Supporting Small Businesses in Tourism Sector: Learnings from COVID-19 experience
Supporting Small Businesses in Tourism Sector: Learnings from COVID-19 experience

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Pakistan’s tourism sector operates in a constantly adapting and challenging environment that was severely affected by COVID-19. Micro, Small and Medium Enterprises (MSMEs) form a major portion of businesses that are operating in this sector. After the outbreak of COVID-19, tourism is at a complete standstill. Surviving the pandemic and ‘building back better’ is now a challenge for these MSMEs.

The study attempts to document the various challenges confronting MSMEs amid and post COVID-19. It will then explain if the government’s relief efforts through its fiscal and monetary policy remained effective during the first and second wave of the pandemic. Finally, it discusses what more needs to be done to help revive the tourism sector. Our policy recommendations will also offer how increased regional integration efforts across Central and South Asia can boost growth prospects in tourism at national and regional levels.

Holding a series of public-private dialogues with the representatives of MSMEs, the government departments and agencies concerned at federal and provincial levels, the study stresses the need for setting up integrated tourism zones and bringing in more investment for smaller firms in this sector, which could be incentivized through a new sector-specific investment policy aimed at the revival of tourist footfall.

Keywords: Tourism, MSMEs, regional integration, COVID-19
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1. Introduction

The COVID-19 pandemic has had unprecedented impact on almost every field of life. One of the hardest hit sectors worldwide is tourism and travel alongside its various sub-sectors, including hospitality space. By April 2020, at least 96 per cent of the world destinations had imposed travel restrictions bringing tourism to almost a complete halt (United Nations World Tourism Organization 2020). Owing to these travel restrictions, Pakistan's hotel industry has reported colossal losses with bookings dropping to 40 per cent (Tourism Recovery Action Committee 2020).

In Pakistan, the pandemic also ruined the tourism industry that has a vast potential that is largely untapped. Mostly it is domestic with a market of approximately 50 million tourists. In 2019, it contributed between 5.9% to the GDP and grew by 4.7% the same year (World Travel and Tourism Council 2019). Khyber Pakhtunkhwa (KP) alone hosted five million tourists in 2018. However, in 2020, COVID-19 caused Rs 10 billion losses to tourism industry in KP as the tourism-related businesses remain closed (Nazir 2021).

Now, when tourism has become the mainstay for much of northern Pakistan and Micro, Small and Medium Enterprises (MSMEs) operating in tourism and travel sector have already been significantly affected, the impact of COVID-19 remains to be evaluated. Initial reports suggest that KP’s tourism alone will face a revenue loss of $20 million (Afzal 2020). Pakistan may experience $3.64 billion loss to GDP with almost 880,000 jobs at risk due to the COVID impact on tourism and travel (World Bank 2020).

The study aims to answer the following research questions.

• What are the evolving challenges faced by tourism sector and what sort of support will be required if the incidence of pandemic gets prolonged?
• How MSMEs and related stakeholders in tourism sector can be better equipped to deal with future disasters?
• What role the government, non-government and development organizations can play in support of this sector with a focus on how provincial governments, their policies, budgets and tactical measures could help in this regard.

2. Methodology

This study is a mix of desk review and the information collected through Focus Group Discussions (FGDs), Key Informant Interviews (KII), in-depth consultations with private sector players and regulators and members of the National Task Force on Tourism. A detailed literature review has also been done, which includes findings from the studies conducted by Khalique et al. (2020), Manzoor et al. (2019) and many others.

Our consultations involved a public-private dialogue in June 2020 that discussed the challenges and possible remedial measures to prepare a ‘build back better’ plan. A dialogue was organized by SDPI during 23rd annual Sustainable Development Conference in December 2020 that deliberated upon Pakistan's positioning itself in a manner that recovery in this sector is fast and inclusive. These two FGDs benefitted from the participation of government officials, media, academia, think tanks, development sector and some key private firms. It was ensured that participation was gender balanced and the excluded or remote areas of Pakistan were also given representation. Furthermore, this study also involved an actual team visit to districts of Upper Dir, Lower Dir, and Swat to take first-hand stock of the challenges faced by the tourism sector.

Apart from other queries, FGDs and KII's revolved around the following key issues.

• Whether the evolving challenges faced by the tourism sector and support required if incidence of the pandemic gets prolonged or there is a delay in medical solutions.
• How MSMEs and other stakeholders in the tourism sector can be better equipped to deal with future disasters in a resilient manner. How to manage the operational issues in the tourism sector and development of new tourism assets.
• What is the combined role of government, non-government and development partners to support this sector
A focus on the roles and responsibilities of provincial governments and how their policies, budgets and tactical measures could help.

