

Position Paper

Submitted by:

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On

Senate Bill No. 922

(AN ACT AMENDING SECTIONS 443, 454, and 463 OF REPUBLIC ACT NO. 7160, OTHERWISE KNOWN AS THE "LOCAL GOVERNMENT CODE OF 1991")

Introduced by Senator "Lito" M. Lapid
Senate of the Republic of the Philippines

I. Introduction

On the request of the Honorable Senators Manuel M. Lapid, Chairman of the Senate Committee on Tourism, and Ferdinand R. Marcos Jr., Chairman of the Senate Committee Local Government, dated 24 March 2014, the undersigned, as Chief Operating Officer of the Tourism Infrastructure and Enterprise Zone Authority (TIEZA), submits this Position Paper on Senate Bill No. 922, entitled "AN ACT AMENDING SECTIONS 443, 454, and 463 OF REPUBLIC ACT NO. 7160, OTHERWISE KNOWN AS THE "LOCAL GOVERNMENT CODE OF 1991."

The TIEZA hereby manifests its support to all amendments proposed in Senate Bill No. 922 for the following reasons:

- a) Tourism has substantial impact on the national and local economy;

- b) Tourism contributes to the goals of poverty reduction, job generation, and inclusive growth in the local level;
- c) Tourism is an essential driver for sustainable local development; and
- d) A permanent position for tourism officer in LGUs where tourism is a strong industry shall enhance closer and better coordination between NGAs and LGUs.

Studies have shown that developing countries like the Philippines are now tourism's major areas. Tourism has become a key foreign exchange earner for 83 percent of developing countries and the leading export earner for one-third of the world's poorest countries. For the world's forty poorest countries, tourism is the second-most important sources of foreign exchange after oil.¹

For one-third of developing countries, tourism is already the main income source. Tourism is also the main source of foreign exchange in 46 of the 49 LCDs. In more than 50 of the world's poorest countries, tourism ranks either first, second or third largest of their economic sectors. Tourism is the only service industry to show a positive balance of trade, with flows from first world countries to developing the leading export earner for one-third of the world's poorest countries. For the world's forty poorest countries, tourism is the second-most important sources of foreign exchange after oil.²

II. Bases of TIEZA's Support for the Proposed Amendments

a. *Tourism's Impact on the Philippine Economy*

Previously excluded from the loop of the global tourism industry, developing countries like the Philippines are now tourism's major growth areas. Tourism has

¹ Arcenas, F. (2012), "Development of a New Strategic Management Framework for the Tourism Infrastructure and Enterprise Zone Authority (TIEZA)," p.7, University of the Philippines-Los Banos

² Arcenas, F. (2012), "Development of a New Strategic Management Framework for the Tourism Infrastructure and Enterprise Zone Authority (TIEZA)," p.7, University of the Philippines-Los Banos

become a key foreign exchange earner for 83 percent of developing countries and the leading export earner for one-third of the world's poorest countries. For the world's forty poorest countries, tourism is the second-most important sources of foreign exchange after oil.³

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Travel and tourism is currently the fourth largest of Philippine foreign exchange, next to Overseas Filipino Workers (OFWs), Business Process Outsourcing (BPO), and electronics. From 2000 to 2009, the average annual spending of US\$2.2billion by international visitors contributed 43.5% and 4.8% to the service export and total export revenues of the Philippines respectively.⁵

