THE ROLE OF THE GOVERNMENT IN PROMOTING TOURISM INVESTMENT IN SELECTED MEDITERRANEAN COUNTRIES - IMPLICATIONS FOR THE REPUBLIC OF CROATIA

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Abstract
Due to the combined impact of the financial crisis of 2008, and some still unresolved structural problems in its economy, in the forthcoming period Croatia should expect a significant decline in the overall investment demand (public and private). The expected drop in the overall investment activity will also have significant negative implications on tourism, the leading export sector of Croatia. In order to maintain a modest level of investment in Croatian hotel/tourism sector under these extremely difficult conditions, Croatia should urgently establish an internationally transparent and long-term sustainable incentive system to encourage both, domestic and foreign investors to invest in the country's tourism sector related development projects. In this regard, and using the case study approach, the purpose of this article is to draw one's attention to best practice methods and policy instruments in three moderately developed countries of the Mediterranean which have, so far, been successful in attracting major tourism sector investors (Malta, Turkey and Egypt). Contrary to the situation in highly industrialized Mediterranean countries, members of EU, the findings suggest that the active role of the government is of utmost importance in attracting and controlling investment demand in the tourism sector in moderately developed Mediterranean economies, despite the fact that the approaches vary somewhat between the three analyzed countries.
Keywords Tourism, Investment, Best Practice, Mediterranean

INTRODUCTION

The financial crisis, economic slowdown and recession in the last two years have largely characterized current global economic environment as well as growth projections of national economies in many countries on all continents (Naude, 2009; Ocampo, 2009; Aiginger, 2009). This is also the case in Croatia.

Regardless of whether the causes of the economic recession that has hit Croatia in the last twenty-odd months (CNB, 2009) should be sought primarily in the various structural problems that have accumulated over the years (inefficient government, performance of government-owned companies, low coverage of imports with export, buying of social peace - shipbuilding and agriculture etc.), or its causes should nonetheless be associated with the direct or indirect consequences of the global financial crisis, there is no doubt it will have a significant and prolonged impact on the development and investment activity of the country.

Namely, due to the substantial drop in orders in the corporate sector and accordingly the major decline in the purchasing power of the Croatian population, the sharp downturn in economic activity in the country over the last several months implies a decrease in budget revenues, a relatively high (and growing) budget deficit as well as problems with maintaining the solvency of the public sector. All this will radically reduce the possibility of public investment in major infrastructural projects. The fall in economic activity also largely reflects on the reduced credit rating or creditworthiness of the domestic corporate sector, which will further complicate its access to (increasingly expensive) bank loans, a prerequisite for most new development projects.

As a result of all previously said, in the forthcoming period Croatia should expect a significant decline in the overall investment demand (public and private), while the duration of reduced investment activity in the country will closely depend on the credibility of the government, the short-term effects of the anti-recession measures taken, as well as the creation of a positive investment climate in the domestic and international markets.

The expected drop in investment activity will also have significant negative implications on tourism, the leading export sector of Croatia. Namely, driven by the several promising years in the past and under the influence of an extremely favorable long-term tourism growth forecast in the Mediterranean, Croatian tourism companies have lately significantly extended their credit exposure in order to increase the quality level of their existing offer, as well as to invest in the construction of new accommodation facilities. In most cases, these companies have reached the upper limits of their credit capacity. Therefore, it is unlikely that the initiated investment expansion and the market repositioning of Croatian tourism companies will continue at such a pace in the forthcoming period, particularly in view of current commercial loan prices.

At the same time, due to the: (i) still inadequate transparency of Croatian tourism legislation (Tourism Land Act, Golf Act, Maritime Domain Act, Concessions Act), (ii) the slow and ambiguous privatization process of yet non-privatized tourism companies (HTP Korčula–Korčula, Hotels Maestral – Dubrovnik, Imperial – Rab, Hotels Živogošće – Živogošće, Jadran – Crikvenica, etc.), (iii) unclear tourism development strategy, (iv) lack of an efficient investment incentives system, (v) an over-bureaucratic judicial system, and (vi) weak protection of creditors, it would be unrealistic to expect a keen interest of foreign capital to get involved in tourism development or investment projects in Croatia.

