

Chapter 1

Tourism Governance in OECD Countries

Effective governance practices must reflect the changing business and policy environment, and the evolving roles and competencies of government tourism organisations. Developments in the macropolicy environment favour a more collaborative approach, encouraging policy development in conjunction with the tourism industry, as well as an emphasis on regional or local level decision-making. Developing a multi-actor system that includes public-private partnerships and greater horizontal and vertical co-ordination of relevant government bodies requires consideration of the accepted elements of good governance, both at the central and sub-national levels. Governance can also be improved through both institutional and human capacity building, ensuring institutions have well-defined objectives and clear mandates, and effective leadership and political support. Mechanisms to improve co-ordination between central and sub-national governments include development of tourism strategies, use of contracts and creation of joint committees. At an industry level, governments are encouraging the development of a single peak tourism industry association to facilitate more co-ordinated industry representation. Mechanisms to manage the interface with industry include the establishment of representative associations and Destination Management Organisations (DMOs) that provide a forum for co-operation and policy debate.

Introduction

Development of effective tourism policy is a challenging task for a number of reasons. Tourism is an “open” industry and subject to political, social, environmental and technological trends to which it must respond. Due to its fragmented nature, it requires co-ordination of government, at the national and sub-national level, as well as private sector businesses that both compete and co-operate with one another. Tourism services are primarily provided by micro, small and medium-size suppliers, although some sectors, such as aviation, are dominated by large businesses operating at a global scale. In addition, governments are involved in tourism in a variety of capacities including, border security; the regulation of markets such as aviation; controlling or managing tourism attractions such as national parks; and funding the development of roads and other infrastructure. Unless industry and government policy makers work together effectively, this complex system may not function optimally.

In order to deal effectively with these challenges there is a need to strengthen institutional governance mechanisms, so that more effective tourism-related policies can be developed, and to make changes in the organisation of government institutions to maintain competitive advantage.

The OECD 2008 Riva del Garda Action Statement for Enhancing Competitiveness and Sustainability in Tourism recommended that governments wishing to take full advantage of the potential for tourism development should develop strong public sector management capabilities and a multi-actor system of governance. For an institutional framework to effectively contribute to sustainable tourism it needs to:

- establish a comprehensive policy framework;
- promote a coherent policy framework through a whole-of-government approach;
- encourage a culture of co-operation among tourism actors; and
- implement evaluation and performance assessment of government policies and programmes affecting tourism development.

This chapter examines tourism governance at central and sub-national government levels, and also the interface with the private sector. Development of a coherent and comprehensive policy framework requires these actors to actively co-operate and co-ordinate activities. The chapter identifies the main challenges to effective governance and policy development in tourism, and provides examples of good practice in OECD countries. While there is unlikely to be one set of governance arrangements that are universally applicable, the research findings provide examples of successful approaches that may be a source of inspiration and learning for others.

Tourism governance at central level

Governance can be defined as the exercise of political, economic and administrative authority necessary to manage a nation’s affairs (OECD, 2006a). To deal with the challenges

inherent in tourism policy there is a need to create effective governance systems and processes to define strategies and implement them to improve competitiveness and ensure the sustainable development of tourism (UNWTO, 2011). In its work on public governance, the OECD (2011c) has identified the following elements of good governance:

- **Accountability:** the government is able and willing to show the extent to which its actions and decisions are consistent with clearly defined and agreed-upon objectives.
- **Transparency:** government actions, decisions and decision-making processes are open to an appropriate level of scrutiny by other parts of government, civil society and, in some instances, outside institutions.
- **Efficiency and effectiveness:** the government strives to produce quality public outputs, including services delivered to citizens, at the best cost, and ensures that outputs meet the original intentions of policy makers.
- **Responsiveness:** the government has the capacity and flexibility to respond rapidly to societal changes, takes into account the expectations of civil society in identifying the general public interest and is willing to critically re-examine its role.
- **Forward-looking vision:** the government is able to anticipate future problems and issues based on current data and trends and to develop policies that take into account future costs and anticipated changes (*e.g.* demographic, economic, environmental changes).
- **Rule of law:** the government enforces equally transparent laws, regulations and codes.

Other principles of good governance that may be taken for granted by governments in their normal processes, but are of fundamental importance when developing public-private partnerships, are:

- Legitimacy of the organisation's authority to govern.
- Inclusiveness of the different stakeholders.

In addition the nature of tourism policy requires consideration of:

- **A whole-of-government approach:** integration of policy making at horizontal and vertical levels.
- **Capacity of organisations and individuals to develop and implement policy.**

The role of central government in developing cohesive, effective tourism policy is vital, but government faces numerous challenges in crafting this policy. This is due in part to the nature of tourism as an "open", fragmented industry with multiple central government ministries and levels of government undertaking various roles. However, the problems faced by tourism policy makers, due to institutional and territorial fragmentation and difficulties in co-ordination across multiple levels of government, and between government and the private sector, are often similar to those experienced in other areas such as environmental policy. This chapter therefore draws upon other work conducted by the OECD to illuminate challenges for tourism governance as well as the experiences of member countries.

While in the past many governments have noted the contribution that tourism can make to regional economic development and to cultural or social change, there has recently been a positive reassessment of the significance of tourism by many. This is reflected in the gradual rise in status of tourism policy within governments, and in many countries the transfer of tourism policy responsibilities to economic and trade related ministries. The development of the Tourism Satellite Account (TSA), to more accurately

estimate the economic benefits of tourism, has played an important role in increasing the industry's recognition and profile within government. However, there remains a need for those ministries responsible for tourism to continue to build links and relationships with other areas of central government and establish procedures for dealing with policy issues. An example is the involvement of tourism ministries in government responses to disruption of aviation by volcanic ash in the atmosphere.

Government at national, regional and local levels are often playing an increasing role in the delivery of tourism. However, a challenge is that in many countries this role has evolved in an ad-hoc manner and often with no clear definition of the overall role of tourism beyond its contribution to economic development. In the past, an increase in the importance of tourism was reflected in additional funding for promotion and marketing. Today, the role of government policy is expanding into areas such as encouraging additional (often low cost) aviation services; developing new niche markets such as health and wellness tourism, ecotourism, meetings and convention travel; increasing the diffusion of ICT among small businesses; examining the impact of tourists on regional sustainability; and dealing with the effects of crises and disasters on the industry. In these areas the challenge is to link tourism policy to that of other ministries. This policy complexity, along with more recognition of tourism's importance, is leading to a systematic evaluation of the roles of government at various levels, and of industry, in governance arrangements.

Effective tourism policy requires integration of environmental, social and economic perspectives and hence the need for various ministries and agencies to work together at the central government level. This horizontal policy integration requires the co-ordination of policy across organisations at the same administrative level. Policy integration requires common understandings of the aims and objectives of all parties involved, and some level of agreement on priorities, outcomes and methods, along with the capacity to develop effective, integrated policy solutions. Integration also requires that policies are adopted and applied consistently throughout the public administration, and calls for a normative framework, planning, evaluation, oversight and control (OECD, 2011c).

A whole-of-government approach also requires effective links to regional policies and to government priorities and actions at sub-national level (OECD, 2005). Coherence and consistency are essential in the design and application of policies between all levels of government to ensure that tourism policies are effective. The challenge of vertical policy integration is co-ordination between central, sub-national and local government levels. Further, since tourism is dynamic, governments face the difficulty of constantly monitoring the marketplace to ensure policy is effective.

Roles of central government at the national, regional and local level

Rationale for government involvement in tourism includes a general consensus that tourism is an effective vehicle for regional economic development, to address market failure, and to effectively manage the use of public goods. In many developed economies tourism provides around 2-5% of GDP (4%-6% of employment) and approximately double this when considering indirect and induced economic benefits. There is agreement that government policy, at all levels, should aim to address market failure in the tourism industry and mitigate any potentially negative social, cultural and environmental impacts of tourism. The rationale for government involvement in tourism is often linked to its use of public goods (both natural and cultural), and to the spatial nature of tourism, which requires land use planning.

Market failures arise when businesses fail to supply goods or services that many consumers value. In instances of market failure, the market either undersupplies or does not supply at all, or there are performance and quality issues. An example is tourism destination promotion, where individual businesses are often reluctant to contribute to co-operative marketing activities and have an incentive to instead “free-ride”, which in this context means to obtain the benefit of promotion activities without contributing towards them. This is possible because promotion of a destination raises its awareness amongst potential travellers who then seek further information about the details of transportation, accommodation and so on. This means that they may end up buying from a business that did not contribute to the original promotion. In order to avoid this “free-riding”, governments will often contribute public monies to destination promotion on the expectation that this funding will result in tourist expenditure that benefits all residents and businesses in the destination either directly or indirectly.

While market failure, regional and local development, land use planning, the use of public goods/services, and mitigation of negative tourism impacts, are general arguments for a government role in tourism, in practice the major roles have changed over time. One reason for this change is the different types of market failures experienced, as the industry in a country develops and matures (World Tourism Organization, 1996). Historically, a common pattern for government involvement can be identified. For example, early in tourism’s development, national tourism administrations would typically undertake broad responsibilities for planning and promoting tourism and also, in some countries, for operating commercial businesses. In this context, they played the role of hoteliers, travel agents, and tour and transport operators. Later when the tourism industry had become established, governments tend to act more like a co-ordinator, or catalyst for the development of tourism. Here government assisted and supported rather than led, and tried to fill the gaps left by the private sector (OECD, 2008a).

Thus as a country develops its tourism industry, the focus of tourism policy shifts from the simple maximisation of visitor numbers and tourism receipts, to the creation of conditions for competitive tourism enterprises and regions. Similarly, there is a progression from the primary use of promotional instruments, to the development of tourism competitiveness and the use of total quality management techniques. This change has meant that today, in advanced tourism destinations, there is a reluctance for governments to be involved in the operation of tourism businesses, although they have generally maintained a role in the funding of tourism promotion.

In addition to changes in the role of government caused by industry maturity, there have also been changes in the macropolicy environment in many countries encompassed by the slogan “steering not rowing” (i.e. less hands-on with a greater focus on providing direction). This macropolicy environment encourages greater involvement of business managers in policy development, often through the creation of policy networks, as well as a shift towards greater government involvement at the local/regional level in shaping tourism development. In part, devolution of responsibility for decision-making is related to addressing issues of sustainability, through an emphasis on collaborative planning at a local and regional scale, and is increasingly a consultative process. The effect of adopting of this macropolicy is also found in the way tourism policy is developed, which will be discussed later.

How are central government roles and responsibilities in tourism policy defined?

There are a variety of ways in which the role of government in tourism may be defined. Tourism has developed only relatively recently as an industry and therefore the role and functions of tourism are usually not specified in the national constitution. For example, in Australia all residual powers not specifically noted in the Constitution of Australia are allocated to the States, and therefore tourism is primarily a role for state governments. However, the Federal Government of Australia, through the establishment of Tourism Australia, does undertake international tourism promotion by agreement with all the States and Territories of Australia. A lack of a defined constitutional role for government in tourism then means that governments have either developed governance arrangement over time, which have become established practice, or they have introduced laws which define these roles.

A recent trend in some countries (including France, Greece, Hungary, Mexico, Slovak Republic, Spain, Cambodia, and Vietnam), is to pass laws that define the roles of organisations involved in tourism policy and planning at various levels of government, as well as those between government and the private sector (Box 1.1). This clear definition of roles and responsibilities of the various levels of government is an example of good practice in tourism governance.

The role of government in tourism is continually evolving and in a majority of countries there is also a focus on “supply-side” issues in addition to “demand-side” marketing and promotion. Improvements in the supply-side are focused on enhancing the competitiveness of the tourism industry by increasing productivity and quality, and encouraging innovation (OECD, 2010b). These initiatives may target niche market development, such as the revitalisation of health and spa tourism in Hungary; improvements in infrastructure; building the capacity of tourism businesses to capitalise on the impact of the Internet and ICT; skills training; and reducing negative social and environmental impacts (Box 1.2).