3. Literature Review

After the 18th Amendment, tourism has become a provincial subject whereas issues like narrative building and maintaining international standards can only be resolved by the federal government (Arshad et al. 2017).

Findings of earlier studies and their link to economic growth found that public interventions targeting both the demand and supply side of tourism in the case of Pakistan is directly correlated with infrastructure development such as roads and tourism resorts (Khalil et al. 2007). Another study that discusses the “tourism-led growth hypothesis” also found that a long-run relationship exists when economic growth is the dependent variable, however, this study also found that in the years 2006, 2007 and 2008 tourism income failed to contribute to economic growth due to natural disasters such as earthquakes and war on terror in the Northern Areas of Pakistan (Adnan et al. 2013).

Khalique et al. (2020) emphasized upon the components of intellectual capital on the organizational performance of SMEs operating in the tourism sector. They are of the view that the failure rate of SMEs is relatively high in Pakistan as compared to other developing countries due to the lack of intellectual capital management and that the customer capital was found to be the most important component of intellectual capital in their model.

A recent study has analyzed the long-term positive impact of tourism on economic growth and employment in Pakistan through various techniques such as Bivariate regression and Johansen cointegration. It finds a positive connection between annual tourism growth, employment and economic growth and proved that tourism growth has a pivotal role to play in Pakistan’s economic development (Manzoor 2019).

Rasheed et al. (2019) explores the impact of tourism on deficit in balance of payments of Pakistan. Using the Autoregressive Distributed Lag (ARDL), they find that there is a significant negative long-run relationship between real balance of payments and tourism receipts. Consequently, a deficit in the real balance of trade, real fiscal balance, and real effective exchange rate also has a direct relationship with the real balance of payments in the long run. Hence, as tourism growth results directly in a decrease in deficit of the balance of payments, the government needs to prioritize growth in tourism sector.

A few recent studies evaluate the link between tourism, CO2 emissions and economic growth in Pakistan. According to Liu et al. (2019), tourist receipts and environmental quality are not directly correlated, but growth and energy consumption are actually the main determinants of CO2 emissions in Pakistan. Kumail et al. (2020) find that as technological innovation to reduce CO2 emissions is relatively new in Pakistan, gains in the tourism industry are at the cost of environment. This is particularly true in terms of tourism’s major allied sector, i.e. transport, which is the highest emitter of CO2. Thus, it is necessary to invest in technological innovation and renewable energy sources to address this problem especially in the backdrop of Sustainable Development Goals (SDGs).

Furthermore, the China-Pakistan Economic Corridor (CPEC), a mega project worth more than USD $54 billion, may help promote regional integration and tourism promotion at an unprecedented level. Ali et al. (2017) claims that CPEC can aid massively in tapping the gigantic Chinese tourism market, as in 2016 there was a 36 per cent increase in Chinese tourism visa applications. However, marketing and branding need to be focused to take full advantage of the new avenues the CPEC is expected to provide.

Arif et al. (2019) argues that majority of the studies on tourism in Pakistan are based on secondary research and do not provide proper comprehensive solutions to address the issues and rather stick to only the broader concepts of infrastructure development. This is important in the sense that policy circles need to debate on it before revamping (strengthened role of Public-Private Partnerships).
tourist destinations and launching tourism promotion campaigns.

4. Situation Analysis

KP province, as our locale of the study, has sites of historical and religious significance that encompass 2,000 years of history. There are 6000 sites of Gandhara Heritage along with other natural and geographical endowments such as the Hindukush and Himalayan mountains that contain lush green forests, glacial lakes and rare wildlife (Rehman 2019).

Pakistan is also meeting success in religious tourism, which is largely unexplored. The country is full of landmarks of various religions, including Islam (especially its sufi version), Hinduism, Sikhism and Jainism (Vankwani 2020). One of the most prominent and recent developments by the incumbent government regarding religious tourism is the reopening of Kartarpur Corridor that allows Sikhs from India to cross the border without visa to perform their religious rituals at the place of Guru Nanak. As Sikhs are not only limited to India, liberal visa arrangements for members of the Sikh community and restoration of over 20 Gurdwaras have been welcomed by Sikhs from all over the world. Former Punjab governor Chaudhry Muhammad Sarwar says that religious tourism has around $5 billion potential per annum to contribute to the country’s economy (Ahmed 2019).

a. Contribution of MSMEs in tourism sector

According to the World Travel and Tourism Council (2020), the contribution of travel and tourism sector to Pakistan’s GDP is approximately 5.9%; while this sector grew by 4.7% in 2019, the real economic GDP growth stood at 3.3%. Furthermore, tourism also contributed to around 6.2% to total employment. In addition, international visitors spent almost USD $852.2 million, which is almost 3.1% of the total exports (Table 1).

