

Chapter 12

Public-Private Partnerships in Tourism Clusters

This chapter covers

- The main stakeholders in sustainable mountain tourism
- The different areas for collaboration between the public and private sector
- The roles and responsibilities of NTOs and STOs in this process
- The cluster approach and the linkages between the different stakeholders

Introduction: Stakeholders in Sustainable Mountain Tourism

Pro-poor sustainable mountain tourism development needs a diversity of actions undertaken at the village level through to the national and international levels. Such actions include product development, marketing, planning, policy, and investment. Sustainable tourism development requires an integrated and holistic approach to the entire tourism system. Several stakeholders with a broader mandate than tourism development are involved and are quite often critical to sustainable development. A driving force for sustainable mountain tourism can be useful to get the different stakeholders working together. Sustainable mountain tourism can be incorporated into the tourism development strategies of governments and businesses.

Broader policy frameworks and initiatives outside tourism, such as policies on land tenure, micro and small enterprise development, and representative governments, are also key. Such policy frameworks and initiatives result in a range of stakeholders with specific, but sometimes changing, roles and responsibilities in the development of sustainable mountain tourism. This chapter introduces different stakeholders and the role of NTOs and STOs in development of clusters of sustainable mountain tourism (adapted UNWTO 2000).

Role of private sector, governments, civil society, and donor agencies

Government, the private sector, non-government organisations (NGOs), community organisations, and the poor all have critical and very different roles to play in pro-poor sustainable mountain tourism. The private sector can be directly involved in partnerships. The tourism industry should participate in product and market development to ensure commercial viability, but can be involved in every aspect of development of sustainable mountain tourism. There is much that governments can do and if the government takes a leading role in sustainable mountain tourism it can be of great advantage. At a minimum, there needs to be a policy environment that facilitates sustainable mountain tourism development and which contributes to poverty reduction.

The poor are critical to the success of sustainable mountain tourism, but they often need support to be organised at the community level in order to engage effectively in tourism. It is invaluable to have a third party to support efforts in sustainable mountain tourism – this is often, although not always, a role for a non-government organisation. Donors, through their role in supporting tourism initiatives, and the ‘sustainable tourism’ agenda, can promote the sustainable mountain tourism concept and its consequent interventions. A summary of the roles of the main stakeholder groups is given below (Roe and Urquhart 2001).

The **private sector** can do the following:

- Talk to local people to explore options – this could form part of a systematic supply chain analysis.
- Maximise use of local suppliers and local staff.
- Provide technical advice to local tourism enterprises, market them, take tourists, and provide feedback.
- Establish a business partnership with residents, e.g., equity sharing, concession arrangements.
- Share or develop infrastructure (roads, water), key equipment (telephones, radio), or services (health care).
- Respect and promote local guidelines and norms.
- Help boost the understanding of the poor and others (including government and NGOs) about pro-poor sustainable tourism development.
- Explain to customers and suppliers (e.g., international operators and tourists) why pro-poor commitments matter and what more they can do.

Governments can do the following:

- Consult with poor residents when making decisions about tourism.
- Provide secure tenure for the poor over tourism land and assets.
- Use planning controls and investment incentives to encourage private operators to make and implement pro-poor commitments within a framework of broader sustainability.
- Encourage the dispersion of tourism to poor areas through infrastructural investment and marketing. This needs to take place as part of an integrated and sustainable approach to rural and urban development.
- Ensure good policy is followed by implementation by linking policies to budgeting cycles and building sufficient implementation capacity at the appropriate levels of government, as well as by devolving resources.
- Promote pro-poor enterprises and products in national marketing materials.
- Revise regulations that impede the poor in employment or small business.
- Integrate awareness of sustainable mountain tourism into pro-poor growth strategies and small enterprise strategies.

