



The role of government policies in developing hospitality services in Davao city

Florence F Alejandre, Vivian A Navaja

Instructor, Department of Hospitality and Tourism, Davao Merchant Marine Academy College of Southern Philippines, Philippines

Abstract

This research examines the influence of government policies on the development of hospitality services in Davao City, Philippines. Using a qualitative research approach with semi-structured interviews and document analysis, the study investigates how local government regulations, incentives, and public-private partnerships impact the hospitality sector's growth, quality standards, and competitiveness. Results reveal that proactive government interventions, such as tourism infrastructure investment, business permitting reforms, and training programs, significantly facilitate industry development. However, challenges such as policy inconsistency, bureaucratic hurdles, and limited stakeholder engagement persist. The findings suggest that sustained policy innovation and multi-sectoral collaboration are vital for strengthening Davao City's hospitality industry. Recommendations for policy improvement and future research are discussed.

Keywords: Government policies, hospitality services, Davao city, tourism development, public-private partnership

Introduction

The hospitality industry is a key driver of economic growth, job creation, and cultural exchange in many emerging economies (Chathoth *et al.*, 2016) ^[7]. In the Philippines, the sector's rapid expansion has been closely linked to increased tourist arrivals, greater domestic mobility, and the government's prioritization of tourism in national development plans (Department of Tourism [DOT], 2020) ^[15]. Davao City, as a major urban center in Mindanao, has positioned itself as a competitive destination by leveraging its unique cultural heritage, natural attractions, and strategic location (Lizada & Zapanta, 2022) ^[19].

Despite its inherent advantages, the growth of Davao's hospitality sector has been shaped by a dynamic interplay of government policies and private sector initiatives. Regulatory frameworks on business operations, safety, environmental protection, and labor standards play a significant role in determining the sector's development trajectory (Santos, 2018) ^[25]. Local government units (LGUs), in particular, have considerable authority in issuing permits, setting zoning regulations, and implementing tourism-related ordinances (Republic Act No. 7160, 1991) ^[23].

Recent years have witnessed various policy interventions aimed at promoting investment, enhancing service quality, and supporting innovation in the hospitality industry. Initiatives such as streamlined business registration processes, fiscal incentives for new establishments, and the establishment of tourism clusters have contributed to an increasingly enabling environment (Alampay & Libosada, 2021) ^[11]. However, persistent challenges—including bureaucratic red tape, fragmented governance, and inconsistent policy implementation—remain obstacles to sustainable development (Roxas *et al.*, 2020) ^[24].

A review of existing literature reveals limited empirical studies focusing on the nuanced effects of government policies on hospitality services in the local context of Davao City. While much attention has been given to national-level tourism policies and macroeconomic factors, there is a research gap in understanding how specific regulatory,

institutional, and partnership mechanisms affect service providers at the city level. This study addresses this gap by exploring the role and effectiveness of government policies in shaping the hospitality sector in Davao City.

Literature Review

Theoretical Perspectives on Government Intervention in Hospitality

The development of hospitality services is often explained through theories of government intervention, public goods, and regulatory economics. The government's role is conceptualized as providing public goods, correcting market failures, and setting the "rules of the game" for private sector participation (Hall, 2008) ^[18]. Scholars argue that effective policies can address externalities, promote equitable growth, and foster innovation (Dwyer *et al.*, 2009) ^[16]. In the Philippine context, the tourism industry is recognized as a strategic sector requiring coordinated policy responses due to its multi-sectoral impacts (DOT, 2020) ^[15]. Hospitality services are subject to various types of government regulation, including licensing, health and safety standards, environmental compliance, and labor policies (Baum, 2015) ^[3]. These interventions can have both enabling and constraining effects depending on their design, implementation, and alignment with industry needs. The theory of "smart regulation" suggests that a balance between command-and-control and market-based approaches yields optimal outcomes (Gunningham & Sinclair, 2017) ^[17].