Table 1: Key Highlights

<table>
<thead>
<tr>
<th>Source: World Travel and Tourism Council</th>
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<tbody>
<tr>
<td><strong>Global Data 2019</strong></td>
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<tr>
<td>Tourism’s contribution to total GDP Contribution</td>
</tr>
<tr>
<td>Jobs Globally (1 in 10 Jobs)</td>
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<td>Global Economy Growth</td>
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<tr>
<td>Global Travel and Tourism Growth</td>
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<td><strong>Pakistan Key Data 2019</strong></td>
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<tr>
<td>Contribution of Travel &amp; Tourism (T&amp;T) to GDP</td>
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<tr>
<td>Contribution of Travel &amp; Tourism to employment</td>
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<tr>
<td>International Visitor Impact (6.2% of total employment)</td>
</tr>
<tr>
<td>Inbound Arrivals (United Kingdom 30%)</td>
</tr>
<tr>
<td>United States 16%</td>
</tr>
<tr>
<td>India 8%</td>
</tr>
<tr>
<td>China 8%</td>
</tr>
<tr>
<td>Canada 5%</td>
</tr>
<tr>
<td>Rest of World 33%</td>
</tr>
<tr>
<td><strong>Sector Characteristics (2019)</strong></td>
</tr>
<tr>
<td>1. Leisure Spending 87%</td>
</tr>
<tr>
<td>2. Business Spending 13%</td>
</tr>
</tbody>
</table>

3 1 in 4 new net jobs were created by tourism and travel sector over the last five years
4 As percentage of total tourism spending
As formal data on tourism is scarce, so this directly affects the strategy formulation capabilities of the country. Hence, we mainly rely upon international agencies to get a glimpse of our tourism sector. Pakistan is currently ranked 121 out of 140 benchmarked countries and remains the least competitive country in South Asia in terms of tourism and travel (World Economic Forum 2019). Moreover, it is also evident that Pakistan lacks many key sub-indicators except for price competitiveness due to the high depreciation of rupee.

Some key factors that have adversely affected Pakistan's competitiveness include: Enabling Environment (119th out of 141 countries), Travel and Tourism Policy Enabling Conditions (122nd), Safety and Security (134th), Human Resources and Labour Market (135th), ICT Readiness (123rd), Prioritization of Travel and Tourism (119th), International Openness (122nd), Environmental Sustainability (129th), Tourist Service Infrastructure (112th) and Natural Resources (110th).

Table 2 below outlines a comparison of indicators between 2019 and 2015.

<table>
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<tbody>
<tr>
<td>Overall Rank</td>
<td>121</td>
<td>125</td>
</tr>
<tr>
<td>Enabling Environment</td>
<td>119</td>
<td>130</td>
</tr>
<tr>
<td>Travel &amp; Tourism Policy and Enabling Conditions</td>
<td>122</td>
<td>123</td>
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<tr>
<td>Infrastructure</td>
<td>99</td>
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<td>Natural and Cultural Resources</td>
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<td>Business Environment</td>
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<tr>
<td>Safety and Security</td>
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<tr>
<td>Health and Hygiene</td>
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<td>102</td>
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<tr>
<td>Human Resources and Labour Market</td>
<td>135</td>
<td>138</td>
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<tr>
<td>ICT Readiness</td>
<td>123</td>
<td>121</td>
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<tr>
<td>Prioritization of Travel &amp; Tourism</td>
<td>119</td>
<td>120</td>
</tr>
<tr>
<td>International Openness</td>
<td>122</td>
<td>114</td>
</tr>
<tr>
<td>Price Competitiveness</td>
<td>37</td>
<td>9</td>
</tr>
<tr>
<td>Environmental Sustainability</td>
<td>129</td>
<td>141</td>
</tr>
<tr>
<td>Air Transport Infrastructure</td>
<td>96</td>
<td>105</td>
</tr>
<tr>
<td>Ground and Port Infrastructure</td>
<td>73</td>
<td>78</td>
</tr>
<tr>
<td>Tourist Service Infrastructure</td>
<td>112</td>
<td>125</td>
</tr>
<tr>
<td>Natural Resources</td>
<td>110</td>
<td>112</td>
</tr>
<tr>
<td>Cultural Resources and Business Travel</td>
<td>56</td>
<td>60</td>
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</table>

