TERMS OF REFERENCE

FOR THE DESIGN AND IMPLEMENTATION OF MARKET ANALYSIS AND DEMAND ASSESSMENTS TO SUPPORT THE DEVELOPMENT OF INTEGRATED TOURISM DESTINATIONS ACROSS INDONESIA

1. BACKGROUND

Indonesia is endowed with spectacular and extensive natural and cultural resources which make tourism potentially one of the most important sectors for creating jobs, growth and shared prosperity with a high proportion of employment for women and youth. The *Travel and Tourism Competitiveness Report 2015* ranks Indonesia 17th (out of 141 countries) on the national and cultural resources sub index, which captures the principal ‘reasons to travel’.

Indonesia, however, lags behind its neighbouring countries in exploiting this competitive advantage (Table 1). Indonesia ranks 50th in the 2015 Travel and Tourism Competitiveness Index, behind Thailand (35th), Malaysia (25th) and Singapore (11th). In 2013, Indonesia attracted about 9 million visitors annually compared to over 25 million in Malaysia and Thailand. Thailand received three times more tourists and four times more international tourist receipts.

Global, regional and domestic tourism demand are growing. Worldwide, the tourism industry is projected to grow 3.9 percent per annum (compound annual growth) over the next decade, outpacing global economic growth. China continues to lead global outbound travel, benefitting Asian destinations. Spending by Chinese travellers increased 25 percent in 2015 to reach US$292 billion, as total Chinese outbound travellers rose 10 percent to 128 million. Domestic trips in 2013 increased to 250 million and expenditure per visit to IDR711,260, amounting to a total of IDR177.84 trillion in domestic expenditures.2 There are clearly certain destinations which are dominated by domestic tourism and there is a significant volume of business and visiting friends and relatives (VFR) traffic across the country.

Indonesia has the potential to develop a world-class tourism industry, benefitting from its rich tourism endowments and a positive tourism demand outlook. It is, however, missing major opportunities in the sector because of: (i) poor infrastructure, especially connectivity, basic services, and tourism service infrastructure; (ii) regulatory uncertainty and complexity, which continues to hurt investors and businesses in the tourism industry; (iii) insufficient workforce skills or firm quality standards to provide a full range of tourism experiences in a profitable and sustainable manner; and (iv) institutional bottlenecks such as lack of public-private and cross-ministry/agency coordination across all levels of government. Countries that have turned tourism into an important source of growth have developed multiple destinations and a variety

---

1 World Economic Forum Travel and Tourism Competitiveness Report 2015 and World Travel and Tourism Council Data, 2014. In 2014, Indonesia received 9.4 million international tourists; in 2015, 9.7 million, according to BPS.
of tourism products and established a national platform for delivery that brings together all key players—ministries, local government, the private sector and local communities.

While the Indonesia Tourism Development Corporation (ITDC)\(^3\) successfully developed Nusa Dua in Bali in the 1970s, no other destinations have been developed to a similar level. Marketing efforts have been effective in attracting more tourists, but those tourists stay in destinations that are highly crowded such as Bali, and those who go off the beaten path, find a limited number of properly developed sites. Unmanaged growth of the tourism industry can undermine the overall attractiveness and sustainability of the destinations—or attract travelers with low expenditure levels. Experience in Nepal, Cambodia and Kenya suggest that such an outcome can be difficult to manage or reverse, resulting in continuing decline in the value of the assets on which future growth in tourism depends.