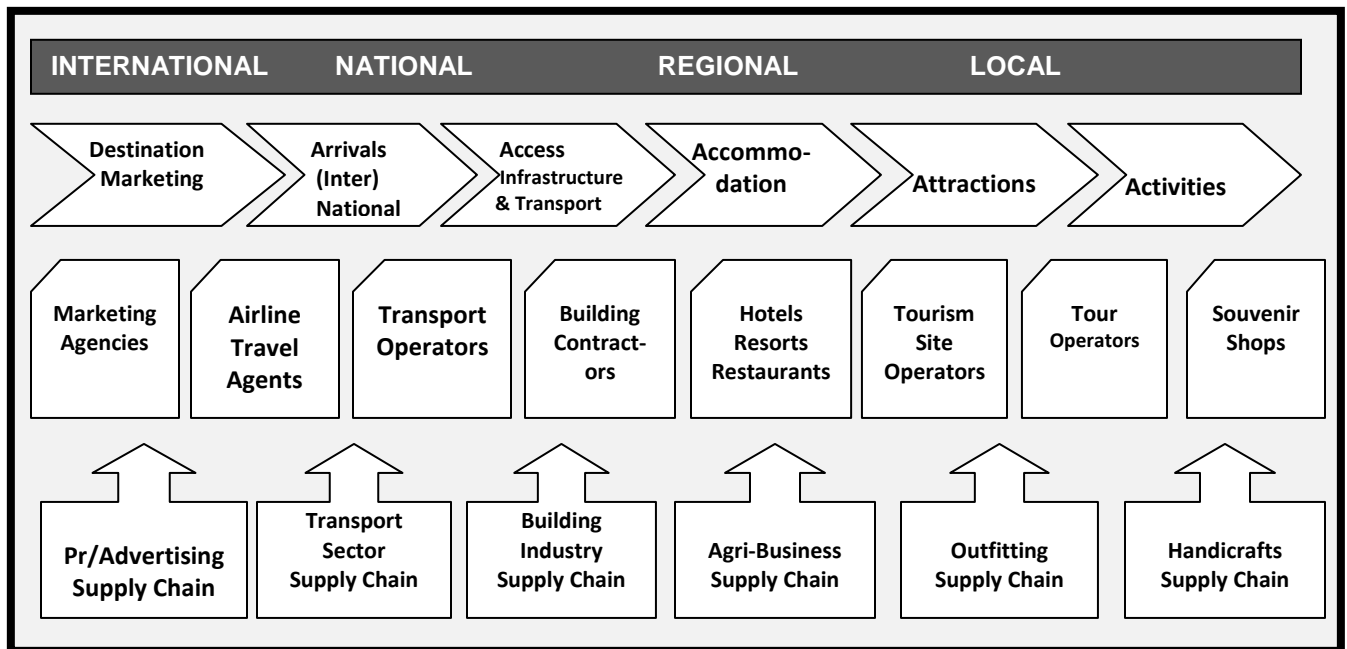
Tourism creates networks of different operations, from hotels and restaurants to adventure sports providers and food suppliers. This enables tourist centers to form complex and varied supply chains of goods and services, supporting a versatile labor market with a variety of jobs for tour guides, translators, cooks, cleaners, drivers, hotel managers, and other service sector workers. Many tourism jobs are flexible or seasonal and can be taken on in parallel with existing occupations, such as farming. The *Global Tourism Value Chain (Figure 1)* depicts how tourism encompasses a wide range of economic activities.

Figure 1. Global Tourism Value Chain

³ Arcenas, F. (2012), "Development of a New Strategic Management Framework for the Tourism Infrastructure and Enterprise Zone Authority (TIEZA)," p.7, University of the Philippines-Los Banos

⁴ UNWTO (2004), "Tourism and Poverty Alleviation – Recommendations for Action"

⁵ Arangkada Philippines, (2012)



Source: Modification Sheet No. 3: *Tourism and Poverty Reduction-Making the Links*, Pro-Poor Tourism Partnership

b. Tourism as Strategy for Poverty Reduction and Job Creation

In its 2012 report on the Philippine tourism industry, *Arangkada Philippines* observed that:

“Tourism development can have strong poverty reduction effects in remote and rural areas. It has been calculated that for every foreign tourist that visits the country and spends about a thousand dollars, one job for one year is supported. Each US\$1 spent by a tourist to pay for accommodation services gets multiplied 2.1 times. Thus, a dollar spent by a tourist on accommodations generates a total of US\$ 2.1 for the Philippine economy. The range of direct and indirect income effects of tourism is enormous, involving agriculture, industry, and services. Tourism is also a pull factor to medical travel, long stay, and retirement markets. Tourism (specifically medical travel) serves as an entry point for potential retirees, who need to visit and positively experience the Philippines first before deciding to come back on a long stay or permanent basis.”

Tourism has several advantages over other industries. It is consumed at the point of production so that it directly benefits the communities that provide the goods. Highly labor intensive, tourism provides employment for people with a wide range of skills, as well as the unskilled. Tourism enables communities that are poor in material wealth but rich in culture, history, and heritage to use their unique characteristics as an income-generating comparative advantage.⁶

The World Economic Forum (WEF) recently reported a competitiveness study on tourism and travel (T&T). According to that study, the tourism industry creates most new jobs in developing countries, and has much potential to provide competitive advantage for them.

Tourism can generate four different types of local cash income generally involving four distinct categories of people: (1) Wages from formal employment,; (2) Earnings from selling goods, services or casual labor (e.g. food, crafts, building materials, guide services); (3) Dividends and profits arising from locally owned enterprises, and (4) Collective income. This includes profits from a community-run enterprise, dividends from a private sector partnership and land rental paid by an investor.⁷

The Millennium Development Goals (MDG) agenda and the role of tourism in poverty alleviation converge with the concept of pro-poor tourism.