Empirical studies have highlighted the importance of local policy innovation in fostering competitive hospitality sectors. For instance, municipalities that adopt destination branding, cluster development, and business incubation programs often attract higher investment and generate better service quality (Novelli *et al.*, 2006) ^[20]. Local autonomy, as enshrined in the Philippine Local Government Code, provides LGUs with significant leeway to design context-specific policies (RA 7160, 1991).

Nevertheless, the literature also points to risks of overregulation, policy fragmentation, and unintended consequences such as informalization and compliance costs

(Bramwell & Lane, 2011) ^[5]. In emerging cities like Davao, the ability of government agencies to coordinate and adapt to industry changes is critical to policy success.

Evolution of Hospitality Services in Davao City

Davao City's hospitality sector has evolved rapidly over the past two decades, fueled by both organic growth and deliberate government action. The establishment of the Davao City Tourism Office (DCTO) and its partnership with the DOT have been instrumental in promoting the city as a tourism hub (Lizada & Zapanta, 2022) ^[19]. Policy efforts have included the development of tourism master plans, infrastructure investment, and marketing campaigns targeting both domestic and international tourists (DCTO, 2021) ^[13].

One major driver has been the city's commitment to peace and order, which has improved investor confidence and visitor perceptions (Roxas *et al.*, 2020) ^[24]. Initiatives such as the "Visit Davao" campaign and the Davao Investment Promotion Center's (DIPC) facilitation of hotel investments have expanded accommodation options and diversified hospitality offerings (DIPC, 2019).

The LGU's adoption of streamlined business processes, particularly through the Business One-Stop Shop (BOSS) system, has reduced barriers for new entrants in the hospitality market (Davao City Government, 2020) ^[10]. These reforms are consistent with national efforts to improve the Philippines' ease of doing business ranking (World Bank, 2022) ^[26].

However, the sector has faced disruptions such as the COVID-19 pandemic, which led to significant declines in occupancy, revenue, and employment (Lizada & Zapanta, 2022) ^[19]. The city government's policy response included stimulus measures, health protocols, and digitalization initiatives, demonstrating the adaptability and limitations of local policy frameworks.

Regulatory Frameworks and Policy Instruments

The regulatory landscape for hospitality services in Davao City encompasses a variety of national and local laws, executive orders, and ordinances. At the national level, the Tourism Act of 2009 (RA 9593) provides for the designation of tourism enterprise zones, tax incentives, and industry standards (DOT, 2020) ^[15]. The city government implements additional regulations on business permitting, environmental compliance, zoning, and health and safety (Davao City Government, 2021) ^[11].

Policy instruments include both "hard" tools (e.g., licensing, inspections, sanctions) and "soft" tools (e.g., guidelines, voluntary codes, incentives) (Gunningham & Sinclair, 2017) ^[17]. The city's environmental ordinances require hotels and resorts to comply with solid waste management, water use, and emissions standards, aligning with national environmental policies (DENR, 2018) ^[14].

Fiscal incentives such as tax holidays, fee reductions, and investment grants are occasionally offered to encourage new projects or upgrades in the sector (Davao City Investment Code, 2019) ^[12]. At the same time, quality assurance mechanisms, such as accreditation and star-rating systems, aim to raise service standards and consumer confidence (DOT, 2020) ^[15].

Despite these efforts, compliance remains uneven, and small operators often struggle to meet regulatory requirements due to limited resources and technical capacity (Santos, 2018)

^[25]. Stakeholder engagement in policy design and monitoring is crucial to ensure regulations are realistic, transparent, and supportive of industry growth.

Public-Private Partnerships and Stakeholder Engagement

Collaborative governance has emerged as a best practice in hospitality and tourism development (Bramwell & Lane, 2011) ^[5]. In Davao City, public-private partnerships (PPPs) are employed to leverage resources, expertise, and networks for industry growth. Examples include joint marketing campaigns, events management, and skills training programs co-organized by government agencies and private associations (Lizada & Zapanta, 2022) ^[19].