2. RATIONALE

The Government of Indonesia (GoI), in the National Medium-Term Development Plan (Rencana Pembangunan Jangka Menengah Nasional, RPJMN) 2015-2019, has set a number of objectives to increase the role of tourism in the Indonesian economy. Between 2014 and 2019, it seeks to increase: (i) international arrivals from 9 million to 20 million; (ii) domestic visits from 250 million to 275 million; (iii) the tourism contribution to GDP from 4 percent to 8 percent; (iv) tourism foreign exchange revenues from IDR120 trillion to IDR240 trillion; (v) Indonesia’s Travel and Tourism Competitiveness Index ranking from 70\(^{th}\) to 30\(^{th}\) place; and (vi) tourism sector employment from 11 million to 13 million workers.\(^4\) In 2015, the Ministry of Tourism’s budget for promotional activities was quadrupled. However, recognizing that promotion alone, without targeted infrastructure investments for multiple destinations, can overcrowd existing destinations such as Bali, erode natural and cultural resources, and spoil the Indonesia brand, President Joko Widodo in late 2015 urged his Cabinet to accelerate the development of ten priority tourism destinations, so-called ‘new Balis.’\(^5\) The ten destinations include established destinations such as Borobudur, emerging locations such as Labuan Bajo (Flores) and Lake Toba, and more remote undeveloped locations such as Morotai and Wakatobi. They also include special economic zones (SEZs) located in already established destinations such as Mandalika SEZ on Lombok island and Tanjung Lesung SEZ in Banten Province.

In recent years, the World Bank Group has been in discussion with various agencies and ministries (e.g. Ministry of Finance, Bappenas, Coordinating Ministry of Maritime Affairs, Coordinating Ministry of Economy Affairs, Ministry of Tourism, Ministry of Public Works and Housing, Ministry of Transport, and ITDC) on the importance of planning and development of integrated tourism destinations for sustainable tourism-based economic growth. In February-March 2016, a Bank team conducted an identification mission for the Infrastructure for Tourism Program proposed by the Ministry of Public Works and Housing. Most recently June 2016), the World Bank has been asked by GoI to conduct a market analysis and demand assessment of three high priority destinations (Lake Toba, Borobudur–Yogyakarta and Mandalika)\(^6\) to inform (i) the GOI’s master planning for these destinations as well as (ii) the economic assessment of three destinations (as well as the remaining seven) in terms of tourism sector growth and related economic benefits compared to the value of public investment proposed to achieve this growth.

The focus of the World Bank Group assistance is to support the development of integrated tourism destinations across Indonesia.

\(^3\) Formerly Bali Tourism Development Corporation.

\(^4\) The latter two targets were added by the Ministry of Tourism in March 2016.

\(^5\) Lake Toba in North Sumatra; Mount Bromo in East Java; Mandalika on Lombok island in West Nusa Tenggara; Morotai in Maluku; Tanjung Lesung in Banten; Labuan Bajo in Flores, East Nusa Tenggara; Thousand Islands in Jakarta; Wakatobi in Southeast Sulawesi; Belitung in Bangka Belitung; and Borobudur-Yogyakarta.

\(^6\) For the description of the destinations as currently defined by the Ministry of Tourism, see: Government Regulation 50-2011-Lampiran3.
It is expected that the overall program will involve the following steps:

(i) undertaking a detailed market analysis and demand assessment of each of the three high priority destinations and higher level assessments of the remaining seven destinations;
(ii) determining the scale and type of demand that will drive the development of each destination;
(iii) assessing the infrastructure requirements (soft and hard) for each and identifying gaps;
(iv) developing destination development plans including plans to mobilize investment both public and private; and
(v) implementing the plans.

The investment rationale provided by the Government for the 10 priority destinations relates primarily to infrastructure gaps and constraints and less to demonstrated tourism demand or potential demand. No detailed destination-level market analysis nor strategic assessment of the destinations (quality/uniqueness of tourist assets, strategic importance, regional integration, impact, private sector interest and community support) has been conducted till date. Furthermore, there seems to be limited participation by the private sector in gauging and testing investment interest. Before moving ahead with large-scale investments and promotion efforts, demand assessments for these destinations need to be conducted.

This Consultancy will support the government’s tourism program by carrying out research and analysis which will result in a thorough understanding of the profile of current foreign and domestic tourists in Indonesia (e.g. market of origin, destination preferences, length of stay, expenditure patterns) and the key target markets for future growth, as well as diagnosing destination-specific infrastructure and skills gaps. These assessments will help inform the subsequent (i) economic assessment, (ii) promotion and marketing strategy and (iii) destination master planning process.

3. CONSULTANCY OBJECTIVES

The purpose of this Consultancy is to assist the Government of Indonesia in building the overall rationale for a major program of targeted public infrastructure investment which will support the rapid growth of the tourism sector in selected destinations. The primary focus of the Consultancy will be on the three high priority destinations.

