



Africa Private Sector Development

Tourism: An Opportunity to Unleash Shared Growth in Africa

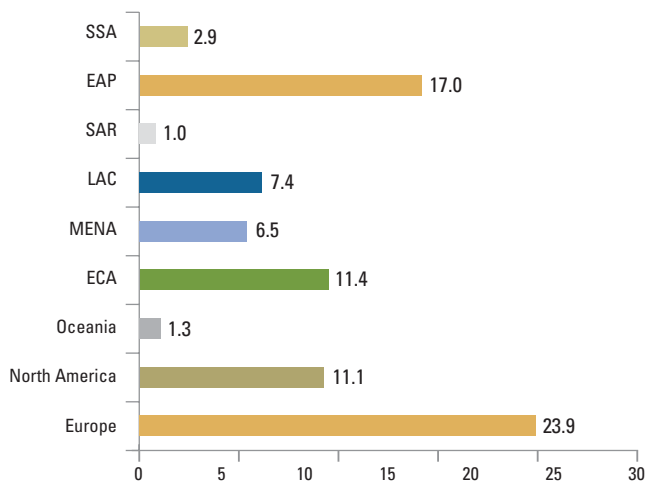
Tourism as a tool for development. The opportunity to use tourism for development outcomes lies in the fact that tourism brings consumers to the product, and unlike any other export, can offer value added directly to the poor by allowing them to participate in providing goods and services to tourists and tourism businesses. In the past 15 years since the birth of “sustainable development”, the tourism industry has evolved a civil society voice variously called “ecotourism”, “responsible tourism”, “pro-poor tourism” or “sustainable tourism” all of which strive for local focus and benefits for the triple bottom line of economic, social and environmental sustainability. The still prevalent business model in mainstream tourism is less altruistic, aspiring to one bottom line: maximizing profits for the supplier. The challenge for developing countries is to find ways to merge the two. The extent to which countries are able to achieve this is dependent on how the sector is managed, its inherent comparative advantages (such as peace and stability with interesting things to see and do) reasonable infrastructure and its competitive advantages (such as the cost of getting there, traveling around and staying there).

Tourism is being targeted because it is growing. Globally, tourism has grown from 25 million international travelers in the 1950s to 808 million in 2005. An impressive 32% of these traveled to developing countries¹ and 24 million traveled to Sub-Saharan Africa (SSA) in 2005.

Tourism grew from 4% to 11.3% as a share of total SSA exports between 1990 and 2003² and international tourism arrivals and receipts have grown at consistently more than 8% between 2000 and 2005³. In 2005 international arrivals to SSA countries grew at 13% with Kenya (26% growth), Mozambique (37% growth), Tanzania (17% growth), Rwanda (16% growth) well above the average. International tourism receipts for SSA were US\$14bn in 2004 (equivalent to total IBRD commitments in 2006) compared to official aid at \$26.1bn and workers’ remittances \$20.5bn for the same year⁴. Tourism (i.e. in hotels and travel and tour agencies) employs about 4 million people in SSA countries and an estimated 10.6 million people if indirect linkages and the informal sector are considered⁵.

Tourism traffic to Africa is growing for a few reasons: consumers’ motivations for travel have changed with more people traveling for more diverse reasons and Africa offers abundant diversity; access from the major source markets (Europe, USA, and Asia) to African destinations is im-

Sub-Saharan Africa Comparative Share of World Tourism (%)



Source: 2006 UNWTO

¹ UNWTO 2006, Annual Report.

² World Bank, 2005 World Development Indicators.

³ UNWTO 2006. Market Trends: Africa

⁴ UNWTO (*ibid.*), 2006. This figure represents direct foreign exchange receipts from international travelers based, however, if indirect and induced receipts from expenditures beyond hotels and travel are included, World Travel and Tourism Council (WTTC) calculates that tourism receipts for SSA countries are closer to US\$23 billion and calculate total economic activity as US\$75 billion.

⁵ World Travel and Tourism Council 2006, Annual Regional Report for SSA.

proving through hubs like Johannesburg, Nairobi, Addis Ababa, and Lagos; there is a major consumer shift away from pre-paid packages to independently organized travel, which increases the distribution options for African products⁶; and Africa itself is a growing market that is driving demand for domestic and regional tourism, both for leisure and business. It is notable that the countries with high growth rates of tourism (listed above) also have focused and funded government strategies directed at tourism infrastructure development and promotion.

