WORLD BANK GROUP

REGULATORY EFFICIENCY
DEVELOPMENT ECONOMICS • POLICY INDICATORS

Business Environment Study of the Tourism sector (BEST)

Unlocking the potential of tourism to create jobs and boost private sector growth

WHAT ARE SECTORAL REGULATORY EFFICIENCY STUDIES?

The Regulatory Efficiency (DECRE), part of the Policy Indicators Group (DECIG) at the World Bank, conducts specialized assessments of the business environment to support the development of a dynamic and resilient private sector.

Sectoral studies are part of a workstream that focuses on challenges and conditions faced by firms operating within particular sectors, either at the national or regional level.

These studies provide targeted, high-impact recommendations to improve the business environment and help countries make better use of their natural endowments and sector-specific potential.

WHY ASSESS THE REGULATORY EFFICIENCY OF THE TOURISM SECTOR?

- **Jobs Potential**: Tourism is a major job creator, especially for women, youth, and local communities. The sector is highly decentralized, comprising thousands of micro, small, and medium-sized enterprises (MSMEs) and individual operators across the value chain (hotels and services, such as tour guides, transport, food, adventure and cultural experiences, etc.). Assessment of business environment helps identify barriers and opportunities for these diverse actors, ensuring that job creation is broad-based and inclusive.
- **Licensing & Regulatory Framework:** Tourism businesses often face complex, overlapping, and sometimes contradictory licensing and regulatory requirements at both national and subnational levels. These burdens can deter new entrants, stifle innovation, and increase informality. Assessment of business environment allows policymakers to identify and streamline these requirements, making it easier for entrepreneurs to start and grow businesses.
- **Regional Variation:** The business environments in this sector can vary significantly between regions, and even destinations within a country. Factors such as infrastructure quality, local government support, and access to skilled labor can differ considerably. Assessment of business environment at the regional and local levels identifies specific bottlenecks and tailors interventions to the needs of each destination, supporting more balanced and inclusive sector growth.
- **Attracting Private Investment:** A clear, predictable, and investor-friendly business environment is critical for attracting both domestic and foreign investment in the tourism sector. This includes regulatory clarity and transparent land use policies, investment incentives, and effective public-private dialogue. Assessment of business environment helps identify gaps and opportunities to improve the investment climate, which is essential for mobilizing the capital needed for infrastructure, product development, and service quality upgrades.

- **Filling a gap in the existing data:** Tourism Regulatory Efficiency Studies are needed to address gaps in the existing analytical work on the sector's business climate, particularly regarding the practical challenges that businesses face in complying with regulatory requirements. While isolated existing diagnostics have provided insights into policy frameworks and sectoral constraints, there remains a lack of granular, implementation-focused analysis that captures how regulations, licenses, permits, and inspections are experienced by businesses on the ground.

By employing a rigorous process mapping methodology, this study documents the real-world procedures, time, and costs involved in regulatory compliance, enabling the identification of specific bottlenecks, redundancies, and overlaps across agencies and procedures.

This approach moves beyond a review of regulations as written (de jure) to reveal the realities of their implementation (de facto), highlighting where administrative burdens, delays, or conflicting requirements arise. The resulting analysis provides an evidence base for formulating targeted, actionable recommendations that address the root causes of regulatory inefficiency and compliance challenges.

HOW IS THE BUSINESS ENVIRONMENT ASSESSED?

The Business Environment Study of the Tourism sector (BEST) provides a comprehensive, evidence-based assessment of the regulatory and operational landscape for private sector operators. It gathers data through detailed questionnaires administered to both public and private sector experts, ensuring a balanced and accurate understanding of the sector's challenges and opportunities.

Recognizing the diversity of the tourism industry, the study distinguishes among potential categories to assess, including, for example, hotel operators, short-term rentals, as well as other services such as restaurants (with and without alcohol), and tour operators. Data for each subsector is collected separately using tailored questionnaires, ensuring that the specific challenges and bottlenecks are accurately identified.

Hotel operators provide accommodation services and are a major source of direct and indirect employment in tourism, accounting for significant shares of sectoral GDP and jobs (e.g., 32.3% of tourism value added and 5.6% of total employment in Georgia). Regulatory requirements typically include business registration, health and sanitation certificates, fire safety inspections, environmental clearances, and, in some countries, star classification. For example, Tanzania requires licensing and periodic inspections, while India may require up to 61 different approvals (as of 2017). Survey respondents would potentially be hotel owners who are responsible for compliance and business operations, and hotel industry business consultants, etc.