Civil society can do the following:

- Act as a catalyst and liaison between stakeholders.
- Invest in training, capacity building, and technical assistance for the poor to increase their understanding of the tourism industry and to develop their skills for small business and tourism employment.
- Explore options for linkages between private operators and poor suppliers; facilitate the process to reduce time and risk for both of them.
- Develop processes that amplify the voice of the poor at the policy level.
- Help avoid raising unrealistic expectations among the poor.
- Support campaigns that aim to enhance the pro-poor objectives of tourism.
- Push for the inclusion of pro-poor objectives within multilateral trade relations.

Donor agencies can do the following:

- When supporting tourism development, require assessment of pro-poor and sustainability issues.

- Ensure that tourism consultants are aware of pro-poor and sustainability issues and are required to address them, given their considerable influence on tourism national plans.
- When supporting growth or anti-poverty strategies in specific areas where tourism exists, ensure that the pro-poor potential and sustainability of tourism is assessed.
- Promote pro-poor sustainable tourism within the international development agenda, with governments, and industry, particularly by emphasising redistribution of socioeconomic benefits that is a pro-poor and focuses on sustainable mountain tourism development.

The roles and responsibilities of stakeholder groups inevitably change as a country's tourism industry develops. A UNWTO Business Council study concluded that, traditionally, the burden of leadership and responsibility is on the shoulders of the public sector when tourism development is in its infancy. As tourism in the destination develops, this burden of responsibility is gradually transferred to the private sector. In the public-private partnerships of the future, however, the study concludes that the balance of responsibility will swing gently back to the middle. Both the public and private sectors will share responsibility within the partnership for the development and management of tourism in a way that is economically, socially, culturally, and environmentally sustainable. The role of governments (especially national tourism administrations), how the private sector was and is involved in tourism development, and how public-private partnerships emerged are discussed below (UNWTO 2000).

Role of NTOs/STOs

Governments have traditionally played a key role in the development of tourism and in the promotion of their countries as tourism destinations. Their role is clearly more important in developing countries and in countries in which tourism is in a transitional stage in which support can be crucial to trigger growth.

It is generally recognised that for tourism to develop in a sustainable manner an appropriate physical, regulatory, fiscal, and social framework is required. This is something that can, of course, only be provided by governments, or public sector local authorities. Governments also usually provide the basic physical infrastructure necessary for tourism – such as roads, airports, and communications – and create the legal framework within which the industry operates. This helps to explain why few national governments or central administrations have any serious doubts as to the rationale for their continued involvement in tourism generally. There have been, however, increasing signs of state disengagement from tourism over the last decade – and not just in the most developed countries. This has resulted in the relinquishing of a number of their traditional responsibilities and activities in the field of tourism in favour of both provincial or state and local authorities and, more particularly, the private sector.

The publication 'Towards New Forms of Public-Private Sector Partnership' (UNWTO 1997) analyses the changing role, structure, and activities of national tourism administrations (NTAs) in 22 countries. The report concludes that, in the early years of tourism development, NTAs not only developed their countries' tourism facilities, but also were responsible for running them. They became hoteliers, travel agents, and tour and transport operators. In addition, the powers invested by governments in their NTAs in those early days were very broad, encompassing all areas of tourism activity, including hotel development and financing.

As tourism started to grow, its potential commercial value was enhanced. The private sector became increasingly interested in the business opportunities it offered. This resulted in a boom in hotel development and the rapid expansion of travel agency and tour operations. Before long there was excess capacity and cut-throat competition, which led, in some countries, to malpractices.

In order to moderate the growth of supply, and prevent or control malpractices, governments introduced legislation and the industry became increasingly regulated. Licensing of travel agencies and hotel classification became obligatory in most countries and price controls were widespread.

New taxes were imposed by governments to help recoup some of the public sector's initial investment in development of tourism infrastructure. In addition, as more and more people discovered the joys of foreign travel, foreign currency restrictions were introduced by some countries in an attempt to keep nationals at home and stem the growing deficit in their balance of payments. In many countries, this led to excessive legislation and an over-regulated industry.