There are a number of implications in adopting a “supply-side” development role. This new role increases the scope and complexity of government policy for tourism and also requires greater development of linkages with government ministries and other organisations, such as government innovation agencies and universities. Effective development of “supply-side” policies requires a longer-term planning perspective compared to that required for the promotion of existing tourism products. It also requires the development of new organisational competencies for central government tourism organisations and poses questions about how the private sector should be involved, as co-operation is essential to stimulate structural change and innovation in tourism (OECD, 2006b). There appears to be a trend towards the adoption, by governments, of a role to promote innovation (Box 1.3).

Competencies needed to undertake the government’s role and responsibilities in tourism

According to current theories of management, organisational competencies are those combinations of organisational resource and process that together underpin the ability of an organisation to achieve its objectives and hence, fulfil its role. Therefore, definition of the competencies of an organisation requires knowledge of the human and financial resources and legislative powers needed to achieve the desired role outcome.

Box 1.1. Examples of laws to better define tourism roles and responsibilities**France**

The legislative and regulatory framework of the Reform Act (2006) created a code of tourism structured as follows:

- Book I traces the general organisation of tourism and in particular the distribution of tourism competence between the central, sub-national and local authorities, and public establishments of inter-municipal co-operation.
- Book II of the tourism code governs tourism professions and activities.
- Book III is devoted to accommodation, equipment and facilities directly relevant to the tourism sector.
- Book IV brings together the provisions on financing access to holidays and tourism taxation.

Greece

In 2010, through the “Kallikrates Programme” (Law 3852/2010), the 13 Regions of Greece were declared competent to undertake tourism planning, development and promotion of their territory, in co-operation with the Ministry of Culture and Tourism and the Greek National Tourism Organisation.

Hungary

A new Tourism Act currently under development will define the new, more effective structure of tourism industry. It will delineate the major responsibilities and tasks of the central and local governments, as well as the modes of co-operation with professional organisations.

Japan

The Basic Act on the Promotion of Tourism Nation went into effect on December 2006 and established Tourism as one of the national strategies in Japan. The Act has triggered a series of activities that strengthened the relationship of the Japan Tourism Agency (JTA) with respect to other ministries and agencies and built a framework to promote tourism policies as a national strategy within the government of Japan. In addition, it defined the responsibilities of local governments, tourism industries, and residents to enable all of the necessary elements of tourism to work together to promote tourism in consort.

Mexico

The General Tourism Law (2009) established the basis for co-ordination between central, sub-national, and local authorities, and defines the main roles and responsibilities for each level of government.

Slovak Republic

The Tourism Support Act (2011) describes the rights and obligations of tourism stakeholders, organisation structure of tourism, creation of conceptual documents and financing of tourism development in the Slovak Republic. It is the first systemic solution to create a legislative frame for the launch and effective operation of local and regional tourism organisations. The Act should contribute to the creation of a complete tourism product, which will be competitive within the European environment.

Box 1.2. Government initiatives to improve industry competitiveness**Australia**

The Australian Tourism Data Warehouse (ATDW) system is a central distribution and storage facility for tourism industry product and destination information from all Australian States and Territories. Content is compiled in a nationally agreed format and electronically accessible by tourism business owners (operators), wholesalers, retailers and distributors for use in their websites and booking systems. The ATDW also provides an online education programme for the Australian tourism industry comprising a complete suite of tutorials with information on basic online marketing concepts such as website design to more complex issues including the use of online booking systems (www.atdw.com.au).

Mexico

FONATUR is the central government agency responsible for tourism development. It identifies potential large-scale tourism development projects; assists and supports sub-national governments in the planning of local tourism development projects; contributes to the construction of basic infrastructure in tourism destinations; and is in charge of attracting private investment to them.

Portugal

The Madeira Regional Secretariat for Tourism and Transport (Portugal) won the 2011 UNWTO Ulysses Award for Innovation in Governance for its work on environmental certification of tourism businesses.

Spain

Mature destinations are experiencing a loss of competitiveness because of territorial saturation, environmental impacts, ageing of infrastructure and equipment, and the associations representing the private sector have expressed concern. The General Secretariat for Tourism and Domestic Trade has made significant efforts to change the Spanish tourism model since the creation of the Tourism Plan 2020, and to revitalise coastal tourism. It is undertaking specific activities through the Programme for the Integral Requalification of Mature Tourism Destinations in four pilot destinations: Beach of Palma in the Balearic Islands; Costa del Sol in Andalusia; San Bartolomé de Tirajana; and Puerto de la Cruz in the Canary Islands.

Box 1.3. Governments are encouraging innovation**Finland**

Four national projects, developing rural tourism, culture tourism, an electronic databank for tourism, and a tourism portal, received public funding. The Finnish Funding Agency for Technology and Innovation (Tekes) is the main public funding organisation for research, development and innovation in Finland. It has a programme called Tourism and Leisure Services 2006-2012, which offers funding for tourism projects in Finland. Development focuses on new service concepts, new ways of producing services and the creation of new spatial concepts, such as those utilising virtual technology. The central aim of the programme is to develop innovative, customer-oriented service concepts.

Portugal

Stimulation of innovation is a very important element of the Portuguese tourism strategy. Turismo de Portugal has recently launched a project to establish a network of co-operation in R&D in tourism (2011-13), in order to mobilise the tourism research capacity of universities.

Switzerland

InnoTour was created by the Swiss Government in October 1997 to improve innovation among tourism SMEs. Innotour seeks to improve the climate for, and trigger, innovations at the destination level, thus strengthening competitiveness. Since February 2012, Innotour has also focused on encouraging of co-operation and better management of knowledge. This includes improved training and education to enhance local human capital and retain skilled personnel.

The results of the survey of national tourism administrations conducted in preparing this chapter indicate that Austria, Germany, Greece, Hungary, Portugal and the Slovak Republic are adopting a competency based approach. Therefore, the specification of competencies, necessary for government organisations to perform their roles effectively, could be considered good practice in relation to the governance of tourism. As an example, Box 1.4 provides a list of the competencies of the Slovak National Tourism Administration.

Box 1.4. **Competencies of the Slovak Republic National Tourism Administration**

The competencies of the National Tourism Administration are:

- creation of conditions for the development of tourism as a government priority;
- formulation, implementation and monitoring of government tourism development policy;
- elaboration of national tourism development concepts and strategies;
- preparation of legislative regulations in tourism;
- provision of required incentives and help for investments of the private sector in tourism;
- compilation of statistical data on tourism development in the Slovak Republic;
- co-operation with the Ministry of Environment of the Slovak Republic in the harmonisation of the interests of the development of tourism and the protection of nature;
- representation of interests of the Slovak Republic in international tourism organisations and fulfilment of tasks and commitments resulting from its membership in these organisations;
- implementation of tasks of cross-border co-operation in the field of tourism;
- preparation and implementation of international bilateral and multilateral agreements in tourism, and development of bilateral contracts;
- elaboration of programmes for the development of tourism and evaluation of their implementation; and
- methodical guidance and monitoring of the fulfilment of tasks of the Slovak Tourist Board.

Source: Ministry of Transport, Construction and Regional Development of the Slovak Republic.

In summary, this section has found that the roles and competencies of government tourism organisations are evolving, reflecting changes in the business and policy environment. From a business perspective, government policies emphasise competitiveness by improving productivity and quality, and encouraging innovation. Productivity improvements have also been achieved through a better definition of roles and competencies of the organisations involved. The macropolicy environment favours a more collaborative approach, and this has encouraged development of policy in conjunction with the tourism industry, as well as an emphasis on regional or local levels of decision making. These changes call for a whole-of-government approach to tourism policy which will be explored further below.

A whole-of-government approach to tourism policy

Tourism policy development is increasingly complex, with longer time-scales and a wider scope than in the past. Addressing the major and multi-faceted challenges faced by the tourism industry demands an integrated approach to policy development across many government departments, at different levels of government and with the close involvement

of the private sector. Coherence and consistency are therefore essential in the design and application of policies between all levels of government to ensure that tourism policies are effective. Tourism policy development requires the active participation of government ministries and civil servants, who may traditionally have perceived tourism as having lesser importance than other economic sectors. Additionally, there may be differences in policy objectives between the various government agencies that require resolution.

A whole-of-government approach to tourism policy implies co-ordination across various levels and departments of government. There are at least three approaches to policy co-ordination. The first is when policies are simply listed together, without analysing the interactions or potential inconsistencies between them, an approach which produces limited results. A second approach requires that actions converge towards the same objectives although co-ordination may not take place in planning and/or implementation. A third approach is where actions and policies are complementary to and interact with each other as parts of a coherent and organic strategy designed to achieve a common set of objectives. For this kind of co-ordination to exist, two elements are required: a plan consisting of common objectives and goals for which specific strategic actions and instruments are designed; and an organic link between these actions and instruments, capable of producing positive interactions and synergies which lead to the better achievement of common objectives (OECD, 2010a). The majority of countries that responded to the OECD survey on tourism governance (Table 1.1) indicated that horizontal and vertical tourism policy co-ordination remains the greatest challenge.

Table 1.1. **Challenges to effective tourism governance identified by national tourism administrations**

Governance challenges	Greatest challenge	Major challenge	Total
Horizontal and vertical tourism policy co-ordination	12	3	15
Financial pressures faced by tourism public agencies	4	7	11
External impacts (economic, safety/security, natural disasters)	3	4	7
Effective regulation	2	5	7
Developing a reform agenda in tourism	0	1	1

Source: OECD Survey on Governance of Tourism, 2011-12.

StatLink  <http://dx.doi.org/10.1787/888932628684>

Horizontal co-ordination of policy-making involves the development of cohesive and integrated policy across ministries and organisations at the same administrative level and is necessary, in part, because tourism is a cross-sector industry. Tourism policy is influenced to a large extent by, and affects, other policy fields, such as fiscal, environmental, financial, transport, health, labour, social, education and foreign policy. Each of these has, to a lesser or greater degree, its own legal regulations affecting tourism. Subsectors of tourism are also regulated by special laws, such as travel contract law or hotel regulations. Horizontal policy co-ordination is important for central government and also is necessary at sub-national level.

Vertical co-ordination involves policy integration between levels of government. The importance of this issue is reflected in Canada's Building a National Tourism Strategy document, which is sub-titled "A Framework for Federal/Provincial/Territorial Collaboration" (Industry Canada, 2006). This strategy is based on co-ordination between federal, provincial and territorial governments, in close partnership with industry. One of the reasons why vertical co-ordination is so important is because many governments are

decentralising their tourism decision-making, as can be observed in France, Italy, Spain and Brazil. Government at the sub-national level has the advantage of being close to the market, private sector and to citizens and hence is often better placed to identify changing market conditions and developing issues. Decentralisation also allows local government to be in a better position to formulate and implement policies and regulations, which will allow the private sector to operate more effectively. A report by the OECD (2004) identified partnership and decentralisation as two means to improve governance.

In practice, the balance between central and regional control as well as the institutional arrangements and governance structures adopted is also determined by a country's historical development and specific laws and institutions (Box 1.5). On the other hand tourism around the world must integrate with common global distribution and transport systems while abiding by internationally recognised laws and procedures. As a result there is also a tendency towards similar solutions to common policy and organisational issues. This provides an opportunity for countries to learn from the experiences of others in the area of tourism governance.

Box 1.5. **Vertical co-ordination between levels of government**

Germany

The Joint Committee on Tourism (BLA) was established for consultations between national and federal-state governments. The committee brings together the Federal Economics Ministry and the federal-state ministries responsible for tourism. BLA provides mutual information exchange, co-ordinates activities in tourism policy and agrees on joint measures by national and federal-state governments. This entails voluntary co-operation among national and federal-state governments, which has proved very effective. This body was not appointed in pursuance of any specific legislation. In Germany, tourism policy between national and federal-state governments is not without complications. There is a need here to clearly demarcate and adhere to areas of competency. On issues requiring co-operation, co-ordination is needed between the national and 16 federal-state governments, and here the BLA performs a major function.

Italy

The process of devolution of power means that the primary responsibility for tourism development and promotion lies with the regions. The regions are able to choose their own strategies and implement their own measures relating to tourism. They decide if they want to develop and promote tourism and the level of priority given to tourism policy. Decentralisation gives regions the ability to build flexible capacities and structures. It allows bottom up forms of networks and co-operation with the government. A Permanent Tourism Co-ordination Committee, with representatives from the state and regions, was established in 2010 to improve communication and co-ordination between the state and the regions, to meet under the Conference of Regions umbrella.