Short-term rentals (STRs), such as guesthouses, homestays, and P2P platforms, can outnumber hotel rooms in some destinations (e.g., Saint Lucia: 5,584 STR rooms vs. 4,449 hotel rooms) and are important for local income, especially in rural areas. Regulatory requirements may include business registration, and, increasingly, registration with tourism authorities. Some areas impose zoning, rental day limits, and tax collection obligations. In Saint Lucia, only about 10% of STRs are registered. Survey respondents would be property owners or managers, including individuals, small business operators, or property management companies.

Restaurants are major tourism employers (e.g. up to 13% of GDP and 4% of labor force in Rwanda), with strong linkages to agriculture and local supply chains. Required permits include business registration, food safety and hygiene certification, health inspections, and, for those serving alcohol, liquor licenses (which may be subject to quotas or zoning). Survey respondents will typically be owners, or managers; in larger establishments, compliance or operations managers, and consulting agencies assisting restaurants with obtaining licenses.

Tour operators are key for destination marketing and product development, handling millions of tourists and supporting tens of thousands of direct and indirect jobs (e.g., handling 4.4 million tourists and 35,000–45,000 jobs in Sub-Saharan Africa). They require business licenses, registration with tourism authorities, and may need minimum capital, qualified managers, liability insurance, and permits for specific activities; compliance with consumer protection and safety standards may also be required. Survey respondents would be business owners, or operations managers.

For each of the subsectors, there will be survey respondents from the public sector, ideally from the Ministry of Tourism (or equivalent), as well as relevant food, health and safety agencies.

THE STUDY WILL BE BROKEN DOWN INTO THREE PILLARS:

Pillar I assesses the regulatory framework, focusing on licensing and permitting requirements for tourism operators at national and regional levels. It examines the number and types of licenses, identifies overlaps and outdated requirements, and evaluates the clarity and consistency of regulations, including sector-specific standards and alignment with international best practices.

Pillar II reviews the quality, transparency, and efficiency of licensing procedures, including the effectiveness of one-stop shops, coordination among agencies, digitalization of processes, and the availability of clear information on requirements, timelines, costs, and appeals.

Pillar III maps the complete process for new operators in each subsector to obtain all necessary licenses and permits, analyzing the sequence of steps, agency involvement, time, and costs. It identifies bottlenecks and opportunities to streamline procedures and reduce administrative burdens.

Data is collected and analyzed separately for categories such as hotels, short-term rentals, restaurants (with and without alcohol), and tour operators or guides, enabling tailored recommendations for each subsector. Subsectors are selected based on the country context, client preference and knowledge-sharing objectives across countries.

The methodology and parameters can be adjusted to country-specific needs to provide relevant, actionable data and

recommendations to support targeted reforms.

WHAT DOES THIS BUSINESS ENVIRONMENT ASSESSMENT DELIVER?

- ✓ Micro-level data specifically collected for the tourism sector, providing valuable insights into the local business climate for hotels, short-term rentals, restaurants (with and without alcohol), and tour operators/guides.
- ✓ Sectoral profiles with detailed process mapping of regulatory and administrative procedures, offering actionable insights for improvement in each tourism subsector.
- ✓ In-depth analysis of administrative constraints at both national and local levels, revealing areas for improvement.
- ✓ Identification and documentation of good practices within the tourism sector that can be replicated to enhance the business environment, often without requiring national legal changes.
- ✓ Enhanced visibility to donors and investors by demonstrating the sector's commitment to regulatory improvement and operational efficiency.
- ✓ Tailored quantitative assessments and benchmarking, available upon client request, to support evidence-based policy and investment decisions.

COLLABORATION WITH DEVELOPMENT PARTNERS

Regulatory Efficiency studies are designed to meet the needs of client governments, with funding provided both by the governments and through strategic partnerships with key development donors. These partnerships have been instrumental in supporting subnational business environment assessments across various countries, including AFR (e.g., Kenya, Nigeria), EAP (e.g., Indonesia, Philippines), ECA (e.g., European Union and Western Balkans), LCR(e.g., Colombia and Peru), MNA (e.g., Egypt, UAE), and SAR (e.g., Bangladesh, India).

With the support of our development partners, these assessments have driven tangible outcomes for client countries such as:

- ✓ Streamlined regulatory processes.
- ✓ Cost savings for entrepreneurs.
- ✓ Strengthened private sector development agendas.
- ✓ Effective delivery of technical assistance and lending operations to improve investment climate.
- ✓ Enhanced policy dialogue and greater engagement between national and local governments.

CONTACT:

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