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Tourism and Poverty Reduction

Pathways to Prosperity

Jonathan Mitchell and Caroline Ashley



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The findings, interpretations and conclusions in this volume do not necessarily represent the views of the Executive Directors of the World Bank or of anyone else other than the authors.

List of Acronyms and Abbreviations

CBT	community-based tourism
CCA	Conservation Corporation Africa
CGE	Computable General Equilibrium
CSR	corporate social responsibility
DFID	Department for International Development
DTIS	Diagnostic Trade Intervention Studies
EOR	employment:output ratio
FTO	Federation of Tour Operators
GDP	gross domestic product
GTZ	German international cooperation enterprise for sustainable development
ICRT	International Centre for Responsible Tourism
IFC	International Finance Corporation
IICA	Inter-American Institute for Cooperation on Agriculture
IIED	International Institute for Environment and Development
ILO	International Labour Organization
I-O	input-output
ISIC	International Standard Industrial Classification(s)
ITC	International Trade Centre
LDCs	Least Developed Countries
MDG	Millennium Development Goal
MSE	micro and small enterprise
NGOs	non-governmental organizations
ODI	Overseas Development Institute
OE	Oxford Economics
OECD	Organisation for Economic Co-operation and Development
PPT	pro-poor tourism
SAMs	Social Accounting Matrices
SLA	sustainable livelihoods analysis
SME	small and medium enterprise
SMME	small, medium and micro enterprise
SNA	United Nations System of National Accounts
SNV	the Netherlands development organization

ST-EP	Sustainable Tourism – Eliminating Poverty
SWOT	strengths, weaknesses, opportunities, threats
TSA	Tourism Satellite Account
UNDP	United Nations Development Programme
UNWTO	United Nations World Tourism Organization
VCA	value chain analysis
WEF	World Economic Forum
WTO	World Tourism Organization
WTTC	World Travel and Tourism Council

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1

Introduction

In 2008, 924 million tourists travelled abroad. That is a lot of people – amounting to over 100,000 people every hour. Three-quarters of these journeys started in a high or upper-middle income country. Remarkably 40 per cent of these journeys ended in a developing country destination. International tourists are significantly better than development agencies at spending money in poor countries. In 2007 tourists spent US\$295 billion in developing countries – almost three times the level of official development assistance. It is for this reason that tourism has been described as the world's largest voluntary transfer of resources from rich people to poor people. Understanding the impact on poor countries of this huge inflow of well-heeled humanity has fascinated researchers since mainstream tourism started in the 1970s.

Despite the voluminous research outputs of economists, anthropologists, sociologists, geographers and a range of development practitioners, there is little understanding and no consensus on what impact tourism has had on poverty in the developing world.

The aims of this book are to gather together what is already known about the poverty-reducing impacts of tourism across a range of developing countries to answer three questions:

- 1 What are the pathways by which tourism affects the poor?
- 2 What is the evidence of the effects of each of these pathways?
- 3 How can these pathways be measured?

The goal of this book is both practical and urgent – to understand whether a private sector service activity, like tourism, can reduce poverty in developing countries. The lessons emerging from this review are intended to be useful and relevant. We hope this book is used by researchers and students, but also by development practitioners, public policy makers, civil society organizations and those living around and working in the tourist industry.

Our focus is on the economic effects of tourism on destinations. A broad range of economic effects are examined: direct and indirect; financial and non-financial; static and dynamic. While recognizing that the non-economic impacts

of tourism can be important to those living in destinations, the rationale for this focus on economic effects is threefold.

First, there already exists a huge amount of literature focusing on the anthropological, social and environmental impacts of tourism. Research examining the economic effects of tourism on poor people is more limited and, hence, is in greater needs.

Second, the economics literature examining the link between tourism and poverty – such that exists – is a broad church. Findings are scattered across a range of approaches using different research methods and scales of analysis that are developing in splendid, and almost total, isolation from each other. The content and bibliographies of studies on tourism and poverty raise the question of whether many researchers are even aware of the existence of relevant work on the same issue emanating from different stables.

This book has discovered pockets of excellent and relevant scholarship, existing across a broad range of approaches, but with precious little effort to build bridges between these islands of expertise. We face the paradox that the increasing variety provided by greater research specialization has sometimes allowed us to become more, not less, parochial. As with popular music, greater variety has not always delivered greater choice. This book is about synthesis – not just because we all benefit from sharing ideas but because, in doing so, we test and sharpen our own thoughts. ‘Talking Timbukto’ is not a magical album just because the late Ali Farka Toure and Ry Cooder are superb individual musicians; it is because they blended Malian and American blues to create something truly special. This book represents an attempt figuratively to climb a tree to get a broader view of the research landscape and bring these disparate threads of research together.

Third, focusing on the economic effects of tourism on the poor goes to the heart of what is currently the most critical challenge facing development. The first Millennium Development Goal (MDG) – halving the 1995 rate of US\$1-a-day poverty by 2015 – is a promise made at the dawn of the new millennium by global leadership. Partly influenced by the impact on poverty of buoyant growth in Asia and partly by the failure of many social welfare-orientated development programmes to reduce poverty, the focus on how to achieve the first MDG is narrowing. Stimulating an inclusive pattern of dynamic economic growth in developing countries, especially in Africa, is increasingly identified as the central challenge to successfully meeting the MDG targets.