The NTAs realised the problems caused by over regulation and excessive controls. In almost all the countries surveyed by UNWTO in the mid-1990s, governments had either divested themselves, or were in the process of divesting themselves, of their direct interests in tourism assets and services. This trend has since gained momentum. Industry legislation and regulation are less and less common, except where they relate to consumer protection, or to culture and heritage, or environmental conservation.

Since the turn of the century, NTAs increasingly have seen themselves as a unifying force, coordinating the efforts of the different public-private sector players in the industry. Policy and planning issues, for example, including those with impacts on employment and education, are addressed jointly with other government ministries and departments through inter-ministerial councils and committees and, in some countries, in consultation with the private sector.

Public-private sector collaboration

The main area in which public-private sector collaboration or partnerships in tourism have developed is marketing and promotion. In addition to easing budget constraints, governments also recognise that a public sector-led marketing organisation is often less entrepreneurial and effective than one managed by the industry itself, or in collaboration with the industry. As a result, they have been looking more and more to the private sector to take on an increasing share of the marketing and promotional functions traditionally assumed by government.

The results of the earlier UNWTO study (1997) showed that this has resulted in an increasing separation of marketing and promotions from other NTA functions and activities. In most of the countries surveyed, semi-public, NTOs and STOs have been established or recognised by the state as autonomous bodies with competence at the national level for the promotion (and, in some cases, marketing) of inbound international tourism. In countries with a high degree of decentralisation, the partnership involves not only central governments as the public partners, but also provincial and local authorities.

Private sector funding of national tourism promotion is growing annually as a proportion of NTAs' marketing and promotion budgets, although it is important to note that this proportion still represents a fairly modest share in many countries. Moreover, for the majority of NTAs, the private sector's contribution does not come as easily as one might imagine. Private sector funding is usually neither automatic, nor part of an NTA's or NTO's core budget. The bulk of partner funding, whether from local authorities or the private sector, has to be earned and, in some cases, bid for on a programme-by-programme, or campaign-by-campaign basis.

Although marketing and promotion is the most common area for public-private sector cooperation and more formal partnerships, it is by no means the only area of interest. Infrastructure and product development, education and training, and financing and investment are other areas in which cooperation between all stakeholders, and particularly between the government and the private sector, contribute to tourism growth and an increasingly competitive industry. In addition, there is growing evidence of the importance of cooperation in addressing key issues of concern such as safety and security, health, the environment, and culture and heritage.

Governments are increasingly calling on the private sector to manage state-owned operations such as airports, national heritage buildings, or public utilities. This makes sense because of the private sector's highly developed commercial sense and experience with business practice.

In summary, it can be said that public-private sector cooperation tends to be focused on four main areas: improving the **attractiveness** of a destination, **improving marketing efficiency**, **improving productivity**, and **improving the overall management** of the tourism system. These four main areas are the central elements of the tourism cluster model and they are the basis for a tourism cluster strategy. A tourism industry cluster can be defined as a group of companies that rely on an active set of relationships among themselves for individual efficiency and competitiveness. Figure 12.1 depicts this cluster approach.

The competitive strategy that is central to a tourism cluster, is oriented towards obtaining competitive advantages in every one of the sectors in which the cluster competes. Detailed steps on how to collaborate to improve the attractiveness, marketing, productivity, and management of a tourism destination in order to create these competitive advantages, are given in Volume 2 (Tool 3).