Shared and sustained growth in tourism is achievable because African destinations are growing their own capacity to invest and participate in tourism supply chains and are not as dependent on foreign suppliers. The impact on the business model is that a greater proportion of the direct and indirect receipts from tourism accrue in the host country. Though 90% of tourism enterprises in Africa are SMEs⁷, the fact that tourism source markets have fragmented significantly in the past 25 years allows SMEs to be much needed players. The fact that tourism delivers consumers to products presents opportunities for local entrepreneurs and communities who can offer goods and services to tourists as well as other enterprises in the supply chain (such as meat and vegetables to hotels and lodges). The uniqueness of tourism products in different countries and different regions of countries is an inherent comparative advantage from which to create sustainable jobs and incomes. Specific tourism assets such as rare mountain gorillas maintain their appeal and demand despite regional volatility and uncertainty; e.g. the tourism sector in Uganda and Rwanda is growing at over 10% per annum.

The Bank Group is invested. The current active portfolio of tourism-related lending is about US\$3 billion and 114 projects, with a further 17 projects in the FY07/08 pipeline.

Bank-wide, tourism-related lending is dominated by ESSD and INF networks (now Sustainable Development).

Although only three of these projects could actually be called “tourism projects”, they all have significant tourism-related development outcomes such as improved infrastructure (airports, roads, and urban regeneration driven by a government desire to increase tourism), economic diversification, SME development, community-based development, environmental and cultural preservation, and increased employment. Although there is a growing body of knowledge being generated within the Bank Group with PSD, FIAS, IFC, ESSD, INF, PREM and MIGA all involved with tourism-related lending and technical assistance, there is very little expertise within the institution.

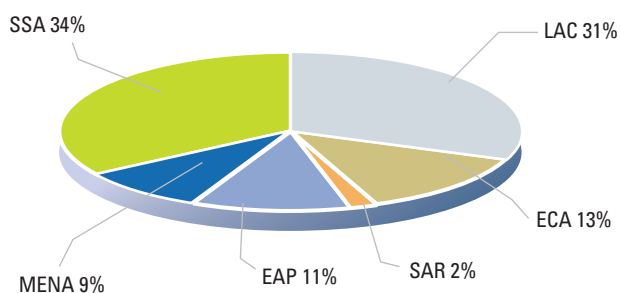
Africa is a focus. 34% of the Bank’s tourism-related lending—US\$915 million and 32 projects—is in the Africa Region (see tables 1 & 2). Tourism has appeared as a stand-alone sector in eight Integrated Framework Diagnostic Trade Studies in the Africa Region and as a chapter in eight Investment Climate Assessments. There have been 16 individual formal pieces of tourism ESW over the past five years in the region (12 of them through PREM and PSD, but also ESSD, INF as well as IFC and MIGA). AFTPS, which currently has eight tourism-related projects on the books and further three in the pipeline, has established a website and database of tourism-related reports, projects and papers and a community of practice within the Bank.

There are also other partners, but cooperation with them and between them is not structured. A range of other donors

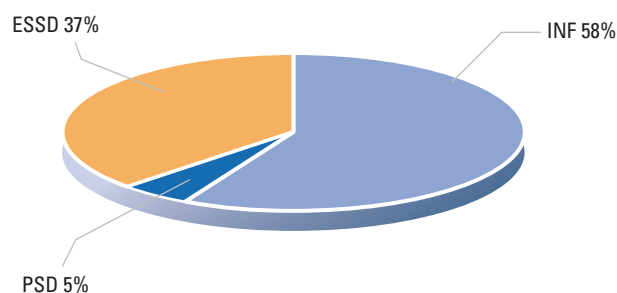
⁶ 60% of travelers to Africa from Europe and the USA use the Internet to source information and 30% of them book through the Internet UNCTAD 2005. eTourism in Africa.

⁷DfID 2000. Sustainable Tourism and Poverty Elimination Study.

Lending by Region



Lending by Network



are also working on tourism-related issues in Africa, most notably: UN World Tourism Organization, UNESCO, UNDP, UNEP, UNCTAD, UNIDO, and WTO. Several bilateral agencies specifically support tourism; DFID, USAID, MCC, GTZ, SNV, NORAD, JICA. There are also several conservation NGOs and Foundations working in this area (including WWF, CI, AWF and the Macarthur Foundation)⁸. Although African governments are swamped with well-meaning but fragmented support to tourism, each donor has specific niches of expertise and preferred areas of support which undermines the potential to achieve meaningful development outcomes. The requirement for multi-sector/multi-donor collaboration to achieve these outcomes needs leadership and government

ownership. Where this is happening (for example South Africa and Rwanda) there are significant results to show⁹.