Japan

In 2008, the JTA developed the "Tourism Zone Development Act" to facilitate extensive tourist destinations that exceed municipal boundaries in 49 separate areas, and supported the development of a framework for partnership within municipalities and between municipalities, the private sector, and non-profit organisations. Under this partnership framework, sectors including agriculture, forestry and fishery worked together to produce promotion strategies with attractive tours and stay-programmes, and also developed local human resources development programmes. The budgetary frameworks of wide-area partnership between the JTA and municipalities have been facilitated by the JTA to promote local destinations more effectively.

Evaluation and performance management

The development of effective, joined-up tourism policy is reliant upon the timely availability of relevant data and research. While statistics on the number of traveller arrivals may be available, there is often less information on the characteristics of these visitors, their travel patterns within a country, and their satisfaction with different aspects of a trip. There is also a need to know the travel patterns of citizens making domestic journeys. This information can be expensive to collect, especially at the regional or local level, and there is often a significant time lag before data are available. Therefore, effective or appropriate design and implementation of tourism policy may require improvements in the data and research available to policy makers, and require the development of the research function.

Good governance relies on the availability and analysis of available data not only in the design of policy, but also in the on-going evaluation of policy outcomes. The evaluation of policy outcomes in the process of revising policy, “closes the circle” between action and result, and can lead to continual improvement in tourism competitiveness. The OECD has identified five key reasons for policy evaluation, which are outlined as part of the discussion in Chapter 2 on evaluating tourism policies and programmes.

There are a number of other tools that enable and improve the development of tourism policy. For example, the evaluation of stakeholder participation is increasingly seen as an essential element of good governance. Various organisations have developed materials that could be adapted for tourism (see World Bank Social Development Department). For example, at the global level, the World Economic Forum’s (WEF) Travel and Tourism Competitiveness Report provides an assessment of tourism performance, strengths and weaknesses. The WEF report aims to measure the factors and policies that make it attractive to develop the travel and tourism sector in different countries. In addition, the UNWTO is developing a series of indicators to measure tourism performance, while the OECD Tourism Committee, as part of its current programme of work, is developing a set of core indicators on tourism competitiveness data and policies. Similarly, a number of tools and techniques for tourism evaluations have been developed by the OECD (2011a). These indices and tools can provide greater clarity and a wider range of mechanisms to understand tourism and the competitiveness of tourism destinations.

Tourism policy development often involves balancing competing interests and priorities, and a variety of new tools and techniques are available to help this process. In 2008, the Canadian Tourism Commission (CTC) adopted the Balanced Scorecard (BSC) – a flexible and comprehensive strategic planning and performance management framework – through which it measures and evaluates the performance of Canada as a visitor destination as well as the performance of CTC’s programmes and initiatives. The BSC links objectives, performance measures, targets and initiatives to the strategy at all levels. By integrating financial and non-financial measures, it provides a holistic view of the organisation’s overall performance. This and other techniques can improve the transparency of decision-making and hence accountability.

Another issue related to accountability in tourism policy development, as well as more generally in measuring the performance of public spending in tourism, is the question of how to monitor and evaluate performance. A number of techniques are being used by countries, including the development of a system of indicators for public-private co-operation and items of budget expenditure (Spain); annual reports on the tasks implemented (Poland); indicators of

the long-term efficiency of the national tourism organisation (Finland); and annual surveys of tourism-related expenditure by government agencies (Canada).

A long-term planning orientation is a factor considered necessary for good governance; however, significant variation in funding is often experienced by tourism ministries and national tourism organisations, making a long-term integrated approach to planning, evaluation, and performance management, problematic. Variation in tourism budgets may also lead to staff turnover and loss of expertise. The development of effective joined-up tourism policy hinges on the analytical capacity of government staff, due in part to the myriad of tourism policy areas that need to be addressed (Scott, 2011). As a result, the stability of available funding is an important factor in effective long-term integrated policy-making and the governance of tourism.

Tools/mechanisms to manage the interface across ministries and public agencies

Mechanisms that support a whole-of-government approach may be grouped into three broad categories; improved co-ordination, tourism strategies, and use of contracts. These different mechanisms are not independent and are often used together to form multi-level policy networks.

Improved co-ordination

Examples of improved co-ordination include: merging government departments, co-ordination forums, specific projects, and working groups (OECD, 2010c). Co-ordination through merging of government departments is evident in a number of OECD countries, and examples of tourism being incorporated into ministries related to economic affairs or small business, include Canada, Finland, France, Germany, New Zealand (Box 1.6), Norway, Portugal, and the Slovak Republic. The advantage of this approach to co-ordination is that it facilitates prioritisation of tourism within other economic development activities. A potential disadvantage is that tourism could get “lost” within a larger department.

A second means of co-ordination across government ministries is through the use of task-oriented forums or on-going committees. Inter-ministerial committees and commissions are a simple and common instrument for co-ordination at a central government level. Three characteristics of these co-ordinating bodies stand out: i) formality/informality; ii) political level co-ordination; and iii) links with budget allocation mechanisms. For example, Industry Canada chairs a group of senior federal executives to oversee and guide implementation of the Federal Tourism Strategy. The group develops and maintains an integrated and forward-looking federal tourism agenda that includes legislative, regulatory, policy, programme and operational initiatives from individual departments and agencies. In some countries, inter-ministerial co-ordination is required by law (Box 1.6). Such co-ordination mechanisms are also used for inter-governmental co-operation. For example, Hungary is an active member of the Central European Initiative Working Group on Tourism, and participates in a Joint Tourism Committee with neighbouring countries, meeting annually to discuss bilateral co-operation.

One common area for co-operation between governments is in marketing programmes. These arrangements, which may be between countries, between central and sub-national governments, or between sub-national governments, reflect the expense of effective marketing and also the way consumers travel. For example, the Visegrád Countries (Czech Republic, Hungary, Poland and the Slovak Republic), co-operate in joint tourism promotion in overseas markets, especially in China, Japan, the Russian Federation and the United States, and since 2010, also in Brazil and India.

Box 1.6. Examples of co-ordination to promote a more integrated approach to tourism governance

New Zealand

In 2010, the New Zealand Ministry of Tourism was integrated into the Ministry of Economic Development under a new Tourism Strategy Group (TSG). This move was designed to position tourism policy within the government's broader economic development and growth framework. It recognised that tourism can play a significant role in growing a high-value, productive economy. The Tourism Strategy Group (TSG) within the New Zealand Government provides tourism policy advice to the Minister of Tourism and works with other government departments on key tourism policy issues, and tourism research and statistics. Furthermore, the Group evaluates government investments in tourism and is responsible for developing a tourism policy framework, including such issues as international aviation linkages, tourism sector productivity, infrastructure requirements, managing the opportunities and risks associated with New Zealand's evolving market mix and brand attributes.

Spain

In Spain, the distribution of powers across the state, regions and local government administrations gives rise to a network of inter-administrative relations and, with it, different instruments of co-operation, whose function is to lend coherence to the action of public authorities in tourist matters. Such integrated action across the various institutional levels, both public and private, is based on the idea of co-operation, since there are common interests which have to be appropriately matched and combined in order to ensure operational effectiveness. There are three examples of co-operation among these administrations:

1. The Inter-Ministry Committee for Tourism (Comisión Interministerial de Turismo) was created in 1994 by Royal Decree 6/1994, as a basic instrument to execute the Competitiveness Spanish Tourism Plan. The Committee is a collegiate, advisory and executive co-ordination organ whose members represent the different ministries of the national administration with competences related to tourism matters
2. The Sectoral Tourism Conference (Conferencia Sectorial de Turismo) is the collegiate, advisory and executive co-ordination organisation which gathers representatives from the national administration and those responsible for tourism in the Autonomous Regions. This organisation is multilateral and achieves sectoral issues, mostly by signing Co-operation Agreements.
3. The Spanish Council for Tourism (Consejo Español de Turismo: CONESTUR) was approved by Royal Decree 719/2005, and is an advisory body which brings together all the territorial tourism administrations (State, Regions and Provinces-Cities) and representatives from the tourism private sector (Trade Chambers, the National Employer's Association (GEOE), Professional Associations, Trade Unions, and tourism professionals). CONESTUR identifies tourism research; proposes the initiatives and actions to improve tourism promotion abroad, and advises on basic programmes and plans in the tourism sector.

European Union

The Schengen area is based on the Schengen Agreement of 1985. The Schengen area represents a territory where the free movement of persons is guaranteed. The signatory countries to the agreement have removed all internal borders in lieu of a single external border. Here common rules and procedures are applied with regard to visas for short stays, asylum requests and border controls. Simultaneously, to guarantee security within the Schengen area, co-operation and co-ordination between police services and judicial authorities have been enhanced. The Schengen countries are: Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden and Switzerland.

Persuading potential travellers in distant countries to travel to an individual destination is very expensive, and additionally the travel patterns of such visitors are more likely to include surrounding regions or countries. The costs of long distance travel are such that visitors will often take advantage of the opportunity to see a number of iconic sights in a variety of regions or countries on their first (and perhaps only) international trip. As such, it is not uncommon for countries to develop agreements as the basis for enhanced co-operation at the inter-governmental level (Box 1.6) or sub-national level.

Tourism strategies

Another common mechanism for co-ordination across ministries and public agencies is the development of a tourism strategy (Box 1.7). Such strategies can play a key role in engaging government, industry, destination communities and other stakeholders in order

Box 1.7. The tourism strategy as a co-ordination mechanism

Austria

In February 2010 Austria launched a new Tourism Strategy in close collaboration with the nine Länder and all relevant tourism stakeholders. In preparing the Strategy, key areas such as marketing, innovation, focused subsidies, infrastructure and business environment were analysed in a number of workshops. Joint measures are agreed upon in an annual political high-level Tourism Conference, established in 2011. The Conference is co-ordinated by a steering committee consisting of high-ranking representatives from the Ministry and the nine Länder. In addition, an independent expert advisory group (scholars) reports to the conference on recent trends, current challenges, and provides recommendations for future action. The new tourism strategy is considered an on-going process rather than an adopted strategy document. It is reviewed on a yearly basis and adapted to developments. Already in the first year a number of achievements are evident. Some examples are: closer and more professional co-operation with regard to branding and marketing by the Austrian NTO and the marketing boards of the Länder and destinations; better defined competencies and more transparency with regard to tourism funding/subsidies; joint projects *e.g.* to stimulate innovation in the sector.

Finland

Finland's current national Tourism Strategy to 2020 was published in 2010, and is the second, consecutive national tourism strategy, replacing its predecessor drawn up in 2006. The new Strategy focuses more on developing industrial and commercial activity, and concentrates on measures that can be influenced using tools available to the Government. Changes in the operating environment were taken into account, while objectives have been prioritised and made more concrete. The actual strategy document has remained compact but lists all specific measures and the relevant authorities responsible for them. Various public sector representatives were involved in the revision process, with the Finnish Hospitality Association (MaRa) representing the private sector in the strategy steering group.

Japan

The Basic Plan for the Promotion of Tourism Nation is a five-year plan, which aims to give responsibility for tourism policy to each ministry and agency of the government of Japan with measurable objectives. Under this plan, newly instituted in March 2012, the government set objectives in relation to: i) domestic travel expenditure; ii) number of foreign tourists; iii) number of international meetings convened; iv) number of Japanese outbound tourists; v) annual average domestic overnight stays; and vi) tourist satisfaction levels. With these objectives, the JTA will assess the effectiveness of policies in this plan on an annual basis. The JTA has the approval of the cabinet to make this plan the government tourism master plan and has gathered the views of various stakeholders, including local governments, the private sector and the Japanese public. As a result, the Plan will promote public and private sector efforts to advance Japan as one of the world's leading tourism nations and an environment for constructive collaboration between stakeholders.

to identify a vision, direction and goals for tourism development, and in setting priorities for implementing a long-term and sustainable vision for the tourism sector (OECD, 2010b). In developing a tourism strategy, a number of important issues need to be clarified, including: the degree of commitment, from relevant agencies and levels of government, to its goals and objectives, and to the specific programmes and measures proposed; responsibility for ensuring the implementation of measures which fall under the purview of non-tourism areas of government; and how the implementation of these measures will be ensured and evaluated (OECD, 2010c).