The specific objectives of the Consultancy services are:

i. Prepare a detailed assessment of the demand and supply conditions at the national level and for each of the three high priority destinations that will impact future growth in visitors within the parameters outlined by the GoI.

ii. Develop detailed projections for the scale, origin and characteristics of future visitor demand at each destination as well as the scale and nature of investment required to meet this demand.

iii. Determine the infrastructure requirements at both national and destination level including the identification of gaps and timing required to fill the gaps identified.

iv. Prepare higher level demand assessments of the remaining seven destinations in order to assist the GoI in determining the priority and sequencing of the development of these destinations.

---

7 National level tourist profiling has been conducted and the World Bank received a summary report from the Ministry of Tourism. More detailed underlying data might be available as well. This would need to be collected during the assignment.

8 During a pre-appraisal mission (June 9-21, 2016), the World Bank prepared a model to conduct the economic assessment, which will try to also capture wider local economic benefits.
4. SCOPE OF WORK

The work of the Consultancy will involve two levels of analysis: firstly, at the national level which will focus on Indonesia as a destination of choice; and secondly at the destination level where separate assessments are required. The destination level assessments will be informed by the national level findings.

The Consultancy will provide advisory assistance to:

(a) Conduct a baseline analysis of the supply and demand for tourism services in Indonesia and at three high priority destinations in order to develop a clear understanding of the current drivers of demand, scale of development and competitive positioning.

(b) Conduct an assessment of future demand for the country and each destination based on expected future market trends, changes to target markets, changing patterns of travel, emerging segments and trends reflecting scale and nature of demand, pricing and positioning, origin of visitors, activity preferences and visitor behaviour as well as private sector investor interest and investor support for selected destinations.

(c) Prepare an assessment of the nature and scale of supporting infrastructure required to meet the demand projections including an assessment of gaps (infrastructure/skills/etc.) and verification (or otherwise) of existing infrastructure investment plans based on demand projections.

(d) Undertake a high level demand assessments of each of the remaining seven destinations at a level that will inform decisions regarding the likely timing and sequence of their development in terms of likely tourism sector growth and related economic benefits compared to the value of public investment required to achieve this growth.

The work of this Consultancy activity will inform the development of high level masterplans for the selected three destinations as well as their prioritization and sequencing. It is expected that this overall approach for the detailed assessment can be replicated at other destinations which may not be part of these ToRs.

It is expected that the Consultancy will result in a level of market intelligence on the three destinations that will guide the process of investment mobilization in subsequent stages of the program.

It should be noted that there is a substantial amount of data available at the national level. At the same time, the level of detailed analysis required to arrive at a statement of infrastructure requirements at the national level will be less than that required at the destination level. As most investment will occur at a level that supports specific destinations, the articulation of the national level requirements should be confined to high level aggregation of key requirements, for example, overall need for increased airlift capacity and airport throughput, number of qualified staff required, total number of rooms required, value of investment to be mobilized—all at a national level. Consequently, it is expected that the bulk of the level of effort of this Consultancy will be focussed on the destination level, especially the three high priority destinations, where there is less data available and where a more thorough analysis of demand will be required to guide the destination-level master planning process. During a pre-appraisal mission (June 9-21, 2016), the World Bank collected data from the Ministry of Tourism. Based on an initial review, the team found that the data is characterized by unclear sources/boundaries; discrepancies between different sources and boundaries used; gaps for various years and destinations. Most of the baseline data is based on administrative boundaries (not destinations), and the Consultant would therefore ensure consistency in approach, method and conduct data validation.

---

9 For instance, the Ministry of Tourism has provide the Bank a national level summary of tourist profiles and confirmed that the Ministry also has the underlying market reports.
The GoI has commenced the investment planning process with a degree of urgency in order to advance the program. In addition, the different priority destinations are at different levels of development. The development of these destinations will thus proceed at different speeds. For some infrastructure investments the rationale has already been established (e.g. improvements of basic services infrastructure), and the GoI may choose not to await the completion of the assessments which form the subject of this Consultancy before pressing ahead with detailed master planning and before making commitments to infrastructure investments. Consequently, the Consultancy must proceed within a framework of high level and frequent consultation with WBG counterparts and GoI officials. This consultation will be facilitated by the WBG team.