A more focused and consistent approach to tourism development is needed. Many issues involved in unlocking the development potential of tourism are common across the developing world. In the Africa Region these include: the absence of tourism sector strategies and policies, weak

⁸ See www.dantei.org for the complete list and relevant portals.

⁹ Future best practice postings on AFTPS website: <http://www.worldbank.org/afr/aftps>

Table 1: IFC Tourism Investments in Sub-Saharan Africa
Active as of June 2006

Country and Project	Fiscal Year	Commitment (\$millions)
Total	—	114.79
Burkina Faso, Hotel Independence	05	2.40
Cote d'Ivoire, Novotel Abidjan	98	3.22
Ghana, hangai-La (AEF)	95	.94
Guinea, Grand Hotel	93, 98	4.50
Kenya, Nairobi Hilton	94	6.00
Panari Centre	06	7.50
Kingdom Kenya	06	20.00
Madagascar, Karibotel (AEF)	95	.40
Grand Hotel Madagascar (AEF)	97	1.11
Mali, Grand Hotel de Bamako (AEF)	94, 97, 03	3.82
Mauritania, Hotel Halima	06	2.14
Mozambique, Polana Hotel	92	3.50
Complexo Turistico Oasis (SEF)	97	0.73
Namibia, Pandu Ongdangwa/Cresta Lodge (AEF)	99	1.17
Nigeria, Sheraton Ikeja	81, 85, 88	11.60
Lagos Novotel	03	11.00
Senegal, SEF Royal Saly	00	0.97
South Africa, Spier Estate	00	11.99
Tanzania, TPS(Z) / Zanzibar Serena Inn	91	1.44
TPS(T) / Serena Lodges	93	9.00
Indian Ocean Hotel	00	2.50
Boundary Hill (AEF)	01	.20
Zambia, Marasa/Inter-Continental Lusaka	00	4.60
AEF Michelangelo	01	.20
AEF Chingola Htl	01	.96
Zimbabwe, Victoria Falls Safari Lodge	93	2.90

AEF = Africa Enterprise Fund. SEF = Small Enterprise Fund

statistics and tourism information systems, weak and inconsistent licensing and regulation, targeted infrastructure development, a need for vocational training, skills development and capacity building, a need for tertiary tourism

education, a need to improve institutional performance, better market access tools and techniques, targeted support for SMEs and entrepreneurship, improved public private dialogue, and solutions to land tenure for tourism develop-

Table 2: Current World Bank Lending with Tourism Components in Sub-Saharan Africa

Country and Project	Fiscal Year	Commitment (\$millions)
Total	—	915.88
Benin National Parks Conservation and Management Program	00	7.00
Burkina Faso Partnership for Natural Ecosystem Management	03	18.50
Eritrea Cultural Assets Rehabilitation Project	01	5.00
Ethiopia Cultural Heritage Project	02	5.00
Ghana Community-based Integrated Natural Resources Management Project in Okyeman	99	4.80
Biodiversity Conservation in the Northern Savanna Zone	02	6.50
Natural Resource Management Program	04	18.00
Promoting Partnerships with Traditional Authorities Project	04	5.00
Lesotho and South Africa Maloti/Drakensberg Transfrontier Conservation and Development	02	7.92
Mali Gourma Biodiversity Conservation	05	5.50
Growth Support Project	05	55.00
Madagascar Third Environment Program	04	49.00
Transport Infrastructure Investment Project	04	150.00
Integrated Growth Poles Project	05	129.80
Malawi Mulanje Biodiversity Conservation	01	6.75
Mauritania Cultural Heritage Project	01	5.00
Mozambique Enterprise Development Project	00	26.00
Mozambique Trans-frontier Conservation Areas and Tourism Development Project	05	30.00
Namibia Integrated Community-Based Ecosystem Management	04	7.10
Senegal Private Investment Promotion Project	04	46.00
Seychelles – Improving Management of NGO and Privately Owned Nature Reserves and High Biodiversity Islands	98	5.00
South Africa Richtersveld Community Biodiversity Conservation	04	2.07
The Greater Addo Elephant National Park Project	04	5.50
Cape Biodiversity Conservation and Sustainable Development Project	04	12.30
Swaziland Biodiversity Conservation and Participatory Development Project	04	11.90
Tanzania Eastern Arc Forests Conservation and Management Project	02	7.00
Forest Conservation and Management Project	02	31.10
Central Transport Corridor Project	03	122.00
MSME Competitiveness Project	06	105.00
Uganda Protected Areas Management and Sustainable Utilization	02	35.00
Zambia Support to Economic Expansion and Diversification	04	32.14

ments in rural areas. Typically, most projects include some of these dimensions.