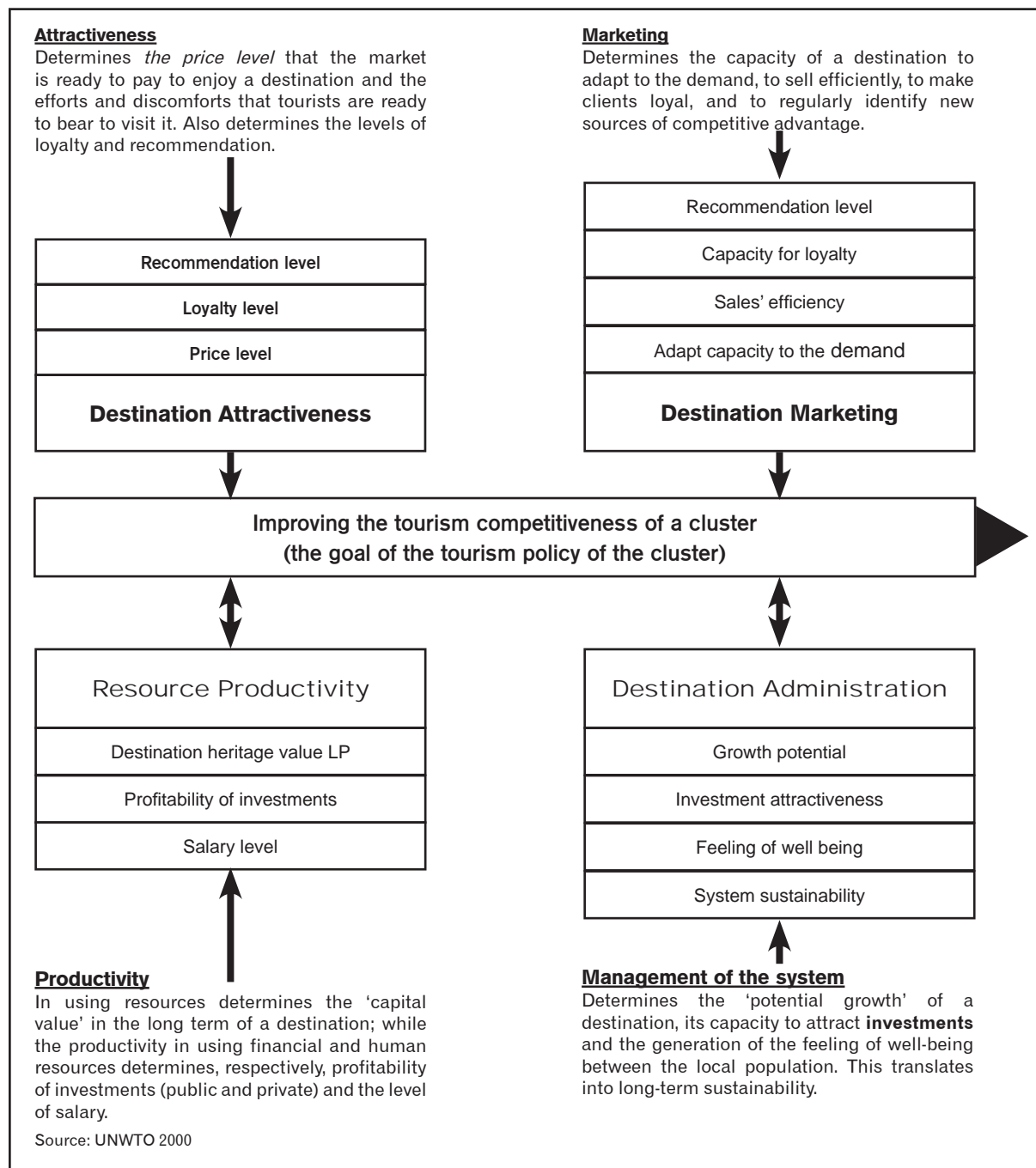


Figure 12.1: Attractiveness, marketing, productivity, management model approach for a tourism cluster

Major areas of public-private sector collaboration

Major areas of public-private sector collaboration include the following:

1. Product development and enhancement
 - Attractions and accommodation
 - Sustainability concerns
 - Setting quality standards
2. Infrastructure and human resources
 - Provision of basic services
 - Safety and security
 - Education and training
3. Marketing and promotion
 - Harnessing technology and improved marketing
4. Socioeconomic and geo-political factors
 - Leveraging finance

Strategic partnerships are identified as increasingly important because of the growing challenges facing the industry. The most important of these challenges are as follow:

- Changing market demand
- Increased competition from new and emerging tourism destinations
- The need to ensure sustainable tourism development
- Insufficient resources – both financial and human
- Harnessing technology

A detailed checklist identifying opportunities for public-private sector cooperation in tourism cluster development is given in Volume 2 (Tool 3).