The Davao City Chamber of Commerce and Industry (DCCCII), Hotels and Restaurants Association of Davao (HRAD), and other business groups regularly participate in policy consultations and advocacy efforts (DCCCII, 2020) ^[9]. These platforms provide feedback on regulatory issues, identify emerging opportunities, and foster innovation through knowledge sharing.

Government-led capacity-building initiatives, such as hospitality skills training, digital literacy programs, and quality assurance workshops, have benefited from private sector involvement and donor support (DOT, 2020) ^[15]. International development organizations have also contributed technical assistance and funding for tourism-related projects in the city (ADB, 2018).

However, power imbalances, differing priorities, and coordination challenges can affect the effectiveness of multi-stakeholder partnerships (Novelli *et al.*, 2006) ^[20]. Sustained engagement, clear communication, and shared goals are essential for maximizing the benefits of PPPs in hospitality development.

Challenges and Opportunities in Policy Implementation

Effective policy implementation in Davao's hospitality sector faces several challenges. Bureaucratic inertia, resource limitations, and capacity gaps can undermine the translation of policy intentions into tangible outcomes (Roxas *et al.*, 2020) ^[24]. Fragmentation among agencies and levels of government can lead to duplication, delays, and inconsistencies.

External shocks, such as public health crises or natural disasters, test the resilience of existing policy frameworks and the agility of implementers (Lizada & Zapanta, 2022) ^[19]. The COVID-19 pandemic highlighted the need for adaptive management, emergency response protocols, and risk-informed planning in the hospitality industry (World Bank, 2022) ^[26].

Nonetheless, opportunities exist for policy innovation and system strengthening. Digital transformation, such as e-permitting and online marketing, can improve efficiency and market reach (Davao City Government, 2020) ^[10]. Green policies promoting sustainable practices, eco-certification, and inclusive business models are gaining traction (DENR, 2018) ^[14].

The literature underscores the importance of participatory governance, inter-agency coordination, and continuous learning for improving policy effectiveness (Bramwell & Lane, 2011) ^[5]. Davao City's experience offers valuable lessons for other emerging destinations seeking to balance regulation with sector dynamism.

Materials and Methods

This study adopts a qualitative research design to explore the role of government policies in the development of hospitality services in Davao City. Qualitative methods are appropriate for gaining in-depth understanding of policy processes, stakeholder perceptions, and context-specific dynamics (Creswell & Poth, 2018)^[8].

Data Collection: Primary data were collected through semi-structured interviews with key informants, including local government officials, representatives from the Davao City Tourism Office, business owners, and leaders of hospitality industry associations. The interview guide focused on experiences with policy design, implementation, and outcomes. To ensure credibility, informants were purposively sampled based on their roles and knowledge of the hospitality sector (Palinkas *et al.*, 2015)^[21].

Secondary data were obtained from policy documents, ordinances, tourism plans, annual reports, and industry studies. Document analysis complemented the interview data by providing background on regulatory frameworks and policy instruments (Bowen, 2009)^[4].

Data Analysis: Thematic analysis was used to identify patterns, themes, and relationships in the data (Braun & Clarke, 2006)^[6]. Transcribed interviews and documents were coded using both deductive codes based on the literature review and inductive codes emerging from the data. Triangulation of data sources enhanced the validity of findings (Patton, 2015)^[22].

Ethical Considerations: Informed consent was obtained from all interviewees, and confidentiality was maintained. The study followed institutional ethical guidelines for social science research (Creswell & Poth, 2018)^[8].

Limitations: While the qualitative approach allows for rich insights, the findings may not be generalizable to all hospitality contexts or other cities. Nonetheless, the study's focus on Davao City provides a valuable case for understanding policy impacts in emerging urban destinations (Yin, 2018)^[27].