Countries face a number of problems in the implementation of a national tourism strategy, once developed. One important problem area is the provision of sufficient funding to effectively implement the actions in the strategy. Around half of the respondent countries indicated that funding was a major, or the greatest, problem faced. There are also problems in ensuring the implementation of strategic initiatives by other ministries or agencies. To help with this compliance, and to better inform stakeholders of progress in strategy implementation, increasing attention is being paid to the effective communication of a countries' tourism strategy to government, industry and the wider public. The Internet is often used as a cost effective means of communicating such strategies.

In Spain, in order to ensure that the strategic objectives of the Tourism Plan 2020 are met, TURESPAÑA is utilising the Internet (www.turismo2020.es) as a means for consultation on the strategy, and to gather suggestions, opinions and proposals. They will also create a digital journal on Tourism 2020 developments, available every three months. In Canada a new tourism website that provides the industry with a central portal to obtain information on relevant federal programmes, services and announcements has been established. An annual forum where federal departments and agencies can exchange results of, and plans for, tourism-related research and analysis will be convened, beginning in 2012. Finally, to keep the tourism industry and wider public informed about progress on the Federal Tourism Strategy, the Minister of State for Small Business and Tourism of Canada will, starting in 2013, report annually on the concrete measures supporting tourism taken by the federal government.

In Australia, the development and enhancement of the National Long-Term Tourism Strategy involved horizontal and vertical co-ordination through participation in working groups, as well as regular meetings of all Commonwealth, State and Territory Tourism Ministers, who gather at least once annually to provide direction to reform and implementation of the Strategy (Box 1.8).

Contractual arrangements

Contracts are a governance mechanism commonly used to improve policy implementation (OECD, 2007b). Contractual arrangements across government levels specify the objectives of a particular tourism policy and development programme. The conditions that must be met may be very detailed in terms of lead time, technology content, environmental impact, costs, etc. The contract will usually specify financial transfers that are required for the success of the programme. The conditions that go with these transfers may vary but, as with all types of contract, they shape the incentives influencing the behaviour of local government or other partners. Contracts allow for decentralisation of policy implementation whilst allowing central government to maintain overall coherence and consistency (Box 1.9). Contractual arrangements are commonly used

Box 1.8. Australia's National Long-Term Tourism Strategy

The National Long-Term Tourism Strategy (NLTTTS) was launched in December 2009 and updated in December 2011. The updated strategy, now referred to as *Tourism 2020*, represents an integration of the long term focus, research and collaboration commenced under the NLTTTS, with the growth aspirations of the 2020 *Tourism Industry Potential* (the Potential) released in November 2010. The Potential seeks to achieve an increase of between AUD 115 billion and AUD 140 billion in overnight visitor spend by 2020 (from a base of AUD 70 billion as at June 2011). *Tourism 2020* builds on the foundation work of the NLTTTS and continues to provide a policy framework that will support industry and provide it with the tools to compete more effectively in the global economy whilst creating an environment for growth.

Tourism 2020 has been developed to put the industry in the best possible position to achieve the Potential which nominates the following aspirations for 2020:

- achieving AUD 115-140 billion in overnight spend;
- increasing visitor accommodation capacity;
- increasing international and domestic aviation capacity;
- increasing labour supply and skills, and
- improving industry quality and productivity.

Tourism 2020 refocuses the emphasis of policy, programmes and effort on six key areas that will assist the tourism industry to achieve its maximum potential. These are: i) Growing demand from Asia, while maintaining investment in a balanced market portfolio; ii) Building competitive digital capability; iii) Encouraging investment and implementing regulatory reform; iv) Ensuring tourism transport environment supports growth; v) Increasing supply of labour, skills and Indigenous participation; and vi) Building industry resilience, productivity and quality.

The Strategy's first implementation phase has involved a co-ordinated national approach to identify the weaknesses in the industry's supply-side through nine working groups. This phase has delivered: i) a policy framework better able to address barriers to industry growth; ii) an operating environment for industry more conducive to growth; and iii) practical assistance for individual businesses.

More specifically, the first phase of the NLTTTS has provided:

- governments with the evidence base to develop policies to more effectively support the tourism industry;
- programmes and initiatives that have enhanced the commercial environment for industry; and
- practical tools for businesses to increase their productivity and competitiveness.

in many countries for programmes involving vertical and horizontal relationships. Contracts between central government ministries involved in regional policy are used to overcome the traditional separation of sector policies. Contracts at the sub-national level may involve the participation of different local authorities within a tourism destination as well as the private sector.

There are problems in using contracts, mainly linked to the nature of the relationship among the partners. Contracts will be more successful if all parties involved are actively engaged in the development of the contract conditions and are supportive of the purposes of the programme. This has led, in some instances, to the introduction of incentives for the

Box 1.9. Contractual arrangements across government

The decentralisation of the Italian state has empowered Italy's regions to encourage endogenous economic growth by creating institutional structures for destination promotion. In Italy the Department for the Development and Competitiveness of Tourism is responsible for the implementation of strategy at the national and inter-regional level. Regions are responsible for both the product development and promotion of tourism, and compete against each other in the domestic and short-haul European markets, undertaking promotional and marketing initiatives accordingly. They also co-operate with the National Tourism Agency (ENIT), on a project basis, for promotional campaigns in more distant markets. In order to strengthen co-operation, an "agreement for synergic promotion in tourism" was signed between the central Government and Regions. A number of specific committees were established and a multi-annual strategic plan was developed.

different parties to participate fully and to fulfil their contractual obligations. In general contract-based regional development should aim to:

- ensure that local authorities are empowered;
- preserve the negotiating power of the central government with respect to other actors;
- focus contractual arrangements on a limited number of key programmes, while leaving some room for local targeting; and
- ensure the transparency of the process and open the contractual negotiation to public participation, at least at some stages (OECD, 2007b).

Networks of collaboration

In practice each of the mechanisms discussed above may be used simultaneously, with multiple horizontal and vertical links between organisations at different levels of government as well as development of collaboration with the private sector. In this situation, particular tools or mechanisms such as contracts and financing between the partners are important elements, but effective co-ordination relies on a number of facilitative conditions for success. Such integrated action across the multiple institutional levels, both public and private, fundamentally relies on the idea of collaboration. Development of collaboration is generally considered to occur through a number of stages such as problem-setting, direction-setting and structuring (Gray, 1985). Co-operation fundamentally relies on the identification and recognition of common interests and interdependence in achieving them. It also requires the involvement of all stakeholders who are perceived to have a legitimate "stake" in the outcome and a legitimate and skilled convenor who can "bring the stakeholders together". Importantly, co-operation requires sharing of power in direction setting and decision-making. In the structuring phase, the stakeholders discuss the problem and develop a solution that is consistent with their organisations' requirements. Collaboration, however, is a more intense form of relationship than co-operation and implies a proactive contribution rather than mere compliance.

These networks of collaboration – sometimes termed multi-level governance – therefore require the explicit or implicit sharing of policy-making authority, responsibility,

development and implementation at different administrative and territorial levels, for example:

- across different ministries and/or public agencies at central government level (upper horizontally);
- between different layers of government at local, regional, provincial/state, national and supranational levels (vertically); and
- across different actors at sub-national level (lower horizontally) (OECD, 2011c).

Summary

In summary, tourism governance and policy development at the central level has become more complex, requiring the co-operation of other government ministries which may have different policy objectives and priorities. An example is the development of policy on visas where the tourism advantages of easy access must be balanced against the need to ensure borders are protected. It is therefore important to ensure that relevant data and analysis are available which in turn may require additional resources and competencies in tourism organisations. It is also important to ensure that policy decision-making is longer-term, transparent, and that outcomes are evaluated.

Tourism governance at sub-national level

In many countries the full competence for tourism does not lie with the central governments, therefore, there is a significant role to be played in tourism governance at this level. One primary difference is that sub-national governments do not have the main role in many important policy areas such as border control or aviation arrangements. In addition, the central government will often seek to harmonize the tourism policies of the sub-national governments to ensure that the private sector does not face significantly different policy regimes in the regions in which it operates. Another important issue for many central governments is the development of a country brand that can provide an “umbrella” under which the sub-national brands may function. Clearly then, governance of tourism at the sub-national level must involve consideration of the potential to work under a national umbrella brand, to be effective.

A second important issue is that at the sub-national level there is an opportunity to interact with a wide variety of smaller businesses, and regional or local industry representative bodies. At a central government level, it is often necessary and beneficial to interact with peak industry bodies and the largest tourism businesses, such as airlines, international hotel chains and tour operators. As a consequence, at the sub-national level these interactions tend to be less frequent, except in the largest tourism destinations, and governments must consider how to interact with large numbers of small and diverse private sector businesses.

This closeness to the private sector will often mean that sub-national governments will be responsible for operational regulation and enhancement of service quality. Sub-national governments must also concern themselves with land-use planning as tourism is specific to a particular site or location. One of the consequences is that in many countries, there is a significant history of tourism policy development at the sub-national level and development of a national policy for tourism may be relatively new. In those countries with three levels of government, the differences between central and regional government in

policy focus and “closeness” to small businesses are replicated between regional and local governments.

Sub-national governments often have two organisations for management of tourism. The first is the government ministry or agency that is ultimately responsible for policy and governance issues, and provides an interface to other ministries such as those concerning economic development or the environment. The second, a destination management organisation (DMO), often in the form of a public private partnership, manages the interface with the private sector and has a primary responsibility for marketing and promotion. The DMO is usually funded by, and reports to, the responsible sub-national government ministry or agency. A regional DMO may also establish a series of sub-regional or local DMOs to provide a destination level structure (Box 1.10).

Box 1.10. **Moors and Coast Tourism Partnership**

In April 2003, the UK Government passed the remit for strategic development of tourism to the Regional Development Agencies. Yorkshire Forward responded to this new role by conducting extensive research to review how tourism services were delivered and how this could be improved. They concluded that improvements could be made to efficiency and effectiveness through the development of a new structure. Local authorities in the Moors and Coast area identified a need (in 2005) to establish a tourism partnership to move forward with strong brands and play a key role within the new sub-regional tourism structure. Through forming an “Area Tourism Partnership” the authorities would be able to access new funding from Yorkshire Forward. The authorities include Ryedale District Council, North Yorkshire County Council, Scarborough Borough Council, Hambleton District Council and North York Moors National Park Authority. In addition, the ATP would bring into the Partnership an equal representation from the private sector, drawn from the 18 Tourism Associations across the area. The chair of the Partnership is also from the private sector. The development of the ATP was aimed at delivering improved value for money through partnership working to limit duplication of services between the partners, as well as developing closer working relationships and “buy in” with the private sector.

Source: www.ryedale.gov.uk.

DMOs can take a number of forms including a:

- department of single public authority;
- partnership of public authorities, serviced by partners;
- partnership of public authorities, serviced by a joint management unit;
- public authority(ies) outsourcing delivery to private companies;
- public-private partnership for certain functions – often in the form of a non-profit making company; and
- association or company funded purely by a private sector partnership and/or trading for certain functions.

Tourism has a number of characteristics that lead to the formation of destinations and ensure they are key organisational units for policy and planning. The tourism sector is composed of a relatively small number of large companies (airlines, hotel chains, tour companies) that compete globally, and a vast majority of small businesses that operate

primarily in one destination. These small business operators have little independent influence and therefore they often join industry or sectoral organisations to represent their interests, in addition to joining local organisations concerned with local geographic issues. Large global companies have substantial market power but need to co-ordinate with governments for access and with smaller companies in specific destinations for their day to day operations.

As a result the effective operation of tourism as an economic activity requires co-ordination of a complex and changing variety of stakeholders at the regional and local level. This role is often undertaken by a destination management (DMO) or similar organisation, such as a convention and visitor bureau (CVB), as is often the case in North America (Box 1.11).