On the other hand, in order to maintain some level of investment in Croatian hotel/tourism sector under these extremely difficult conditions, Croatia should urgently establish an internationally transparent and long-term sustainable incentive system to attract both domestic and foreign investors interested in greenfield or brownfield[1] tourism projects. In this regard, it should be beneficial to draw one’s attention to a few best practice examples in relevant competitive environment in order to learn from them

[1] Greenfield projects refer to the construction of new tourism related facilities on, so far, unused land plots, whereas brownfield tourism projects refer to the investiment related to the upgrade, modernisation and/or conversion of the already existing properties.

and, possibly, use them as a path and/or direction in which Croatia could proceed in the future, providing certain preconditions, such as legal viability, civil societal acceptability and/or social desirability between countries are met. In doing so, however, one should bear in mind that formal copying of solutions that have proved to be successful in some other socio-political and economic environment will not always be possible due to factors such as: a) differences in the socio-political systems, b) differences in cultures, c) different attitudes towards democracy, d) different development priorities, as well asef) different value systems prevailing not only in the sphere of public administration institutions, but of private sector stakeholders as well.
Under the assumption, however, that certain positive country experiences can be applied trans-nationally, one should define the relevant (geographic) competitive environment i.e. the countries whose business practice in promoting and/or attracting domestic and/or foreign capital to invest in the hotel and tourism industry might be of interest for Croatia. For the purposes of this paper, the relevant competitive environment is defined as the Mediterranean basin or, more specifically, as selected Mediterranean countries.

Furthermore, due to the fact that the public authorities in highly developed Mediterranean EU member countries (Italy, Spain, France, Portugal)[2], apart from the (urban) conversion projects of industrial areas[3], for a long time now have not been particularly active in finding ways to attract classical greenfield and/or brownfield tourism projects, their initiation and implementation, based on an opportunity assessment of each project, has been left, almost exclusively, to the market mechanism - the so-called "invisible hand" (Smith, 1776). In this sense, the undertaking of most development/investment ventures in these countries can be associated predominantly with clearly defined, transparent and efficient project development system. The process of tourism project development in these countries generally consists of the following essential steps:

- Definition of the zones/areas where to develop tourism and hospitality facilities;
- Detailed analysis of the spatial potentials and limitations;
- Detailed analysis of existing infrastructure;
- Definition of the development concept (of what, for how many consumers, for which market segment) and the optimal physical layout of the accommodation facilities and other features offered;
- Identification of the so-called "infrastructural gap" (and a solution how to bridge it);
- Preparation of an international tender (including a detailed description of the zone/area to be developed, and other planned features - size, category, design elements, as well as the roles of the stakeholders - the public sector and private investors);

[2] With the exception of Greece to some extent, where, since the year 2000, the "Tourism Development Company“ has been actively managing the government-owned tourism portfolio. This public company manages over 350 public properties - casinos, hotels, marinas, beaches, golf courses, thermal springs, camps, ski resorts, etc., and controls an area larger than 70 sq. km. With maximum support from various forms of public-private partnerships, the Tourism Development Company has the basic task to ensure optimal development solutions and concepts for the property it manages. The project development process is completely transparent, based on long-term concessions, and respects the best practice in project development of developed countries of Europe (or the world).
[3] Or their conversion into tourism-recreational, commercial, shopping and/or residential zones.

- Implementation of the tender procedure (including promotional activities and a road show);
- Collection of letters of intent;
- Evaluation and ranking of interested investors/operators;
- Contract signing, provision of the necessary permits and project documentation;
- Start of the construction.

Unlike highly developed Mediterranean countries, the less developed countries of the Mediterranean where the government still plays an important role in country's economic life, or where the development of the tourism and hotel industry is recognized as a viable generator of socio-economic growth, there have been numerous recent examples in which the government has assumed the role of entrepreneur or "development broker". Nonetheless, most of these countries are also characterized by their systematic and planned approach to preparing and implementing greenfield or brownfield tourism projects. This includes the preliminary preparation of a tourism master plan which defines (establishes) the zones/areas suitable for tourism development, as well as conducting of a transparent project development process almost identical to that in highly developed countries (of the Mediterranean and the world).

In line with the previous indications, the paper proceeds with a detailed description of the government's role and the implementation practices in undertaking greenfield or brownfield tourism development projects in Malta, Egypt and Turkey - three Mediterranean countries whose investment related experiences, to the extent that they are economically opportune, socially desirable and/or culturally acceptable, could be incorporated into current Croatian investment promotion practice.