5. SPECIFIC TASKS AND OUTPUTS

More specifically, this activity would include the following components:

(a) Baseline Supply and Demand Analysis

Develop a supply and demand baseline assessment for each of the three high priority destination.

The supply assessment should address strengths and weaknesses of each destination (including the quality/uniqueness of tourist assets, including the natural and cultural assets); key attractions in all segments; existing products in terms of scale, pricing, fit with markets; number of rooms and capacity of services and facilities, brands, grading, quality and standards; assessment of support services to the tourism sector including the role of local authorities and availability of tourism data and statistics to guide decision making.10 The assessment should include an examination of issues affecting demand such as access, value proposition, as well as a summary of recent market history and trends.

The demand assessment should include an analysis for the overall tourism market, i.e. arrivals, spend, length of stay, current target markets, segments, guest profiles, occupancies, seasonality, and utilization of tourist facilities, traveller preferences, analysis of trends and patterns from existing and key source markets; identification and assessment of key distribution networks; and include a segmentation of domestic market demand.

The GoI has carried out some level of demand analysis at the national level. Data relating to individual destinations is sourced from local level authorities and is contained in Statistics Indonesia (BPS) reports, Ministry of Tourism reports, development plans which have been prepared for each destination and Masterplans prepared for each strategic tourism area (KSPN). This material includes time series data for number of visitors (foreign and domestic), hotel data including number of establishments, rooms and occupancies, length of stay and visitor expenditures. Analysis carried out by the World Bank Group shows that this data is incomplete, is often inconsistent and has not been verified. In order to arrive at robust baseline figures for each destination, it will be necessary for the Consultant to collect further data and to carry out a detailed review of the existing material, develop a consensus on how destinations will be defined and measured and determine a methodology to interpret and qualify the data. This is likely to require discussions with the various providers of the data and may require some primary field research to complement and verify the proposed methodology to be used in arriving at baseline figures.

Key questions to be addressed include:

- How does the market view Indonesia and each of the selected destinations now within its competitive set?

10 The 10 development plan of the Ministry of Tourism list the current status and investments needed related to accessibility, attractions, and amenities to make destinations more appealing.
• What do the suppliers (the people who are bringing tourists to Indonesia now) say about Indonesia and each of the selected destinations?
• How does Indonesia and the selected destinations compare with key competition in terms of product offering, supporting infrastructure, pricing and overall customer satisfaction including issues related to perceived security?

(b) Investor Analysis

Analyse the investor market for each destination, levels of FDI and domestic investment, types of tourism projects in each category and asset class (existing and pipeline), identify specific investors and categorize types of investors, access and availability of finance, size of projects, target market segment and typical structure of deals.

Key questions to be addressed include:
• How do investors view Indonesia and the selected destinations as tourism investment destinations?
• Which products have been successful and which ones have not succeeded, why?
• Where is Indonesia and the selected destinations positioned in the investment cycle?
• Why was Bali (and any other destinations) a success (and others not so much); who are the developers, what criteria made these destinations successful or otherwise;
• What do existing investors think about the destinations?

(c) Future Market Demand Analysis

Assess and analyse potential market demand for each destination including likely origin, scale and visitor characteristics (expenditure, length of stay; activity preferences) in order to define the most prospective market segments for each destination. This selection should be based on the segment’s ability to generate value for the destination in a sustainable manner, in line with government objectives.

Based on the expected demand, identify commercial opportunities for growth within the targeted destinations (new products, new segments, new markets, under-exploited assets, PPP opportunities etc.) and conduct brief preliminary analysis for each to determine the likely scale, market position, timing and commercial attractiveness. Key products and tourism-linked services should be analysed in terms of quantity, marketing, quality, links to domestic and international tourists, and revenue potential.

Provide an indication of current and likely future investor demand for each destination as well as indication of the specific investment requirements which need to be in place to attract sufficient private investment to support the development of each destination.

