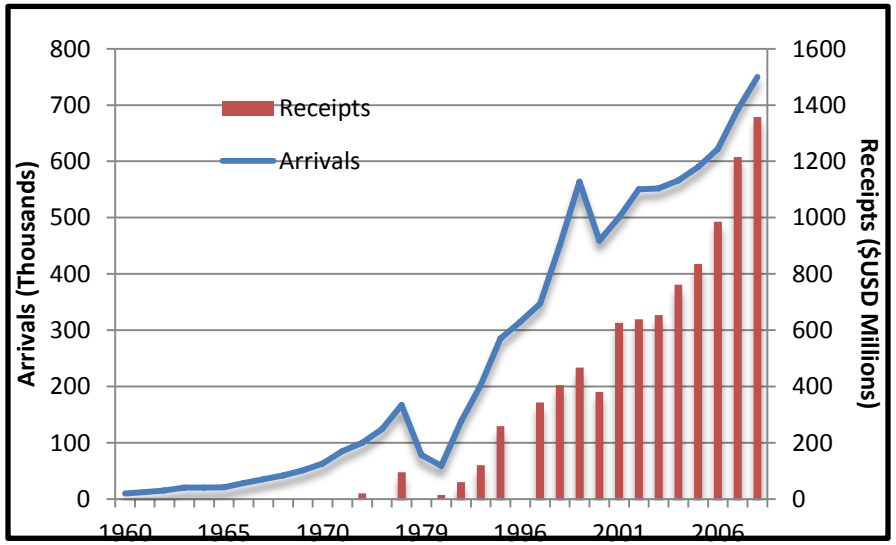
Sources: Weaver (1998), Honey (2008), World Bank Databank

Ecotourism Case Study: Tanzania

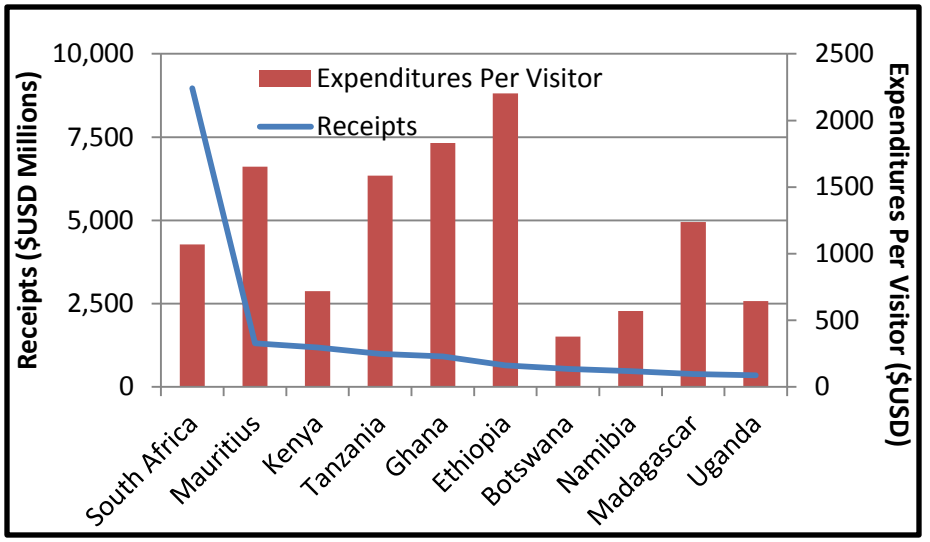
Sector Competitiveness Story:

- #1 source of foreign exchange ($1 billion, 2007); 15% of Tanzania's economy
- 13% of the workforce is employed under "hotels and restaurants" - 3rd largest employment sector (2009)
- 282% increase in visitors to National Parks from 1991 to 2009
- 15th place in leading African tourism destination for growth and international arrivals, 7th for international tourism receipt growth (2007)

Tourism Arrivals and Receipts, Tanzania



Top 10 African Countries for Tourism Receipts (2006)



Public Policies and Public-Private Collaborations

- Initial efforts at almost entirely government-driven tourism policy contributes to the collapse of the tourism sector in 1977
- Structural adjustment loan package from IMF places tourism as the center of newly liberalizing economy, with heavy emphasis on investment-friendly policies
- $900 million project, funded by World Bank and 15 other donors, to enhance transportation and infrastructure of Tanzania's tourism sector
- The disbanding of government organizations and the creation of new tourism boards focused on improving infrastructural capacity and creating investment-friendly policies was the key to Tanzania's success

Sources: Weaver (1998), Honey (2008), World Bank Databank

Ecotourism Case Study: Tanzania

	1950-1969	1970-1977	1978-1989	1990-1995	1996-2000
Public	**1959**: TANAPA created, Serengeti established as a National Park 1969: TTC created	**1974**: TTC budgets $40 million to this date for both infrastructure and tourism operations **1977**: Border closure with Kenya triggers significant drop in tourism	**1979**: TTC's actual revenues remain $1-2 million **1986**: Socialist policies abandoned by the government, structural loan package taken from IMF	**1993**: TTC dissolved, TTB and TAHI created **1994**: World Bank and 15 donors create $900 million project to improve infrastructural capacities for tourism	**2000**: TANAPA's revenue reaches $20 million
Public/ Private			**1986**: tourism becomes center of liberalizing Tanzanian economy	**1991**: Sanctions against South Africa lifted, and opens doors to South African private investors who take majority shares of formerly government-owned tourism	
Private		**1970s**: Very small scaled private investment		**1994**: 43 private investment applications accepted projects	**2002**: Over 300 private investors, worth over $300 million in investments, involved in Tanzania's tourism sector

Sources: Weaver (1998), Honey (2008), World Bank Databank

CONCLUSION: PPD FOR SECTOR COMPETITIVENESS

Sector identification

↓

Sector dialogue

↓

Structured process

↓

Collaborative actions

↓

Sector competitiveness

Cannot happen without applying generic PPD principles

But

Need to be adapted to Industrial policy context and sector stakeholders

THANK YOU!