IMPLEMENTATION OF GREENFIELD OR BROWNFIELD DEVELOPMENT PROJECTS IN SELECTED MEDITERRANEAN COUNTIES

Malta

Development of the tourism & hospitality industry in Malta started in the late 1950s (Brigulio & Veila, 1995; Boissevain & Theuma, 1998; Bramwell, 2003; Attard & Hall, 2004; Theuma, 2006), when the government launched a program of initial capital investment into tourism infrastructure (especially access to beaches), and when the promotion of Malta as a tourism destination was initiated. In the mid 1960s, the government launched a program for the active sponsorship of hotel construction, thus increasing the number of hotels from 25 (or 1250 beds) in 1958 to 101 hotels (or 7500 beds) in 1969. During the 1970s, in parallel with the cessation of active government participation in promoting hotel construction, the construction of new hotel facilities had slowed down significantly. Between 1970 and 1980, the number of hotel beds had increased by 3000 while the number of hotels dropped from 110 to 100. However, this period was characterized by a significant increase of tourism apartments, which in late 1981 included about 29,000 beds. However, during the 1980s, such development of accommodation facilities overloaded the existing infrastructure, the major issue being the shortage of water. Thus, in the mid 1980s, the government was compelled to finance additional activities aimed at bridging the infrastructural bottleneck. These activities, among other, included the construction of a desalination plant with capacity to produce more than enough water for the island, construction of a completely new water supply system, introduction of the optical fiber telecommunications system, and an extensive road reconstruction program.

Regardless of all the action undertaken by the government over the previous years, it was only in 1981 when the public administration realized that long-term sustainability of tourism primarily implied thorough planning, while the government's direct incentive measures were of secondary importance. To that end, in 1992, Malta adopted a completely new legislation regarding physical planning and environmental protection, and established a national umbrella institution named the Malta Environment and Planning Authority (MEPA). Since its inception, MEPA has become an indispensable institution through which the public administration, based on a rigorous and comprehensive physical planning system, controls and guides the economic development of Maltese tourism & hospitality industry (www.mepa.org.mt).
Finally, in 1999, under the auspices of the Malta Ministry of Tourism, a separate planning & regulatory institution was formed, i.e. the Malta Tourism Authority (or MTA), specialized to manage the overall development of tourism on the island. The role of the MTA, among other, includes (www.mta.com.mt):

- advising the executive authorities on all matters related to planning and development of the tourism and hotel industry, as well as on the necessary supporting infrastructure,
- advising the executive authorities on matters related to operational issues in the tourism and hotel industry, including the issue of all permits necessary for the construction, categorization, and operation of facilities,
- assistance and advice in all matters related to the tourism and hotel industry, including taking action and managing specific development projects.

The role of the Maltese public administration in supporting development projects in the tourism and hotel industry has, at present, almost entirely been reduced to ensuring a transparent regulatory framework and directive control (strict compliance with physical planning directives, controlled issue of use permits, strict compliance with categorization rules, etc.), in which the two previously mentioned government agencies play a central role. In doing so, and when it comes to addressing various development projects for given locations, these government agencies generally implement the following approach:

- on request of the government or a specialized government agency (Malta Development Corporation), and following the guidelines of either the so-called "structural plan" as the basic national physical planning document, or the local implementation plans of each region/zone, as well as the strategic development guidelines for the tourism and hotel industry of Malta developed by the MTA/MEPA, detailed terms of reference are prepared (so-called "development briefs") with all relevant guidelines and restrictions for the future development of each particular site;
- Based on the terms of reference, the government announces a tender for the development of the respective site;

- All private contractors-developers (domestic or foreign) interested in developing the respective site purchase the tender documents together with the terms of reference and become familiar with the terms and conditions to be met when considering the development potentials of the site;
- All participants are required to submit to MEPA their tenders for the development of the respective site by a predetermined deadline;
- MEPA evaluates all the tenders received, checks whether the tenders comply with the guidelines contained in the terms of reference, and selects the best tender to be proposed to the government for approval;
- Following the adoption of the best design, the government either sells the entire development site to the selected developer, or the developer is granted a long-term concession for the development and exploitation of the respective site;
- The selected developer, depending on his/her own plans, may sell or sublease individual parcels of the site to other developers who are all required to comply with the initial terms of reference;
- Before the construction of any tourism facility gets under way, a request for its construction has to be submitted to the competent government institution (MTA);
- The government institution (MTA) licenses each tourism facility before its commissioning.