Key questions to be addressed include:
• Which countries and market segments offer the best prospects in relation to demand at each destination?
• What will these markets require in terms of type, quality and scale of development—is it another Bali or something different?
• What do these markets think about the new destinations—how do they see them developing?
• Where will investors come from, who are they and which ones are likely to support the government’s plan?
• Where would they invest and why?

11 Taking into account that there might be constraints to tourism development in view of the long term preservation of the natural and cultural assets.
• What factors are likely to drive future investment decisions—what are investors looking for (asset classes, locations, markets etc.) and what conditions need to be in place to mobilize investment (such as specific infrastructure and other needs)?

(d) Investment Needs Assessment

Based on an analysis of the complete tourism value chain, identify, describe and quantify investment needs and the infrastructure requirements that will be necessary to achieve the forecast visitor numbers (both international and domestic) and unlock growth and local economic development for each destination.

Gaps are broadly defined and will include, but not be limited to: connectivity, basic services and tourism services infrastructure, signage and interpretation, product development, standards, skills/training, innovation, connectivity, marketing/promotion, destination management, regulatory environment, technology, access, safety and security, economic linkages.

Emphasis must be put on the gaps that relate specifically to the functioning of the destination and its capacity to attract the target market and support the projected level of demand. The analysis will include a focus on the following categories of supporting infrastructure and will identify potential gaps, as well as outlining key constraints, opportunities and recommendations.

1. Assessment of Destination Infrastructure and its capacity to support projected levels of visitor and resident’s use.

This should include:
- A review of plans and strategies such as regional development plans, including heritage buildings regulations, tourism regulations, land use zoning regulations.
- Key enabling infrastructure should be reviewed from the perspective of forecasted visitor increases (in addition to residents’ use), access and circulation around the destination including airports, roads and pedestrian movement, capacity and quality of utilities such as sewerage and drainage, water and power.
- Provide recommendations on infrastructure and services investments required to develop the destination and its linked communities.
- Highlight key challenges related to the development of infrastructure such as regulatory approvals, land acquisition, sensitive environmental features, among others.

2. Assessment of Tourism Infrastructure to determine the variety and extent of goods and services available to visitors, the destination’s tourism carrying capacity, and future product and service development needs.

This should include:
- Taking stock of the existing and planned tourism related infrastructure, services, products, and markets, in the destinations selected for review.
- Ease of access and mobility in the destination as well as transportation availability and capacity (airlift capacity, taxi, bus, on foot, car).
- Tourism infrastructure such as signage, street lighting, visitor centers, parking, safety & security.
- An inventory of tourism and hospitality establishments covering accommodation (number and types available- star rated hotel, budget hotel, guest house; average occupancies and locations), catering outlets, locations and offering.
- Tour operators’ provenance, markets served and products offered.
Tourism services such as activity providers and guides and other local service providers.

Identify the key tourism products and infrastructure needs to enhance current offerings. Plans should be articulated for development and maintenance of key products, services and landmarks including museums and other historic buildings, car park and walk pavements, etc.

Highlight key challenges related to the development of tourist infrastructure such as regulatory approvals, land acquisition, sensitive environmental features, among others.

3. Assessment of Skills, SME development and legal and regulatory environment required to meet new demand and strengthen destination competitiveness

This should include:

- Assessment of relevant training needs to address increased demand and tourism product diversification and to improve skills for those not adequately trained.
- Present a vision for future growth and options for enhancing and diversifying product definition and quality, as well as requirements for expanded services with particular emphasis on those products most suited to be delivered by SMEs.
- Recommend SME development interventions to build capacity to meet expanded demand and new product requirements to provide a full range of tourism experiences in a profitable and sustainable manner.
- Assessment of legal and regulatory environment with particular emphasis on the ease of doing business with recommendations designed to improve the capacity of the destination to attract the required investment.

The output of the Investment Needs Assessment will include a detailed brief that will guide the work of engineering and planning specialists to enable the pre-design and costing of the required infrastructure. The brief will include the quantification of demand indicators such as peak visitor loads (at both the destination and key site level), numbers of additional hotel rooms, additional capacity of transport networks (roads, airports etc.) numbers of skilled staff required etc. Pre-designs and costing of infrastructure requirements will be carried out by other technical specialists and are not part of this Consultancy. The output will also include a review of the latest GOI development plans for the three destinations (what is missing or should be scaled up, what is redundant or can be scaled down?).