Box 1.11. **The role of convention and visitor bureaus**

In the United States, convention and visitor bureaus (CVBs) are the organisations that are primarily responsible for tasks involving place marketing at local or regional level. CVBs may represent a city, a metropolitan area, a number of cities and towns (such as in a county), while others represent a multicounty or regional destination. The structure of CVBs varies depending on the type of destination, the attractiveness of the tourism products and the amount of funding available. CVBs can be public, quasi-public, non-profit or private organisations. CVBs typically derive a large proportion of their funding from a tax collected predominantly by hotels and levied on overnight guests. These funds are then allocated to the CVB and possibly an associated convention centre as well. A CVB is expected to take the lead in initiating, managing and maintaining destination marketing networks. One of the key competencies of a CVB is to be skillful in co-ordinating partnerships between the private and the public sector. Hotels, restaurants and attractions in a tourist destination may see themselves as in competition and a CVB seeks to “sell” the destination as a whole. CVBs will often develop a vision for its community that harmonises the perspectives of its various stakeholders including political parties, non-profit and profit sectors, and residents.

A destination is a geographical area (place, region, country) which is chosen by the guest (or a guest segment) due to its mix of attractions, accommodation, catering and entertainment/activities. For these reasons destinations are increasingly seen as a strategic focus for the management of tourism. Importantly, the geographical boundary of a destination should therefore be determined by taking into account visitor travel patterns as well as political or administrative boundaries. If travellers spend most of their time on their holiday in one destination then the products and services they require are close together geographically. Alternatively, if travellers are predominantly touring then the destination area they visit may be quite large and composed of a number of smaller attractions.

The determination of the boundaries of a destination, and therefore the scope of any DMO that may promote and manage the destination, is very important for effective planning and policy development. In some countries, including Austria and Switzerland, governments are encouraging the amalgamation of smaller DMOs into larger, more efficient units which also better reflect a tourist’s holiday activity. Some years ago in the Tyrol region of Austria (a tourism destination with around 43 million overnights of which

90% are international) there was reorganisation from around 250 – sometimes very small – organisational units to 34 strong DMOs, providing a better position to face competition.

In Norway, the government worked with the northernmost county administrations and other tourism industry stakeholders to evaluate the benefits of establishing an area of co-operation for tourism in the region (Arctic Norway) (Norwegian Ministry of Trade, 2007). As a result of this consultation, Northern-Norway Tourism was established as a DMO in 2009, with the purpose of establishing and further developing Northern-Norway as a year-round tourist destination.

By better matching DMO boundaries with patterns of tourist activity, allows for more effective planning and promotion. This is because tourism businesses and sub-national government stakeholders are most interested in participating in joint activities that benefit their areas of operation. However, in a tourist destination, stakeholders may be in simultaneous co-operation and competition – called co-opetition and without government “intervention, tourism development will likely lack the cohesion and direction necessary to sustain itself over the long term” (Andriotis, 2002).

Effective governance at the sub-national level, with or without a DMO in place, is strongly connected with active participation by the stakeholder. In economic development, there is now a consensus that action must be co-ordinated at the local level, and ideally also with related policy areas, to stimulate synergy, avoid conflicts, and make the best possible use of the information available. Improving local governance, *i.e.* the way policies are co-ordinated, adapted to local conditions and oriented in partnership with civil society and business (OECD, 2001), has thus itself become a goal of government. Improving local governance enhances the effectiveness of certain policies and takes full advantage of the resources and energy of business, civil society and the other levels of government in the pursuit of common objectives (OECD, 2004).

Tools for capacity building

One of the most important challenges of vertical and horizontal co-operation mechanisms is to enhance the competence of local actors (OECD, 2005). Good policy design is not sufficient to achieve desired outcomes. Implementation plays a critical role in making a reform successful or hindering its scope. Implementation capacity refers to the mechanisms used by reformers to shape and influence strategy/policy implementation and to influence the behaviour of other stakeholders in the organisational network. It recognises the importance of skills and resources (*e.g.* financial, material, human, knowledge, and even time) within the organisation and their utilisation by policy actors. Building human capacity at the national and sub-national levels involves education and training, and participation in learning-by-doing programmes such as those involved in “learning region” initiatives.

Tourism learning regions aim to strengthen the performance of various tourism stakeholders – especially but not exclusively small-medium tourism enterprises (SMTEs) – via the creation of networks of learning. Traditionally, SMTEs do not engage in formal learning, offer few training opportunities to their staff, and do not engage easily with public agencies (Chapter 3). The rationale for setting up learning regions is that issues such as quality, ICT, skills, marketing and customer focus, and other business practices, are placed firmly on the agenda of SMTEs by encouraging reflection on good practice.

One of the key aspects of learning regions is that they make training more accessible to SMTEs by seeking to build provision in partnership with them and around their “world” rather than in the “world of the trainers”. One of the key benefits is that this is more likely to yield a higher rate of participation than traditional approaches to developing skills and encouraging learning. The approach requires strong partnership arrangements, a sense of moving forward for all key partners, and resources to develop key features of the learning region. As a result, the support of a “champion” is often instrumental to success and this implies a degree of capability building with potential champions prior to trying to establish a learning region (OECD, 2007a).

Education and training is a continuing issue for tourism capacity building, and plays an important role in tourism governance through enhanced understanding of policy issues and of management skills needed for a collaborative environment. In a recent review of tourism policy in Italy, it was recommended that there should be enhanced transfer of knowledge from the education sector to the industry, for example through a tourism intelligence network (OECD, 2011b). There should be an integrated governmental approach, closely associating the regions, the private sector and the education and training organisations. This approach should support skills diversity and attractive careers in tourism. It further suggested that Italy should also develop a map of tourism professions and their skills, to identify the future needs and the skills gaps in tourism education and training.

A number of skills development and training resources are available from the OECD, as well as other international organisations, and universities. Exchange programmes, and peer networks, for example, of city managers, may be developed to play a role in capacity building initiatives. Pro-active interaction between local leadership and larger enterprises may also be instrumental in helping the transformation of conservative city-regions into more proactive entrepreneurial innovation systems (OECD, 2008b), as can networks and the development of learning regions (OECD, 2008b). These initiatives encourage inter-firm and inter-sectoral linkages that can provide collective efficiencies and learning effects within the regional economy (Box 1.12).

Tools for capacity building available at the national and sub-national levels include basic principles of capacity development (OECD, 2006b), stakeholder analysis (OECD, 2006), and resident attitude surveys (Andriotis, 2002). At a municipal or regional level, capacity building should seek to map the supply of skills with demand, and fill identified gaps accordingly. Capacity building activities can focus on a range of issues including the promotion of positive cultures; constructive communication and engaged communities; transparency and accountability; vision and leadership; acceptance of diversity and the pursuit of equity and inclusiveness; developing knowledge learning and sharing expertise; clear roles and responsibilities of participants; and clear operational structures and processes of the network.

Skills development can be facilitated by developing formal written standards required by staff in specific positions. For example an executive in a DMO may need skills in creative thinking, business negotiation, managing staff, use of computers, business strategy and mentoring. This may form the basis for a list of executive core qualifications (ECQs) which are continually monitored and adjusted to suit current requirements. Training schemes would then be based on these ECQs.

Box 1.12. Capacity building

The **OECD** LEED Trento Centre has held tourism capacity building seminars in both 2010 and 2011. The 2011 seminar on “Skilled territories: A new paradigm for tourism and local development in the Mediterranean region” was held in Trento, Italy, in December 2011. This highly interactive 5-day capacity building seminar brought together national, regional, and local policy makers and practitioners from the Mediterranean region to work with OECD and international experts in order to share and increase knowledge and awareness on tourism and local development in the Mediterranean region, by focusing on four issues: i) governance; ii) entrepreneurship and job creation; iii) skills; and iv) liveability, landscape and global events.

In **Finland**, the Centre of Expertise Programme (OSKE) lays the ground for diverse innovation activities in which high-level research is combined with technological, design and business competence. The Centre of Expertise Programme is a fixed-term special programme co-ordinated by the Ministry of Employment and the Economy, in compliance with the Act on Regional Development. OSKE provides the companies and destinations tools, training, networks, project planning and management plus advice on financing the development activities. The Centre of Expertise Programme is implemented by 13 national competence clusters, one of which is a cluster of Tourism and Experience Management. The Tourism Cluster Programme is operated by five Centres of Expertise focusing on complementary fields of expertise. The key objective is to nationally support the renewal of the tourism industry through intensifying the transfer of knowledge between companies, regions and research centres in Finland.

In **Hungary**, the central government has developed a DMO operational manual covering the basic guidelines, an electronic learning programme, and application and legal organisational support handbooks. The programme was supported by a wide range of local and regional information workshops. A DMO web portal is open for interactive information exchange and some 55 destinations have submitted applications to develop their own DMOs.

Capacity building efforts need to be tailored to the different skills required. Capacity building for management of DMOs is different from that required for the management of a government policy department. DMO managers require skills in regional economic development and development of stakeholder collaboration while capacity building for managers of a policy department may require training in strategic planning and visioning.

Effective tourism governance across multiple levels of government requires competent actors at the national and sub-national levels. Tools for capacity building include mapping of human resource capacity and skills training, often provided by the national government and by international organisations such as the OECD. However, it is important to tailor training to deliver the specific skills required. Capacity building of tourism operators and local governments may be enhanced by active “learn-by-doing” programmes and the development of learning regions.

Obstacles to capacity building and co-ordination at regional and local levels

Building capacity and providing co-ordination are strategies that help successful implementation of tourism policy (OECD, 2011c). They are important at all levels but often more critical at the local and regional levels. There are, however, a number of challenges to capacity building and co-ordination including staff turnover, issues of jurisdiction and

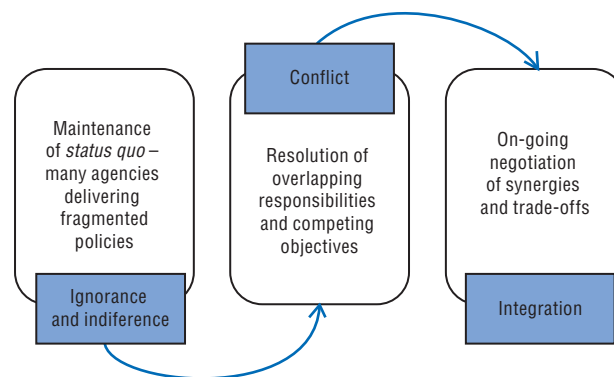
cross-border policy cohesion, difficulties in community involvement, and political issues such as i) short-termism, ii) partisanship in selection of projects, and iii) a tendency to spread resources too thinly in an attempt to guarantee equality of opportunity. Improving the availability of information may lead to more involvement and policy co-ordination.

One of the obstacles to the availability of human capacity at a regional/local level is the poor retention rate of skilled staff. The brief duration of public positions, such as destination administrators, is often inconsistent with the longer timeframe required to evaluate the effectiveness of destination management actions, and ensure the skills needed for effective governance, are available. Studies have found that tourism officer positions in local government are often filled by graduates with a tendency to stay for only a short time in the job. Similarly, a survey of 371 tourism officers employed by local councils in the United Kingdom found that just under half had a qualification in tourism or leisure (Godfrey, 1998). These factors can lead to a loss of corporate knowledge and a lack of expertise which can impede progress in addressing tourism issues.

Apart from human capacity issues, co-ordination of tourism policy development involving multiple levels of government faces problems with overlap of jurisdiction. The mismatch between catchment areas and political jurisdictions leads to negative externalities and financial imbalances and can complicate coherent planning for region-wide infrastructures and network industries. This reinforces the need to carefully designate the boundaries of tourism regions and DMOs. In some cases, such as tourism regions that cross national borders, effective policy development and governance may involve the creation of new organisations. The issue for policymakers is to find governance mechanisms, *e.g.* tools and incentives, that enable policy coherence in spatially and economically homogenous but politically fragmented areas.

A lack of clarity on the roles and responsibilities of different stakeholders is also a key factor in limiting co-operation. Ambiguity is created by a lack of awareness about the coverage of different organisations and fears that other agencies might take over particular “territories”. Furthermore, when agencies have a limited awareness of what other agencies are doing it may be easier to maintain the status quo by not forcing collaboration or confrontation, but such indifference can be a major cause of fragmentation and service gaps. Arguably, some degree of conflict may be necessary for policy integration to succeed (Figure 1.1), as it forces people to reduce duplication and consider the necessary trade-offs between different policy areas (OECD, 2010a).

