Policy Review
Tourism revival strategy: gaps and policy actions

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1. Introduction
Tourism has been almost non-operational in Pakistan since the outbreak of COVID-19 pandemic. The country underwent a complete to smart lockdown after the closure of borders, suspension of air travel and other forms of transportation for foreign as well as local tourists. This has had implications on the tourism-related businesses, including a large group of Small and Medium Enterprises (SMEs) that earn their livelihoods through this sector.
Tourism contributes between 6-7 per cent of GDP in Pakistan (World Travel and Tourism Council [WTTC] 2020) and provides a little about two million jobs. In 2017, its contribution to GDP was 6.9 per cent. Khyber Pakhtunkhwa alone witnessed five million tourists in 2018 (Afzal 2020). However, this year tourism is likely to increase due to visits of foreign bloggers, influencers, the royal couple and consistent coverage and recommendation of Pakistan as an adventure destination (Abel 2020).
Now, when tourism has become the mainstay for much of northern Pakistan and SMEs operating in the tourism and transportation sectors have already been significantly affected, the impact of COVID-19 is yet to be evaluated. Initial reports suggest that in Khyber Pakhtunkhwa alone, the tourism sector will incur a revenue loss of $20 million (Afzal 2020).
This policy review aims to discuss the revival of tourism sector amidst COVID-19 and the preparation of Standard Operating Procedures (SOPs) to support the livelihoods of those associated with this sector.
Other areas that have been discussed in the study include: a) support required to tourism start-ups, b) public infrastructure interventions (through provincial budgets) necessary for this sector, and c) capacity gaps at various public sector and regulatory bodies dealing with tourism.

2. Methodology
The study is the outcome of a focus group discussion held at Sustainable Development Policy Institute (SDPI) in the backdrop of COVID-19 pandemic and its impact on tourism industry in the country. Participants included government officials, expert from private and development sector, academia, and others (see Annexure 1).

3. Discussion and Analysis
By April 6 this year, over 90 per cent of the destinations worldwide had imposed travel restrictions reducing the tourism sector in particular to a complete halt (World Trade Organization 2020). More or less same was the case in Pakistan. Bookings in Pakistan’s hotel industry dropped to 40 per cent from 95 per cent in the period between January and March 2020 with losses of over PKR 100 million reported in February 2020 (National Tourism Coordination Board [NTCB] 2020). Furthermore, Pakistan may have to undergo a loss of USD $3.64 billion to it’s GDP with almost 880,000 jobs at risk (World Bank 2020).
Pakistan’s tourism sector is mainly reliant on its domestic market of approximately 50 million tourists, however, recently scores of foreign visitors had begun to visit Pakistan (Shahzad 2020). According to the Pakistan Tourism Development Corporation (PTDC), 1.75 million tourists visited Pakistan in 2017 alone. Among them, 90 per cent travelled by road (1.75 million tourists visited Pakistan 2019). Thus, tourism can potentially create a long-term positive impact on Pakistan’s economic growth and employment (Manzoor et al. 2019).
For this to happen, Pakistan would have to simplify a number of hinderances particularly for foreign travelers. Before the pandemic, the government launched an e-visa process to facilitate tourists, however, the process to obtain an e-visa remains cumbersome and is still not widely open to all nationals. Pakistan also lacks the infrastructure for the registration and regulation of tourists resulting in inaccurate data.

Local communities themselves do not want tourists back in the short-term due to fear of contracting it themselves. There is a fear of travel, higher risks to employment in food and accommodation where more than 50 per cent worldwide are women. Tourism sector recovery to pre-crisis levels may take two years or more (Organisation of Economic Cooperation and Development [OECD] 2020) while pre-crisis air traffic levels are unlikely to return to normal before the start of 2021 (International Air Travel Association [IATA] 2020).

In the beginning of April this year, a high-level tourism recovery committee comprising public and private sector was formed. Consequently, a tourism recovery strategy was devised by the end of May. This strategy focused on three areas: 1) survival in crisis phase 2) formulation of Standard Operating Procedures (SOPs) and their circulation among all related areas, and 3) future repositioning to revamp tourism in post-COVID-19 era.