Roles and responsibilities

The roles and responsibilities of the different stakeholder groups in public-private sector cooperation depend on local circumstances. Some generalisations, however, can be made about the roles of the public and private sector. Certain needs and tasks are identified for both the public and private sectors.

The **public sector** needs to

- Have a vision for tourism;
- Provide an enabling environment for tourism, i.e., one that supports sustainable and predictable profitability for the private sector, offering freedom for capital flows and facilitating market-driven investment;
- Ensure adequate infrastructural development and maintenance;
- Create sufficient open market conditions to stimulate sustainable tourism development;
- Provide support facilities and facilitation services for private enterprise, along with appropriate incentives and land policies;
- Ensure flexible labour laws to enable staff with key skills to be located where necessary;
- Guarantee stable regulations and fair taxation;
- Provide a regulatory framework in consultation with all interested stakeholders to protect and enhance natural, social, and cultural environments;
- Ensure the well-being of local communities and international and domestic visitors; and
- Undertake research in collaboration with the private sector to provide market information for the industry and the investment community and improve the general understanding of changing market demand.

The **private sector** needs to

- Understand the environmental and social concerns of government and local communities;
- Be able and willing to provide the expertise and access to finance to develop and operate tourism facilities and services;
- Assume collective responsibility for laying down the industry's standards, ethics, and fair practices;
- Contribute to preserving culture and heritage and protect the environment, taking the lead in educating travellers about the need for sustainable development;
- Involve local communities in tourism development and ensure that they enjoy their fair share of the benefits;
- Undertake training and manpower development for the industry to achieve excellence in the quality of services;
- Work with governments to ensure the safety and security of tourists;
- Contribute to improved research and the development of statistical databases; and
- Harness technology to improve the efficiency of tourism operations, marketing, and quality of service.

Critical success factors

Although there is clearly no single formula for public-private sector cooperation, several factors have been identified critical to its success. The most prominent among them are given below:

- A balanced structure within the partnership with clear roles and responsibilities for all partners
- Shared leadership between the public and private sector with shared well-defined goals, realistic expectations, and the identification of benefits for each partner
- A flexible approach on the part of all partners, combined with a willingness to understand each other's needs and to contribute to shared resources
- Understanding between all partners that tourism development must be sustainable: economically, socially, and environmentally
- A long-term commitment combining a strategic vision and plan with shorter-term goals and measurable initiatives
- Periodic evaluation of the efficacy of each partner's role
- Good communication between partners and with other stakeholders

Role of NTOs/STOs in SASEC countries

This section introduces the NTOs of Bangladesh, Bhutan, Nepal, and Sri Lanka. The Bangladesh Parjatan Corporation and the Department of Tourism in Bhutan are both government bodies, whereas the Nepal Tourism Board is a public-private partnership. Sri Lanka already established a ‘tourism cluster’ in which the Sri Lankan Tourist Board is one of the stakeholders. Most of the information in this section has been taken from the websites of the NTOs discussed.

Bangladesh Parjatan Corporation

The Bangladesh Parjatan Corporation is the national tourism organisation in Bangladesh. Its main tasks and functions are defined as follows:

- Promote and develop tourism
- Establish tourism infrastructures in Bangladesh
- Provide facilities to undertake measures and carry out all kinds of activities connected with tourism



- Acquire, establish, construct, arrange, provide, and run hotels, restaurants, rest houses, picnic spots, camp sites, theatres, amusement parks, and facilities for water skiing and entertainment
- Establish institutes for the instruction and training of tourism personnel
- Produce tourism publications.

Box 12.1 shows an example of a successful public-private partnership in Bangladesh.