The typical terms of reference (development brief), prepared by the government as owner of the land slated for development, contains detailed and very structured directives for potential developers, and represents an essential document in undertaking of all major investment decisions. In the terms of reference, the authorized government agencies specify the goals of development (economic, social, environmental, etc.), the type and amount of facilities to be constructed, as well as any restrictions that should be taken into account when proposing development solutions (physical/spatial, style, political, etc.). Furthermore, the terms of reference state that contractors/developers, during the preparation of the necessary project documentation (land use concept and architectural design), at their own expense, are obliged to conduct an analysis of the effects of the planned development not only on the environment (Environmental Impact Study), but on traffic as well (Traffic Impact Study). Finally, the contractors/developers are generally unconditionally required to provide all the necessary infrastructural adjustments at their own expense (construct new infrastructure, increase the capacity of existing infrastructure, provide connections to the main grid, etc.). During preparations, and prior to the official announcement of the terms of reference, MEPA is legally obliged to carry out public consultations with all potential stakeholders (residents, private businesses, civil and/or non-governmental organizations, companies in charge of public utilities, etc.) who will be directly or indirectly involved in the planned development.

Finally, regarding the role of the government in addressing tourism development of publicly owned sites/areas, Maltese authorities at present, as a rule, appear merely as the creators of a transparent regulatory framework, retaining a monopoly over directive control in all stages of project development. This ultimately involves strict observance of all physical planning benchmarks, careful preparation of tender documentation, transparent tender evaluation, and maximum compliance with the legislative procedures during construction and registration of the tourism facilities. In conclusion, the government does not in any stage assume the role of an entrepreneur directly involved in the development of a public area for a specific tourism related purpose (infra- and superstructure). Nevertheless, immediately upon selecting the best project (according to the terms of reference), the government sells the entire area to the selected developer or grants them a concession (long-term lease) for the development and exploitation of the area. Thus, the complete costs of providing site infrastructure are, as a rule, shifted to the developer.

Mostly due to the fact that Malta is one of EU countries with the highest population density (more than 1.000 inhabitants per sq. kilometer), and since the country has come close to saturation in terms of its accommodation capacity (number of beds) and annual tourist arrivals/overnights figures, the active role of the state in the tourism investment sphere has been mostly reflected in creating the necessary institutional conditions for long-term sustainable development and enhancement of tourism receipts, both encompassed in the idea that "each tourist arrival should be a unique experience" (Metaxas, 2007; Dodds, 2007). In this regard, therefore, it is of no suprise that the country's overall accommodation capacity over the last ten years (some 40.0 thousand beds), as well as its tourist arrival statistics (1.2 – 1.3 million annually) show signs of stagnation, regardless the fact that Malta, according to the 2006. data (Bonello, 2008) ranked as the second best in EU in terms of attracting foreign direct investment (as a percentage of gross capital formation). Nevertheless, the active role of the state and its agencies have paved the way for the Maltese tourist product to successfully reposition itself so that the country, form the viewpoint of the tourism makret, is no more percieved as a cheap „sun & sea" holiday destination.

Egypt

When it comes to tourism, Egypt has traditionally relied on its cultural heritage and maximum investments in promoting its attractions such as the Pyramids, the Museum of Cairo, or the Upper Egypt centers of cultural tourism (Luxor, Abu Simbel, Aswan). However, the last twenty years have been characterized by an increasing shift towards the development of holiday tourism (Andersen, 1998) and, accordingly, resort destinations of the Mediterranean Sea, the Sinai Peninsula, and along the entire Red Sea coast. Specifically, in contrast to the relatively "wild" development during the early 1980s due to the lack of strict physical planning directives and zoning, the tourism sector, at present, develops strictly in compliance with the country's adopted tourism development strategy (Shaalan, 2003), in which the authorities have precisely identified priority development areas and/or projects.

The implementation of the national tourism & hotel development strategy is very much associated with the active role of specialized government agencies (www.tourinvest.com.eg; www.rssti.eg) which have taken the leading role and are unavoidable in planning and guiding the entire development process. This is particularly evident in the case of tourism mega projects development along the Red Sea coast. In this context, one should single out the role of the Tourism Development Authority (TDA) established under the auspices of the Ministry of Tourism with the aim to:

- adopt / revise the national tourism & hotel development strategy,
- reduce the role of the public sector in tourism & hotel development,
- create and promote opportunities for investment in the tourism & hotel industry with particular emphasis on the role of the private sector,
- increase the level of coordination among government agencies associated with tourism & hotel development,
- take a leading role in promoting the tourism potential of Egypt,
- promote environmentally healthy, tested, and "best practice" solutions when addressing hotel industry and resort development.

As a result, over the past decade, the tourism & hotel projects along the 1000-km long line of Egyptian Red Sea coast and other locations on the Mediterranean and the Sinai Peninsula have evolved from a largely uncontrolled approach with minimal planning input into a professional "project management" approach, whereby the TDA strictly predefines the sequence of steps and actions to be executed, as well as the role of all stakeholders in the project.