The areas where the finances of enterprises were affected heavily included fixed costs and rents. The third area where enterprises may require external financing is when business resumes and there will be cash flow requirements from this sector to pay off their accrued liabilities from the lockdown period. There are three ongoing programmes, which the government is undertaking to help revive the tourism sector, first is the wage subsidy programme by the State Bank of Pakistan (SBP). It is concessional financing for enterprises that are not laying 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 will continue to benefit from this credit over a 6-month time.

PTDC being a federal body is playing its role as a coordinator and facilitator of tourism. It is currently in consultation with many international organizations and donor agencies to understand how the opportunities to revive the tourism sector can best be utilized.

Currently, foreign investors are interested in building hospitality sites at some tourist destinations in Khyber Pakhtunkhwa (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 in comparison to the rest of its competitors. However, there is an opportunity for Pakistan to jump-start its tourism faster than other economies such as Malaysia due to Pakistan’s growing middle class that can start utilizing the existing services immediately. KP’s Board of Investment (BoI) has devised a newly-drafted policy, which is awaiting approval of the Prime Minister’s office. This includes integrated tourism zones, and other incentives for investors that will help bring in investment for infrastructure development as well.

Pakistan needs more ideas, as tourism is more about narratives. An attractive way to present broken roads, for instance, can make a huge difference. The business model should be changed to increase financial leverage not only on the demand side but the supply side as well. Finally, the domestic market needs to be motivated to visit these areas by using influencers and opinion makers to boost the confidence of domestic market.
4. Conclusion and Policy Recommendations

COVID-19 has had a major adverse impact on Pakistan’s tourism sector especially due to the fact that a large number of SMEs operate in this sector. From supply chain disruptions to cash flow issues that SMEs have faced are bound to affect poverty and inequality (Karandaaz 2020). The above discussion touched upon the issues faced by tourism sector firms and the capacity gaps in public sector and regulatory bodies that deal with tourism such as the BoIs, PTDC, SBP and FBR. Going forward we discuss how these capacity gaps can be addressed with key policy recommendations tied to these public sector bodies.

PTDC

- PTDC should negotiate with the Ministry of Interior to make the e-visa process hassle free especially for visitors from top tourist generating countries.
- It should also coordinate with the Civil Aviation Authority to allow access to more private airlines to directly fly to tourist destinations resulting in more competitive fares and opening up corridors for trade.
- PTDC should engage, in its policy making, provincial departments, media, think tanks, development partners, business development organizations and public-private partnerships along with investment regimes to chalk out a comprehensive strategy for the development and promotion of tourism.

Provincial tourism departments

- A pilot tourist zone needs to be set up and transformed into a good case study. Such zones can then gradually be set up in other parts of provinces.
- Hotels should be certified after an on-ground implementation of SOPs to restore travelers’ confidence.
- To add value to our services and compete effectively, hospitality training centers should be immediately setup through public-private partnerships, which may impart 6 to 12 months trainings to hosts.
- Tourism vocational centers should be immediately set up in the northern areas to build human resources capacity allowing people to enjoy their vacations.
- The government in collaboration with other development partners needs to equip the communities involved in tourism at grass roots level to ensure proper implementation of SOPs and restore travellers’ confidence.
- Development of digital infrastructure should be prioritized to ensure free and quick flow of information and reduction in information costs.

State Bank of Pakistan (SBP)

- The central bank needs to lower its policy rate to encourage microfinance in this sector for Micro, Small and Medium Enterprises (MSMEs) to remain liquid in the current scenario.
- Commercial banks need to be monitored by SBP to ensure that loans are provided without discrimination.

Federal Board of Revenue
• Tax benefits on imports of tourism related items, equipment and machinery need to be provided to make this sector competitive.
• As many SMEs operate in the tourism sector, low corporate tax rates for SMEs are likely to have some positive impact on the sector.
• Apply a reduced rate of VAT to goods and services closely associated with tourism till the tourism sector recovers.
• Both private airlines and chartered flights need to be offered attractive packages and other incentives such as tax exemptions during the pandemic.

**Provincial Boards of Investment**

• Pakistan needs a well-designed marketing and promotion strategy in the near future to attract the right kind of tourists as there will be a lot of competition in the region to do the same.
• Currently, the investment policy is reviewed after every three years which is not favourable for 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.
References


### Annexure 1

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<tr>
<th>Name of participants</th>
<th>Department</th>
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