Because relevant academic literature in this field is not abundant – and often not particularly policy relevant or empirically based – a book restricting itself to this type of research would be frustratingly short and inconclusive. To avoid this, we have drawn heavily on the so-called ‘grey’ literature. This is because much of the most relevant research, which has been written for policy makers by practitioners with an interest in poverty impacts, has not been through a formal peer review process. The reader must be as vigilant as the authors in recognizing that we are often dealing with a literature of variable quality, and so have a responsibility to retain a healthy scepticism about claims made without an adequate foundation.

This book focuses on Africa because this continent presents people working in development – and poor people themselves – with the most intractable contemporary development challenge. However, we include work from Asia and Latin America. This partly reflects the global shortage of sound analysis available, so putting up geographic barriers to the use of the limited supply of good work around makes little sense. Also, as illustrated later in this book, whilst tourism has shown impressive rates of growth in parts of Africa, the density of poverty-reducing local linkages is variable. Other places, particularly some parts of Asia, show a different pattern with much stronger links between tourism and poor people in the destination economy. In this sense, limiting our study to Africa simply illustrates the problem – to demonstrate solutions we need to look more broadly.

In the same way that there are different types of poverty, there are also different types of tourism. In this book we have tried to explicitly distinguish between different segments of the tourism market – where material allows. In parts of Africa, mainstream beach tourism and business tourism are more important than the traditional preoccupation with low volume wildlife-related tourism. The rationale for seeking a rich mix of tourism forms is that different types of tourism can have different impacts on the poor – and these differences are important for policy makers. However, the extent to which the existing literature differentiates by segments of the tourist market is generally disappointing.

Statements about the impact of tourism on the poor should also be qualified in terms of which of the resource ‘poor’ are affected. The literature is often not very rigorous in applying terms like ‘poor’ people, ‘local’ people, ‘unskilled’ and ‘semi-skilled’ labour. Local area studies usually implicitly focus on poor households within a destination, and not on poor households elsewhere. The distinction between effects of tourism on poor households within, and outside, tourist destinations often explains why studies at contrasting spatial scales of analysis have different conclusions about the effect of tourism on the poor – they look at different groups of people. In this book we highlight distinctions such as these, where answers to questions about how tourism affects poverty may reflect the research methods used as much as the performance of this sector of the economy.

This book is split into three sections. The first section provides an introduction to the issues covered. In the second section, evidence from the literature about the different pathways leading from tourism to the poor is reviewed. In the third section a critical assessment of the rich variety of tools that researchers have used to measure the effects of tourism on poverty is outlined.

Current debates, policy questions and the lack of data

There are diverse views on the effects of tourism on developing country destinations and the populations within them.

At the multilateral level, the United Nations World Tourism Organization (UNWTO) (previously the World Tourism Organization or WTO) is a sector advocacy organization that has been a firm proponent of tourism's contribution to poverty reduction (WTO, 2001, 2002a). Since 2002 it has specifically recommended the adoption of pro-poor approaches (WTO, 2002b, 2004). The UNWTO New Year message for 2007 stated that this year:

...should be a year to consolidate tourism as a key agent in the fight against poverty and a primary tool for sustainable development (UNWTO, 2007).

Many national governments in developing countries have recent and explicit policy statements asserting a role for tourism in strategies for the reduction of poverty. About 80 per cent of African Poverty Reduction Strategy Papers include a reference to encouraging tourism (Gerosa, 2003). Although tourism advocates often leap on this as evidence that African governments understand the potentially positive role of tourism, the priority afforded to tourism in important policy documents is very much less than more traditional preoccupations with agriculture, rural development and infrastructure.

At a local level many local governments, non-governmental organizations (NGOs) and civil society organizations embrace tourism as a tool to facilitate local economic development. However, the empirical basis for making policy choices or recommendations often appears thin, as Box 1.1 illustrates.

There are others who see the pro-poor potential of tourism as over-stated. Tourism is criticized by some as having high 'leakages', benefiting only a skilled labour 'aristocracy' and representing an unacceptable juxtaposition between the luxury enjoyed by the tourist and the poor living conditions for people situated around the destinations (see Table 1.1). Many Western tourism researchers have highlighted the negative cultural and social effects of tourism on poor local communities and frequently question the supposed economic benefits of trade in tourism services (Diamond, 1977; Broham, 1996; Clancy, 2001; Scheyvens, 2002; Jules, 2005; Slob and Wilde-Ramsing, 2006; UNEP, 2007).

A serious problem confronting organizations that are either euphoric or despondent about the destination effects of tourism is the often worryingly weak empirical basis for their assertions. Strong views seem to be strongly held, often without the burden of credible evidence. Even where data are cited, the analysis is often unable to withstand rigorous scrutiny. Examples of this are the oft-repeated figures about the level of leakages of tourist revenue, dissected further in Chapter 5.