Although the tourism & hotel development strategy along the Red Sea coast as a whole relies on private funding, the TDA guides the entire development process by using sophisticated economic incentives to stimulate private businesses - developers to apply the top quality standards in the processes of planning, design, construction, and provision of infrastructure. Although TDA has issued a series of legislative provisions, which private investors must abide to at every stage of any tourism site/area development, its policy in communicating with developers is based more on promotion, encouragement and guidance, rather than command and punishment. In other words, private entrepreneurs have the initiative in expressing their interest in the development of certain areas, while TDA has an obligation to verify whether the expressed interest complies with the adopted tourism development strategy of the country, or whether it relates to the priority areas or priority projects.

As for the specific model of development around the coastal belt, TDA prefers the so-called “tourism center" model. Tourism centers are complete, integral, stand-alone resorts covering areas between 500,000 sq.m. to 5,000,000 sq.m, with predetermined (verified and approved by the TDA) maximum accommodation capacity, structure and physical disposition of various facilities and/or amenties. They typically comprise of a diversified supply of accommodation facilities (including villas for sale), with numerous recreational, commercial, cultural and entertainment possibilities. Also, tourism centers in Egypt provide a range of necessary public facilities (schools, kindergartens, medical facilities) intended for their employees. Furthermore, most of the tourism centers offer a wide range of hotels (from the 3-star hotels owned and operated by local operators, to the numerous 5-star world-renowned hotel brands under international management). As agreed with the TDA, private contractors/developers whose projects have previously been verified and approved, generally buy the land planned for development from the government and assume responsibility for both: the construction of all the planned facilities, including the necessary infrastructure, as well as for day to day management during the exploitation of the tourism center.

In order to elucidate as much as possible what is expected of potential investors/developers in all stages of a destination's development, the TDA has issued special guidelines ("*Best Practices for Tourism Center Development")*, which contain vital information, guidance and advise for the developers and their consultants regarding not only the required quality level of the infrastructure and superstructure, but for the expected level of environmental protection as well. Also, special instructions governing landscaping, water supply and sewage issues, solid waste, as well as energy efficiency (including practical examples) are also available.

Although joint development of a tourism center by several sub-developers is possible, TDA prefers the integrated development approach whereby only one developer (Integrated Development Company or IDC) takes on the responsibility for the overall development. Thus, in the case of a mega project, IDC is a representative body (or management company) comprising a consortium of investors, developers and managers responsible for the construction and operational management of all tourism related facilities of a tourism center. In this regard, and in accordance with the provisions of the terms of reference (development brief) verified and approved by the TDA, IDC is also expected to efficiently and cost effectively address the issues of providing finance for the entire infrastructure, for the construction of tourism or common public facilities, and for environmental protection purposes, all in the best interest of all involved individual parties. The main tasks and responsibilities of the IDC may therefore be broken down as follows:

- prepare/commission a development plan for the entire tourism center,
- prepare/commission an Environmental Impact Study for the planned development,
- obtain all permits, initiate and oversee all construction and infrastructural works, and put the tourism center into operation
- continuously monitor and test the quality of the environment in and around the tourism center, and
- supervise operations of all the center's entities and maintain the common facilities of the tourist center in perfect condition.

Assuming the TDA has responded positively to the initiative of an investment consortium (IDC), and has approved the realization of the proposed integrated development project[4], the IDC has at its disposal a variety of options to close the financial construction, in which it has absolute freedom of choice. Given the size of the projects and their international context, however, the financial construction, as a rule, is closed through a combination of several financing models (own funds + initial public offering + development banks' loans[5] + sale of yet unbuilt real-estate property).

Regarding the specific requirements and guidelines that the private investors must take into account when initiating a proposal of a tourism center development and subsequent master planning of the zone, the TDA recommends the following approach:

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[4] It should be noted that the whole approval process involves several mutually conditioned phases.
[5] Mostly for provision of infrastructure and environmental protection facilities.

- engage a multidisciplinary team of experts, with particular attention given to explaining the development objectives, and clearly elaborating the steps by which to achieve these objectives,
- identify the vital parameters of the eco-system and accordingly identify potential development restrictions and offer alternative solutions,
- design the development and physical disposition of the facilities in a manner that will minimize the pressure on the (non-renewable) resource base, while increasing the carrying capacity of the whole destination,
- allow the users of the tourism center access to all the common (public) facilities, especially the natural attractions. It is essential to design an optimal strategy for the conservation of valuable natural attractions,
- provide a sufficient number of hiking and bicycle trails, as well as trails for bikers and horsemen, taking into account the harmonious integration of these "groups" into the overall design of the resort,
- plan attractive, pulsating, and cost-effective commercial and service facilities turning the center into the focal point of social outings or consumption,
- take into account the satisfaction of all the resort’s employees by constructing attractive housing and communal facilities,
- select infrastructural solutions with the least negative impact on the environment, or position the infrastructural facilities/elements in zones with the least environmental impact, including visual pollution,
- provide the entire resort with sufficient interpretative features emphasizing the need to protect the environment.