As observed from the data given above, there has been a little improvement in the above indicators over the course of five years besides deteriorations in some cases, e.g. business environment. Pakistan's tourism sector, particularly after the 18th Amendment, faced severe challenges. Unless the issue of poor governance in tourism sector is resolved either centrally or by a statutory body that comprises all the public and private stakeholders, it will be difficult to fully utilize this high potential sector as an engine of economic growth and employment generation (Pakistan Tourism Forum 2017).

**b. Tourism sector development**

The section below briefly discusses tourism, travel, hospitality and transport related projects in the provinces.

**Punjab**

The Punjab government, in collaboration with the World Bank, has inaugurated the first phase of “Punjab Tourism for Economic Growth Project” worth PKR 830 million to develop new tourist sites across the province (Punjab kickstarts tourism 2020). This includes infrastructure development and adaptive reuse of official rest houses for
tourism purposes. The Punjab government has also launched its “Tourism Punjab App” that contains complete information on Punjab’s 511 tourist destinations (Punjab CM 2020).

Khyber Pakhtunkhwa (KP)

The United Nations Development Program (UNDP) is assisting KP’s Tourism Department in establishing villages for camping in the province (Hashmi 2021). The KP government has approved PKR 5 billion for the construction of a 113-kilometer-long road between Kalam and Kumrat valleys to further promote these already attractive tourist destinations (Balochistan govt’s ecotourism 2021). Furthermore, the KP government in collaboration with the World Bank has also announced the opening of eight new eco-friendly tourist zones across the province to lessen the burden on existing tourist destinations and promote sustainable tourism (A first in Pakistan 2020).

Sindh

The Sindh government is all set to establish four new museums in Hyderabad, Sukkur, Khairpur and Umerkot in the fiscal 2021-22 to showcase its local history (Abro 2020). There are also plans to develop 200 small islands that are located off the 110-kilometer-long coastal strip of Thatta (Samar 2020). The proposal is yet to be presented to the Sindh cabinet for approval. Furthermore, a feasibility study is being planned to develop 10 potential tourist resorts by the Tourism and Culture Department at a variety of sites throughout Sindh (Siddiqui 2020).

Balochistan

The Balochistan government has planned to develop seven projects to promote and utilize its numerous historical, religious and aesthetic destinations particularly along its 750-kilometer-long coastal belt (Shahid 2021). Model beach parks are to be established at Gadani, Kund, Malir,Ormara, Pasni and Gwadar at a cost of PKR 200 million (Ali 2021). As of now construction work on most of these projects is in the final stages and the Balochistan Coastal Development Authority has posted 215 lifeguards along this coastal belt to facilitate and protect tourists (Balochistan govt’s ecotourism 2022) (Daily Times 2022).

Azad Jammu and Kashmir (AJK)

Tourism in AJK remained largely untapped due to the lack of basic infrastructure (Akhtar 2020). To overcome this, a 190-kilometer-long tourism corridor has been proposed to connect tourism sites through four districts, namely Muzaffarabad, Mirpur, Bagh, and Rawalakot. The project will be developed under public-private partnership at an estimated cost of PKR 22 billion. The Government of Pakistan has already provided PKR 8 billion to kickstart the project.

Gilgit-Baltistan

The incumbent Prime Minister and Government of Gilgit-Baltistan have discussed the possibility of a mega-project to convert Gilgit-Baltistan into an international standard tourist destination (PM, GB CM discuss mega project 2021). This includes the reorganization of all urban and rural areas along with the provision of basic facilities for tourists with a comprehensive strategy. Moreover, the President of Pakistan has said that efforts are under way to convert Gilgit Airport into an international airport along with improved road and telecommunication infrastructure in the area (Radio Pakistan 2021).

c. Skills and capacities of SMEs

The tourism sector or the hospitality industry in general has been a significant source of employment for the workforce. The top three leading trades in the hospitality sector are: waiter, chef, and cook (Shah & Kamal 2018). These trades account for a large portion of jobs in the hospitality industry that also consequently shows the lack
of gainful employment in the industry and that most of the trades in demand in this sector can be easily imparted by any Technical and Vocational Education and Training (TVET) institution. Turkish government to launch a skill development project in collaboration with National Vocational Technical Training Commission so as to increase the skilled manpower and employability of Pakistanis in tourism sector (Ghani 2019).