The Assessment should also provide recommendations which will guide the design of regulatory reforms, skill enhancement programs and SME support programs.

(e) High level Demand Assessment of Remaining Seven Priority Destinations

Undertake a high level demand assessment of each of the remaining seven destinations based on a thorough review of all available data, reports and analysis on the tourism sector for Indonesia and on criteria to be developed and agreed in consultation with the WBG and GoI representatives.

The criteria to be selected will be based on the overall objective of helping the GOI evaluate cost implications of different demand trajectories, select/prioritize public investments accordingly and write off overly costly scenarios. The Consultancy will focus on projecting demand for each destination which will be then used by the WBG in modelling the likely economic return at each destination. An important consideration is the extent to which these destinations are, or can be easily, linked to multi-destination itineraries or circuits. This assessment will also result in recommendations for the prioritization and sequencing of the development of the remaining destinations. A possible approach to the High level Assessment is included in Annex 1 to these ToRs.
6. DELIVERABLES & TIMELINE

The key deliverables for this Consultancy are detailed reports, summary PowerPoint presentations for Indonesia and each selected destination covering:

A. For Indonesia and for each of the three high priority destinations

1. Baseline Supply and Demand Analysis
2. Investment Analysis
3. Market Demand Analysis
4. Investment Needs Assessment

B. For the remaining seven priority destinations
5. High Level Demand Assessment Report and Recommendations

Deliverables should be at such detail that they directly inform the development of high level destination masterplans. An indicative program for specific deliverables and expected timing is shown below:

<table>
<thead>
<tr>
<th>Steps</th>
<th>Deliverables</th>
<th>Timeline</th>
</tr>
</thead>
</table>
| 1     | Inception report providing:  
• Conceptual/analytical framework to identify all relevant research and analysis  
• Detailed analytical approach and work plan including schematic outlines for:  
  o Baseline Supply and Demand Analysis  
  o Investment Analysis  
  o Market Demand Analysis  
  o Investment Needs Assessment | Within 2 weeks of contract signature |
| 3     | Draft Baseline Supply and Demand Analysis – Indonesia  
Draft Investment Analysis - Indonesia | Within 5 weeks of contract signature |
| 4     | Draft Market Demand Analysis – Indonesia  
Draft Investment Needs – Indonesia | Within 7 weeks of contract signature |
| 5     | FINAL – SUMMARY REPORTS INDONESIA | Within 9 weeks of contract signature |
| 6     | Draft Baseline Supply and Demand Reports – 3 HP Destinations  
Draft Investment Analysis Reports – 3 HP Destinations | Within 10 weeks of contract signature |
| 7     | Draft Market Demand Reports – 3 HP Destinations  
Draft Investment Needs Reports – 3 HP Destinations  
Final Baseline Supply and Demand Analysis – 3 HP Destinations  
Final Investment Analysis Reports – 3 HP Destinations | Within 12 weeks of contract signature |
| 8     | Final Market Demand Analysis Reports – 3 HP Destinations  
Final Investment Needs Reports – 3 HP Destinations | Within 14 weeks of contract signature |
| 9     | Draft Baseline Supply and Demand Analysis – 7 Remaining Destinations  
Draft Investment Analysis - 7 Remaining Destinations | Within 9 weeks of contract signature |
| 10    | Draft Market Demand Reports – 7 Remaining Destinations  
Draft Investment Needs Reports – 7 Remaining Destinations | Within 10 weeks of contract signature |
| 11    | Final Baseline Supply and Demand Analysis – 7 Remaining Destinations  
Final Investment Analysis Reports – 7 Remaining Destinations | Within 11 weeks of contract signature |
The total level of effort for the assignment is estimated at 22 technical staff months. This does not include research analyst and other support staff.

7. **WORKING ARRANGEMENTS**

The Consultant will be required to present the findings of the various components of the studies to GoI and WBG representatives at key milestones during the Consultancy.