As a result of the active state policy and taking control in the sphere of tourism investment, Egypt’s tourism sector has recorded impressive results (Vignal, 2010). Apart from the introduction of clear and transparent rules, especially favoring the preservation of the environment and the heritage, in the years from 1990 to 2007 some of the uninhabitted baren coastal areas have been turned into tourism development zones. Further, total hotel accommodation capacity has increased from 50.0 thousand to more than 170.0 thousand rooms. Although the biggest international investors in Egypt’s hotel industry come from the Arab world (such as the Kuwaiti Kharafi group and the UAE group Emaar), the internalization of Egypt’s tourism sector is reflected predominantly in the number of internationally branded hotel properties. Namely, from only a few branded properties in the 1990-ies (mostly in Cairo, Luxor and Aswan), the number of hotel establishment with international brands rose to 169 in year 2008. Finally, one should also be aware of the fact that such a dynamic growth in accommodation capacity brought about an equally impressive increase in tourist arrivals. Namely, in the 1990-2007 period, the number of tourist arrivals to Egypt has risen from some 2-3 million to more than 13.0 million.

Turkey

The intensive growth of the tourism and hotel industry in Turkey over the last twenty years is directly associated with the very active role of the public administration (Tosun, 2000; Tosun, 2001). Further, in the case of Turkey the role of public administration significantly exceeds the common practice of most other countries in the world in creating favorable institutional conditions or a suitable investment climate to attract potential greenfield or brownfield investors through various grants, tax relief, subsidized funding, and subsidized funding of municipal infrastructure, etc.

Namely, in order to accelerate development of predetermined tourism & hotel zones or sites, the Turkish government has the right to intervene directly in the existing property rights (nationalization), while the law also prescribes direct government investment into providing infrastructure to potential tourism and hotel development areas, all with the aim of making these zones as attractive as possible to private capital, i.e. (globaly) branded international hotel chains.

The central Turkish public institution responsible for all matters related to tourism & hotel development planning, management, promotion and/or supervision is the Ministry of Culture and Tourism (www.tourismturkey.org), while the Tourism Promotion Act is the principle law governing all important issues associated with the promotion and management of the nation's tourism development.

In accordance with the provisions of the afore-mentioned law, the entire process of planning and guiding the tourism & hotel development begins with the process of master planning in order to identify the most interesting tourism development zones, areas or sites. During this stage, particular interest is devoted to the abundance of natural, historical, archaeological and socio-cultural heritage, as well as to the region's suitability for the development of certain types of tourism.

Within a predefined zone destined for tourism & hotel development, as well as within the more narrower tourism areas or sites, regardless of who owns the land, the Ministry of Culture and Tourism has the exclusive authority to prepare (or commission preparation), modify or verify any type of physical plan regardless of its scope (from regional master plans to detailed implementation plans for specific sites). All institutions possessing the relevant documentation and information required to create such plans, are required to submit them to the Ministry within three months from the date of the issuance of the request. Also, all the purchases/sales, leases, spatial allocations and infrastructural projects for any zone, area or site predetermined for tourism & hotel development that in any way may impact the environment, must be submitted in advance (i.e. prior to their consummation) to the Ministry for verification and approval.

All government property (forests, meadows, roads) located within a tourism & hotel development zone, area or site for which the Ministry of Culture and Tourism has prepared the physical plans, is by the Ministry's request, within one month from the date of such request, automatically "liberated" from the ownership of the public institution that hitherto possessed it, and registered as the property of the Ministry. In such processes, the state treasury does not require the Ministry to pay for the acquired property until the entire zone, area or site slated for tourism & hotel development is transferred to a certain private investor-developer.

Furthermore, all property located in a predetermined area owned by various public (para-government) agencies will, by request of the Ministry, also be transferred and registered as the ownership of the Ministry within two months from the date of such request. The price and terms of payment in all such cases are determined by direct agreement between the Ministry of Culture and Tourism and the involved public agencies, and pursuant to the provisions of the Expropriation Law.