The United Nations ESCAP, Transport and Tourism Division, Transport Policy and Tourism Section .has come up with general view on how tourism contributes to achieving the MDG (Figure 2).

Figure 2. MDG Goals and Contribution of Tourism

MDG Goals	Contribution of Tourism
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⁶ Honey, M & Gilpin, R (2009), *“Tourism in the Developing World: Promoting Peace and Reducing Poverty,”* United States Institute for Peace, Washington.

⁷ Arcenas, F. (2012), *“Development of a New Strategic Management Framework for the Tourism Infrastructure and Enterprise Zone Authority (TIEZA),”* p.3, University of the Philippines-Los Banos

<p>1. Eradicate extreme poverty and hunger</p>	<p>a) Tourism stimulates economic growth both at the national and local levels and promotes the growth of the agricultural, industrial and service sectors;</p> <p>(b) Tourism provides a wide range of employment opportunities easily accessible by the poor. Tourism businesses and tourists purchase goods and services directly from the poor or enterprises employing the poor. This creates opportunities for micro, small and medium-sized enterprises in which the poor can participate;</p> <p>(c) International and domestic tourism spreads development to poor regions and remote rural areas of a country that may not have benefited from other types of economic development;</p> <p>(d) The development of tourism infrastructure can benefit the livelihood of the poor through improvement in tourism-linked service sectors, including transport and communications, water supply, energy, and health services</p>
<p>2. Achieve universal primary education</p>	<p>(a) The construction of roads and tracks to remote areas for tourists also improves access for school-age children and for teachers;</p> <p>(b) Tourism can help local resource mobilization, part of which can be spent on improvement of education facilities</p>
<p>3. Promote gender equality and empower women</p>	<p>(a) The tourism industry employs a high proportion of women and creates microenterprise opportunities for them. It promotes women's mobility and provides opportunities for social networking.</p>
<p>4. Reduce child mortality</p> <p>5. Improve maternal health</p> <p>6. Combat HIV, AIDS, malaria and other diseases</p>	<p>a) The construction of roads and tracks to remote areas for tourists also improves access to health services;</p> <p>(b) Revenues accruing to national and local governments through taxes on the tourism industry can be used to improve health services and nutrition for young children and their mothers;</p> <p>(c) Tourism raises awareness about HIV/AIDS issues and supports HIV/AIDS-prevention campaigns;</p> <p>(d) Tourism aggravates the spread of HIV/AIDS (negative effect).</p>
<p>7. Ensure environmental sustainability</p>	<p>a) Tourism can generate financial resources for conservation of the natural environment;</p> <p>(b) Tourism raises awareness about environmental conservation and promotes waste management, recycling and biodiversity conservation;</p> <p>(c) Uncontrolled tourism may generate negative externalities as a result of pollution, congestion and depletion of natural</p>

	resources (negative effect).;
8. Develop a global partnership for development	<p>a) Tourism contributes to the socio-economic development of least developed countries, landlocked countries and island developing countries through foreign exchange earnings and the creation of job opportunities;</p> <p>(b) Tourism stimulates the development of the transport infrastructure, which facilitates access to and from the least developed countries, landlocked countries and island developing countries;</p> <p>(c) Tourism stimulates internal and external trade and strengthens supply chains;</p> <p>(d) Tourism promotes the integration of isolated economies with regional and global flows of trade and investment;</p> <p>(e) Tourism reduces the burden on government budgets through implementation of public-private initiatives;</p> <p>(f) Tourism creates decent and productive work for youth;</p> <p>(g) Tourism provides opportunities for bilateral, multilateral and sub-regional cooperation among countries;</p> <p>(h) Information technologies play an important role in integrating tourism enterprises into global tourism markets.</p>

c. Tourism as Strategy for Local Development

Owing to its potential for growth and being a product that can only be consumed *in loco*, tourism takes on an important role as a strategy for local development. According to the World Tourism Organization (WTO), tourism favors local development because it generates jobs, increases the income of workers and stimulates capital investments through new business opportunities which result in the establishment of new organizations, including SMEs, among other advantages.

Tourism development can change poor people’s access to assets and to related livelihood options. It can generate funds for investment in health, education and other assets, provide infrastructure, stimulate development of social capital,

strengthen sustainable management of natural resources, and create a demand for improved assets, especially education.