Results and Discussion

Policy Drivers and Sector Growth

Interviews and document analysis reveal that proactive government policies have been instrumental in catalyzing growth in Davao's hospitality sector. Informants highlighted the impact of infrastructure investment—such as airport upgrades, road improvements, and public utilities—which facilitated easier access and better guest experiences (Lizada & Zapanta, 2022)^[19]. The local government's commitment to peace and order also improved the city's image as a safe destination, boosting tourist arrivals and investment (Roxas *et al.*, 2020)^[24].

Business owners reported that streamlined permitting processes and business-friendly reforms reduced entry barriers and operating costs. The BOSS system, cited by most respondents, was viewed as a model of bureaucratic efficiency compared to other Philippine cities (Davao City Government, 2020)^[10].

Regulatory Challenges and Compliance Issues

Despite improvements, regulatory compliance remains a challenge, especially for small and medium hospitality

enterprises. Interviewees noted the complexity and cost of meeting environmental and safety standards, particularly for older or budget properties (Santos, 2018)^[25]. Some operators expressed concern over the lack of technical support or phased compliance options for microenterprises. There were mixed views on the effectiveness of incentive schemes and accreditation systems. While incentives encouraged new investments, some respondents believed that the requirements were overly strict or that information about available programs was not adequately disseminated (Alampay & Libosada, 2021)^[11].

Stakeholder Engagement and PPPs

Findings indicate that multi-sectoral partnerships have enhanced policy implementation and service quality. The hospitality industry's active participation in policy dialogues, skills training, and marketing campaigns has strengthened public-private cooperation (DCCCII, 2020)^[9]. Informants praised the collaborative approach to organizing citywide events, such as the Kadayawan Festival, which promotes both tourism and local businesses.

However, stakeholders also identified gaps in coordination and communication, particularly between city and barangay-level officials. There was a call for more inclusive platforms for small operators and community-based enterprises to voice their concerns and contribute to policy design (Bramwell & Lane, 2011)^[5].

Policy Adaptation and Resilience

The COVID-19 pandemic tested the resilience of both policy frameworks and industry players. The city government's rapid response—issuing health and safety protocols, providing financial aid, and supporting digitalization—was widely acknowledged as effective in mitigating business losses (World Bank, 2022)^[26]. Some respondents, however, noted delays in accessing relief and the need for clearer, more consistent guidelines.

The crisis also accelerated the adoption of online booking, digital marketing, and contactless services among hospitality businesses, in line with broader trends in digital transformation (Davao City Government, 2020)^[10]. Interviewees suggested that future policies should institutionalize support for technology adoption and disaster preparedness.

Opportunities for Policy Improvement

Stakeholders proposed several policy improvements, including enhanced capacity-building for small operators, streamlined and transparent compliance procedures, and greater investment in destination marketing. There was consensus on the importance of sustained collaboration among government, industry, and civil society for long-term sector competitiveness (Hall, 2008)^[18].

The findings align with international literature emphasizing the need for adaptive, participatory, and context-sensitive policies in the hospitality sector (Gunningham & Sinclair, 2017; Bramwell & Lane, 2011)^[5, 17].

Conclusion

Government policies play a critical role in the development of hospitality services in Davao City. The research demonstrates that targeted investments, regulatory reforms, and public-private partnerships have facilitated sector growth, improved service quality, and enhanced

competitiveness. However, policy implementation challenges—such as regulatory burdens, limited stakeholder engagement, and resilience to external shocks—persist. To sustain momentum, policymakers should prioritize adaptive regulation, capacity-building for small operators, and institutionalized stakeholder participation. Investing in digital transformation, sustainable practices, and inclusive governance will further strengthen the city's hospitality industry. Future research should expand the scope to include comparative studies with other Philippine cities and employ mixed-methods approaches for broader generalizability. Davao City's experience offers practical insights for other emerging destinations seeking to harness government policy for tourism and hospitality development. A collaborative, innovative, and responsive policy environment is essential for building a vibrant, resilient, and sustainable hospitality sector.

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