The private sector’s credit to GDP ratio is one of the lowest in the region at around 17 per cent with SMEs receiving only 6.4 per cent of private sector financing (APP 2021). It may be mentioned that SMEs constitute almost 90 per cent of all the enterprises in Pakistan and contribute to nearly 50 per cent of the annual GDP (World Bank n.d). The State Bank of Pakistan (SBP) is currently undergoing a restructuring process to facilitate SME financing. Moreover, the SBP should also facilitate SMEs through innovative financing schemes with low mark-up rates and low collateral requirements, which will be essential for the SMEs to recover in the post-pandemic era.

d. COVID-19 and tourism sector

As of 6th April 2020, 96 per cent tourist destinations introduced travel restrictions (United Nations World Tourism Organization 2020) bringing all tourism-related activities to a grinding halt. There was almost a 90 per cent reduction in expected foreign tourists in 2020 (Tourism Recovery Action Committee 2020). In February 2020, Pakistan's hotel industry reported losses of over PKR 100 million with bookings dropping from 95 per cent to 40 per cent in the period between January to March 2020. Similarly, Pakistan Association of Tour Operators also reported 100 per cent cancellation of bookings in the spring of 2020 incurring a revenue loss of approximately USD $10 million. Hence, putting 1.5 million jobs at risk in tourism and hospitality-related SMEs (Tourism Recovery Action Committee, 2020). The Table 3 show the dynamics of the tourism-related industries in Islamabad and Gilgit-Baltistan (GB) that account for the majority tourism activity. The number of licensed hotels from the Department of Tourist Services (DTS) and tour operators throughout this region is quite low compared to the tourism influx here. It may be noted that COVID-19 may also have had an impact on food and retail sales throughout the country.

Table 3: Tourism related industries

| Total tour operators and travel agencies | 864 |
| 5 star hotels (Islamabad and GB only) | 2 |
| 4 star hotels (Islamabad and GB only) | 2 |
| 3 star hotels (Islamabad and GB only) | 14 |
| 1 and 2 star hotels (Islamabad only) | 105 |
| 1 and 2 star hotels (GB only) | 26 |

Source: Department of Tourist Services (2021)

The transportation sector has also suffered, which contributes to 12.89% of Pakistan's GDP and absorbs approximately 5.7% of the national labour force. Pakistan's Civil Aviation Authority (CAA) has met losses up to PKR 19 billion during the lockdown when air travel was suspended. This accounts for approximately 17.4% of CAA's total revenue for the fiscal year 2018-19 (Civil Aviation Authority 2020). The International Air Transport Association (IATA) states that Pakistan faced a 52% decrease in passenger demand in 2020 as compared to 2019 with revenue losses of around USD $1.83 billion and affecting 259,400 jobs.

As the lockdowns were slowly softened, the government prepared Standard Operating Procedures (SOPs) for the tourism sector to follow. These included regular disinfection of surfaces so as to prevent the spread of coronavirus and restore confidence. However, this will add to the variable costs of the MSMEs that are already struggling to keep up with their expenses as the bulk of them comprises fixed costs. The government has pledged to provide support to SMEs through a 25 per cent discount in electricity bills till June 2021 and more refinance schemes for SMEs under subsidized rates (Siddiqui 2020). However, a package specific to tourism-related SMEs has not been announced.

4 Data retrieved from https://www.iata.org/en/pressroom/pr/2020-04-24-01/
The SMEs’ supply chain integration needs support to properly help them resume operations; this can be done through incentives to large enterprises and providing them with financing that is tied with SME engagement (Javed and Ayaz 2020). Pakistan Tourism Development Corporation (PTDC) needs to collaborate closely with the World Tourism Organization and implement the necessary health measures and SOPs in a way that minimizes impact on international travel and trade. Furthermore, provincial budgets need to come up with some tactical interventions that could help relieve some of the burden SMEs in the tourism sector are still facing (Khalid 2020).