Figure 1.1. **Conflict can lead to policy integration**



Another important challenge in regional and local development is the extent and nature of community involvement in decisions. Tourism makes use of community facilities, such as beaches and public transportation, and requires the active participation and support of residents. It can have both positive (job creation and appreciation of land prices) and negative (inability to afford housing due to cost of land, congestion, changed retail mix) impacts on a community, and while active community participation in decision-making and policy development is desirable, there are limits to the capacity of the community to be involved. For example, residents often have little knowledge of tourism as a business activity, and limited time to spend on public consultation processes. As a result, participation often occurs through community organisations or local governments representing the views of the community, or through *ad hoc* pressure groups protesting specific proposals.

In addition, information and data is particularly lacking at sub-regional levels, undermining a good understanding of the local context. In many countries information is only weakly disaggregated, particularly in the field of skills and productivity, leading to expensive and ad-hoc surveys by local organisations, which are not always shared effectively or statistically valid. Where good information and data is accessible, this can provide an effective tool for galvanising local action. In an OECD study of multilevel governance (2010a), a number of local level problems were identified (Box 1.13).

Box 1.13. **Key issues regarding local co-operation**

Co-operation between stakeholders at the local level is seen to have a relatively strong impact on the degree of local policy integration.

Key issues regarding local co-operation found in a study of regional development in the EU are:

1. Economic development actors seem to be the most likely to co-operate at the local level, particularly as they often have a mandate to develop local and regional development strategies.
2. Participating in multi-stakeholder partnerships does not necessarily strengthen ongoing relationships with other local agencies or increase information sharing.
3. Co-operation with the private sector proves a challenge in many localities, although targeting interventions on specific sectors and clusters can be particularly effective.
4. National and international schemes exist in some countries to encourage greater collaboration and co-operation at the local level. These can be effective – particularly in rural areas – as long as such schemes incorporate strong exit strategies and result in mainstream changes to the way institutions work, as opposed to the proliferation of parallel short-term initiatives.
5. Managed conflict is perhaps a necessary stage in the path from fragmentation to policy integration, at least in terms of promoting frank exchanges which will lead to a real consideration of trade-offs and synergies and the effective prioritisation of resources (Figure 1.1).
6. Obstacles to co-operation include: ambiguity about roles, fear of conflict, differences in geographical boundaries, contested leadership, and narrow institutional mandates.

There are numerous challenges to effective tourism governance at the local level, which must be addressed through improvements in both institutional and human capacity building. Effective institutions with well-defined objectives and clear mandates are necessary, but effective leadership and political support is also required.

Tools/mechanisms to manage the interface between actors

At the sub-national level it is important to establish levels of horizontal and vertical co-ordination between government agencies, as well as between the private sector and government. Many of the mechanisms used to manage the interface between government agencies at the sub-national level include those discussed at a central government level above, such as co-ordination forums, tourism strategies and contracts. However, specific mechanisms at the sub-national level include spatial planning across local government boundaries (Box 1.14) and the creation of a network among local governments. Inter-municipal co-operation often takes the form of city networks with the aim of increasing a region's visibility and helping to make local enterprises more competitive. In some situations, governments may also seek to encourage co-operation within clusters of tourism businesses to enhance product development or marketing opportunities.

Box 1.14. Tourism in the Venice region

In a study of the governance of metropolitan regions (OECD, 2010b) it was noted that the Venice city-region's economic and environmental challenges require changes to current governance practices and frameworks. Co-ordination, both within a single level of government and vertically between levels of government, is necessary to articulate a series of commonly defined policy objectives. A series of recommendations were proposed to strengthen the Venice city-region's competitiveness, including tools and instruments for compact land use planning, strengthening planning for a polycentric metropolitan region (especially in such areas as transit, tourism management, and climate change action planning), and the adoption of a metropolitan spatial vision into the public policy process. Given the Venice city-region's highly polycentric structure, "soft instruments", i.e. voluntary partnerships and the creation of a metropolitan spatial vision, were considered to have significant potential.

Effective co-ordination between the private sector and government agencies responsible for a tourism destination is important for effective governance at the sub-national level. A strategic approach to linking-up these sometimes very different types of organisations provides better management of the destination, avoids duplication of effort with regards to promotion, visitor services, training, and business. This task is often performed by a DMO, which can provide an important leadership and co-ordination function.

Whilst the primary role of a DMO usually involves co-operative marketing it can also provide input into government led policy, strategy and major product development. Co-ordination may also be undertaken through formal or informal networks of stakeholders termed policy networks. In practice, however, it is difficult to co-ordinate (or manage) a destination due to both the diversity of independent tourism businesses, often with divergent objectives, and the dynamic nature of tourism demand.

Though the functions of destination management and marketing extend well beyond the role of the DMO, they can play a crucial leadership role. A holistic approach to

destination management and marketing requires partnerships between different levels of government; between different organisations within the public sector; and between public and private sectors. This can provide challenges that a DMO is often well placed to meet, including being local enough to allow its tourism stakeholders to identify with its aims and purposes, but large enough to be effective in the market place and being able to call upon a collective budget sufficient to achieve the objectives set. These contrasting requirements may therefore necessitate a multi-dimensional organisational structure – one that is effective in the market-place, but with more locally based action groups which are responsible for delivery of consistency quality of experience in the destination.

Similarly, Public Private Partnerships (PPPs) are a common mechanism to improve the regional competitiveness of a tourism sector (Box 1.15). PPPs may build, improve or promote the local and regional economy through interaction between public and private organisations for developing research, innovation and facilitating its diffusion at the local level (OECD, 2005). In some cases, PPPs are a means of finding alternative sources of funding for the provision of tourist related services. There are two major models for the operations of PPPs, the first has a purely contractual nature, in which the partnership between the public and the private sector is based solely on contractual links, or secondly PPPs with an institutional nature, involving co-operation between the public and the private sector within a distinct entity.

Box 1.15. **Marketing co-ordination at the sub-national level**

Local governments often work co-operatively with neighbouring regions to develop stronger marketing campaigns to attract visitors and provide a critical mass of attractions and experiences. A study on good practice marketing for regional tourism destinations in Australia found that:

For example, the Victorian State Government tourism organisation, Tourism Victoria, provided on-going funding for co-operative domestic marketing campaigns, matched by industry operators and local councils through their respective Regional Tourism Organisations. The commitment of tourism operators and local councils further enabled the region to leverage sufficient funds to implement marketing campaigns. A co-operative marketing alliance was formed between the Great Ocean Road region and two other campaign regions (Grampians and Goldfields) in 1991 to establish “The Great Southern Touring Route”. This product is marketed at key international travel and trade shows and links the Great Ocean Road, the Grampians, and Ballarat in a self-drive tour, targeted at high yield international tourists. The success of this long-running campaign partly explains the rapid and continued growth of international tourism to the region.

Source: Cox, C. and M. Wray (2011), “Best Practice Marketing for Regional Tourism Destinations”, *Journal of Travel and Tourism Marketing*, Vol. 28, No. 5, pp. 533-534.

Development of networks of stakeholders provides another tool for integration of policy in situations where the capacity for decision making, programme formulation and implementation is widely distributed or dispersed among private and public actors (Kenis and Schneider, 1991, pp. 41-42). This form of co-operation works because the actors and organisations in networks do not individually have all the resources needed to realise their goals. Instead the resources are dispersed among different actors or are in the form of public goods, such as a public beach. Although they vary greatly, essentially, a policy network is a set

of actors who are linked by relatively stable relationships of a non-hierarchical and interdependent nature. These actors share common interests with regard to a policy, and exchange resources to pursue shared interests, acknowledging that co-operation is the best way to achieve common goals (Borzel, 1998). Work on the structure of tourism policy and marketing networks using social network analysis methods (Scott, Cooper and Baggio, 2008) has indicated that the number of powerful and well-connected stakeholders in a destination is low. DMOs are generally one of these stakeholders in an effective region.

Three types of network approaches to co-ordination of governance arrangements have been identified at the sub-national level. These are:

- a government-led network governance structure;
- a participant-led community network governance structure; and
- a tourism organisation-led industry network governance structure (Beaumont and Dredge, 2010, p. 1).

Box 1.16. **The role of tourism organisation-led structures in sub-national governance – Whistler Canada**

Whistler is located in the Coast Mountains, 120 kilometres from Vancouver, providing skiing in the winter and other activities year round. Whistler is a community of 9 500 permanent residents with a commitment to protecting the natural mountain environment and moving to become a sustainable resort community. It is a part-time home to approximately 11 500 second-home owners from around the world, and 2 300 seasonal residents. The per day population averages 28 280 in winter and peaks (usually around the New Year) at approximately 45 000. The Resort Municipality of Whistler (RMOW) is Whistler's local government led by an elected council. The RMOW manages: municipal planning and development, park and village operations, sports facilities and recreation, public utilities and environmental services, by-laws and enforcement, fire rescue, fiscal planning and financial services, legislative services, human resources and communications. It provides administration of the Whistler2020 Comprehensive Sustainability Plan and Whistler's Official Community Plan.

The Whistler Resort Association or Tourism Whistler is an independent organisation. It is a Community Destination Management Organization (CDMO) and is incorporated as a not-for-profit legal entity under the British Columbia Societies Act and as such is governed by Boards of Directors, has a formal charter and bylaws, must meet legal and financial reporting requirements, and have developed supporting policies and practices. Tourism Whistler is a not-for-profit legislated membership organisation representing more than 7 000 members and affiliates who own, manage or carry on business on Resort Lands. Tourism Whistler was formed in 1979 in response to a recommendation by the provincial government to create a marketing and sales body to promote Whistler as a tourism destination. It is responsible for developing co-ordinated strategies in the areas of marketing and sales to promote and drive room nights to the Resort.

Seven elected individuals and six appointees represent the various sector interests on the 13-member Board of Directors. The activities of Tourism Whistler are further directed by its membership through bylaws that are approved by the municipal council and the provincial Ministry of Municipal Affairs. On behalf of its members, the Board establishes the vision, mission, strategic objectives, and priorities for Tourism Whistler, contributes to and approves the annual business plan, approves operating and capital budgets, and ensures continued financial viability and the fulfilment of the organisation's mission. Membership assessments are the primary source of funding for the world-wide marketing and sales initiatives that Tourism Whistler manages and directs, supplemented by net income from operating centres, sponsorship and funding.

Source: www.whistler.com/about_us.

The tourism organisation-led model is common in North America with examples including the ski resorts of Aspen (United States) and Whistler (Canada). Non-governmental organisations tend to encourage a community-based approach to tourism development although as discussed above, there is debate about the effectiveness of “whole of community” management of tourism development mainly based on the practical limits of time and capacity (Box 1.16).

Summary

In summary, mechanisms for co-ordination between sub-national government actors are similar to those used at a national level. The major mechanisms used to co-ordinate government and private sector actors at sub-national level are PPPs and policy networks. A variety of roles and structures are used for PPPs which need to balance the ability to engage local stakeholders with the need for a sustainable size of organisation. The role of PPPs is primarily to provide leadership and marketing with input into policy development and innovation. Policy networks are useful for integration of policy in situations where the capacity for decision making, programme formulation and implementation is widely distributed or dispersed among private and public actors.

Tourism governance: Co-ordination and interface with industry

Increasingly, central, regional and local governments are seeking private sector involvement in policy development as well as developing collaborative partnerships with the private sector and tourism supplier associations to co-operatively develop marketing plans, identify tourism development opportunities, and provide input into policy and tourism strategies. This involvement may include direct engagement with larger businesses or representative industry bodies in order to capture the diverse views of numerous small businesses, which is notoriously difficult to achieve in a traditionally fragmented and geographically extensive sector dominated by SMEs.

One of the problems in seeking industry level policy input is that there are usually a number of industry bodies that represent different types of businesses such as tour companies, hotels, attractions, tour guides, and so on. Because each of these groups of businesses have particular issues and problems it is difficult for tourism to “speak with one voice”, and there are several ways industry can respond:

- An industry branch approach where hotels, travel agents, etc., have bodies to represent themselves individually.
- A more integrated approach, where peak tourism industry bodies (at the national or international level) are established to more effectively speak on behalf of tourism as a whole. Examples include Exceltur, the US Travel Association, and the World Travel and Tourism Council (WTTC). These bodies may also have representation at sub-national level.
- A mixed approach.