Tourism provides an interface for cultural exchange, facilitating the interaction between communities and visitors (domestic and international). Outside contact draws attention to the host community. People want to interact with other cultures, learn about traditions, and even confront themselves with new perspectives on life and society. Tourism is largely an experience driven industry, and local culture is a unique experience. The more one knows and learns about a destination, the more fulfilling the experience will be. Tourism can be used as a tool for raising awareness. Branding of local product and achievements creates regional identity both nationally and internationally. Tourism can also raise awareness of local social and cultural issues and needs.

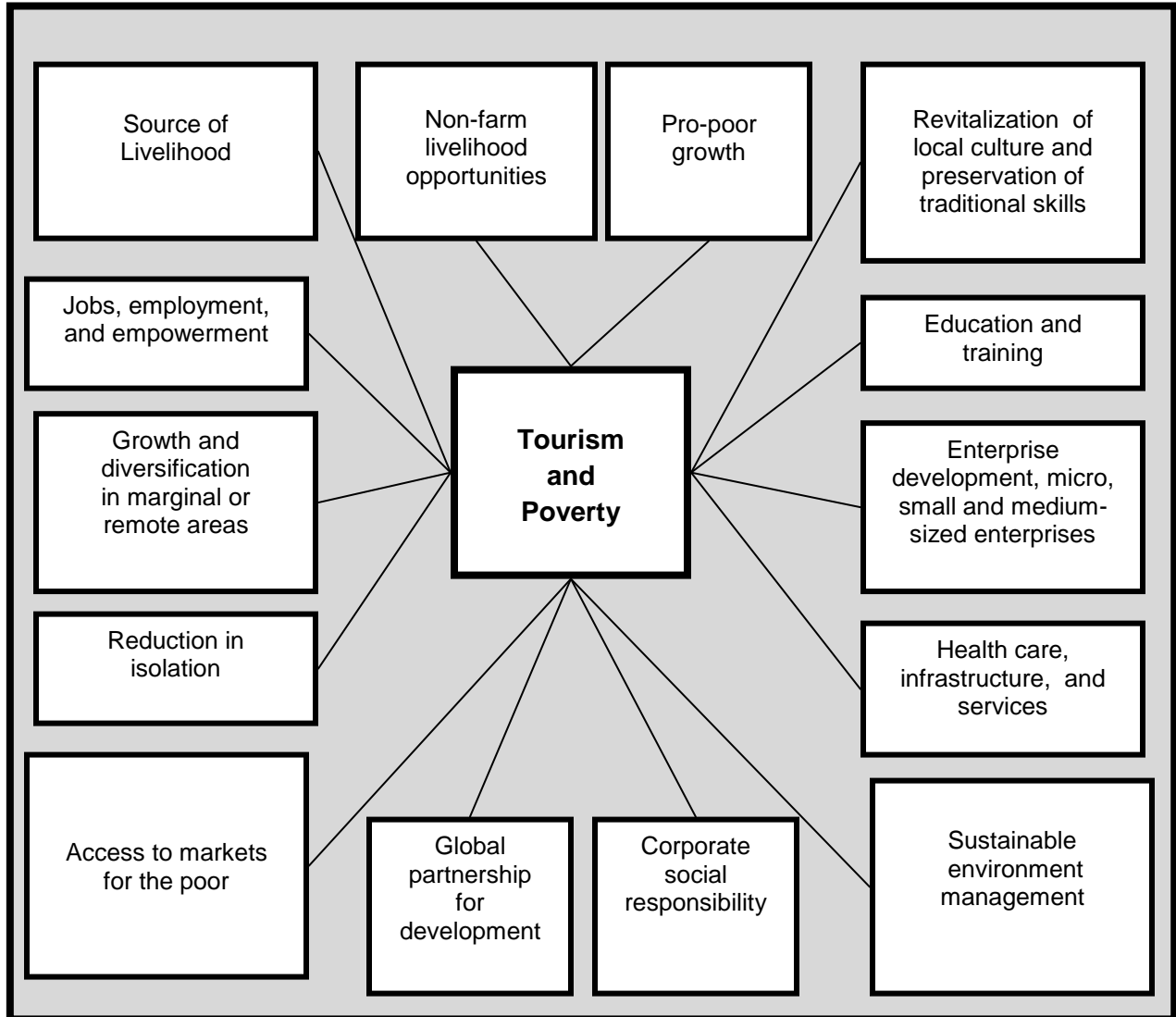
The International Labor Organization (2005)⁸ described tourism as an industry that:

- upgrades local skills;
- creates decent local jobs;
- uses local construction;
- embraces the local culture;
- improves local infrastructure;
- helps sustain the local environment;
- sources locally as much as possible;
- promotes inclusive growth over the long term;
- provides a unique experience for tourists;
- promotes itself as a top economic priority;
- creates partnerships to improve livelihoods.