Table 4: Shows some of the measures both fiscal and monetary the government has taken to aid SMEs in response to the crisis.

| Fiscal response | The federal government announced a fiscal stimulus worth PKR 1.2 trillion (2.9 per cent of GDP) on 24 March 2020 of which PKR 715 billion (1.7 per cent of GDP) was executed in FY 2020 while the unexecuted part of the package was carried forward to FY 2021. Key measures included:
|                | • Cash transfers to 6.2 million daily wage workers (PKR 75 billion)
|                | • Cash transfers to more than 12 million low-income families (PKR 150 billion)
|                | • Accelerated tax refunds to exporters (PKR 100 billion)
|                | • Support to SMEs and the agriculture sector (PKR 100 billion) in the form of power bill deferment, bank lending, subsidies, and tax incentives
|                | • Support for health and food supplies (PKR 15 billion)
|                | • Electricity bill payments relief (PKR 110 billion)
| Monetray response | The monetary policy response from State Bank of Pakistan (SBP) included a policy rate cut by a cumulative 625 basis points to 7.0 per cent since March 17.
|                | The SBP expanded their existing refinancing facilities and introduced three new ones that were extended beyond their original deadline of June 2020 to either September or December 2020. The most important of which was incentivizing businesses not to lay off staff during the crisis (2,958 firms, PKR 238 billion as of April 2021).
|                | Other temporary measures to sustain economic activity included:
|                | • Regulatory limit on extension of credit to SMEs increased by 44 per cent to PKR 180 million
|                | • Relaying the debt burden ratio for consumer loans from 50 per cent to 60 per cent
|                | • Banks allowed to defer client’s payment of principal amount on loan obligations by one year (PKR 659 billion)

Source: IMF Policy Tracker

5. Findings

a. Challenges highlighted by MSMEs amid COVID-19

Before the pandemic, the government had initiated an e-visa process to facilitate tourists, however, the process is cumbersome and is not open to all. Pakistan lacks a proper system for the registration and regulation of tourists. If tourist visas to Pakistan are rejected, concrete reasons should be provided. Besides, the applicants should be provided the facility of an e-desk for assistance in their documentation.

Local communities themselves do not want tourists back due to the fear of contracting the disease by themselves. There are other issues such as fear of travel, higher risks to employment in food and accommodation where more than 50 per cent are women worldwide. According to consensus between all the major airlines, the average recovery time for the tourist sector is expected to be 2-4 years.

b. Adequacy of support provided by public sector amid COVID-19

Two areas where the finances of enterprises were affected heavily included fixed costs and rents. The third area where enterprises might require external financing is when business resumes. The fourth area is cashflow

5 A discussion on the initial impacts of the pandemic on Pakistan’s economy and region may be seen in Raihan et al. (2020) and Ahmed et al. (2021).
requirements to pay off their accrued liabilities from the lockdown period. The government has undertaken three programmes to aid the tourism sector. First is the wage subsidy programme announced by the SBP; this is concessional financing for those enterprises that did not lay off their workers during this period. Second is the wage support programme for daily wagers and low-income employees. Third is the electricity credit where these enterprises continued to benefit from this credit over the period of six months.

Currently, foreign investors are interested in building hospitality sites at some tourist destinations in KP. Pakistan has done well in highlighting its natural endowments, however there are some fundamentals that can attract investment in the tourism sector. Pakistan's investment in tourism-related infrastructure is minimal as compared to its competitors. Pakistan can jump-start its tourism faster than other economies such as Malaysia as its middle class can start utilizing the existing services immediately. The newly-drafted National Tourism Strategy of Pakistan 2020-2030, which is yet to be approved, also includes integrated tourism zones, and incentives for investors. It will help attract investment in infrastructure development.

Tourism is more about narratives, so innovative ideas should be introduced. The business model should be changed to increase financial leverage not only on the demand side but also on the supply side. Finally, the domestic market needs to be designed in a manner that influencers and opinion makers visit it. It will boost the confidence of tourists on the domestic market.

c. What MSMEs are demanding from after pandemic recovery

A resilient tourism framework and response mechanism is needed to rebuild tourism competitiveness. For this purpose, three main factors are:

- Resilience (shocks, constraints whether financial or human resource related),
- Responsibility (communities, travelers, private sector), and
- Reliability (travelers, quality and longevity of facilities).

The framework with regard to response mechanism to rebuild tourism competitiveness in Pakistan has short to long-term actions. The immediate response was and is liquidity injection and cost reduction in the form of tax exemptions, waving off registration fees, etc. to help SMEs and the MSMEs sustain the immediate shock of the pandemic. Medium-term actions include following health SOPs; this is extremely important to protect not only the travelers but also the local communities. Finally, long-term responses comprise thinking innovatively about products that are dependent on digital technology, such as interactive gallery experiences, online curation and social media engagement. This can offer alternatives to restaurants and heritage sites in case there are any more smart or complete lockdowns for any reasons.