Branch versus integrated approach to organisation of industry representative bodies

An industry branch approach allows the particular policy issues of the various tourism sectors to be represented. For example, hotels may have issues that should be addressed in developing a policy on reduction of smoking while these may not be relevant in the aviation sector where smoking is banned. In addition it provides a mechanism for

government to encourage and address particular types of tourism businesses such as ecotourism, adventure tourism, and so on. However the proliferation of industry branches can mean that a private sector business may be expected to join a number of associations at a substantial cost.

At a national level, there is a trend towards an integrated approach, creating one peak industry representative body, which may be comprised of organisations representing different sectors (Box 1.17). One advantage of this approach is that it removes government from negotiation with multiple organisations and transfers responsibility for developing a single private sector policy position to the peak body. Dealing with a peak industry body provides a means for government to address both general policy issues and those relating to specific industry branches, and can facilitate a more rapid response in situations where an urgent response is required. On the other hand such peak bodies can tend to represent the interests of larger private sector businesses or other groups leading to problems of their representativeness.

Box 1.17. **Approaches to national industry representation**

Germany

The German tourism federation (Deutschland Tourismusverband e.V. or DTV) is a voluntary association of tourism organisations with local, regional and nationwide operations in Germany. It performs co-ordinating, tourism policy and advisory functions and is financed solely from member contributions and its own income.

Hungary

The National Tourism Employers' Association and the Trade Union of the Hungarian Tourism and Catering Employees have established the Tourism and HORECA (Hotels, Restaurants and Catering) Branch Dialogue Committee. This committee represents the interests of these branches in the negotiations with government in its efforts to find new ways for the further development of the tourism industry and to solve the different problems facing these branches.

Slovak Republic

In January 2011, the representatives of the seven most important nationwide associations of tourism founded the Slovak Tourism Association (STA). It is a voluntary non-political and professionally oriented organisation of employers in tourism representing accommodation, travel agents and other sectors. The priorities of the STA are the unification of tourism representation, active approach to legislative changes in the area of tourism, more intense co-operation with the Slovak Tourist Board in promoting the Slovak Republic and supporting domestic tourism.

Spain

The Spanish Council for Tourism (Consejo Español de Turismo –CONESTUR-) is an advisory body which brings together all the territorial tourism administrations (state, regions and provinces-cities) and the private tourism sector (e.g. chambers of trade, the National Employer's Association (CEOE), professional associations, trade unions and a wide spectrum of tourism professionals).

A mixed approach, where there is a peak tourism body representing a significant section of the industry (integrated approach), but also a limited number of industry

branches representing their own interests (industry branch approach), is likely to be the most common situation. This approach may require the government to identify the appropriate organisation/s or businesses with whom to co-ordinate in relation to specific policy issues. An alternative approach is to request industry input on policy issues from all representative organisations, with the degree of input received determined by the perceived importance of the policy issue for each organisation. This may be likened to a market approach.

Roles of the private sector

Private sector operators play the primary role in the provision of tourism services. Tourism businesses are primarily small family businesses, often with only one or two employees. Generally barriers to entry into the tourism industry are low and many small businesses are established by people with little prior experience in the services sector. This can lead to variability in service levels and a lack of understanding of the benefits of working together with other businesses in the destination.

The role of the private sector includes the provision of a consistent and defined level of quality products for tourists, which requires liaison and co-operation with other businesses, and a degree of co-ordination implemented by an external organisation or body such as a DMO, to ensure a coherent experience. A second role is the marketing of their business and the co-operative promotion of the destination. It is logical to promote the destination co-operatively because all businesses in the destination benefit jointly from marketing of a destination in an origin market. “Free riding” can be avoided, for example, through the implementation of an industry levy which then supports the DMO and its marketing activities. A third role is individual product development and input into longer term planning for the destination.

In performing each of these roles, the capacity of small business operators may be inadequate, but it is in the last where they are potentially most deficient. As a consequence, the role of policy and destination planning is generally undertaken by larger businesses, local government or the DMO. Many industry organisations representing tourism in national/international discussions (*e.g.* WTTC) have a membership consisting primarily of large businesses. A further issue is that the private sector has significant investments such as hotels, marketing expenditure and relationship development and there is a tendency for institutional inertia and vested interests to rule over entrepreneurship and change. For these reasons involvement of a local government in longer term planning and visioning of a destination is good practice.

Large private sector organisations are likely to have the resources and human capacity to provide input into often time consuming government consultation processes. One advantage for government in dealing with larger companies is that they will have exposure to multiple market segments and hence have the customer data and also the incentive to reflect the overall picture of tourism in the destination.

However, it is important to understand that companies in different sectors may have conflicting objectives, or objectives that can change as demand varies. For example, a theme park will likely aim to maximise ticket sales (as visitor capacity is to some extent variable), while an airport with available landing slots might target an increase in the number of flights, and a hotel (with fixed capacity), might focus on maximising revenue. Increasing overall demand for accommodation beyond a certain level may trigger

construction of competitor hotels; however, additional high quality accommodation usually leads to greater prominence for a destination and is a positive consequence for existing establishments. Government organisations dealing with industry need to understand these individual and often competing business objectives especially when dealing with development of products and infrastructure.

Industry branch representative bodies are typically self-organising and focused on a particular sector of the market (Hotels, Tour Operators, Travel Agents, Backpacker Hostel Associations, etc.) which can be difficult for government organisations to deal with as they often have competing priorities and needs. Individual small and medium-sized enterprises are frequently unable, on their own, to assert their interests adequately in dealings with policymakers or other actors, and therefore most companies organise themselves in trade associations. In some contexts it is logical that there is only one association to deal with. For example, the majority of Antarctic tour operators are organised under the umbrella of the International Association of Antarctica Tour Operators (IAATO), driven by the clear collective interest of users in maintaining the quality of the key attractions. One measure of the effectiveness of associations is the coverage of the sector. The Finnish Hospitality Association (MaRa) represents over 2 400 travel and restaurant industry companies and these members provide as much as 80-90 % of the total turnover of the sector in Finland.

Other roles for the private sector, either directly or through associations, include negotiation of pay agreements, accreditation and standard setting, reporting of demand statistics, and more recently measures to address sustainability issues (Box 1.18). In Australia, a National Tourism Accreditation Framework (NTAF) was launched in April 2011 and the Minister called on tourism businesses and organisations to support the NTAF. A nationally consistent accreditation brand has long been advocated by the industry and provides the means for businesses to identify themselves as quality operators. Increasingly, private sector operators are being required to implement measures that reduce their environmental impacts and improve destination sustainability. Around the world there are many environmental accreditation schemes (examples include Green Tourism, Earthcheck, Green Globe) that seek to provide an indication of the level a business has reached in reducing its environmental impact. This new role for the private sector is often supported by government programmes.

There is a clear role for the private sector in provision of tourism services, co-operative destination marketing and quality improvement. The ability of individual small tourism business owners to contribute to policy development and longer term planning and innovation is limited and this role is generally undertaken by larger businesses and industry associations or DMOs.

Tools/mechanisms to manage the interface between actors at private sector level

Private sector businesses need to work together to provide tourists with quality experiences, not least because of the increasingly wide range of competing destinations. This often requires a degree of collaboration between businesses that may be direct competitors. The rationale for such an approach is based on the idea that by making a destination as a whole more attractive, total visitor numbers will grow, with all businesses sharing in the benefits. If this belief is commonly held within a destination, then it underpins individual businesses working together.

Box 1.18. The Federal Association of German Tourism Industry

The Federal Association of German Tourism Industry (BTW) was established in 1995 with the aim of representing the common and overall interests of the tourism industry in relation to politics, economics and public affairs in Germany, Europe and international representation. The 39 members of the BTW are large companies as well as strong associations of tourism. The spectrum covers air, road and rail traffic, hotel and catering services and tourism marketing. It covers private tourism and private mobility as well as the business travel sector. Through regular meetings with high level politicians, trade missions, the annual tourism summit of the BTW and other events, the BTW seeks to represent industry needs in the political decision-making area. The BTW places special emphasis on the political feasibility of major conditions in tourism, with a particular focus on the following activities:

- Development of a tailor-made infrastructure and a stronger intermodality of all means of transport.
- Fair competition for enterprises to guarantee sustainable success.
- Highlighting positive tourism industry responses to climate protection.
- A balanced approach to consumer protection.

There are a number of mechanisms used to encourage collaboration between private sector operators and these are commonly used in combination with one another. Developing collaboration within the private sector requires time and effort and must be continually undertaken.

Mechanisms to manage the interface between private sector actors include the establishment of representative associations and DMOs that provide a forum for policy development and co-operation, through development of cross-sectoral clusters of businesses targeting the same market segment, and through workshops and seminars often in conjunction with other mechanisms. The establishment of DMOs, cross-sectoral clusters and representative bodies as mechanisms for co-operation have been discussed previously. The remaining mechanisms are workshops and seminars.

The potential for industry co-ordination and co-operation is improved by shared understanding and knowledge. Seminars and workshops involving tourism business managers help to provide knowledge about market conditions and new initiatives and ideas. For example, in Greece the peak tourism body (SETE) organises an annual SETE Tourism and Development Conference and invites all those who shape the future of tourism development in Greece to participate. The conference provides a forum for the constructive discussion of the key issues facing Greek tourism. It aims at initiating debates and leading the public and private sectors to co-operate in developing a long-term tourism policy with clear orientation and specific objectives.

Similarly, as one of two official organisations representing tourism, the Chamber of Commerce and Industry of Slovenia (CCIS), with its Chamber for Tourism and Hospitality, provides essential services for tourism enterprises. The CCIS regularly organises workshops, networking events, meetings with government officials, and seminars on particular issues of interest to the business sector.

Central and sub-national governments also use a number of tools to both manage the interface with the private sector and facilitate industry interaction. Increasingly workshops, seminars and nation-wide industry gatherings are important mechanisms for exchange of information, obtaining industry feedback on policy proposals and providing direction (Box 1.19).

Box 1.19. Government tools to manage the interface with industry

Chile

Every year, seven industry associations are elected to become part of the Public-Private Tourism Promotion Committee, which also involves seven government organisations. This committee is in charge of developing promotional strategies.

Hungary

The Tourism Department is trying to boost co-operation among the different participants of the sector. For example, the Tourism Development Strategy was elaborated with the help of the experiences of an organised “debate”, in which all private professional bodies in the tourism sector were invited to explain their views and provide suggestions about the Ministry’s draft strategy.

Poland

The Ministry organises meetings, workshops, and conferences to engage with industry, to better facilitate industry participation in the drafting of documents setting out the objectives and directions of tourism policy.

Main challenges to effective governance of tourism and policy responses

This chapter has identified that tourism faces many challenges to effective governance due to its geographic and sectoral fragmentation. The chapter has also highlighted that tourism is not unique in these challenges and that lessons are available from studies in other policy areas. These challenges include co-ordination of policy across central government ministries and between central and sub-national levels of government. In addition, tourism as an economic sector requires co-ordination of policy with the private sector.

In a survey of National Tourism Administrations all countries that responded indicated that horizontal and vertical tourism policy co-ordination was a challenge, and for many it was considered their greatest challenge. The second most important challenge noted by around 75% of respondents was financial pressures faced by public agencies in tourism. Around half of respondents noted that effective regulation was a challenge and a similar percentage indicated that external impacts (economic, safety/security, natural disasters) were also a challenge. Each of these issues is discussed below.

Tourism policy co-ordination

As discussed in this chapter and reinforced by responses to the survey, horizontal and vertical tourism policy co-ordination is a recurrent issue for National Tourism Administrations. At the national level, horizontal co-ordination is increasingly being undertaken through merging the tourism ministerial functions into a larger (and more

powerful) economic and trade related portfolio. Due to its cross-sectoral nature, however, there will always be departments in different portfolios, with whom activities will need to be co-ordinated. Sub-national government faces many of these same issues.

Governments are increasingly adopting a development and innovation role and the appropriate means of ensuring policy co-ordination is more problematic. The competencies required to undertake the development and innovation role are different to those required for marketing. The characteristics of the current visitor market are usually well known to tourism operators while the characteristics of the future market for innovative products may be best understood through research. Tourism innovation will usually involve multiple levels of government, as the local level may control land use and planning, while the regional and national levels may provide funding, the co-ordination with other central government ministries and prioritisation of investment across multiple regions.