Box 12.1: Public-Private Partnerships in Bangladesh

Case Study: Foy's Lake

The Lake

Foy's Lake is a man-made lake created during British colonial rule in the early 19th century. The purpose of the lake was to supply water to railway staff. The lake covers 337 acres, is surrounded by beautiful hills, and forms the blue water reservoir of the country. Rainwater from the hill is reserved. The depth of the reservoir is 30 to 40 feet. The lake was lying abandoned for many years, but its scenic beauty continued to attract people. The attraction turned itself into a tourism product. The lake is located in Chittagong, about 300km from Dhaka, and can be reached by road, rail, and air.

The transformation of the project into a successful sustainable tourism product

In 2002, the government made a decision to tap the potential of the lake. It developed a plan to make the lake an international standard tourist centre without damaging the environment. The ownership of the lake was handed over to the NTO to create facilities.

The public-private partnership

The NTO involved the private sector as per government policy. A tri-party agreement was signed between the railway, the NTO, and a private entrepreneur (Concord). The private sector has been involved in creating facilities on a BOT (build, operate, transfer) basis for the past 40 years.

Foy's lake is a good example of a successful public-private partnership.

Source: Bangladesh Parjatan Corporation 2006

Department of Tourism, Bhutan

Tourism, being a multidisciplinary sector, is often dependent on the initiatives of other sectors for its development. The Department of Tourism (DoT) in Bhutan was instrumental in the formation of the Association of Bhutanese Tour Operators (ABTO) as a bridge between the private sector and the government. A Tourism Development Committee has been established with representatives from

all relevant sectors to provide sound and comprehensive functional guidelines and approaches to tourism issues. The DoT strives to bring problems to the notice of the Tourism Development Committee to ensure that tourism development can take place in a properly co-ordinated manner with the active cooperation of all the agencies involved. A Tourism Development Fund was created in 1999 with contributions from tour operators of US \$10 for every tourist they bring in. The Tourism Development Committee acts as the sanctioning authority for the use of this fund for all approved plans and programmes.



The functions of the Department of Tourism include the following:

- **Tourism planning and policy:** Formulate, implement, and update a national tourism policy and strategy in consultation with relevant stakeholders;
- **Regulation and monitoring:** Develop and implement relevant tourism guidelines and regulatory measures for the sustainable use of natural and cultural resources and ensure compliance;
- **Facilitation and coordination:** Establish a safe, secure, and healthy environment for visitors; promote and facilitate private sector investment in the tourism industry; promote tourism as an important national priority; coordinate tourism-related efforts among all stakeholders in the industry; facilitate daily operational procedures; and facilitate and assist in improving visitor relations and experience;
- **Marketing and promotion:** Actively carry out and facilitate the marketing and promotion of the country as a tourism destination through tourism fairs, by exploring potential new markets, and promotional literature;
- **Development of tourism products and services:** Diversify and develop new tourism products to create balanced and sustainable tourism compatible with the environment and society; and
- **Human resource development:** Facilitate the manpower and skill requirements of the tourism sector through opportunities for training and advancement.

Nepal Tourism Board

The Nepal Tourism Board (NTB) is a national organisation established in 1998 by an Act of Parliament. It takes the form of a partnership between the Government of Nepal and the private sector tourism industry and aims to develop and market Nepal as an attractive tourism destination. The NTB provides a platform for the visionary leadership of Nepal's tourism sector by integrating the Government of Nepal's commitment with the dynamism of private-sector tourism industry.

The NTB started by promoting Nepal on the domestic and international market and is working toward repositioning the image of the country (see also Chapter 9, Box 9.4). It aims to regulate product development activities in the future. The Secretary of the Ministry of Culture, Tourism, and Civil Aviation chairs the Board which has 11 board members made up of four government representatives, six private sector representatives, and a chief executive officer.

From 1966, under the NTB Act, the NTB has been mandated by the Government of Nepal to charge a tourist service fee for the marketing and promotion of tourism to Nepal. This fee is two per cent of the total tourist expenditure. This tourist service fee was replaced at the beginning of 2005 by a new mechanism to facilitate the attraction of tourists or guests to Nepal. At present visitors are levied around US \$7 upon departure from Tribhuvan International Airport, Kathmandu.