The Consultancy will be extended advisory support from the World Bank Group on its policies and the project, as appropriate. The Consultancy will also be extended full support from the relevant agencies of the Government of Indonesia through their designated representatives, regarding access to available data and information relevant to the preparation of the documents as well as to other key agencies and other stakeholders.

However, it is the sole responsibility of the qualified expert consultancy to contact the identified stakeholders, gather the necessary information, synthesize and analyze it as well as prepare all the assignment deliverables satisfactory to the World Bank Group and the client.

The Consultant will report to Bertine Kamphuis (TTL/Sr. Private Sector Development Specialist, GTCDR). The World Bank Group team responsible for managing the various activities under this assignment includes John Perrottet (Sr. Industry Specialist – Tourism, GTCDR), Evi Hermirasari (Sr. Urban Development Specialist, GRURR), George Soraya (Lead Municipal Engineer, GSURR), Bertine Kamphuis (TTL/Sr. Private Sector Development Specialist, GTCDR) and any other World Bank experts the TTL might decide to draw upon.
Annex 1

High level Assessment – Possible Approach

Objective:

To assist in the economic assessment and sequencing of the remaining seven destinations.

To achieve the objective the team is required to do the following for each destination;

1. **Identify a level of increased demand** which can be expected to be achieved in a three/five year period in terms of total visitors, visitor nights, visitor expenditures and determine peak demand loads based on length of stay and seasonality.
2. **determine the nature and cost of additional public sector expenditure required** to meet peak demand levels
3. **Rank all destinations in order of the expected return on public investment**, measured by the net present value (NPV) of tourism-related economic benefits minus the public sector expenditure required to generate these benefits, calculated over both a 5-year and 20-year time horizon.

Possible Demand Criteria:

*Market Readiness*

- Awareness of destination and knowledge of offering
- Salability of destination (is there evidence that the destination is or can be sellable? Is it a good fit with existing or projected target markets?)
- Current and expected patterns of travel (is the destination part of a wider itinerary either within Indonesia or part of a regional itinerary, is destination compatible with existing multi-region tours? are the products/offering compatible with neighboring offerings?)
- Level of current demand (does existing demand have a sufficient level of critical mass that would enable future demand to expand quickly?)
- Ease of incorporation into national marketing strategy and plans (is destination already part of a marketing strategy or incorporated in distribution programs)

*Destination Readiness*

- Strength of endowments and key attractions (including range and quality of support facilities – recreation, dining, health and safety, etc.)
- Price competitiveness (is current pricing structure conducive or a deterrent to expanded market development?)
- Ease and convenience of access (air, road, sea connectivity – capacity and frequency)
- Capacity of existing infrastructure to absorb additional demand and ease of expansion (room stock, power, water, telecommunications, sanitation)
- Investment readiness (are regulations conducive and are investment conditions suitable for mobilizing the required level of private sector investment to meet demand?)
- Labor and skills (is there a sufficient pool of local labor to meet projected demand? If not can this be mobilized quickly to meet projected demand?)
- Environmental and social factors (is the community receptive and is there a capacity to manage expanded demand sustainably?)
Options for Determining Level of Public Sector Investment:

1. Adopt MoT projections
2. Adjust MoT projections based on market surveys (identification of critical infrastructure not included in MoT projections)
3. Develop new baseline

This step is conducted in close collaboration with the World Bank team.

Suggested Data Sources:

- MOT development plans (Till date, the World Bank received from the Ministry of Tourism and will make available to the Consultant: 10 development plans for 10 destinations; 6 KSPM Masterplans)
- MOT demand studies and databases (Till date, the World Bank received from the Ministry of Tourism and will make available to the Consultant: national level summary of tourist profiles; selected baseline data on the destinations, or “proxy” administrative boundaries)
- MoTr data on airport capacities and air service schedules
- Other ministry projections of required infrastructure
- Industry studies on destinations, hotel performance surveys
- Investment Climate, Doing Business studies (sub-national assessments)
- Rapid Surveys and selected focus group meetings – tour operators and distribution networks, investors
- Selected site visits