Long-term sustainability for Pakistan's tourism sector had been missing and is now being prioritized. It was informed that there might be some medical delays and the pandemic might be continuing till 2022 emphasizing on a long-term solution as opportunities for foreign travel are now limited leaving domestic tourism as their only option. Hence, the demand side needs to be educated as the abilities of local communities are limited to improving tourism, but educating the demand side is something that can be controlled.

As the risk of COVID-19 is less in wildlife areas as compared to urban centres, therefore, the adventure tourism will continue to gain attraction with foreign travelers. The industry should now focus more on maturing Pakistan's domestic market. A large number of overseas Pakistanis working abroad have also come back due to their loss of jobs, so they should be guided as to how they can bring their investment into tourism and hospitality sector.

Earlier, tourism development in the country was unplanned. Lack of regulations led to mushroom growth of tourist resorts and other issues. Tourism is one of the few sectors where local or provincial governments could not play any role to develop this sector. All three tiers of the government (federal, provincial, local) need to play their role to ensure an adequate development in this sector. Tourism in Pakistan is currently limited to summer season only.
whereas it has the potential to become a year-round tourist destination. For this, the government is now focusing on building museums, and reshaping archaeological and historical sites.

Moreover, religious tourism is also in the limelight as Pakistan hosts some of the holiest sites of Buddhist, Hindu and Sikh communities and the successful opening of the Kartarpur corridor substantiates this fact (Ahmed 2019). Similarly, the government is now planning to develop a Buddhist trail that goes across different provinces and stupas, which would not only attract tourists from the Central Asian region but also from North America and Europe. It is for the first time in the history of Pakistan that tourism has become a priority as reflected from such landmark decisions.

It was also highlighted that many people employed in MSMEs were unable to obtain health and life insurance in the first and second waves of COVID in Pakistan due to costly premiums. MSMEs that were successful in obtaining concessional financing for investments were faced with the dilemma that post-investment there was no provision of utility connections such as gas or electricity. Support provided during disaster times needs to be integrated. Furthermore, concessional financing has to be supplemented by complimentary policies to provide utility connections, infrastructure and regulatory easing.

Finally, representative from KP Board of Investment stated that digitalization is leading to promotion of tourism in KP. Innovative approach is needed where not only the tourists get benefit but also the government and the service providers. There are also certain geo-strategic activities taking place that provide Pakistan the opportunity to attract more tourists. Attracting the young segment towards adventure tourism and the elderly to religious tourism may help us recover quicker than expected. There is a lack of operational assets such as restrooms and availability of internet services, which are necessary to attract modern tourists. Pakistan’s strategic position in terms of CPEC and other changes happening in the region will significantly revive tourism growth in the country especially in KP. Pakistan needs to work on narrative building in a realistic way that what it has to offer and also focus on keeping promises particularly in terms of investment.

In the region, Pakistan has the largest youth population (i.e. 64 per cent fall below the age of 30) (Ahmad 2018); now it is imperative to use this youth dividend by promoting start-up culture in the tourism industry. This can be done through non-profit, civil society organizations (CSOs) and social enterprises that already have an infrastructure in Northern Areas (Khan et al. 2016). The youth can be provided with access to finance through seed grants to CSOs from the government to design and implement localized vocational training programmes. Moreover, with the help of development partners, this initiative can particularly help lift young women in the informal sector.

6. Policy Recommendations

Policy recommendations have been categorized and directed towards specific governmental departments for greater clarity.

• There is a need to make e-visa process hassle-free especially for visitors from the US and the UK. More private airlines should be allowed to fly directly to Skardu and Chitral with more competitive fares and opening up corridors for trade. Private airlines and chartered flights must offer attractive packages and other incentives such as tax exemption. Medical visa procedures especially for Afghan patients should be simplified. Religious tourism visa procedures for nationals from Asian countries, including India should also be simplified (and costs reduced).
• Information about the quality of services and costs should be disseminated online and through text/WhatsApp to attract more tourists.
• There is a need to bring together the community and private sector to take ownership of the local assets such as land and even national parks. At least, 60-70% revenues generated in this way must be left with the communities. Strong local governments can mobilize communities for supporting greater tourist footfall.
• PTDC should create a national tourism e-portal having related information that is essentially a one-window solution. This portal should also allow customers to give reviews about the services they have received from their particular service provider to accelerate improvement through feedback.

• With tourism essentially being a provincial subject, provincial tourism departments need to set up pilot tourist zones; these integrated zones can then gradually move towards other parts of the provinces. Hotels should be certified after an on-ground implementation of SOPs to restore travelers' confidence.