The organisational set-up and future challenges of the NTB are presented in Box 12.2.



Box 12.2: Organisational Set-Up and Future Challenges for the NTB

The NTB's statutory responsibilities include

- To develop and introduce Nepal as an attractive tourism destination in the international market
- To promote the tourism industry in Nepal while working for the conservation of natural, environmental, and cultural resources
- To work toward increasing the gross domestic product and foreign exchange income by promoting tourism
- To work towards increasing employment opportunities in the tourism industry
- To develop Nepal as a secure, dependable, and attractive travel destination by establishing a positive image of Nepal among the international travel trade community
- To work towards providing quality services to tourists visiting Nepal
- To conduct research and implement the findings for an improved understanding of tourism and to improve tourism trends
- To promote and develop institutions for the promotion of the tourism industry

The main objectives of the NTB are

- To develop, expand, and promote tourism by conserving as well as promoting the natural and cultural heritage of the country
- To create employment opportunities in the tourism sector
- To assist in establishing and developing necessary institutions for the overall development of tourism in the country

Major functions of the NTB include

- Marketing and promotion of existing and new tourism products
- Diversification of tourism products and resource development
- Tourism research
- Human resource development by providing short-term training courses
- Organising local and international tourism events
- Standardisation

Future challenges include

- Lack of financial resources
- Political instability
- Lack of advanced infrastructure
- Lack of a distinct tourism identity
- Competing with world-class marketing organisations
- Increasing competition down to consumer level
- Changes in consumer behaviour (e.g., distribution systems, and technology)
- Economic conditions and policy settings in source markets
- Changes in aviation carrier capacity, technology, airports, air rights, and air accessibility
- Quality research and human resource development

Sri Lanka



In April 2000, with the assistance of The Competitiveness Programme funded by USAID, a tourism cluster was formed in Sri Lanka by key tourism industry associations in order to devise a unified, industry-wide strategy to enhance the competitiveness of the tourism industry. A broad range of industry stakeholders participated in the cluster's strategy work and initiative development, including the Sri Lankan Tourist Board, universities, academic experts, community groups, regional tourism associations, and several public sector agencies.

The key objective of the tourism cluster is to develop and implement a strategy for competitiveness designed to increase the average spending per tourist by repositioning Sri Lanka as a recognised destination for sustainable, differentiated products and services that command a premium price. The key components of this strategy are to improve the tourism product mix, upgrade and develop existing tourism assets, modernise key industry institutions, and reform the policy environment. In 2004, the tourism cluster registered as a non-profit company with the continued mandate to develop and implement initiatives for competitiveness. The cluster has a board of ten directors of whom three are appointed by the Tourist Hotels' Association of Sri Lanka and three are appointed by the Sri Lankan Association of Inbound Tour Operators. The joint council of these two associations appoints the chairman, and the other three directors are invited from other key players in the tourism industry. The key strategic initiatives of the tourism clusters are as follow:

- **Improve the tourism product mix:** This initiative calls for developing high-yield tourism products that appeal to independent, big-spending tourists. The products proposed include ecotourism and adventure tourism which will be developed by establishing associations, standards, and accreditation, and by undertaking demonstration projects.
- **Upgrade tourism assets:** This initiative supports the improvement of the product mix by adding value to and promoting unique Sri Lankan assets such as the Sigiriya rock fortress. It also calls for upgrading tourism on the southwest coast by transforming the Galle Fort into a major attraction, commensurate with its status as a United Nations Educational, Scientific and Cultural Organisation World Heritage Site.
- **Modernise tourism organisations and key institutions:** This initiative supports establishing a national, industry-led promotion and marketing organisation as a first step towards:
 - the formation of a private public tourism authority driven by the private sector;
 - setting up an Internet portal for the industry to stimulate destination marketing; and
 - addressing human resource needs through development of the industry's key education and training organisations.
- **Reform the policy environment:** Addressing policy and regulatory issues that benefit the industry's competitiveness. These could include civil aviation policy, reforms to improve tourism-related infrastructure, policies for taxation, tourism planning and regulation, land planning, and environmental protection.