Finally, all private real estate located in a tourism development zone whose owners are not licensed for the tourism business is automatically expropriated and registered in the Land Register as government property, after which, within a month, such real estate is reregistered in favor of the Ministry of Culture and Tourism. In case of any dispute, the expropriated party may enter into litigation with the Ministry; however, the subject matter may not be the act of expropriation itself, but only the (fair) amount of compensation. In addition, the fact that litigation is in progress cannot stop (even temporarily) the expropriation process or allocation of the land/property for tourism & hotel development.

After "taking control" over an entire tourism-development zone, area or site[6] as previously described, the public authority (city, municipality) on whose territory the involved piece of land is situated, has the obligation to provide a complete infrastructural network, according to the size and physical disposition of planned facilities, all according to the official master plan. This involves the construction of the road network, water and electrical energy supply facilities, sewage, and telecommunications system. These works are financed in full by the Ministry of Culture and Tourism in cooperation with the local authority, all at the expense of their budgetary revenues. The funds are strictly earmarked and should not be used for any other purposes without the prior approval of the Ministry.

Having fulfilled all the necessary preparations, the Ministry of Culture and Tourism is authorized to prepare tender documentation and call for tenders for the development and exploitation of such tourism zones, areas or sites. Any individual or legal entity, of either Turkish or any other nationality, is entitled to respond to these tenders. The best selected tender (main developer), as a rule, is granted a concession for the development of the particular tourism zone or area, and is given the permanent right of construction (but only pursuant to the provisions of the tender documentation). The selected developer/consortium may sublease individual parcels of land (plots) or may choose to equip them fully and surrender the management of such plots (or facilities) to third persons (management contracts). Also, the permanent right of construction within the entire scope of an area is transferable to other physical or legal persons. However, the main developer is responsible to the Ministry for the fulfillment of all undertaken commitments, implying that it must also control the activities of each sub-concessionaire. If the main developer defaults on its contractual obligations, the Ministry is entitled to terminate cooperation immediately, collect a penalty on an issued guarantee, or revoke the concession. This does not apply to the sub-concessionaires

[6] Which means an adopted regional plan with all physical planning and zoning requirements and / or restrictions, as well as "clean" property-rights status.

providing, of course, that their sites/facilities comply with the set terms (as defined in the terms of reference as part of the tender documentation).

Alternatively, the Ministry may also divide a specific tourism-development zone, area or site into smaller land plots and assign multiple concessions for their development and exploitation. In all these cases, however, the contractors/developers are required to obtain from the Ministry the necessary investment licenses and permits to build and manage particular types of tourism facilities (Investment and Establishment Licenses).

All holders of tourism licenses are required to obtain prior approval from the Ministry if they intend to sublet a facility or part thereof, or if they plan to change its ownership structure. Also, in the course of the investment process, all operators/tourism license holders are required to submit a progress report to the Ministry twice a year.

The key contractual terms and conditions (price, payment terms, currency, time frame) on the basis of which a particular tourism-development zone, area, or site is conceded to private investors/developers, are determined jointly by the Ministry of Culture and Tourism, the Ministry of Finance, and the Ministry of Agriculture and Forestry. In this regard, the pricing policy for services in tourism facilities requires all operators to comply with the provisions of the public authorities, not permitting pricing outside defined parameters.

Finally, upon expiration of a concession, all the constructed facilities including ancillary facilities located on the land, without exception and without any additional compensation to the developer/operator, become the property of the State Treasury.

Finally, with regard to the active role of the government in the tourism investment sphere, one should stress that in the last twenty odd years Turkey has established itself as one of the leading tourism countries of the Mediterranean (Akal, 2010). Apart from better economic valorization of up to that time economically inactive regions, during the 1990-2007 period, the total number of hotels and similar accommodation facilities rose from 1,6 thousand to 2.5 thousand, with the average hotel accommodation capacity increasing from 150 to 210 beds. Also, as a result of active government policy, in year 2007, Turkey registered more that 22 million visitors and tourism receipts in excess of 18 billion USD. Finally, the total amount of foreign direct investment in the hotel sector and other tourism related facilities in Turkey in the 1992-2002 period came close to 1.4 billion USD.

CONCLUDING REMARKS (IMPLICATIONS FOR CROATIA)

In general, the experience of different Mediterranean countries of various socio-economic development level, suggests that the immediate role of the government in actively managing or directly participating in greenfield or brownfield tourism development projects is smaller the more developed the particular country, and/or the greater the autonomous interest of private capital. Therefore, if a country is economically less developed, or if it is considered risky due to political, economic/financial or unresolved property reasons, resulting in a rather small interest of private investors to get involved in tourism development projects, such a country has all the more reason to not only introduce fiscal incentives, but also assume the role of "active entrepreneur" in order to attract more private investment.