Lessons learned and good practice. Ownership is key throughout the process of tourism development. Current

projects are showing that the participation of a public private working group or forum throughout the process from analysis to action is effective in achieving ownership. Also key is focusing results on beneficiaries. Good measurable results of rehabilitating a cultural monument would be

Table 3: From Analysis to Action; Summary of Current Good Practice

ANALYSIS			TO		ACTION	
Establish Baselines Participants: Consultants, Private Sector, Public Sector			Decision Path Participants: Public Private Forum of Key Stakeholders, SWApS		Growing from the Baselines Participants: Other donors, NGOs as joint IAs, Public and Private Sector (local and international)	
Tools: Public Private Working Group, Tourists Expenditure and Motivation Surveys, Tourism Enterprise Surveys, Market Surveys and Focus Groups, Value Chain Analysis, Household surveys, Input/Output Analysis			Tools: Public Private Platform, Workshops, Establish a Strategic Framework, Critical Path Analysis, Cost/Benefit Analysis, Time Series Analysis, Communication Strategy		Tools: Decentralized and Localized Structures for Implementation and Results Monitoring, Growth Poles and Clusters, Improving the Business Climate, Maintain Public Private Platform, Establish Public Private Partnerships	
Assessing the Economic Impact <ul style="list-style-type: none"> • At the macro level • Within different income groups • Of specific segments 	Assessing the Product <ul style="list-style-type: none"> • Describe and quantify supply chain • Assess infrastructure • Assess resource base • Assess HR capacity in public and private sector • Assess sector management structures • Assess legal and regulatory environment • Assess image and marketing • Compare with others 	Define the Market <ul style="list-style-type: none"> • Define market segments • Define market share • Define market growth potential • Define key growth inhibitors • Define distribution channels 	Developing a Shared Vision for Growth and Desired Outcomes <ul style="list-style-type: none"> • Establish priorities • Define milestones • Establish ownership • Establish partnerships 	Developing a Strategy to Achieve Outcomes <ul style="list-style-type: none"> • Build on previous • Ensure sustainability and realism • Communicate and share strategy • Activate partnerships 	Design and Implementation of a Project	Monitoring, Evaluations and Results
The Process and Actions Required						



the measures of improved visitation, improved income and management, and an improved experience for the tourist, not a confirmation that the rehabilitation was carried out. Finally, staying focused and not trying to do too much is cropping up as a constant challenge. There is a paucity of technical skills and expertise in the public sector to manage a process of growth and the complimentary skills in the private sector to respond to opportunities it offers. Developing these skills need targeted interventions.

A way forward. In the countries with adequate resource endowments tourism offers a way to provide not only a path to shared growth but also a means of sustainable development. The Bank is increasingly being asked for advice on how to realize these objectives but **needs a clear strategy on tour-**

ism in order to respond effectively. The increased demand for tourism related work is engaging the Bank Group across sectors and regions and there is a need for a more strategic approach to sharing knowledge, diagnostics, project design and implementation across the Bank. Perhaps most importantly there is **a clear transition from analysis to action**. As with other sectors of the Bank this requires that the up-front ESW is more detailed and more directed towards the desired outcomes of the individual countries and this is perhaps the direction the World Bank should be moving. An issue in the existing lending portfolio is that the **tourism content has not benefited from adequate resources to carry out the detailed analysis required** in order to design a project—and develop performance indicators and a results framework—that can actually deliver 1000 more jobs or 10 million more dollars into the hands of rural or poor communities.

A compelling example is the approach taken by Rwanda in 2004. The government commissioned ESW to establish sectors with comparative advantage and tourism emerged as one. They then developed a strategy—products to invest in, consumers to consider and sector management—and a focused investment plan including infrastructure, human resource development, and marketing. They added a results layer and are implementing the plan, aiming to invest US\$100 million and demonstrate US\$345 million in returns over a seven-year period. They are currently two years ahead of their targets having already invested US\$30 million and already seeing 2005 foreign exchange earnings from tourism rise to US\$75 million (from US\$32 million in 2004).

This note is part of a series of Briefing Notes from the Africa Private Sector Unit on leading edge topics. The authors were Demba Ba and Shaun Mann. Iain Christie, Agata Pawlowska and Dileep Wagle provided comments. For further information please contact Demba Ba at dba@worldbank.org or Shaun Mann at smann@worldbank.org. A copy of the note is available from www.worldbank.org/afr/aftps.