The tourism cluster is currently involved in implementing several initiatives, including establishing a demonstration model for best practice ecotourism, setting standards for eco-lodges, and promoting and encouraging energy efficiency in the hotel sector in line with the overall strategy. The cluster is also in the process of restructuring its private-public partnership arrangements. Previously, the state-owned Sri Lankan Tourist Board operated with limited public funding and was responsible for promotion, regulation, planning, and standards. The plan for restructuring the industry proposes that these functions be shared between several organisations:

- **Tourism Development Council:** The Tourism Development Council will primarily be a public body with private sector participation, set up to manage the planning and regulatory functions of the Sri Lankan Tourist Board and the five regional councils for tourism development.
- **Tourism Marketing Bureau:** The Tourism Marketing Bureau is a body managed by the private sector set up as a company by guarantee; this has been approved by the Cabinet and will receive 80 per cent of the funds raised by the tourism industry tax. The Comparativeness Programme and the tourism cluster have long advocated for private sector control over tourism promotion.
- **Institute of Hospitality and Tourism Management:** This hotel school (receiving 10-15% of the tourism tax) will most likely be placed under private sector management in the medium term and the name changed to National Institute of Travel and Tourism, with a broader mandate and wider industry participation than heretofore.

Tax on the industry has been collected since 2003 and consists of one per cent of the revenue of all organisations registered with the Tourist Board and US \$5 on all airline tickets.

Roles of NTOs/STOs in a tourism cluster

Although there appears to be strong agreement among stakeholders on the philosophy behind public-private sector cooperation and partnership, it is clear that there are many different ways of developing a public-private partnership and putting it into practice. In other words, there is no single correct model or formula. Their structure and purpose depend on local circumstances such as the state of tourism development in the destination and the extent to which the private sector is economically capable and willing to assume part of the responsibility for tourism development.

In the previous paragraphs different examples were provided. In Bangladesh, the Bangladesh Parjatan Corporation takes an initiating role. In Bhutan the government recognises the role of the ABTO as a bridge between the private sector and the government. In Nepal, the NTB is a partnership between the private sector and the government, and in Sri Lanka a 'cluster' has been introduced.

Success ultimately depends on the commitment of all stakeholders in the tourism cluster to be competitive by translating their vision and strategy into action and results.

Balance between Public and Private – Competitiveness is Key

Competitiveness is the key to prosperity for tourism destinations through cooperation and partnership. Destinations that provide 'better value' at a minimum 'cost' or 'effort' generally have most success. More sophisticated forms of cooperation entail long-term partnerships between local tourism clusters, governments and other central authorities, and international organisations. For more information on opportunities for public-private cooperation in tourism cluster development, see Volume 2 (Tool 3).

Competitiveness is the capacity of a destination to compete successfully against its main rivals in the world, to generate above average levels of wealth, and to sustain this over time at the lowest social and environmental cost. To understand and share this view is a basic prerequisite for building an effective framework of cooperation in public-private sector tourism.

Most tourism clusters are diversified and operate in different sectors at the same time. This requires two levels of strategy: a sectoral strategy (competitive positioning) and a cluster strategy (the global plan for a diversified cluster). Tourism competition takes place between clusters that operate simultaneously in different sectors.

A sector is composed of clusters that compete for the same markets with similar tools. For instance, trekking areas in Sikkim and Uttarakhand in India, and Kanchenjunga and Langtang regions in Nepal, all compete in the market of medium-to-lower-priced trekking package tours, use the same distribution channels, similar technologies, and have similar competitive advantages.

But these sectors also tackle other markets like domestic and regional pilgrimages in Uttarakhand and Nepal, domestic sightseeing tours, and so forth. In each of these markets they face different rivals in different sectors.

The cluster strategy, on the other hand, determines the markets in which the cluster must operate and how to establish policies and guidelines geared to obtain the maximum economies of scale, synergies, and benefits for the whole cluster.