• To add value to Pakistan's services and to compete effectively, hospitality training centers should be immediately set up through public-private partnership and provide a 6-month course. Tourism sector vocational centers should be immediately set up in the Northern Areas to build human resources capacity allowing people to enjoy their vacations.

• The provincial governments in collaboration with other development partners need to train communities at grass roots level so that they might engage themselves in tourism to ensure proper implementation of SOPs and restore travelers' confidence. Development of digital infrastructure should be prioritized to ensure free and quick flow of information and reduction in information costs.

• Human development, specific to the tourism sector, should be focused as local communities have the actual power to protect their respective local areas. All the stakeholders on the service side need to be educated on how their services can be altered in a way so that they follow the best practices of responsible tourism.

• To revive religious, historical, and archaeological tourism in Pakistan, the provincial governments need to establish independent boards of directors for all types of museums with experts on board. The Buddhist trail, as discussed in the findings section, will help CAREC-wide integration and promote tourism both at national and regional level.

• The State Bank of Pakistan (SBP) needs to lower its policy rate to encourage microfinance for MSMEs and startups to remain liquid in the current and post-COVID scenario. Commercial banks need to be monitored by SBP to ensure that loans are provided without discrimination.

• Insurance of tourism assets will be extremely critical. For example, insurance of hotel bookings to protect tourists from a sudden fall in tourist bookings.

• Tax benefits on imports of tourism-related items, equipment and machinery need to be provided to make this sector competitive. Revenue raised from the tourism sector should be invested in improving the quality of tourism, and increasing its competitiveness. Tax exemptions such as zero advance tax should be provided. Finally, a reduced rate of VAT on goods and services closely associated with tourism needs to be applied till the tourism sector recovers.

• Provincial Boards of Investment need to devise a well-designed marketing and promotion strategy to attract tourists. Currently, the investment policy is not reviewed frequently enough and usually has a review gap of three or more years, which is not supportive to people seeking long-term investment. This needs to be done in quicker intervals creating a strong reform momentum and quick implementation of reforms to effectively promote foreign direct investment in this sector.

7. Conclusion

In the past, small firms in the tourism sector had been ignored when it came to targeted policy and regulatory support. During the pandemic, these firms were regarded as a major source of jobs for the local community.

This study emphasizes setting up integrated tourism zones and bring more investment, which needs to be incentivized through a new sector-specific investment policy. The business model for smaller firms needs improvement so that they can access credit during emergency times. Lack of proper regulations and their implementation in hilly areas has led to mushroom growth of tourist resorts. However, targeted tourism such as the young with adventure tourism and elderly with religious tourism may help recover economy quicker than expected.

This study makes it clear that even with unparalleled mountains, lush green valleys and unique historical and archaeological sites, weak branding and ineffective marketing among other reasons are primarily to blame for
Pakistan’s weak tourism sector.

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**Annexure 1**

The first online meeting held in June was attended by representatives from the public and private sector, donor agencies and academia.

<table>
<thead>
<tr>
<th>Name of FDGs participant</th>
<th>Department</th>
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<td>Kiran Afzal</td>
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<tr>
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<td>Pakistan Tourism Development Corporation (PTDC)</td>
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<tr>
<td>Hashim Raza</td>
<td>Small and Medium Enterprise Development Authority (SMEDA)</td>
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<td>Rashid Amaan</td>
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<tr>
<td>Hasan Daud Butt</td>
<td>Khyber Pakhtunkhwa Board of Investment (KP BOI)</td>
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<tr>
<td>Aftab ur Rehman Rana</td>
<td>Sustainable Tourism Foundation Pakistan (STFP)</td>
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<tr>
<td>Muhammad Arif Saleem</td>
<td>International Islamic University</td>
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<td>Urooj Aijaz</td>
<td>Bahria University</td>
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<td>Aneeqa Ali</td>
<td>Madhatters</td>
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<td>Vaqar Ahmed</td>
<td>Sustainable Development Policy Institute</td>
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**Annexure 2**

The second online meeting held in December at the SDPI’s annual Sustainable Development Conference was attended by representatives from the public and private sector, as well as development partners.

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<tr>
<td>Komail Naqvi</td>
<td>Find My Adventure</td>
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<tr>
<td>Naveed Khan</td>
<td>Hunza on Foot</td>
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<tr>
<td>Vaqar Ahmed</td>
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<tr>
<td>Mubeen Ali Khan</td>
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