For this reason, the leadership role in development and innovation in a tourism destination should be led by government (with advice and support by the private sector) while promotion of a destination should be primarily industry led, with support and funding by government.

Financial pressures faced by public agencies in tourism

The second most important challenge reported by around three quarters of OECD countries was financial pressures. Like many government organisations today, public tourism agencies are facing funding pressure and scrutiny over the effectiveness of policy initiatives.

One means of addressing this issue is by being able to more accurately quantify and present the benefits of tourism to the economy. As such, the measurement and evaluation of policy (and marketing) outcomes in tourism is becoming increasingly important. However, effective evaluation is hindered by a range of factors including: i) the study of tourism remains in its infancy and measurement tools and performance measures are still under development; ii) many of the policy initiatives in tourism are co-operative in nature, making the evaluation of their effectiveness more problematic; iii) the ultimate outcome of tourism policy interventions may be related to changes in the number or type of visitors, or require changes in the actions of the private sector, over which governments have only partial control; and as such iv) there are often lengthy time-frames involved before the results of initiatives can be identified.

The development of Tourism Satellite Accounts has been a significant advance in this area. Budget pressures are also leading to the formation of public-private partnerships as a means of stimulating access to private financial sources. A consequence of this approach is that it is necessary to provide private-sector partners with greater involvement in decision-making.

Effective regulation

Regulation is a policy or law designed to control or govern conduct. Government regulations have a significant impact on the tourism sector and can play a key role in encouraging tourism growth. Two main areas for regulations can be identified. Firstly there are regulations that relate directly to the development and delivery of tourism, including trans-border movements, transportation, accommodation, consumer protection,

environmental, planning, development and building regulation, labour supply, taxation, liquor licensing, food hygiene and occupational health and safety. This range of regulatory areas may lead to a lack of co-ordination and clarity amongst different government authorities. In New Zealand a tourism planning toolkit has been developed for local government to help navigate the regulatory environment in the development of tourism (Box 1.20).

Box 1.20. **New Zealand Tourism Planning Toolkit**

Tourism New Zealand and Local Government New Zealand have developed a tourism planning toolkit to help local government manage specific issues associated with the development and management of tourism, and develop a comprehensive tourism strategy to assist in planning for, and funding of, key projects. This Toolkit recognises that local government is a key player in New Zealand's tourism sector. In New Zealand local government: manages the natural and cultural resources that tourism relies on; determines where businesses can locate and build; provides core infrastructure, attractions and facilities; and often funds regional marketing and visitor information. The Tourism Planning Toolkit provides a resource for local government to respond to the opportunities and challenges that tourism presents. It enables local authorities to take a comprehensive approach to tourism planning, by setting out the relevant factors to include in the planning process including: situation analysis; strategic planning; implementation and monitoring of performance. It also suggests relevant tools to assist with this process including identification of core tourism data sets; analysis processes and detailed case studies.

Source: Tourism Investment and Regulation Review.

A second area relates to countries increasingly developing and implementing regulations to improve tourism governance and to better organise the sector. In some countries specific legal frameworks for tourism have been developed, while in others, approaches to effective regulation include: the definition or clarification of the roles and responsibilities of organisations involved in tourism; a reduction in bureaucracy and the establishment of more user friendly processes for licensing tourism enterprises; regulation of the ownership of the tourism land; and clarification of the obligations and responsibility of tourism agents and tourism operators. Such changes to regulation are fundamental to improving competitiveness of countries and ensuring that tourism policy is effective.

The regulations appropriate for a certain country are in part determined by the history and organisation of government within a country. For example, under the Austrian Constitution, legislative authority in tourism affairs is vested not in the federal government, but in the country's nine Länder. Increasingly, regulation at an international level is affecting the tourism policy environment, for example, relating to environmental protection and carbon emissions.

External impacts (economic, safety/security, natural disasters)

Tourism is a global industry with many branches and as a result it is impacted by a range of events from around the world including general economic conditions, purchasing power, exchange rates, safety and security, and natural disasters. The number of

international travellers to a particular country is influenced by the GDP of the origin country and the exchange rate between the origin and destination. Tourism has also been affected significantly by terrorist activities and natural and man-made crises and disasters such as earthquakes, disease and transport accidents. Increasingly, government policy must deal with these issues and governments are adopting a leading role in crisis management (Box 1.21).

Box 1.21. Japanese earthquake

On 11 March 2011, the region near Sendai, Japan experienced the effects of a magnitude 9.0 undersea earthquake. This earthquake caused a devastating tidal wave that inundated 561 square miles of the coastline and caused 15 765 deaths with an additional 4 460 missing (as at 31 August 2011). In addition, the tidal wave affected the Fukushima Daishi Nuclear Power Plant and led to a release of radioactive material. Some rail and road transportation infrastructure was affected and food safety was monitored by testing for radiation.

The impact of tourism visitor numbers has been significant with the greatest percentage decline in the international market. International visitor arrivals were 62.5% below the previous year in April 2011 and 36.1% down in July. Domestic traveller numbers were estimated to be down 26.7% in April and 7.6% in July. Outbound travel also declined by 8.1% in April and 4.5% in July. Since the earthquake, many international event organisers have reviewed holding international congresses in Japan even in unaffected regions. International events that were held reported fewer international delegates than expected.

The approach adopted by the Japan Tourism Agency (JTA) to deal with this situation consisted of three main steps. The first step began immediately after the earthquake and consisted of ensuring the safety of tourists visiting Japan and providing safety information. JTA took steps to confirm the safety of tourists in Japan, installed a 24-hour help line, and communicated official information to tourists and particularly information about the safety of food. This step was completed by the end of April. The second step began at the end of March, 2011 and involved approaches to foreign government agencies, media and travel industry. Media agencies and tour companies were invited to visit and Japanese government representatives (national and local) made visits to major markets. JTA also provided accurate information to governments and tourist offices and requested reassessment of travel warnings. The third step began at the end of June 2011 and targeted potential overseas tourists. Collaborative marketing campaigns were conducted in mature markets by government and the private sector.

In January 2012, inbound visitors to Japan showed a decline of only -4.1% on the previous year, while domestic and overseas trips were up slightly (by 1.5% and 1.4% respectively). These results demonstrate a recovery rate faster than the most optimistic forecasts made immediately after the great earthquake, and indicate that the JTA and Travel Demand Recovery efforts, in collaboration with private sector, have been effective. It is expected that international tourism demand will completely recover during the first half of 2012.

The benefits of a co-ordinated whole-of-government response to crises and disasters are that the needs of the tourism sector will be taken into account, including issues such as the perishability of tourism inventory, and that central government communications are more likely to be effective in dealing with the crisis and maximize the speed of recovery for

the tourism industry. Globalisation of the tourism industry means that countries must cooperate with each other in dealing with unforeseen events such as the Icelandic volcanic ash cloud, bird flu, and Severe Acute Respiratory Syndrome. Around half of OECD countries that responded to the governance survey noted that external impacts (economic, safety/security, natural disasters) were a major challenge, or the greatest challenge they face.

Crises and disasters are an important issue for policy due to the perishability of tourism inventory and the sudden, unpredictable impact of these events on profitability and employment. Hotel, airline and attraction inventory is perishable and unlike agricultural products and manufactured goods cannot be stockpiled. If it is not sold on the day then the business has lost money. This means that tourism requires government policy to respond rapidly in times of crisis, and hence predicated a role for the tourism ministry. The unpredictability of these external impacts also hampers long-term efforts in maintaining tourism infrastructure and employment in the sector. An effective system of governance and regulation enables faster response to a negative event through allocation of roles and responsibilities to organisations that can then develop event-specific emergency scenarios and responses. In developing policy and responses to crises it is important for governments to include private sector representatives in discussions.

Education of non-tourism organisations about the impacts of decisions on tourism is important as often other ministries have primary responsibility for responses to crises and disasters and a process of education and communication is necessary to allow the needs of the tourism industry to be considered. Governments often concentrate on their own residents in tourism disasters and are not able to communicate effectively with tourists who may be more vulnerable to natural hazards due to a lack of knowledge of the destination. Additionally media attention is often focused on the magnitude of the disaster and not on messages about the areas not affected which can slow down the recovery process. In Australia an Industry Resilience Working Group has established comprehensive list of programmes available to assist businesses in meeting the challenges of adapting to climate change, enhancing resilience and addressing crisis management. A series of fact sheets providing this information are available to the Australian tourism industry and a National Tourism Incident Communication Plan has been developed. Similar resources are available through UNWTO, and Pacific Asia Travel Association, which have an active programme on integration of emergency management with tourism. A better understanding of how consumers respond to natural disasters is required. In dealing with security concerns there could be a more detailed analysis of the trade-off between implementation of security issues and tourism visitor numbers.

Policy responses

The aim of this chapter is to better understand current tourism governance arrangements in OECD member countries and how countries can improve their institutional frameworks in order to maintain or increase the competitiveness of their tourism industry. The situation of tourism in each country is different and yet because of the global nature of the tourism marketplace, countries face many of the same problems. Therefore it is likely that similar governance issues arise and it is important that countries are able to learn from the experience of their peers.

Clearly, tourism is a policy area that involves multiple levels of government and the private sector. There is therefore a need for both horizontal and vertical policy co-ordination. At the central government level this requires co-ordination with other

ministries as well as the private sector, a task often undertaken through interaction with a peak industry body. Central government tourism ministries are also adopting new roles such as stimulation of innovation and policy development related to crises and disasters. Better definition of the role of government departments helps with horizontal policy co-ordination. Vertical co-ordination with sub-national (and local) governments is also problematic and increasingly the roles of various organisations are being defined by law, or through their roles and responsibilities governed by contracts or memorandums of understanding. At the sub-national level, destinations provide a logical unit for development of co-operation. A DMO is usually formed at a destination to provide a vehicle for co-operation amongst competing businesses and is commonly operated as a PPP. Co-ordination between tourism businesses also occurs through sector representative organisations.

A key obstacle to progress in multi-level policy co-ordination is that solutions must reflect the institutional and human capacities, law and regulatory environment, and specific tourism context of a particular country and region. A second obstacle is that there are few tools available to group types of problems experienced by various countries so that it is easier to transfer learning about solutions. Another tool that may be of use to tourism ministries is institutional mapping, as has been done in other areas of government such as provision of water and environmental sustainability (OECD, 2011c). In this approach, roles and functions of the various government organisations and other actors are defined and the relationships between various organisations mapped to determine work flows and areas where problems commonly occur. This allows problems in the “connections” between policy processes to be identified and rectified.

Based on the detailed discussion in this chapter, including responses to the country survey, the following have been identified as examples of good practice in the governance of tourism and, as such, important considerations in any policy response to improve the supporting framework for effective tourism governance:

- A clear definition of the roles of various levels of government in tourism as well as definition of the roles and functions of the various organisations involved in tourism policy. In some countries these roles are being specified in law.
- At a national level, there is a trend to the development of one peak industry association which may be a conjugate representative body comprised of organisations representing different sectors. At a sub-national level a variety of different organisations may be found in a particular destination, representing particular sectors or branches of national representative organisations.
- A tourism strategy is a commonly used tool for engaging and co-ordinating government, industry, destination communities and other stakeholders. A common problem with a tourism strategy is the need to provide sufficient funding for its implementation. Communication is an important element of successful implementation of a strategy.
- Tourism policy governance across multiple levels of government requires competent local actors. A variety of tools for capacity building at the national and sub-national level and include skills training provided by the national government and by international organisations such as the OECD but it is important to tailor training to deliver the skills required. Involvement and capacity building of tourism operators and local government may be enhanced by active “learn-by-doing” programmes.

- DMOs are an important component of effective governance at the subnational level. Their boundaries should reflect both economies of scale in marketing and organisation and be based on the travel patterns of travellers. DMOs also provide a sub-national focus for policy development and capacity building and a focus for communication with private sector stakeholders.
- In developing policy and responses to crises it is important for governments to include tourism representatives in decisions due to the horizontal characteristics of the tourism sector.
- It is therefore important to ensure that relevant data and analysis are available which in turn may require additional resources and competencies in tourism organisations. It is also important to ensure that policy decision-making is longer-term, transparent and that outcomes are evaluated.

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