Thus, at present, in the case of highly developed countries of the world, Europe or the Mediterranean, the direct role of the government or its agencies in providing funding and/or managing tourism development projects, is in fact marginal. The reasons for this are as follows:

- these are highly industrialized and highly urbanized countries in which major land parcels in the public sector's domain, suitable for tourism development projects, are practically non-existent;
- through the efficient physical planning process, these countries have long since solved all relevant issues concerning the best use of land in public property,
- when it comes to new tourism development projects, these are the countries where it is generally only possible to convert or reposition existing tourism zones/areas/sites that are already privately owned, while consideration of any development alternatives (which is directly linked with the role of the government), is simply impossible without strict application of the provisions/restrictions arising from applicable spatial plans.

One can therefore conclude that the role of the government in such highly industrialized and urbanized countries, as a rule, amounts to the establishment of a transparent institutional framework, which strictly prescribes the manner, conditions, and scope of private-investor operation, and the guidelines to be followed. Thus, the responsibility is strictly divided: the public sector prescribes the conditions (regulatory function) and controls the entire development process (monitoring function), while the private sector gives the initiative to embark upon various development projects and bears the overall responsibility (as well as the underlying entrepreneurial risk) for their implementation. In doing so, the previously described standard procedure of public tendering for site development and project management from its initiation to implementation is to be strictly applied.

Unlike the highly industrialized and urbanized countries of the EU and/or the world, the role of the government (and/or its specialized agencies) in a number of tourism relevant countries of the Mediterranean (Malta, Turkey, Egypt), which: (i) by their present level of economic development, (ii) availability of suitable land in the public sector's domain, and (iii) the potential relevance of the tourism and hotel industry in the overall economy of the country are similar to Croatia, is still quite significant.

In line with this general conclusion, the key findings as to the role of the government and the standard operating practice in preparation and/or implementation of greenfield or brownfield tourism development projects in Malta, Egypt and Turkey are as follows:

- the public administration, generally through specialized agencies, assumes responsibility for tourism development planning and its implementation;
- the key regulatory instrument of government policy is the physical planning or the master planning by which zones/areas suitable for tourism development projects are determined;

- after determining the zones/areas suitable for greenfield or brownfield tourism development projects, specialized government agencies regulate and control the development of such zones/areas through detailed physical planning, destination master planning or "development briefs" (Turkey, Malta), or they select the best area/zone concept design on the basis of a most appropriate development brief (Egypt);
- with certain exceptions (direct public investment in the infrastructure of selected tourism development zones/areas in Turkey), the public administration usually assumes no active undertakings in the process of developing a tourism zone/area. It, rather, takes the role of a regulator and controller of tourism development;
- in most cases, the private investors/developers bear the bulk of the costs (and risk) of tourism development of a specific zone/area, while the competent government agencies not only guide them, but also conduct strict directive control (monitoring) in every stage of the development;
- specialized government agencies responsible for tourism development prefer the so-called "integrated development approach", which involves only one legal entity as the leader of all investment activities (coordinator);
- the public administration usually seeks to avoid the cost of financing the necessary investments into the infrastructure of the zones/areas predetermined for tourism development (Egypt, Malta), although this is not always the case (Turkey);
- the land which the government has slated for tourism development is either sold to investors/developers (Egypt, Malta), or granted by means of a long-term concession contract (Turkey, Malta), whereas upon expiration of a concession, all the erected facilities become government property[7].

Although the experiences and approaches in attracting, as well as in setting the rules in the sphere of tourism investment somewhat vary in the three closely analyzed, averagely developed Mediterranean countries, all three models have proved to be extremely successful. In this regard, and assuming that in the forthcoming period the Croatian public authorities might want to encourage domestic and foreign investors to invest more in Croatian hotel industry, they should carefully analyze the existing practices of the selected countries and draw from them the elements that, in the given circumstances, are not only most acceptable, both politically and socio-economically, but are also acceptable from the viewpoint of the existing norms of civil society characteristic for "western democracies".

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[7] This essential difference between Egypt and Turkey is a direct consequence of the fact that Turkey fully finances the infrastructure of tourism zones/areas, due to which it does not wish to lose irretrievably such prepared land, especially considering the very high costs of infrastructure, and the long period of return on investment. In Egypt, on the other hand, since all the costs of infrastructural construction are passed on to the private investor, in order to increase investor interest and attractiveness of the entire investment package, the entire land planned for tourism development is outright sold to the investor.

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