Developing country governments and donors alike are preoccupied with the imperative to allocate scarce investment funds wisely to make optimal use of national assets and maximize sustainable poverty reduction and shared economic growth. Policy makers need information about the extent to which investment in tourism will facilitate meeting their poverty reduction objectives. They need to know how an expansion of tourism demand can affect poverty

Box 1.1 *Support for pro-poor tourism strategies but not measuring impacts*

Harold Goodwin (2006a) observes:

In the last ten years, despite the increasing focus on tourism and poverty reduction, there have been very few reported interventions where any attempt has been made to measure beneficiary impact. With major programmes of intervention underway through SNV and ST-EP there is a pressing need to begin to measure and report impacts.

Sadly, this assertion from one of the leading thinkers in pro-poor tourism (PPT) has much to support it.

The WTO launched its publication *Tourism and Poverty Alleviation* in Johannesburg in 2002 (WTO, 2002b); published recommendations for action on tourism and poverty alleviation in 2004 (WTO, 2004); and has launched a Foundation: Sustainable Tourism – Eliminating Poverty (ST-EP) that is now developing pilot projects in many developing countries. All this is based on the assumption that tourism can be an effective tool for poverty reduction. The WTO called for broad and specific indicators of poverty alleviation resulting from tourism, saying that ‘such reporting may be a condition of any assistance given’ (WTO, 2004). However, to date, WTO and ST-EP are not generating the empirical evidence that would either provide the information for their partners to overhaul tourism policy in a pro-poor way, or would substantiate the benefits of specific interventions.

The bulk of the pro-poor tourism literature has not been aimed at measuring impact but on assessing what strategies can help expand impacts on the poor. While there have been practical reasons to focus on promoting interventions, the lack of quantification of impact is indeed recognized as a weakness in the pro-poor tourism literature by its proponents (Saville, 2001; Poultney and Spenceley, 2001; Nicanor, 2001; Bah and Goodwin, 2003; PPT Partnership, 2004; McNab, 2005; Ashley et al, 2005; Goodwin, 2006a) as well as its detractors (Chok and Macbeth, 2007).

Tourism advisers from the Netherlands Development Organization, SNV, have just completed an assessment of government strategies for increasing local economic impacts of tourism in Rwanda, Kenya, Ethiopia, Tanzania and Mozambique. Not only the assessments, but the policy document and strategies they review, are strikingly devoid of empirical evidence concerning impacts of tourism on poor people, bar some headline employment figures, a couple of pieces of data from village projects and the occasional statistic from a World Bank report (Verdugo, 2007; Weru, 2007; Mtui, 2007; Sarmento, 2007). Policy recommendations have fragile empirical foundations.

Table 1.1 *Examples of claims made by tourism researchers and practitioners*

<i>Negative claims</i>	<i>Positive claims</i>
Up to 85% of the supposed benefits of tourism 'leak' out of developing countries (cited in Bolwell and Weinz, 2008), due to the power of international tour operators (Broham, 1996), foreign ownership, and high import propensity of tourism (Jules, 2005)	Services generally, and tourism in particular, are among the most viable growth paths for developing countries due to relatively low entry barriers and buoyant growth (Benavides and Perez-Ducy, 2001)
Tourism employment is seasonal, low-paying and exploitative (Clancy, 2001; Slob and Wilde-Ramsing, 2006)	Although we need to be cautious of generalizations, 'tourism-led growth' is a reality and the sector often outpaces the manufacturing and agricultural sectors in its relative contribution to economic growth (Lejarraga and Walkenhorst, 2006)
Tourism employment is secured by those with skills, and is not accessible to the poor (Dwyer et al, 2000)	Compared with other sectors, a relatively high share of tourism employment is unskilled or semi-skilled and available to a wider cross-section of the labour market
Poor people are particularly vulnerable to the costs of tourism – wildlife damage to agriculture, opportunity costs of land, lost access to and depletion of natural resources	Tourism creates opportunities for peripherally located markets because the customer comes to the product (the tourist destination or excursion) and makes discretionary expenditure
Tourism expansion crowds out other domestic sectors, leading to de-industrialization and long-term reductions in welfare for the population (Dwyer et al, 2000; Chao et al, 2006)	Tourism has become one of the major sources of GDP growth in many of the Least Developed Countries and a key contributing factor for those that have graduated out of LDC status (Encontre, 2001)

compared, for instance, with another sector. The issue of how government policy can influence the poverty impacts of tourism is of particular concern.

Whilst this book cannot answer all these questions, it provides a start. The review outlines the conceptual links between tourism and poor people. It assembles evidence of the scale of these pathways and highlights some of the variables that appear to affect the strength of these relationships. It also helps in understanding where gaps exist and which gaps should be filled in order to be able to provide policy makers with the sound advice they currently lack.

Why focus on the tourism sector?

At first sight a focus on tourism from people driven by a desire to reduce world poverty seems incongruous. Can you really contribute to fighting poverty from a sun bed by the pool side? For poverty practitioners, tourism has three great attractions.