⁸ ILO,(2005), *The impact of the ILO's engagement with the Poverty Reduction Strategy Papers (PRSPs)*, Governing Body Document , Geneva

The *Linkages Between Tourism and Poverty* (Figure 3) depicts the socioeconomic impact of tourism.

Figure 3. *Linkages Between Tourism and Poverty*



Source: Pro-poor Tourism Partnership, 2004

III. *Tourism and Local Governance*

The national government, through the Department of Tourism, has drawn up a tourism master plan – referred to as the National Tourism Development Plan (NTDP). While the DOT together with its attached agencies, in coordination with other national government agencies, take the lead in the implementation of the NTDP, LGUs have the

responsibility to ensure that their respective local developments plans are in sync with the national blueprint. This will facilitate the bridging of gaps in implementation, encourage pooling of resources, and ensure the sustainability of tourism plans and programs at the local level.

For tourism to succeed, its three main constituencies (host communities, host governments, and stakeholders) must closely work together to ensure that tourism products and services are highly competitive and are at par with international standards. Public policies that promote rather than restrict local and foreign investments must go hand in hand with the adoption of innovative practices, and new techniques. Since tourism covers a wide range of activities, comprehensive and sustainable plans must be set in motion to ensure that even as the volume of tourists increases, the protection of the natural and other resources of the host communities are adequately protected and preserved.

The LGUs must look at tourism not merely as an ad hoc concern, but as a sustainable driver of socio-economic growth. This calls for short, medium, and long term strategies which require human and financial resources, and support in terms of public policy issuances.

The International Council on Local Environmental Initiatives in a study entitled, *Sustainable Tourism: A Local Authority Perspective*,⁹ observed that “tourism is one of the many external forces influencing the direction and options for local development.” The question of whether tourism can be sustainable – whether it can contribute to local sustainable development must be adequately addressed.

Javier and Elazique (2011) in a paper entitled *Opportunities and Challenges in Tourism Development Roles of Local Government Units in the Philippines*¹⁰ observed that:

⁹ Commission on Sustainable Development, 7th Session (1999), Background Paper No. 3, New York

¹⁰ Javier, A. And Elazique, B (2011), “*Opportunities and Challenges in Tourism Development Roles of Local Government Units in the Philippines*,” Paper presented to the 3rd Annual Conference of the Academic Network of Development Studies in Asia (ANDA). Skills Development for New Dynamism in Asian Developing Countries under Globalization. March 5-7, 2011 Symposium Hall, Nagoya University Japan. Japan Society for the Promotion of Science (JSPS) and Nagoya University.

“In view of the socio-economic benefits that could accrue to communities, it is imperative that communities capitalise on opportunities from tourism. One of the major authorities which provide the key roles to this success is that of local government units (LGUs). LGUs could provide the ideal, authority, infrastructure, policy and planning procedures to maximise the benefit for its communities. LGUs play a major role in a community’s development, provide the links between the people and government, address its community’s problems and concerns, enforce policies and hold influence over its communities. The LGUs are also intermediaries in channelling the framework of government into each individual community in order to create a beneficial outcome.”

IV. *Conclusion: Creation of a Permanent Position for Tourism Officer*

Section 17 of the Local Government Code of 1991 cites the LGU’s responsibility in basic services and facilities, including tourism development and promotion programs, tourism facilities and other tourist attractions.

However, as cited in the Explanatory Note of SBN 922, “one of the concerns raised by local government units where tourism is a significant industry is the lack of a permanent position for a tourism officer.” While RA 9593 mandates “that a permanent position for tourism officers be created in local government units where tourism is a significant industry,” no such provision exists in the in the Local Government Code of 1991.

The bill under consideration bridges the gap between the two laws. By creating a permanent position for a tourism officer in LGUs where tourism is a significant industry, the bill will enable LGUs to institutionalize major programs and projects, and engage competent personnel to implement them. Better and closer coordination between LGUs and national government agencies, particularly the Department of Tourism and its attached agencies shall ensure the sustainability of the local tourism industry as an “engine of socio-economic growth.”

From these premises, we conclude that the creation of a permanent position in LGUs as envisioned in SBN 922 is essential to the sustainable growth of tourism at the local level.

Therefore, we respectfully affirm our support for all amendments proposed in the Bill.

MARK T. LAPID
Chief Operating Officer
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